INNOVATION STRATEGY AND PERFORMANCE OF SOCIAL ENTERPRISES IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented to any university, college or institution, for the conferment of any degree, diploma or certificate.

Signature ____________ Date 22nd November 2023

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D61/9688/2018

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

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DEDICATION

I dedicate this project to my daughter, Amber.

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I thank my Supervisor, Prof. Justus Munyoki, for his objective guidance for a successful project. Thanks to my lecturers as well as colleagues at the University of Nairobi for the knowledge they shared with me which eased the project development process. Finally, I thank my family and friends who provided paramount support during the project writing process.

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LIST OF ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
PLC	Public Limited Company
PLS	Partial Least Squares
SEM	Structural Equation Modeling
SESOK	Social Enterprise Society of Kenya
SPSS	Statistical Package for Social Sciences

ABSTRACT

The objective of this study was to establish the effect of innovation strategy on the performance of social enterprises in Kenya. It was based on social innovation and Schumpeter's innovation theories. This study adopted a descriptive/cross-sectional design. This study targeted the 15000 social enterprises in Kenya with headquarters within the Nairobi County. The study sampled 99 social enterprises in Nairobi calculated through the Yamane formula through stratified random sampling. This study adopted primary data from the top officials of social enterprises in Kenya using a structured questionnaire. The data was analyzed using descriptive and regression analysis. Regression analysis was used to establish the effect of innovation strategy on performance of social enterprises. The SPSS software was used in generation of statistics for analysis. From the regression analysis, a strong relationship existed between the innovation strategies (product innovation, process innovation, marketing innovation and organizational innovation) and organizational performance. This was reflected in the R value of 0.661. The model further an R square value of 0.437 indicating that they contributed 43.7% to organizational performance. From the ANOVA table, the F-statistics (15.158) showed a p-value of $0.00 < 0.05$. This shows that the model was significant. From the descriptive statistics, the study concluded that social enterprises had adopted innovation strategy in their businesses: product, process, marketing and organizational. From the regression coefficients, product innovation had a positive coefficient against organizational performance. Further, Process, marketing and organizational innovation also showed positive regression coefficients. The study concluded that product, process, marketing and organizational innovation has a positive effect on the performance of social enterprises in Kenya. The study recommended that social enterprises in Kenya to increase their levels of product adoptions for them to improve their performance levels. Further, the social enterprises need to increase process innovations; increase their market innovations; and increase their organization related innovations for improved performance. The study also recommends future studies based on other factors influencing performance; other innovative strategies influencing performance; and other organizations other than social enterprises.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The potential of creative ways to promote differentiation, value generation, and resource optimization characterizes the link between innovation strategy and performance of social enterprises. Social enterprises may gain financing, adapt to shifting circumstances, and more accurately assess impact by tackling social concerns through creative products, services, processes, or business models. Performance is also enhanced by collaboration, alliances, and a focus on long-term sustainability. It is vital for organizations to match their strategies with their unique missions and configurations since the effect of innovation strategies on social enterprises performance might vary depending on contextual variables.

This study was based on social innovation theory and Schumpeter's innovation theory. The social innovation theory places strong emphasis on the creation and uptake of novel solutions to societal problems. The goal of social innovation theory is to provide novel responses to problems in society and the environment. It has direct application to social businesses since it may influence the development of novel methods that result in favourable social consequences and improved performance. The diffusion of innovations theory by Rogers (1962) explains how innovations spread through different communities and populations. Recognizing how innovative techniques may successfully spread through their target communities or markets can have a bearing on performance of social enterprises.

Social enterprises in Kenya have shown increased performance issues in the recent years. For example, the social enterprises in Nairobi have made losses in the last ten years with less than 10% showing improved financial metrics (Social Enterprise Society of Kenya (SESOK), 2022). On the other hand, they have experienced low levels of coverage in terms of the total number of individuals served. The quality of services has also been a challenge within the social enterprises. Despite this, the social enterprises had adopted innovation strategies in their urge to remain sustainable. These strategies included product, process, marketing and organization innovation strategies. There was need to look at how the innovation strategy influenced the performance of social enterprises in Kenya.

1.1.1 Innovation Strategy

Innovation strategy is the set of strategic choices a firm makes regarding its innovation activity (Kahn, 2018). It is a plan for how the firm will innovate in order to achieve its business goals. This is considered as creating, implementing and accepting new product/services, procedures and ideas. This kind of strategy guides the decision of how an organization utilize available resources to achieve its innovation goal delivering value and creating competitive advantage (Dodgson & Salter, 2017). In social entrepreneurship, innovation is described as new products or services, organizational models and/or production methods that effectively meet social needs and create new social relationship and collaborations (Varadarajan, 2018).

Innovation strategies include product innovation, process innovation, marketing innovation and organizational innovation (Edwards-Schachter, 2018). Product innovation involves novel offerings tailored to beneficiaries' needs, like a mobile app for streamlined microfinance access. Process innovation involves refining service delivery, such as creating more effective teaching methods for education-focused social enterprises. Marketing innovation, crucial for visibility, entails inventive methods to engage target beneficiaries, exemplified by social media campaigns for rural water access initiatives. Additionally, organizational innovation, manifested through strategic structural shifts like partnerships with local hospitals for improved healthcare provision, further empowers these enterprises to address societal challenges with adaptability and creativity.

1.1.2 Organizational performance

According to Drucker (1964), organizational performance is a company's output in relation to its inputs. He claimed that both financial and non-financial measures ought to be used to assess the performance of a company. Organizational performance, according to Porter (1985), is the capacity of an organization to establish and maintain a competitive advantage. He stated that organization's capability to fulfil the requirements of its consumers, innovate, and control costs ought to be used to gauge organizational performance. Organization performance of a social enterprise is a measure of its ability to achieve its social mission and financial goals (Crucke & Decramer, 2016). Organizational performance is measured in financial and non-financial measures. Financial measures include profitability (return on assets, return on equity), costs and revenues (Panno, 2020). Non-financial measures include customer satisfaction, market share (Al-Mamary et al., 2020), service quality and sustainability (Tulcanaza-Prieto, Shin, Lee & Lee, 2020).

In social enterprises, there are several techniques to evaluate the performance of social enterprises. Social return on investment (SROI), that quantifies the monetary value of an investment's environmental and social impact, is computed by dividing an investment's overall social and environmental benefits by its overall expenses (Rikhardsson, Wendt, Arnardóttir &

Sigurjónsson, 2021). Impact investing is additional measure for assessing the performance of social enterprises. It involves the balancing of both financial returns and a beneficial social and environmental impact is the goal of impact investing. Other measures of performance of social enterprises include number of individuals served, quality of services and sustainability measures (Phan, Nguyen, Dang & Le, 2021). The number of clients, patients, or learners covered can be used as a proxy for the total number of individuals served. Additionally, it may be determined by the quality of services as determined by independent assessments, staff surveys, and consumer surveys. Monitoring income, costs, and cash flow allows for the measurement of social enterprise performance considering sustainability measure.

1.1.3 Social Enterprises in Kenya

A social enterprise is an organization which utilizes business strategies to benefit society or the environment by maximizing social impact alongside profits. These businesses employ business tactics to fulfil their social objectives. For instance, a social company that offers education to young people from low-income households might impose tuition, though it might additionally provide financial aid to those who can't afford it. The origins of the social enterprise business model in Kenya can be traced back to the 1980s, as the country was going through a lot of economic restructuring. Social enterprises are swiftly growing in Kenya and span out in almost all sectors of the economy. By 2022, there were over 50,000 registered social enterprises in Kenya (British Council, 2022).

Kenyan social entrepreneurs are experimenting in a variety of methods. For instance, certain individuals are utilizing technology to increase access to healthcare and education. Others are coming up with fresh ideas for bringing in money for underprivileged areas. In Kenya, social companies have a mixed record of success. Whilst few have enjoyed outstanding achievements, some have had difficulty turning a profit. The soundness of a social enterprise's model of operation, the effectiveness of its leadership, and the accessibility of finance are only a few of the variables that influence how well it performs.

1.2 Research Problem

Innovation drives performance in organizations. Innovation is a key component of boosting performance within organizations. Organizations may increase their efficiency, competitiveness, and growth by cultivating an innovative culture and putting forward-thinking plans into action. Innovation makes it possible to create new products, services, and business models that address changing consumer demands and market dynamics, increasing market share and profitability. Additionally, innovation promotes resource optimization, which results in improved processes and cost savings. Social enterprises encounter performance challenges. which may limit their impact to the society. Innovation, nevertheless, may support social enterprises in overcoming such challenges and fulfilling their performance goals.

The social enterprises have adopted an innovation strategy in their operations with more than 50% of the social enterprises in Kenya operating in the digital space. This has been reflected in product, processes, marketing and organization innovations. However, social enterprises in Kenya have shown performance issues in the recent years. More than 70% of the social enterprises have made losses with the organizations experiencing increased costs. Further, the number of beneficiaries had been reducing in the recent years for majority of these enterprises. Was the innovation strategy related to the performance challenges?

Empirically studies have shown that the relationship between innovation strategy and performance is not defined. This is shown by studies showing positive with others showing negative or insignificant relationships. For example, Rajapathirana and Hui (2018) did research on connection of innovation capability, innovation type, and firm performance establishing a positive relationship of innovation strategy and organizational performance. The findings were supported by the study by Zhou, Zhou, Feng and Jiang (2019) on role of innovation on dynamic capabilities and organizational performance. However, Soto Setzke et al. (2023) in their study on the role of digital transformation strategies found negative relationship between the two. Further, Edeh, Obodoechi and Ramos-Hidalgo (2020) on the effects of innovation strategies on performance found no significant effect of innovation on performance.

In Kenya, Ojwang, Gachigo, Kahuthia and Muraguri (2019) studied innovative strategy and performance of Safaricom PLC in Nairobi Metropolis while Wangui, Faith and Ng'ong'a (2019) looked at strategies for improved performance adopted by social enterprises in Kenya. On the other hand, Chege, Wang and Suntu (2020) studied the impact of information technology innovation on company performance in Kenya; while Gichunge and Mbebe (2022) studied the influence of access to social capital on performance of social enterprises in Nairobi County. The studies showed conceptual gaps where different variables were looked at. For instance, Ojwang, Gichunge and Mbebe (2022) looked at access to social capital, while Wangui, Faith and Ng'ong'a (2019) looked at general strategies for performance other than innovation strategy. The studies also showed contextual gaps where they based their studies in different sectors. For example, Gachigo, Kahuthia and Muraguri (2019) involved technological firms other than social enterprises. The studies also showed methodological gaps where the research methods were different. The question is: What was the effect of innovation strategy on the performance of social enterprises in Kenya?

1.3 Research Objective

The objective was to establish the effect of innovation strategy on the performance of social enterprises in Kenya

1.4 Value of the Study

In terms of practical implications, this study offers actionable insights for social enterprises operating in Kenya. By elucidating the direct impact of innovation strategies on performance, it provides guidance on how these enterprises can effectively channel their resources towards innovation efforts. The study's findings can help practitioners, like management of social enterprises, make informed decisions about which innovation strategies to prioritize based on their potential to yield positive performance outcomes, thus aiding in resource allocation and strategic planning within these organizations.

From a policy perspective, the study's outcomes hold significance for policymakers, regulatory bodies, and governmental agencies focused on supporting the social entrepreneurship ecosystem in Kenya. The empirical evidence on how innovation strategies can enhance social enterprise performance can inform the design and implementation of policies that foster a favourable environment for innovation-driven growth. Policymakers can tailor their initiatives to incentivize and facilitate the adoption of innovative practices within social enterprises, thereby catalyzing positive social impact and economic development.

This study in its contribution to theory makes it valuable to the researchers, and academicians. It contributes to theoretical advancement by providing empirical insights into innovation-performance dynamics, practical guidance for social enterprises to promote innovation-led growth within the social entrepreneurship landscape in Kenya. The researchers will get a basis for further research on innovation strategy and organizational performance. This will be based on the research gaps existing within the study. This study may add to the literature on innovation strategy and organizational performance which academicians may use in their academic assignments.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, researcher reviews empirical and theoretical literature relating to innovation strategy and organization performances. This was based on the theoretical foundation and the empirical review as well as research gaps.

2.2 Theoretical Foundation

This study was based on social innovation and Schumpeter's innovation theory.

2.2.1 Social Innovation Theory

Although it defies one author and possesses origins in numerous socioeconomic trends, Drucker (1987) has made inputs that have helped social innovation theory flourish. It emphasizes the urgent need for social transformation and the importance of coming up with original, innovative solutions to difficult problems related to society and the environment. Among its main tenets is that in order to effect significant change, there must be cooperation across numerous stakeholders, notably governments, charitable organizations, corporations, and community. The fundamental objective of innovation in this situation, according to the social innovation concept, should be to produce beneficial social and environmental effects as opposed to only seeking financial gain.

The concept is nevertheless criticized based on its assumptions. The absence of a widely accepted definition, which can impede its real-world use and assessment, is one persistent criticism. The social environments wherein these innovations take place are complicated and ambiguous, making it difficult to determine cause and effect and evaluate results. Some contend that social innovation typically focuses on minor adjustments as opposed to tackling more profound systemic problems, which could limit its capacity for transformation. In addition, the word "innovation" itself could place too much emphasis on novelty, thereby overlooking the value of scaling up and repeating tried-and-true methods.

However, this study has shown important applications for social innovation theory. It aids such organizations in formulating strategies that prioritize co-creation with interested parties whilst looking for cutting-edge responses to urgent challenges in society and the environment. It additionally offers information for performance evaluation frameworks that evaluate these businesses' social and ecological effects in addition to their financial performance. Additionally, it emphasizes how vital stakeholder participation in the innovation processes is, especially for social enterprises with strong ties to the local populations they benefit. Finally, the theory supported social companies' continued adaptability and responsiveness to changing conditions, helping enterprises to continually enhance their performance.

2.2.2 Schumpeter's Innovation Theory

Innovation theory was developed by Austrian businessman Joseph Schumpeter. His pioneering theories were first presented in 1911. A number of fundamental presumptions underlie Schumpeter's theory. It prioritises entrepreneurship, presuming that businesspeople who are motivated by the desire to make money are the forces behind invention. These businesspeople upend established marketplaces by introducing novel goods, procedures, and ideas. The framework also emphasises the idea of "creative destruction," which holds that innovation invariably results in the demise of current technology, goods, and business structures. In addition, He proposed that innovation occurs in cycles, with faster periods of technical development preceding more gradual phases.

The theory has been criticised. Some contend that it might place too much emphasis on the role of entrepreneurs, thereby ignoring other forces like governmental regulations or cooperative networks. It is also criticised for giving little thought to how economic outcomes would affect society and the environment. Furthermore, it is criticised for failing to sufficiently address systemic socioeconomic issues, which are important considerations for social enterprises.

Schumpeter's innovation theory is relevant to innovation strategy and organization performance. It highlights the value of entrepreneurial effort in bringing about cutting-edge approaches to environmental and social issues. This idea can be put into practice by social entrepreneurs by incorporating performance indicators that assess both their innovations' transformational effects on society and their financial sustainability. To further their goal of having a beneficial social and environmental influence, they might apply the idea of creative destruction to contest preconceived notions and present fresh perspectives on intricate social problems.

2.3 Empirical Review and Research Gaps

Rajapathirana and Hui (2018) undertook an empirical study on the relationship between innovation capability, innovation type, and firm performance based on insurance industry in Sri Lanka. Data was collected from 379 senior managers of insurance companies involving CEOs, general managers and department heads. Descriptive and regression analysis was done through SPSS. A positive relationship existed between product innovation and organizational performances. This study looked at innovation capability and type other than the strategies in their relation to organizational performance. This shows some the concepts were different. Further, the study adopted quantitative data collected using a survey questionnaire.

Zhou, Zhou, Feng and Jiang (2019) studied role of innovation on dynamic capabilities and organizational performance. The researchers employed a longitudinal study design. They used standard questionnaires to collect data from 1,000 companies randomly located in China. The researchers used PLS-SEM as the multivariate statistical data analysis technique. The researchers established a positive connection around innovation strategy (process and marketing) and organizational performance. Despite looking at innovation and organization performance, it was based on dynamic capabilities other than innovation strategies. This created a conceptual gap. Further, the research was done in China creating a contextual gap as the current will be done in Kenya. In addition, it was based on PLS-SEM data analytical techniques with the current adopting a regression data analysis technique.

Soto Setzke et al. (2023) in their study on the role of digital transformation strategies. The study employed a comparative case analysis approach. The study selected a purposive theoretical sampling strategy to select 17 organizations for analysis. Interviewees were done on managers, project managers, and business unit leaders for data collection. They adopted fuzzy-set qualitative comparative analysis based on the themes. The study established organizations found a negative relationship between the two. The study showed conceptual gaps in that the innovation strategies were related to the organization other than specifically to the performance. This shows conceptual gaps. Further, the study shows methodological gaps in that the data analysis adopted fuzzy-set qualitative comparative analysis with the current adopting regression analysis.

Edeh, Obodoechi and Ramos-Hidalgo (2020) looked at effect of innovation strategies on performance. They involved export firms in Nigeria between 2015 and 2019 collecting data via data collection sheet. The study adopted descriptive and regression analysis. Using firm-level data from Nigeria, no significant effect of innovation was found on performance. The study showed contextual gaps in that it was based on Nigerian export companies other than social enterprises as is in the current research. The study was also done in Nigeria presenting a different context from Kenya. Further, the data was analyzed through secondary other than primary data. This shows a methodological gap.

Ojwang, Gachigo, Kahuthia and Muraguri (2019) studied innovative strategy and performance of Safaricom PLC in Nairobi Metropolis based on a descriptive design involving 4167 employees. A total of 365 questionnaires were administeredwith descriptive and regression analysis done. It was established that innovation strategies produced a positive influence on organization performance. Despite looking at innovative strategy and performance, the context was different in that it was based on Safaricom other than social enterprises. This shows contextual gaps. Further, the study adopted a semi-structured questionnaire in the data collection other than a structured one. This shows methodological gaps.

Wangui, Faith and Ng’ong’a (2019) looked at the strategies for improved performance adopted by social enterprises in Kenya based on cross-sectional survey of 70 strategic managers within social enterprises. The study found a positive effect of the strategies (technology, management and resources) on organization performance. The study focuses on the strategies to improve performance other than innovation strategies. This shows a conceptual gap. This study also displays methodological gaps in that it adopted a mix of primary and secondary data with the current adopting primary data.

Chege, Wang and Suntu (2020) studied impact of information technology innovation on company performance in Kenya. A total of 240 enterprises were targeted with structural equation modeling utilized for analysis. It was found that technology innovation influenced company performance positively. It focused on information technology innovation assuming other innovation strategies in relation to company performance. This displays conceptual gaps. Further, the study was done among small and medium-sized enterprises other than social enterprises which showed a contextual gap. Structural equation modeling was adopted for analysis with the current adopting regression analysis. This shows that gaps existed in the research methods.

Gichunge and Mbebe (2022) studied the influence of access to social capital on performance of social enterprises in Nairobi County. The researchers employed descriptive design targeting 216 employees in management levels with 140 respondents sampled via stratified random sampling. Both physical and online questionnaires were administered. Quantitative techniques were employed to analyze data by SPSS on descriptive and inferential analysis. It was found that access to social capital and entrepreneurship risk significantly influenced performance of social enterprises. It shows conceptual gaps where access to social capital other than innovation strategy was related to organizational performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a representation of research methods that was adopted by researcher. This included the research design, data collection and data analysis techniques.

3.2 Research Design

This study used a descriptive/cross-sectional design. A descriptive research design allows for a deep investigation of parameters of study and how certain parameters influence another parameter. The design allowed the researcher to study variables without manipulation. This design is preferred in this research as it enabled researcher to undertake a deep investigation into the innovation strategy in social enterprises and how it influences the performance of these organizations. The design was also fit in the study as it presented the outcomes as they are without manipulation which gave the real picture of innovation strategy and performance of social enterprises in Kenya.

3.3 Study Population

This study targeted the social enterprises in Kenya with headquarters within the Nairobi County. According to the British Council (2022), there are 50,000 registered social enterprises in Kenya. Nairobi boasts of 15,000 registered social enterprises making it to have the highest number of social enterprises among the 47 counties of Kenya. The social enterprises were innovative firms in sectors like education, healthcare, financial services, agriculture, environment and other sectors like entrepreneurship training, waste collection, and telemedicine services. The population was shown by table 3.1.

Table 3.1: Study Population

Sector	**Number**	**Proportion**
Financial services	3000	25%
Education	2400	20%
Healthcare	1800	15%
Agriculture	1800	15%
Environment	1560	13%
Other sectors	1440	12%
Total	**12000**	**100%**

3.4 Sample Selection

This study adopted the Yamane formula to determine the sample size;

$n= N / (1 + Ne^2)$

N= Total Population= 12000

e= Level of error= 10%

n=Sample size

$n=12000/ (1+ [12000*0.1^2])$

n=99

The study used stratified random sampling to select the social enterprises that will be involved in this study. This was based on the stratification of the population based on the sectors of operation and in different proportions. This study sampled 99 social enterprises in Nairobi who were selected purposively to get the most fit to answer the questionnaire.

Table 3.2: Sample Population

Sector	**Number**	**Proportion**	**Sample Population**
Financial services	3000	25%	24
Education	2400	20%	20
Healthcare	1800	15%	15
Agriculture	1800	15%	15
Environment	1560	13%	13
other sectors	1440	12%	12
Total	**12000**	**100%**	**99**

3.5 Data Collection

This study used primary data which was collected from the top most official of social enterprises in Kenya. The data was collected using a structured questionnaire. This enabled the researcher to collect quantitative data from the employees of social enterprises. The questionnaire had closed ended questions with option from which the respondent ticked from. This enabled the researcher to guide the research. It also made it easy for the respondent to fill as it required no extra details.

The questionnaire had three sections. The first section had questions relating to the general information on companies and respondents. The second section had questions related to innovation strategy with the last section having questions relating to organizational performance. The questionnaire was self-administered through the telephone, physical drop-wait-and-pick methodology as well as online administration. This enhanced the response rate as the questionnaire. The administration was done with the assistance of three research assistants which made the data collection fast and within the set timelines.

3.6 Data Analysis

The data was analyzed using descriptive and regression analysis. Descriptive statistics were used to describe the innovation strategy and performance of social enterprises. They involved the use of mean, standard deviation, percentage, and frequencies. Regression analysis was used to establish the effect of innovation strategy on performance of social enterprises. The SPSS software was used in generation of statistics for analysis. The study adopted the following model for analysis:

The model took the form of:

$Y=\beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \mathcal{E}$

Where;

Y = competition

β_0=constant

β_1- β_4= regression coefficients

X_1= Product innovation

X_2= Process innovation

X_3= Marketing innovation

X_4= Organization innovation

$\mathcal{E}$ =other factors influencing organizational performance

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter is a representation of data analysis results as well as discussions. The findings are based on the research objective which was to establish the effect of innovation strategy on the performance of social enterprises in Kenya. From the 99 questionnaires administered to the respondents, only 83 were filled and returned. This gave a response rate of 83.8% which was greater than 50% as recommended by Mugenda and Mugenda (2012). Therefore, the response rate was sufficient.

4.2 General Information

This study sought to establish the general information of the respondents. This related to the respondent's age, education level, gender and period worked with current organization. Further, the information related to the sector of operation as well as the period of operation. The findings on age are shown by Table 4.1.

Table 4.1: Age of The Respondents

	Frequency	Percent	Cumulative Percent
Less than 25 years	8	9.6	9.6
25-35 years	29	34.9	44.6
36-45 years	41	49.4	94.0
46-55 years	3	3.6	97.6
More than 55 years	2	2.4	100.0
Total	83	100.0	

Table 4.1 shows that majority of the respondents (55.4%) were aged above 35 years. This is shown by 49.4% who were aged between 36 and 45 years, 3.6% aged between 45-55 years and 2.4% aged above 55 years. Only 44.6% were aged below 35 years. This is reflected in 9.6% aged below 25 years and 34.9% aged 25-35 years. This shows that majority of the managers within social enterprise in Kenya were aged above 35 years. This is accrued to the fact that one needs enough experience to get to the management position which puts the youth to a disadvantage.

The respondents were requested to indicate their highest level of education. The findings are shown in Table 4.2.

Table 4.2: Respondents' Level of Education

	Frequency	Percent	Cumulative Percent
Certificate	12	14.5	14.5
Bachelor's Degree	51	61.4	75.9
Post graduate Degree	20	24.1	100.0
Total	83	100.0	

As given in table 4.2 on the highest level of education, the majority of the respondents (85.5%) indicated that they had a bachelor's degree. This is reflected in the 61.4% who had a bachelor's degree as their highest level of education and 24.1% who had a post graduate degree. Only 14.5% of the respondents had a certificate as their highest education. This is an indication that the top management of social enterprises has a bachelor's degree which enables them to understand how innovation strategies influence the performance of their social enterprises.

The respondents were also requested to indicate their gender. The findings are shown in Table 4.3.

Table 4.3: Gender of the Respondents

	Frequency	Percent
Male	59	71.1
Female	24	28.9
Total	83	100.0

Table 4.3 shows that majority of the respondents (71.1%) were male. However, 28.9% were female. This shows that the management of social enterprises in Kenya is male dominated. However, the study ensured gender inclusivity avoiding gender bias in the research.

The respondents were asked to indicate the sector their enterprises operated in. The results were shown by Table 4.4.

Table 4.4: Sector of Operation

Sector	Frequency	Percent
Financial services	20	24.1
Education	17	20.5
Healthcare	14	16.9
Agriculture	13	15.7
Environment	10	12.0
Other sectors	9	10.8
Total	83	100.0

From Table 4.4, 24.1% of the respondents indicated that their enterprises operated in the financial services sector. However, 10.5% indicated education sector, 16.9% health care, 15.7% agriculture and 12% indicated environment sector. On the other hand, 10.8% indicated other sectors like construction, technology, manufacturing, energy and transport. Other sectors were entrepreneurship training, waste collection, and telemedicine services. This shows that the social enterprises operate in various sectors across Kenya with most found in financial services.

The respondents were asked to indicate the number of years their enterprises had been in operation. The results were shown by Table 4.5.

Table 4.5: Period of Operation

	Frequency	Percent	Cumulative Percent
Less than 10 years	15	18.1	18.1
10-20 years	55	66.3	84.3
21-30 years	13	15.7	100.0
Total	83	100.0	

The respondents were asked how long their enterprises had been in operation. Table 4.5 shows that just 18.1% indicated that their enterprises had operated for less than 10 years. However, a majority (81.9%) indicated that their enterprises had operated for more than 10 years. This is reflected in the 66.3% who indicated 10-20 years and 15.7% who indicated 21-30 years. This shows that majority of the social enterprises in Kenya have been in operation for more than 10 years indicating that they have operated for time enough to have felt the effect of innovation on their performance.

This research sought to establish the period of time that respondents had worked in their current enterprise. The findings are shown by Table 4.6.

Table 4.6: Time Worked with Current Enterprise

	Frequency	Percent	Cumulative Percent
Less than 5 years	30	36.1	36.1
5-10 years	31	37.3	73.5
11-15 years	14	16.9	90.4
16-20 years	8	9.6	100.0
Total	83	100.0	

Table 4.6 shows that just 36.1% indicated that they had worked in the current enterprise for less than 5 years. This shows that majority of the respondents (63.9%) had worked for more than 5 years. This was shown in 37.3% who indicated 5-10 years, 16.9% who indicated 11-15 years and 9.6% who indicated 16-20 years. This stipulates that majority of the managers have worked in their current enterprises for time enough to have experienced the effect of innovation strategies on the performance of their enterprises.

4.3 Innovation Strategies

This section presents the descriptive statistics relating to the status of innovation strategies within the social enterprises in Kenya. This related to product, process, marketing and organizational innovations.

4.3.1 Product Innovation

This research sought to describe the product innovation as an innovation strategy. From the findings on the level of agreement on statements relating to product innovation Table 4.7 presented the outcome.

Table 4.7: Product Innovation

	Mean	Std. Deviation
My enterprise has innovative products and services	4.2771	.81620
My organization offers products tailored to beneficiaries' needs	4.3855	.60145
Our products are differentiated from the competition	3.9518	.86819
My enterprise has new service offering to improve productivity	4.0482	.79486

From Table 4.7, the respondents agreed that their enterprises had innovative products and services (M=4.2771; SD=0.81620). They also agreed that their organization offered products tailored to beneficiaries' needs (M=4.3855; SD=0.60145); their products were differentiated from the competition (M=3.9518; SD=0.86819) and that their enterprises had new service offerings to improve productivity (M=4.0482; SD= 0.79486). This shows that the social enterprise had adopted product innovation in their innovation strategy.

4.3.2 Process Innovation

The study findings described the process innovation among social enterprises. Here, the respondents were asked to indicate their level of agreement on statements relating to process innovation. The findings are shown by Table 4.8.

Table 4.8: Process Innovation

	Mean	Std. Deviation
My organization has adopted new ways of improving efficiency and effectiveness of the delivery process	4.0964	.67380
The management do regular reviews of the existing processes in my enterprise	4.0964	.65545
My organization allows the employees to try new ways of handling their tasks	3.8072	.96850

My organization has experienced improvement in the processes	3.9759	.81114
My organization uses innovative technology for improved processes	4.3253	.70032

From the Table 4.8, the respondents agreed that their organizations had adopted new ways of improving efficiency and effectiveness of the delivery processes (M=4.0964; SD=0.67380). They also agreed that managements did regular reviews of the existing processes in their enterprises (M=4.0964; SD=0.65545); allowed the employees to try new ways of handling their tasks (M=3.8072; 0.9685); and experienced improvement in the processes (M=3.9759; SD=0.81114). They further agreed that their organization used innovative technology for improved processes (M=4.3253; SD= 0.70032). This shows that process innovations were done within the social enterprises.

4.3.3 Marketing Innovation

The study described marketing innovation within social enterprises. The findings were shown by Table 4.9.

Table 4.9: Marketing Innovation

	Mean	Std. Deviation
My organization has come up with new pricing strategy	3.6747	.93845
My organization adopts modern promotional techniques	3.6867	1.03509
My organization had adopted innovative ways for reduced marketing costs	3.5904	.95043
New product development techniques are adopted by my organization	3.7349	.97636
My organization adopts digital platforms in marketing their products	3.9880	1.17384

Table 4.9 showed that the respondents agreed that their organizations had come up with new pricing strategies (M=3.6747; SD= 0.93845). They further agreed that their organizations adopted modern promotional techniques (M=3.6867; SD=1.03509); and had adopted innovative ways for reduced marketing costs (M=3.5904; SD=0.95043). The respondents also agreed that new product development techniques were adopted by their organizations (M=3.7349; SD=0.97636); and that their organizations adopted digital platforms in marketing

their products (M=3.9880; SD=1.17384). The findings showed that the social enterprises adopted marketing innovations in their innovation strategy.

4.3.4 Organizational Innovation

The study findings described the process innovation among social enterprises. The findings were shown by Table 4.10. Here, respondents were requested to state their agreement on statements relating to organizational innovation.

Table 4.10: Organizational Innovation

	Mean	Std. Deviation
My organization adopts a culture that supports innovation	4.1566	.93028
My organization adopts modern technologies in its business	4.2651	.92505
My organization adopts a flexible working plan among the employees	3.9759	.93673
Communication in my organization is based on creative and innovative channels	3.9518	1.06957

Results in Table 4.10 showed that the respondents agreed that their organization adopted culture that supported innovation (M=4.1566; SD=0.93028). They further agreed that their organizations adopted modern technologies in their businesses (M=4.2651; SD=0.92505); and flexible working plans among the employees (M=3.9759; SD=0.93673). They also agreed that communication in their organization was based on creative and innovative channels (M=3.9518; SD=1.06957). This shows that social enterprises had adopted organizational innovation in their innovation strategy.

4.4 Organizational Performance

The study sought to describe the performance of social enterprises. Table 4.11 presents the results.

Table 4.11: Organizational Performance

	Mean	Std. Deviation
My enterprise has been experiencing an improved customer satisfaction in the recent years	3.7952	.79263

The financial returns for my enterprise have been increasing in recent years	1.5422	.84538
My enterprise assists a large number of individuals	3.8072	.98101
The quality of services within my enterprise is good	4.1566	.67140
Within my enterprise, the level of income is high	2.4096	.85591
My enterprise has high costs in its profile	4.0482	.81005

On organizational performance, the respondents agreed that their enterprises had been experiencing an improved customer satisfaction in the recent years (M=3.7952; SD=0.79263). They also agreed that their enterprises assisted a large number of individuals (M=3.8072; SD= 0.98101); and had high costs in their profiles (M=4.0482; SD=0.81005). However, the respondents disagreed that the financial returns for their enterprises had been increasing in recent years (M=1.5422; SD=0.84538); the quality of services within their enterprise was good (M=2.1566; SD=0.67140); and that within their enterprises, the level of income was high (M=2.4096; SD= 0.85591). This shows that majority of the social enterprises performed poorly in terms of costs, revenues, customer satisfaction and financial returns.

4.5 Effect of Innovation Strategies on Organizational Performance

This study sought to establish the effect of innovation strategies on the performance of social enterprises in Kenya. The study adopted regression analysis with results shown by Tables 4.12, 13 and 14.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661[a]	.437	.409	.34255

a. Predictors: (Constant), Organizational innovation, Process innovation, Marketing innovation, Product innovation

From the model summary (Table 4.12), the R value was 0.661. This stipulates that a strong relationship existed between the innovation strategies (product, process, marketing and organizational innovations) and organizational performance. The table showed an R square value of 0.437. This stipulates that innovation strategies contributed a 43.7% to the variability of organizational performance among the social enterprises. Other factors contributed the remaining 56.3% variability among the social enterprises.

Table 4.13: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.114	4	1.779	15.158	.000[b]
	Residual	9.152	78	.117		
	Total	16.267	82			

a. Dependent Variable: Organization Performance
b. Predictors: (Constant), Organizational innovation, Process Innovation, Marketing Innovation, Product Innovation

From the ANOVA table, the F-statistics (15.158) showed a p-value of $0.00 < 0.05$. This shows that the model was significant and therefore had a good fit to the data. This also stipulates that innovation strategies had a significant effect on organizational performance of social enterprises.

Table 4.14: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.856	.472		3.931	.000
	Product Innovation	.378	.094	.369	4.012	.000
	Process Innovation	.382	.102	.332	3.765	.000
	Marketing Innovation	.648	.150	.387	4.316	.000
	Organizational Innovation	.288	.110	.239	2.626	.010

a. Dependent Variable: Organization Performance

From the regression coefficient table

$Y=\beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \mathcal{E}$ was fitted into

$Y=1.856+ 0.369X_1+ 0.332X_2+ 0.387X_3+ 0.239X_4$

From the equation, holding all the innovation strategies constant, the organizational performance would be 1.856. Further, the equation shows that a unit increase in product innovation would increase organizational performance by 0.378 (p=0.000). In addition, a unit increase in process innovation would lead to an increased organizational performance by 0.382 (p=0.000) while a unit increase in marketing innovation would lead to an increased organizational performance by 0.648 (p=0.000). Moreover, increased organizational innovation by a unit would increase organizational performance by 0.288 (p=0.010). The innovation strategies showed p values of less than 0.05 indicating that they had significant effect on organizational performance.

4.6 Discussions

From the findings an increase in product innovation would increase organizational performance. This shows that product innovation had a positive effect on organizational performance. Therefore, enterprises that increase their product innovations experienced improved performance. The positive effect can be as a result of increased competitive advantage brought about by unique products by the enterprises. It can also be accrued to the increased customer satisfaction from products based on customer needs and preferences which also attract and retain customers. Products innovations can also enable the enterprises to open up new streams which would lead to increased revenue among the enterprises leading to improved performance. The findings are similar to Rajapathirana and Hui (2018) who found a positive relationship between product innovation and organizational performances. However, they differed with those of Edeh, Obodoechi and Ramos-Hidalgo (2020) who found no significant effect of innovation on performance.

The findings also showed that an increase in process innovation would lead to an increased organizational performance. This reflects that process innovation had a positive effect on organizational performance. This indicates that an increased innovations related to the process within an organization would improve the performance of organizations. Improves processes streamlines workflows and remove any bottleneck which in turn enhances productivity and improved service delivery. The improvement of process through innovations reduces costs which improves operational efficiency as it makes the utilization of resources efficient. This in turn enhance organizational performance. Process innovations also increases organizational agility which enables it to overcome the challenges that come with the business environment with ease. This in turn enhances competitive advantage within the organization hence a positive effect on performance. The findings are similar to those of Zhou et al (2019) who found a positive connection around process innovation strategy and organizational performance. However, they differed with those of Edeh, Obodoechi and Ramos-Hidalgo (2020) who found no significant effect of innovation on performance.

Moreover, the findings showed that increase in marketing innovation would lead to an increased organizational performance. This stipulates that marketing innovation displayed a positive effect on organizational performance. The positive effect may be as a result of increased market differentiation which has enabled the enterprise to offer various products to their target consumers. This attracts more customers and enhance the market presence of the enterprise. Further, innovative marketing enables enterprises to enhance their brand image which lead to increased consumer loyalty. In addition, improved customer engagement through innovative marketing techniques brings repeat businesses and build strong relationships which in turn enhance organizational performance. Marketing innovations can also open up new markets which would increase the number of customers, hence increased revenues. The findings are in line with Zhou et al (2019) who found a positive connection around marketing innovation strategy and organizational performance. However, they differed with those of Soto Setzke et al. (2023) who established a negative relationship between innovations and performance.

Further, increased organizational innovation was found to increase organizational performance. This shows that organizational innovation positively affected organizational performance. Innovative organizations are dynamic and are able to survive and thrive in business environments. Innovation also creates a strategic advantage within an industry which attracts customers and enhance performance. This is gained through continuous improvement of an organization which in turn enhance their performances. The findings are the same as those of Chege, Wang and Suntu (2020) found that technology innovation influenced company performance positively. They are also aligned to those of Ojwang et al (2019) who established that innovation strategies produced a positive influence on organization performance. However, they differed with those of Edeh, Obodoechi and Ramos-Hidalgo (2020) who found no significant effect of innovation on performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is a representation of the summarized results as well as conclusions. The chapter also presented the recommendations, limitations and areas for further research.

5.2 Summary of Findings

From the findings on product innovation, the respondents agreed that their enterprises had innovative products and services. They also indicated that their organization offered differentiated products tailored to beneficiaries' needs with new service offerings to improve productivity. On process innovation, the respondents indicated that their organizations had experienced improvement in the processes through innovative technology and regular reviews. The also improved the processes through adoption of new ways of improving efficiency and effectiveness of the delivery processes with the employees allowed to try new ways of handling their tasks.

For marketing innovation, the respondents agreed that their organizations had come up with new pricing strategies. They had also adopted modern promotional techniques and innovative ways for reduced marketing costs. The enterprises had also adopted new product development techniques and digital platforms in marketing their products. On organizational innovation, the respondents agreed that their organization adopted culture that supported innovation. They further indicated that their organizations adopted modern technologies in their businesses and flexible working plans among the employees. Further, within the enterprises, communication was based on creative and innovative channels.

On organizational performance, the respondents agreed that their enterprises had been experiencing an improved customer satisfaction in the recent years. They also agreed that their enterprises assisted a large number of individuals but had high costs in their profiles. However, the respondents disagreed that the financial returns for their enterprises had been increasing in recent years; the quality of services within their enterprises was good; and that within their enterprises, the level of income was high.

From the regression analysis, a strong relationship existed between the innovation strategies and organizational performance. Further, innovation strategies contributed a 43.7% to the variability of organizational performance among the social enterprises. From the ANOVA table, the model was significant with the innovation strategies depicting a significant effect on organizational performance. From the regression coefficients, product innovation had a positive effect on organizational performance. In addition, process innovation, marketing innovation and organizational innovation had a positive effect on organizational performance. Hence, the innovation strategies had positive significant effect on organizational performance.

5.3 Conclusions

From the regression analysis, a strong relationship existed between the innovation strategies (product innovation, process innovation, marketing innovation and organizational innovation) and organizational performance. This leads to the conclusion that innovation strategy has a significant relationship with the performance of social enterprises in Kenya. From the ANOVA table, the study concludes that innovation strategies had a significant effect on the performance of social enterprises in Kenya.

From the descriptive statistics, the study concluded that social enterprise had adopted product innovation in their innovation strategy. From the regression coefficients, product innovation had a positive effect on organizational performance. This leads to the conclusion that product innovation has a positive effect on the performance of social enterprises in Kenya. This depicts that an increased product innovation would lead to increased performance levels among the social enterprises.

In addition, descriptive statistics showed that process innovations were done within the social enterprises. This study, therefore, concludes that social enterprises in Kenya undertake process innovations in their innovation strategy. The regression analysis, on the other hand, showed that process innovation had a positive effect on performance. This shows that process innovation has a positive effect on performance of social enterprises in Kenya. Therefore, enterprises with increased process innovations experience high levels of performance.

The descriptive findings showed that the social enterprises adopted marketing innovations in their innovation strategy. This study, hence, makes a conclusion that social enterprises in Kenya adopt marketing innovations in their innovation strategies. The regression results showed that marketing innovation had a positive effect on organizational performance. This study concludes that marketing innovation has a positive effect on performance of social enterprises in Kenya. This shows that social enterprises in Kenya with high or increasing marketing innovations perform better compared to those that have low or reducing marketing innovations.

From the descriptive analysis, the social enterprises had adopted organizational innovation in their innovation strategy. This leads to the conclusion that social enterprises in Kenya have adopted organizational innovation in their innovation strategies. Further, regression results showed that organizational innovation had a positive effect on organizational performance. Hence, the organizational innovation has a positive effect on performance of social enterprises in Kenya. This shows that the social enterprises in Kenya that adopt an innovative approach in their business perform better compared to those that don't adopt innovation.

5.4 Recommendations

From the findings, product innovation has a positive effect on the performance of social enterprises in Kenya. This depicts that the adoption of product innovations among social enterprises in Kenya enhances their performance. There is need for the social enterprises in Kenya to increase their levels of product adoptions for them to improve their performance levels. This should be done through increased resources towards new product development based on the customer tastes and preferences. It can also be done through increased differentiation among their products and services.

For process innovations, process innovation has a positive effect on performance of social enterprises in Kenya. Therefore, social enterprises need to increase process innovations for improved performance among the enterprises. This could be done through allowing the employees to come up with creative ways of doing their job and supporting them in such endeavors. There is also the need to streamline the processes with recommendations through employee involvement. This would enable the management to get ideas from the people directly influenced by the process which would enhance employee productivity and general performance.

In addition, marketing innovation has a positive effect on performance of social enterprises in Kenya. Therefore, social enterprises in Kenya that adopt marketing innovations to a high level would perform better compared to those that do not adopt marketing innovations in their innovation strategy. There is a need for management in social enterprises in Kenya to increase their market innovations for an improved performance. This can be done through improved pricing strategy where there is differentiation in their pricing strategy. It's also recommended for increased adoption of digital marketing platforms within the social enterprises. These could be in form of social media, search engine marketing, content marketing and pay per click advertising. The adoption of effective new product development strategies would go a long way in assisting the social enterprises improve their performance levels.

For organizational innovation it has a positive effect on performance of social enterprises in Kenya. This shows that the social enterprises in Kenya that increase their adoption of organizational innovation show better performance in comparison to those that have low interest in organizational innovation. For improved performance, therefore, social enterprises in Kenya should increase their organization related innovations. This includes increased adoption of modern technologies in their business operations. It can also be done through adoption of flexible working plans within the organizations which would improve the productivity among the employees and cut on costs. They also need to adopt creative and innovative channels in the communication within the enterprise and enterprises.

5.5 Study Limitations

The lack of will by the respondents to provide the information needed was a key limitation. They feared that the information could be misused by the researcher. However, an assurance was provided to them that it would be used purely for academic purposes. The researcher also sought for consent from the respondents to be involved in the study. Further, no private information was sought from the respondents which made them agree to provide the data required.

The tight schedules among the top managers with the social enterprises also created a challenge. Majority of them indicated that they were busy with their work and were not available for the questionnaire. To overcome this the researcher adopted a combination of physical, telephone and online administration of the questionnaires. The respondents were also assured that the filling of questionnaires would take a few minutes to complete. They were also allowed to filling the questionnaire at the time of availability which enhanced the response rate.

5.6 Suggestions for Further Research

The study makes a few suggestions for future studies. Other researchers ought to undertake a similar research based on other factors contributing 56.3% of the change in performance of social enterprises. They could also undertake same research based on other organizations other than social enterprises which would enable the researcher and readers to compare outcomes. Other researchers also could look at other innovation strategies in their future studies.

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APPENDICES

Appendix I: Questionnaire

Section I: General Information

1. What is your age?
   Less than 25 years [ ] 25-35 years [ ] 36-45 years [ ]
   46-55 years [ ] More than 55 years [ ]
2. What is your highest education level?
   Primary education and below [ ] Secondary education [ ] Certificate [ ]
   Bachelor's Degree [ ] Post graduate Degree [ ]
3. What is your gender?
   Male [ ] Female [ ]
4. In what sector is your enterprise?
   Financial services [ ] Education [ ] Healthcare [ ]
   Agriculture [ ] Environment [ ] Other sectors [ ]
5. How long has your enterprise been in operation?
   Less than 10 years [ ] 10-20 years [ ] 21-30 years [ ]
   More than 30 years [ ]
6. How long have you worked within the current enterprise?
   Less than 5 years [ ] 5-10 years [ ] 11-15 years [ ]
   16-20 years [ ]

Section II: Innovation strategy

1. To what extent do you agree on the following statements relating to innovation strategy in your organization? 1-strongly disagree, 2- disagree, 3- neither agree nor disagree, 4-agree, 5-strongly agree

Product Innovation	1	2	3	4	5
My enterprise has innovative products and services					
My organization offers products tailored to beneficiaries' needs					
Our products are differentiated from the competition					
My enterprise has new service offering to improve productivity					
Process Innovation					

My organization has adopted new ways of improving efficiency and effectiveness of the delivery process					
The management do regular reviews of the existing processes in my enterprise					
My organization allows the employees to try new ways of handling their tasks					
My organization has experienced improvement in the processes					
My organization uses innovative technology for improved processes					
Marketing Innovation					
My organization has come up with new pricing strategy					
My organization adopts modern promotional techniques					
My organization had adopted innovative ways for reduced marketing costs					
New product development techniques are adopted by my organization					
My organization adopts digital platforms in marketing their products					
Organizational innovation					
My organization adopts a culture that supports innovation					
My organization adopts modern technologies in its business					
My organization adopts a flexible working plan among the employees					
Communication in my organization is based on creative and innovative channels					

Section III: Organization Performance

2. To what extent do you agree on the following statements relating to performance of your organization? 1-strongly disagree, 2- disagree, 3- neither agree nor disagree, 4-agree, 5-strongly agree

	1	2	3	4	5

My enterprise has been experiencing an improved customer satisfaction in the recent years					
The financial returns for my enterprise have been increasing in recent years					
My enterprise assists a large number of individuals					
The quality of services within my enterprise is good					
Within my enterprise, the level of income is high					
My enterprise has high costs in its profile					

Thank You