EFFECTS OF INNOVATION STRATEGIES ON FINANCIAL PERFORMANCE: A SURVEY OF INSURANCE FIRMS IN ELDORET

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF POST GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE SCHOOL OF BUSINESS AND ECONOMICS, DEPARTMENT OF BUSINESS ADMINISTRATION,

KISII UNIVERSITY

October, 2016
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DEDICATION

This work is dedicated to my wife Hellen Moige, son Leon Nandwa and daughter Kelsy Kwamboka who supported me throughout the entire time that I was working on this piece of work.
ACKNOWLEDGEMENT

First and foremost my gratitude goes to God for whom by faith I have drawn my strength, hope and determination to keep going. I express my gratitude to Dr. Yusuf Kibet and Dr. Evans Bichanga for their profound influence in my work and patience, guidance and keen interest in helping develop, revise and edit my work together with the constructive criticism they offered.
ABSTRACT

Owing to the dynamic and challenging nature of doing business, globally companies have responded to the challenging and competitive environment. Due to this, companies have formulated strategies for their survival, this include different types of innovation. However, to be able to achieve this, the service delivery process need to be carefully defined, negotiated, and agreed upon considering involved parties' needs, wants and preferences. For an organization to become profitable it must put in place innovative strategies that position itself in market dominance and improve the firm’s overall performance. An innovation strategy has been recognized as a vital tool to confront the competitive pressure in the insurance market environment and also as a tool of improving the financial performance of these firms. The main objectives of this study was to find out the effects of innovation strategies on financial performance of insurance companies in Eldoret town; the specific objectives of the study were to; find out the effect of product innovation strategy on a firm’s sales performance, establish the effect of process innovation strategy on a firms sales performance, assess the effect of promotion innovation strategy on a firms sales performance and find out the effect of pricing innovation strategy on a firms financial performance. The study was based on three theories; diffusion of innovation theory, technology acceptance model and balance scorecard. The study adopted an explanatory survey design with the target population being insurance firms in Eldoret town, Kenya. Target population was 21 insurance companies in Eldoret Town. A structured questionnaire was administered to the respondents. Data was coded and analyzed with aid of statistical package for social sciences (SPSS), the study employed regression analysis method to analyze and test the hypotheses. The study is expected to establish the innovation strategies adopted by insurance firms on financial performance. The results indicated a significant relationship between the product innovation and the product performance (p = 0.001). There was no significant relationship (0.075) between the process innovations and the innovative performance measures. There was a significant relationship (p = 0.000) between the Promotion innovative measures and the market performance measures and that there was a significant relationship (p = 0.000) between the pricing innovative measures and financial performance measures. The study recommended that Insurance firms should undertake market research with an aim of improving their product innovation strategies. This will ensure that the Insurance firms only produce products that fulfill market needs and hence product innovations will have a positive impact on the innovative measures of a firm. Insurance firms should also seek to acquire more credit to assist them invest more heavily on process innovations which would ensure that the organization is able to effectively able to ensure that the products produced are value creating products. The Insurance firms should not invest heavily in the marketing of the products they produce. This will go a long way in ensuring that the firms are able to change the public’s perceptions about the products that they produce and hence they will be able to make more sales on the products that they produce. Finally, Insurance firms must invest in management as management has been identified o positively identify the financial performance measures. The management will assist in allocation of resources and coordination of activities to ensure that the firm is able to get the products to the market and make product sales on the products produced.
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<th>Abbreviation</th>
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<tr>
<td>R&amp;D</td>
<td>Research and development</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<td>ROI</td>
<td>Return on Investment</td>
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<td>ROS</td>
<td>Return on Sales</td>
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<td>KSH</td>
<td>Kenyan Shillings</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Understanding the relation between innovation strategies and performance in both large and small firms is relevant for many scholars, decision-makers and executives of big and micro enterprises such as (Kemp et.al, 2003). The fundamental basis is that firms be encouraged to innovate leading to a better economic performance; higher growth, increased sales, more jobs and higher wages (Sirelli, 2000).

Innovativeness is one of the fundamental instruments of growth to enter new markets, to increase the existing market share and to provide the company with a competitive edge (Gunday et.al, 2011). Motivated by the increasing competition in global markets, companies have started to hold the significance of innovation, since dynamic technologies and real competition in the global arena quickly wear away the value added of existing services and products. Therefore, inventions entails an crucial element of the company strategies for many reasons like applying for manufacturing processes that are more productive, to improve the market, to look for positive image in the perception of the customer and hence to increase justifiable competitive advantage (Gunday et.al, 2011).

Innovation strategy describes the work of innovation and invention and gives the direction for the many innovation implementations, however, the role of innovation in assisting companies attain objectives regarding to growth is often not clear and the revenue development from innovation is not sufficient, except when managed with great precision (Oslo Manual, 2005).

While there is many theories about and many good articles on innovation strategies, many organization fail to grow and implement an innovation strategy that is inventions with market effect. However, new companies may have various meanings, starting from new in the market to new once in particular industry, but already recognized in another firm to new to a firm. The term strategy infers that something having a potential and huge effect on the firm (Kuratko et. al, 2005).
Specifically over the last few years, innovativeness has over time twisted into a different area of study for those scholars who tried to define, classify and examine its performance effects, particularly because of its applied relevance (Gunday et.al, 2011). Innovations give firms strategic direction to overcome the challenges they go through while trying to attain justifiable competitive advantage (e.g. Drucker, 1985; Hitt et. al, 2001; Kuratko et. al, 2005).

Introduction of new and better product decides the future of a firm these days. Innovation can be seen to be successful introduction of specific novel and useful things. It typically exists in the stage of creative notions, but is not similar. Innovation entails acting on the creative ideas to make particular and considerable differences in the scope in which innovation has been implemented. Therefore innovation is the implementation of new thoughts to the products, processes, and management practices and marketing, or any other features of organization activities that lead to better value (Oslo Manual, 2005).

It is clear that organizations have various stages of innovative abilities, however innovative actions require to be intensive on many features instantaneously like new products, new firms and marketing practices, and new procedure technologies (Drejer, 2002; Garcia and Calantone, 2002; Johannessen et. al, 2001.;). Moreover, as Damanpour and Evan (1984) argued that a well-adjusted rate of acceptance of administration and mechanical innovations are effective in helping firms to preserve and better their performance level than implementing them alone. Though innovation literature does not show a conclusion whether a particular innovation type is likely to give less or more an effect on performance of a company, it can be concluded that inventions determine each other and need to be implemented in conjunction (Walker, 2004).

Moreover for any innovation to be considered successful it must have a positive impact on the performance of a firm (Gunday et. al, 2011). Thus innovative performance is the combination of overall organizational achievements due to rejuvenation and efforts improvement done in consideration of many features of firm innovativeness, i.e. processes, products, management structure, and marketing (Gunday et.al, 2011). Therefore innovative performance is a composite construct (Hagedoorn and Cloodt, 2003) basing on many indicators of performance, for instance, to the new rights, new product publications, new plans, new processes, and new arrangements of the organization (Gunday et.al, 2011).
An essential performance measure would be the development in creating value through invention. Further, innovation efforts require be monitoring and allocating and controlling, as they would be seen as vital and scarce resources, to be used in a wise manner. Within the firm’s processes, innovation intensity would be assessed or measured. Key measures of performance include number of new ideas, revenue from new market offerings, or process improvement rates and productivity increases or cost reductions through innovation (Samson, 2010).

In conclusion having a clear understanding of the exact nature of inventions will assist firms to give priority to their market, production and technology strategies, to be followed by appropriate subsequent action plan.

Before independence in Kenya, the insurance sector was governed by the provisions of the Companies Act.7. This was a regulation that governed the processes of companies and consequently, insurance companies fell under this law. During the post-independence time, the government decided to come up with a legislative background to particularly control the insurance industry. The Act had many provisions which wanted to address some of the drawbacks that faced the industry at the time. It provided for local integration, minimum capital needs, reinsurance arrangements and involvement in the management and eventual closure of insurance companies. With regard to public service vehicles, the relevant law provided for a third party liability system (Samson, 2010).

Initially aiming at ensuring compensation for accident victims, this system turned out to be the worst nightmare for insurance companies. The system contributed to the emergence of industry wide cartels whose sole aim was to defraud insurance companies, a situation further compounded by the fault system. One of the hallmarks of the 1964-1984 period were the 1978 government directives issued by the then Minister of Finance. The directives were meant to promote local ownership of insurance companies where it was made mandatory for all insurance companies operating in the country to purchase part of their reinsurance locally.

However, these directives did not fully achieve the desired outcome it is arguable that they actually contributed to worsening the already prevailing situation in the insurance industry. The collapse of many insurance companies in the country during the 1990s coupled with the numerous problems that bedeviled the sector necessitated amendments to the relevant laws that govern insurance. The first set of important changes to the Act was made in 2003. Therefore it is
against this background that the study seeks to investigate innovation strategies that improve financial performance

In today’s competitive environment, the insurance industry plays an essential role in countries’ economic growth and development. Innovativeness is one of the basic tool of growth policies to venture into new markets, to boost the existing market share and to give the firm with a competitive advantage. Motivated by the increasing competition in global markets, firms have begun to appreciate the importance of innovation, since swiftly changing technologies and severe global competition quickly wear away the value added to existing products and services. Therefore, innovative policy has got an essential significance for such institutions and makes them to improve the future by adjusting to the environment that formulates the insurance policies (Kettunen, 2006).

Companies are becoming increasingly more dependent on providers of services to improve performance at a competitive level according to investors and demands in the market. However, have the ability to attain this, the innovative strategies requires to be wisely defined, negotiated, and decided on taking into consideration involved needs of the parties, taste and preferences.

For a firm to increase profitability it has to implement strategies that put itself in market domination and improve the organization performance. An innovative strategy has been recognized as a basic equipment to tackle the competitive demands in the insurance market environment and also as a tool of improving the financial performance of these firms (Kettunen, 2006). The insurance sector plays an important role in the country’s socio economic development. As a matter of fact in Kenya, all other industries depend on this sector and any form of destabilization in the sector will affect almost all other sectors in the economy. Thus, innovations create a vital element of the company strategies for many reasons like application of viable manufacturing processes, to do better in the market, to seek positive image in perception of customers and hence increase justifiable competitive advantage (Gunday et.al, 2011).

1.2 Statement of the Problem

In Kenya, many studies have been done such as the effect of strategic positioning on organizational performance by Nyakondo (2010) who did study on the factors determining banking industry to adopt strategic positioning on mobile banking in Kenya. On the other hand,
Kasyoka (2011) did a study on the use of strategic positioning to attain sustainable competitive advantage at Safaricom limited and the findings were that cutting edge technology was helping Safaricom limited in achieving a sustainable competitive advantage.

Although innovation being very evident in most companies, still insurance industry faces a myriad of problems such as over capacity and price wars, poor corporate governance, inadequate legislative and regulatory framework, financially weak insurance organizations, negative public perception and lack of awareness of insurance. Innovation strategies can be proven by the number of new products released in the market every time, improvement of existing products, improved marketing strategies and also improved management tactics employed. The motive behind these numerous innovation activities is to improve firm performance in various aspects like increase of profits, increase market share, and reduce production cost. Despite the numerous benefits of innovation; The researcher has not come across studies that have been conducted on the innovative strategies on financial performance in the insurance industry, which is a very important area of study in Kenya. This study therefore seeks to find out the effects of innovative strategies on financial performance of Insurance companies.

1.3 Research Objectives

1.3.1 General Objective;
The general objective of the study was to assess the effects of innovation strategies that improve financial performance in insurance companies in Kenya.

1.3.2 Specific Objectives

(i) To find out the effects of product innovation strategy on a firm’s financial performance.
(ii) To establish the effect of process innovation strategy on a firm’s financial performance
(iii) To assess the effect of promotion innovation strategy on a firm’s financial performance
(iv) To find out the effect of pricing innovation strategy on a firm’s financial performance

1.4 Research Hypothesis

Ho1: Product innovation has no significant effect on a firm’s financial performance
Ho2: Process innovation has no significant effect on a firm’s financial performance
\textbf{Ho3:} Promotion innovation does not significantly influence a firm’s financial performance

\textbf{Ho4:} Pricing innovation has no significant effect on a firm’s financial performance

1.5 \textbf{Significance of the Study}

This research will help other firms to realize growth strategies to enter improved markets, to increase the existing market share and to provide the company with a competitive edge. They will be able to know which innovation type is most suitable for their organization.

Innovation strategies ensure that customers get better goods and services in the market that will solve their problems and satisfy their needs. This is made possible through improved processes of performing various activities in an organization.

This study is aimed at helping other researchers/academicians to increase their knowledge on the relevance of innovation on firm performance and it will show the gaps requiring further studies in this area.

1.6 \textbf{Scope of the study}

The study focused on innovation strategies that improve financial performance in insurance companies in Kenya. It was customized into those insurance companies within Eldoret town. Questionnaires and interview schedules formed the data collection tools. It was limited to the months of Jan 2015 to Sep 2015. This study specifically dealt with the effects of product innovation strategy, process innovation strategy, promotion innovation strategy and pricing innovation strategy on a firm's financial performance.

1.7 \textbf{Limitations of the Study}

Some of the respondents were unwilling to fill the questionnaires which lead the researcher spending a lot of time explaining about the study.

The respondents were busy with their duties to fill the questionnaire thus the researcher was not able to collect the information in the required time frame. It was difficult to convince the respondents that the information being gathered is purely for academic purposes for fear of being harassed at work for the information given.
1.8 Justification of the Study

This study made a noble contribution in terms of investigating the innovation strategies adopted by the insurance firms and their effect on financial performance. The study also shows important relationship between both performance measures and other innovative indicators. The diffusion theory, technology acceptance model and balance scorecard were reviewed to provide sufficient understanding of how different innovations strategies affect financial performance especially among insurance companies in Kenya.

1.9 Operational Definition of Terms

**Firm:** It is defined as businesses like sole proprietorship and partnership

**Performance:** The results of organization’s activities or investment in a specific .

**Innovation:** It’s the commercial or industrial application of something improved, an improved product, process, or method of production; an improved market or sources of supply; a improved form of commercial business or financial organization

**Insurance industry:** Are insurance firms and intermediaries like insurance brokers and insurance agents, risk managers or loss adjusters who undertake to cover risks of the insured.
CHAPTER TWO

LITERATURE REVIEW

2.1 Review of Theories

2.1.1 Diffusion Theory

This theory is also called the diffusion of innovations theory that was established by Everett Rogers (1995), it concerns the spread of invention, concepts, and technology through culture. The theory has been widely researched by many scholars. It asserts that there are various qualities in various people that make them to adopt or reject an innovation. There are also various qualities of innovations that can make individuals to willingly accept or to reject. According to this theory, there are five phases to the procedure of adopting an innovation. The first stage is information, in which a person is knows of an innovation but has no knowledge about it. Next phase is persuasion where the person is actively interested in finding knowledge about the invention. In the third phase, decision where the person compares the merits and demerits of the innovation and makes a decision to adopt it or not. After the decision is made the execution, in which the person really adopt and use it. Confirmation is the final phase. Here the person makes decision finally on whether to continue using the innovation basing on experience. These phases apply to varying extent, to groups of individuals in addition to other persons.

This theory is relevant to this study since simplicity of use is always a major factor in the adoption of innovations which is agreement with the theory. No matter how good an innovation is, people will be hesitant to adopt it if it is difficult to use and to learn. Most important, though, are observable results. When individuals begin to realize the goodness of innovation they will find it hard to resist adoption of these innovation. These characteristic of the innovation are the utmost significant to diffusion theory.
It is concerned with the extent to which innovations are coming up. Some individuals adopt the innovation instantly and others take time and continue using previous techniques. The rate of adoption is dependent on various issues. If different people give innovation poor appraisals, others are likely to reject or reluctant in adoption.

2.1.2 Technology Acceptance Model

Basing on the theory of reasoned Action, Davis (1986) established the Technology Acceptance Model that deals particularly with the forecast of the suitability of an information system. The aim of this is to forecast the suitability of an instrument and identification of the changes which should be included into the system so as to make it accepted by the users. This model proposes that the acceptance of an information system is solely dependent on two major factors: apparent usefulness and apparent easy usage.

Perceived helpfulness can be termed as being the extent to which an individual believes that usage of a system will better the performance. Perceived easy usage is the extent to which an individual believes that the operation of the system will bear no fruits. Many factorial studies shows that perceived importance and perceived easy usage can be seen as two separate measurements (Hauser et Shugan, 1980; Larcker et Lessig, 1980; Swanson, 1987).
According to Davis (1986) perceived easy usage affects in an important manner the approach of a person through two major means: self-effectiveness and instrumentality. Self-effectiveness is a notion created by Bandura (1982) that give an explanation that the more a system has easy usage, the better should be the user’s sense of effectiveness. Moreover, an instrument that has easy usage makes the user feel that he controls over the system (Lepper 1985). Effectiveness is one of the major factors fundamental inherent motivations (Bandura 1982; Lepper 1985) and it is what demonstrates the direct connection between perceived easy usage and attitude. Perceived easy usage may also underwrite in an instrumental manner in improving performance of an individual. Because of this fact, the client will have to use less energy with equipment that has easy usage; he/she will have the ability to extra efforts to achieve other responsibilities (Davis 1986).

This model is applicable to this study in that, it assumes that the application of an information system is dependent on behavioral aim and the behavioral intention is dependent on the individual attitude towards the introduction of the system and hence affects the adoption of an innovation. According to Davis, the approach of a person is not the only an aspect that determines the use of system, but is also founded on the effect which may have on the Apart from Technology Acceptance Model (TAM) a positive relationship between perceived importance and perceived easy usage. With two systems giving the same characteristics, a client will find more beneficial the one that he discovers it is easier to use (Dillon and Morris, on 1996).
It is therefore important to note that the study presented by Davis (1989) to authenticate his model, proves that the relationship between the need to apply an information system and perceived importance is stronger than perceived easy usage. According his argument, one can therefore presume that the factor which impacts the most a client is the perceived importance of equipment.

2.1.3 Balanced scorecard

It was established by Robert Kaplan (1996), the balanced score card is a performance policy management device a semi-standard planned report that is reinforced by design approaches and automation devices, that may be used by executives to keep record of the implementation of tasks by the employees within their control and to evaluate the penalties that arise from these activities. It is one of the best recognized of many such structure and one of the most broadly accepted management performance structure (Vadim, 2007).

The first styles of balanced scorecard stated that importance should come from the company strategy and proposed design procedures that focused on selecting processes and targets associated with the major tasks needed to carry out the strategy. Accordingly, initial stages were emphasized to measure three phases of non-monetary measure apart from financial productivity those of consumer, internal enterprise procedures and learning and expansion. It is seen clearly that these phases are irrelevant to non-profit making firms in complex firms that might have high extent of specialization, and much of the early studies on balanced scorecard focusing on propositions of alternative approach that might be more relevant to associations (Keyt, 2001).

This theory is significant to the research in that it gives a good approach in performance evaluation, the balanced scorecard is efficient in that, it shows the relationship between inputs, human and physical procedures and outcomes and keep focus on the need to manage these elements to attain the performance it also emphasizes on the identification of relevant high level measures of finances. By this insurance companies that aims at high levels in the market position should use this theory.
2.2 Empirical Review

2.2.1 The Practice of Innovation Strategies in Organizations

The effect of innovation on organizational financial performance has been a subject of key interest to many economists and policy makers for many years. Although innovation is generally considered as a way of enhancing the competitiveness of organization and their performance on both domestic and foreign markets, this link has not been reinforced definitely by experiential work. Innovative tasks of organizations impact their performance on sales indirectly through the production of meaningful inventions and better productivity. Therefore, in the past, the connection between innovation and performance on sales has been demonstrated by multi-stage approach.

Innovation is all scientific, technological, administrative, monetary and commercial tasks which lead to the application of technologically improved products and services delivery to clients. Hence, an innovation has new thought which impact on the behavior of economic mediators in before unknown manner. The application of new technology, human investment and the enhancements in the firm of production raises efficiency of the firm and makes it to yield at low costs. Similarly, the application of new products gives consumers new goods and services which, in eventually, lead to the growth of organizations in new sectors of the market.

In a modern generation of approach studying the effect of innovative tasks on organizations general performance, the focal point has changed to the composite innovation process and means through which the invention inputs are changed into better sales performance (Crepon, et al., 1998; Hall, et al., 1998; Loof, et al., 2002; Kemp, et al., 2003; Loof, i dr., 2006; Bessler, et al, 2008). In recent years the four-equation model originally developed by Crepon et al. (2008) has become the central approach within this thread. The approach shows invention process as having of four phases the decision to invent, the decision on expenditure and innovation tasks, the relationship between spending on innovation and innovation productivity and the link between innovation productivity and performance. These four phases are estimated in a chronological manner and it is unspecified that the causality goes from the decision to invent to the performance. However, it has also been stated that there is overturn from performance to
innovation output stage. The four stages are modeled in a way to incorporate various factors identified in the literature as determinants of the innovation process such as organization characteristics, industry specific elements and the background. The extent of elements used in person’s studies is dependent on the quality and exposure of the data set aside for use.

The first two phases of the invention process that is the decision to invent and the decision expenditure invest in innovation are typically estimated together in a systemic way. In many of studies, the invention efforts is defined as venture in R&D, either as the complete amount venture (Loof, et al., 2002; Kemp, et al., 2003; Loof, i dr., 2006) or as the relative amount of invention spending to total sales earnings (Clomp, et al., 2001; Stoevsky, 2005; Chudnovsky, et al., 2006). The major benefit of this research is that they take somewhat broader definition of innovation investment by including expenditures on organizational changes, machinery or marketing in addition to expenditure on R&D. Most studies have realized the practice that includes same variables as factors of the decision to invent and the decision expenditure to invest in invention: firm size, human capital, the option of cooperation with clients and research universities, the existence of public support for innovation, and previous research activity of the firm (Loof, et al., 2002; Klomp, et al., 2001; Loof, i dr., 2006).

Third, R&D spending increases proportionately with size of the firm in most sectors. Fourth, the number of copyrights and inventions per unit of invention investment reduces with firm size. Another often used determinant of process of innovation is export strength the preceding studies that we done shows that more export strength influence the decision of firms to invent. The reason for this study is that overseas competition is stronger than internal and it needs continuous improvement of products of the firm and processes. Studies for organizations in urbanized nations have showed the continuation of a positive link between the export power and firm’s decisions to engage in innovation and the amount of investment in invention (Loof, et al., 2002; Kleinknecht, et al., 2002; Kemp, et al., 2003).

The main reason for this is that in the attendance of high levels of doubt and information irregularity, organizations tend to center only on the investments which are more profitable. Hence, by giving subsidy public authorities inspire organizations to take on also those inventions
that would otherwise be rejected. Apart from this Kemp et al. (2003) found that the innovative effort is positively impacted by the associates and cooperation with research centers.

2.2.2 Financial Performance

Financial performance measures how well a firm is generating value for the owners. It can be measured through various financial measures such as profit after tax, return on assets (ROA), return on equity (ROE), earnings per share and any market value ration that is generally accepted. Generally, the financial performance of insurance companies and other financial institutions has been measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies (Ahmad et al; 2011). The financial statements of financial institutions commonly contain a variety of financial ratios designed to give an indication of the corporation’s performance. Simply stated, much of the current bank performance literature describes the objective of financial organizations as the earning acceptable returns and minimizing the risks taken to earn return (Alam et al; 2011). There is a generally accepted relationship between risk and return, that is, the higher the risk the higher the expected return. The traditional measures of bank performance have measured both risks and returns.

External parties normally evaluate a firm’s ability based on its performance (Bonn, 2000). This implies why performance is like a mirror to a firm. The level of goal accomplishment generally defines a firm’s performance (Achrol and Etzel, 2003). Firm performance is the outcomes achieved in meeting internal and external goals of a firm (Lin et al., 2008). Firm performance is a multidimensional construct that consists of four elements (Alam et al. 2011). Customer-focused performance, including customer satisfaction, and product or service performance; financial and market performance, including revenue, profits, market position, cash-to-cash cycle time, and earnings per share; human resource performance, including employee satisfaction; and organizational effectiveness, including time to market, level of innovation, and production and supply chain flexibility.
2.2.3 Effects of Innovation on financial performance Performance

Studies from the early period of research on innovation have typically reported a positive relationship between innovation and measures of firm performance. In a new generation of models studying the impact of innovative activities on firm performance, the focus has shifted to the complex innovation process and channels through which the innovation inputs are transformed into better performance (Loof; et al., 2006; Kemp; et al., 2003). The significance of financial innovation is described by Roberts and Amit (2003) as a means leading to a competitive advantage and superior financial performance. As revealed in many studies, financial innovation and firm financial performance have a positive relationship (for examples Zahra and Das, 1993; Calantone et al., 1995; Han et al., 1998). Innovation would appear in product, process, market, factor and organization (Kao, 1989), but the first three dimensions are more familiar in the innovation literature (Johne and Davies, 2000; Otero-Neira et al., 2009).

Innovation generally does seem to have positive effects in raising financial performance of innovators (Boot & Thakor, 2007). Crepon et al. (1998) used a four-equation model, to link the innovation decision of firms to their performance through the impact of innovation input on innovation output and the innovation output on productivity and better performance. Their findings confirm the positive relationship between innovation activities and productivity at the firm level and provide further evidence on the relationship between size and innovation activities.

The international competitions, which became difficult after 80’s, forcing the firms to focus on their enterprise policies, especially on innovations. Currently because of the tough international competition, both companies and persons begin to appraise and to use their innovation policies and entrepreneurial capabilities with the aim of attaining competitive advantage (Gunday et. al, 2011). Geroski (2005) examined the impact of the main innovations and copyright of many corporate performance measures like accounting profitability, rates of returns and company expansion. He saw direct impact of inventions on company performance is comparatively small, and the profits from inventions are likely to be indirect. Mc Adam and Keogh (2004) studied the connection between performance of firm and its awareness with research. They established that innovation was of importance in the competitive environments so as to obtain better competitive hedge. However, innovative organization seem to be less vulnerable to cyclical sectorial and
pressures than non-innovative organization. Moreover, findings in the research previously done show that organizational restructuring that leads to managerial and renewal is a facilitator for the other types of innovations. For instance, Damanpour et al. (1989) establish that administrative inventions led to technical inventions in public sectors they also recommended further studies on various types of firms to make their findings general. Similarly, Staropoli (1998) put emphasis on the importance of cooperative organizational arrangements and harmonization technique to improve technological innovations in other sectors, while Germain’s study (1999) revealed that firm structural characteristics might be important indicators of process innovation in the logistics industry. Walker (2008) stated that organizational, advertising and innovations were found to be interconnected in a study on public sector, and that more research was needed to make clear the findings.

There are various types of innovation that include; product invention, process innovation, advertising innovation and administration innovation. Product innovation is the application of new products in the market. Process innovation is the accomplishment of a new or considerably better production, while advertising innovation is the accomplishment of a new marketing technique involves important changes in product design, product position, product promotion (Oslo manual, 2005). Lastly management innovation is the implementation of a management thought, idea, process, framework, and tools that are new to the firm and is intended to better performance of sales (Damanpour, 1987).

2.2.4 Product Innovation and financial performance
A product innovation as the use of a good or a service that is meaningfully improved regarding its characteristics; including significant improvements in practical requirements elements and materials, integrated software, user friendliness or other functional characteristics (Oslo manual, 2005).

New product success eventually is determined by market approval. Firms may build confidence about their advantageous inventions, but high in technology do not assure market success. Whether a technological invention can win customers depends majorly on whether they award
significant profits to customers or typically distinguish the focal organization from its competitors (Yongchuan et. al, 2011).

Moreover an innovative product characteristic can distinguish a new product from competitive offerings and allow the product to get an exceptional position in the market (Im and Workman 2004). Lastly, product innovativeness has been found to give positive impact through different instruments on new product profitability and success of the market (Yongchuan et. al, 2011).

Gunday et.al, (2011) measured product invention by establishing the changes in quality of the product, the changes in prices of manufacturing products, the rate of new products progresses leading to easy usage by the customers. Development of new products with varioust practical particulars and also development of products with elements and materials different from the current products may be used to degree product innovation (Gunday et.al, 2011).

2.2.5 Process Innovation and financial performance

Process innovation is the application of meaningfully improved production or delivery method. This includes significant changes in techniques, equipment and software. Process innovations can be made to reduce unit prices of production or delivery costs, to increase the quality, or to produce significantly improved products and offer best services (Oslo Manual, 2005).

López-Mielgo et.al, (2009) stated that process innovations give a positive effect on the total quality management efforts of the organizations. However, for the production cost reduction impact, Peters (2008) argues that not all the innovations processes may lead to savings cost, but some permits the firm to market their products at competitive prices. Therefore, one can assert that the production performance, which is the merging accomplishments in such performance pointers as speed, value, flexibility, and cost efficiency, is positively affected by the innovative performance (Gunday et.al, 2011).

Gunday et.al, 2011 measured process innovation by determining the level of which non value adding activities in production and delivery process are eliminated, the changes in output quality in manufacturing process and speed in logistics processes.
2.2.6 Promotion Innovation and financial performance

Sales promotion is the business of communicating with targeted customers. It provides information that assists them in making given decisions to purchase a product or a service. The cost that is associated with sales the promotion or the advertising of the goods which usually signifies a large percentage of the given overall cost of producing an item. However, successful sales promotion often increases sales so that advertising and other associated costs are spread over a larger output. Though increased sales promotional activity is mostly a sign of a response to an identified problem such as competitive activity, it also enables an organization to develop and also build up a succession of messages and can be an extremely cost-effective method (Gunday et.al, 2011).

According to (Belch & Belch, 2007), marketers use many equipment’s to promote their products and services, which include promotion, direct marketing, sales promotion, personal selling, and internet marketing. With the invention of advanced technology and the consequent rise of Web 2.0 creation of applications that are based on the internet, there is an improved possibility for marketers to use internet for promotion of products and services. Any sales advertising corporation between a game and a consumer brand may not comprise of licensing contracts as a way of communications through video and advertisement which is created to efficiently market a particular game product. The media through TV and movies are allowed in such circumstances.

Promotion is the function of influencing, convincing, and informing the decision of customer process. Advertising is believed to be the most powerful promotion strategy in an organization. Advertising therefore is a form of funded notice of the public that seeks to inform, persuade, and finally adjust consumer attitudes toward a particular product, with the aim of causing an eventual purchase of the product. The equipment’s for promotion are consumer promotion and trade promotion.

2.2.7 Pricing Innovation and financial performance

The cost of any pricing policy is questionable if it is not corresponding with the general policy of the organization. Pricing policy that do not show firms objectives, can adversely influence
performance of a firm. Price is one of the most flexible components: it can be altered with rapidly different from product characteristics and commitments. An organization should set a price at first when it creates new product or service, presents its existing product into a new channel of distribution, and enters offers on new contract work (Gunday et.al, 2011). Price is also an essential component used to enhance quality of product positioning. In creating a pricing strategy, marker should follow a six-step technique: choosing the pricing purpose; determining demand; estimating prices; analyzing costs of competitors, and bids; selecting pricing technique, and selecting the final price of a product (Kotler, 2006).

An organization may also seek to get strategic advantage by its pricing policy. In this situation, the management accounting function can help by assessing each cost of competitor structure and relate it to their pricing policy. Particularly, Simmonds (2007, p.29) asserts that there is possibility to examine the cost-volume-profit relationship of their competitors so as to forecast their pricing responses. By monitoring changes in the market share of main products or service, an organization can determine their strengths of their position in the market; share in the market also shows the strengths of various competitors. That information may not be show in firm’s annual report, but according to Simmonds’ (2007) argument, the market share details can assist management accounting to be more strategically relevant.

Moreover, some researchers suggest that pricing innovation positively affects sales performance (e.g. Damanpour, Szabat, & Evan, 1989; Mol & Birkinshaw, 2005), and others propose that it is even more significant than other types of innovation (Hamel, 2007; Teece, 2007). However, limited experimental evidence exists whether and under which conditions pricing innovation is helpful (Markus Menz 2009).


table

2.3 Conceptual Framework

Kombo and Tromp, (2009), defines conceptual framework as a set of wide-ranging ideologies adopted from relevant areas of enquiry and used to organize a subsequent presentation. In this study, the conceptual framework between innovation strategies and organizational financial performance in insurance companies is as presented below.
In measuring firm’s financial performance, different concepts are used. Most of the times, these firm—measures of performance that include profit after tax, return on assets (ROA), return on equity (ROE), earnings per share and any market value ratio (Sirilli, 2001).

**Product innovation**

Product innovation strategy is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses; including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics (OECD Oslo Manual, 2005).

**Process innovation**

Process innovation strategy is the implementation of a new or significantly better production. This includes important changes in techniques, equipment and/or software. Process innovations strategies can be intended to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products (OECD Oslo Manual, 2005).
**Promotion innovation**

Promotion innovation that provides information that assists them in making given decisions to purchase a product or a service. The cost that is associated with sales the promotion or the advertising of the goods and services often represents a sizeable proportion of the given overall cost of producing the item (OECD Oslo Manual, 2005).

**Pricing innovation**

The value of any pricing strategy is questionable if it is not congruent with the general strategy of the organization. Pricing strategies which do not reflects organizational goals, can detrimentally affect firm’s performance results. Price is also one of the most flexible elements: it can be changed quickly, unlike product features and channel commitments (Kotler, 2006).
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design
This research was conducted through an explanatory survey. The design enables the researcher to understand populations from part of it and ensures rapid data collection (Mugenda and Mugenda 1999). A survey research design generally entails investigating populations by selecting samples to analyze and discover occurrences (Mugenda and Mugenda 1999). The study is specifically intended to assess the effects of innovation strategies on firms financial performance; Such issues are best investigated through survey.

3.2 Target Population
The target population for the study was the management and employees of selected insurance companies located within Eldoret Town. The sample study population was drawn from a representative sample of the total population of people in the town. The study targeted managers and employees from selected insurance companies within Eldoret town.

3.3 Sampling Procedures and Sample Size
Sampling is that part of statistical practice concerned with the selection of individual observations intended to yield some knowledge about a population of concern, especially for the purposes of statistical inference (Mugenda and Mugenda, 1999). The sampling frame must be representative of the population and this is a question outside the scope of statistical theory demanding the judgment of experts in the particular subject matter being studied (Kothari, 2006).. Three companies were selected randomly; each of the companies has 55, 48 and 47 employees respectively. The study adopted purposive sampling on the manager’s of each of the selected companies and simple random sampling on the employees. Mugenda (2003) states that a larger population where time and resources allow a big sample, the sample is taken on the basis of some percentages to represent the actual target population. He states that if the population is less than100, then 100% of the sample is employed; if the target population is between 100–1000
a sample of 30% is taken for a sample size of between 1000-10,000, 10% of the target population is taken and for a target population of over 10,000 a sample size of 1% is used as the sample size. The small samples do not reproduce salient characteristics of the accessible population to an acceptable degree where there is no estimate of the sample proportion in the target population assumed to have the characteristics of interest.

The sample size is presented in table 3.1.

**Table 3.1 The Sample Size**

<table>
<thead>
<tr>
<th>Target</th>
<th>Employees</th>
<th>Procedure</th>
<th>Sample Size</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenindia assurance company ltd Eldoret</td>
<td>55</td>
<td>*30%</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Gateway insurance company, 48 Eldoret</td>
<td>48</td>
<td>*30%</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>UAP INSURANCE COMPANY LTD, Eldoret</td>
<td>47</td>
<td>*30%</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td></td>
<td>45</td>
<td>3</td>
</tr>
</tbody>
</table>

Source (Author, 2015)

The sample size consisted of 48 respondents that is; 3 managers from each of the selected companies and 45 employees.

**3.4 Data Collection Instruments**

The study used both primary and secondary data. Secondary data was collected from insurance company records/documents. Primary data will be collected using questionnaires and interview guides. The researcher used questionnaires to collect data from employees. Fraenkel & Wallen (2000) argued that a questionnaire is efficient as a research tool because the researcher is likely to obtain personal ideas from a respondent. The researcher distributed the questionnaires to the respondents and gave them humble time to complete the copies of the questionnaires before
collecting them for analysis. The researcher used closed-ended questionnaires to collect data from employees using five Point Likert-type Scales.

Interview guides were used to collect data from the managers. This technique is useful in seeking in-depth information that cannot be provided for in the questionnaires. The approach creates confidence on the part of the respondents and as they gain interest on the subject, more reliable, valid and objective results will be realised. All interviews were conducted using a set of unstructured interview questions.

3.4.1 Validity of Research Instruments

According to Babbie and Mouton, (2008), validity on the other hand refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is applied. The questionnaire and interview items were then constructed in a way that they relate to each question. This ensured that all research questions were covered.

The questionnaire used in this study was given to the independent experts in consultation with a statistician to evaluate it for face and content validity as well as for conceptual clarity and investigative bias. In terms of using the information gathered through the questionnaire, it was emphasized that no summative scores were used for interpretation purposes but rather the answers to individual items in the questionnaire. According to Polit and Hungler (2007), a pre-test is a trial run to determine whether an instrument solicits the type of information envisioned by the researcher.

3.4.2 Reliability of Research Instruments

Orodho (2004) notes that reliability of research instruments concerns with the degree to which a particular measuring procedure gives similar results of a number of repeated trials. Reliability is a measure of how consistent the results from a test are Kombo and Tromp, (2006). According to Mugenda & Mugenda (2003), the reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials. The study employed the Cronbach’s alpha coefficient to measure the internal consistency of the questionnaire. As a general rule a value of $\alpha > 0.7$ was determined by the researcher reliable enough for each of the data sets where $\alpha$ is the item being tested for reliability.
3.5 Data Collection Procedures
The researchers sought permission from the University then proceeded to obtain permission from the insurance companies. The researcher visited the selected companies before hand for familiarization and acquaintance with targeted respondents. During this visit, the researcher informed the target about the purpose of the intended study and booked appointments for the data collection.

After familiarization, data was collected from the respondents using the mentioned instruments. The study ensured privacy and confidentiality by allowing respondents to have pre-eminence over time and extent to which they withhold or share information. All the respondents were treated with respect and equality. Also, the principle of free and informed consent was adhered to by emphasizing voluntarism, clear explanation and sufficient detail of the nature of the research and procedures.

3.6 Data Analysis
After data collection, the researcher organized all the questionnaires and interview guides by filtering. This enabled the researcher to check the completeness of the items and avoid errors and omissions. Afterwards the researcher coded the items ready for analysis. Data was analyzed using descriptive statistics such as mean, weighted average and standard deviations.

3.6.1 Measurement of Variables
Both dependent and independent variables are based on multiple-item constructs, and were measured through likert-type scales. The measurement was adopted from previous studies.

3.6.2 Model Specification
The regression model used in this study is given as;
\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where, \( Y \) = financial performance
\( \beta_1 \ldots \beta_4 \) = the slope which represents the degree with which financial performance changes as the independent variable change by one unit variables.
\( X_1 \) = Product innovation.
\( X_2 = \text{Process innovation} \).

\( X_3 = \text{Promotion innovation} \).

\( X_4 = \text{Pricing innovation} \).

\( \varepsilon = \text{error term} \).

### 3.6.3 Assumptions of the regression model

Assumptions according to the Gauss-Markov model was adopted by the study in order to guarantee that ordinary regression estimation model works. The following assumption was made in regard to the model. First, the model assumes a linear relationship where it is assumed that the dependent and independent variables were in a linear manner i.e. straight line. Secondly the model also assumed that distribution of population takes a normal distribution. Finally the study assumed that error terms are uncorrelated and that the errors have an expected value of zero.

### 3.7 Ethical Considerations

The study acknowledged the importance of ethical issues in a research study and therefore there was need to observe the ethical issues of confidentiality by not disclosing the identity of the respondent; integrity by using the data collected for academic purposes only; honesty by not altering the data collected and respondent’s rights while dealing and getting information from them. The researcher ensured tolerance and patience throughout the research period. A letter was attached to the questionnaire explaining the purpose of the study and how the researcher would maintain privacy, confidentiality and anonymity during the study.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRATATION

4.1 Response rate
The study had a response rate of 96.67%. A total of 45 questionnaires were issued to 45 employees from the 3 sampled Insurance firms but only 44 questionnaires were collected. Among the 45, 1 employee did not issue back the questionnaires. This shows that a large number of respondents were willing to give out information towards the study and thus responded positively by completing the questionnaires given to them. This was considered adequate for the objectives of this study.

4.2 General Information
The researcher sought to examine the general information of the insurance firms that he was to collect data from. This was aimed at understanding the nature of the Insurance firms from which the data was being collected from to assess if the characteristics of the company could affect the study outcomes.

4.2.1 Size of the Organization
The study established the size of the organization in terms of the capital base of the organization to assess their ability to invest in innovation and the results of the findings were as presented.
Figure 1.1 Size of the Organization

The study findings indicated that a majority of the respondents who participated in the study indicated that 25(56.8%) had a capital base of over 40 million while 19(43.2%) indicated that they had a capital base of between 30 million and 40 million. These findings are favorable for the study as they can be interpreted to mean that a majority of the firms participating in the study therefore have the ability to invest in innovative practices making them suitable for the study by assessing their investments in innovation on the Financial performance

4.2.2 Number of years you have been in the business

The study also sought to identify the number of years that the insurance firms selected in the study have been operating in an effort to examine if the firms have market experience sufficient to enable them invest in innovative practices.

The study found that all the three Insurance firms had operated for more than 20 years.
These findings were interpreted to mean that a majority of the firms that were participating in the study had operated for a considerable amount of years and hence could be evaluated on the basis of innovation.

4.3 Product Innovative Measures and financial Performance

4.3.1 Product innovative Measures
The study sought to establish the product innovation strategies employed by the Insurance firms that were selected to participate in the study.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in quality of current products</td>
<td>4.0909</td>
<td>1.15775</td>
<td>-1.503</td>
<td>.357</td>
<td>1.690</td>
</tr>
<tr>
<td>Decrease in cost of current products</td>
<td>4.2273</td>
<td>1.30942</td>
<td>-1.484</td>
<td>.357</td>
<td>.794</td>
</tr>
<tr>
<td>Development of improved products leading to improved ease of use for customers and increase customer satisfaction</td>
<td>4.0909</td>
<td>1.11685</td>
<td>-1.341</td>
<td>.357</td>
<td>1.234</td>
</tr>
<tr>
<td>Development of products with technical specification and functionalities totally differing from current ones</td>
<td>4.0000</td>
<td>1.12063</td>
<td>-1.454</td>
<td>.357</td>
<td>1.764</td>
</tr>
<tr>
<td>Development of improved products with components and materials totally differing from current ones</td>
<td>3.9773</td>
<td>1.06724</td>
<td>-1.276</td>
<td>.357</td>
<td>1.376</td>
</tr>
</tbody>
</table>

The research findings indicated that a majority of the respondents, 81.1% (mean = 4.091) were of the opinion that there was an improvement in quality of current products.
Research findings also indicated that 79.86% (mean = 4.227) were also of the opinion that there was development of improved products with components and materials totally differing from current ones. The three results were positively skewed to indicate that the level of agreements was high while the kurtosis results indicated a near normal distribution.

The results are interpreted to mean that the firms have a need to develop innovative products to be relevant in the market. These results are a clear indication that Insurance firms recognize competitive and substitutability of products in the market and hence Insurance firms have to be more productive on the product innovative ends.

4.3.2 Number of years in business * Product innovation

The researcher also sought to establish whether the number of years in business had any significant relationship on the product innovation. The results were illustrated in the chi-square table 4.2:

**Table 4.2 Number of years in business * Product innovation**

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>85.264</td>
<td>52</td>
<td>.002</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>87.360</td>
<td>52</td>
<td>.002</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>.422</td>
<td>1</td>
<td>.516</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>44</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 62 cells (88.6%) have expected count less than 5. The minimum expected count is .10.
The research findings indicated that there was a significant relationship (p = 0.002) between the number of years the Insurance firms had been on business and their ability to be innovative in terms of the products they produce. This means that for Insurance firms to be innovative they require the right experience in order to be able to have the knowledge to be innovative.

### 4.3.3 Relationship of Product Innovation to financial Performance

The researcher sought to establish the relationship between the product innovation strategies and the product performance.

<table>
<thead>
<tr>
<th>Table 4.3 Relationship of product Innovation to financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Correlations</strong></td>
</tr>
<tr>
<td>Product</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>Financial Performance</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The results indicated a significant relationship between the product innovation and the product performance (p = 0.001). The relationship however was evaluated to be a weak relationship where the results of the study indicated a Pearson correlation of 0.264. This indicated that product innovation was important to an Insurance firm but it does not necessary assure a firm that the product will automatically do well in the market.
4.4 Effect of Process Innovation on Financial Performance

4.4.1 Process Innovation

The study sought to investigate the process innovation strategies that had been put in place by Insurance firms. The results are presented in the table 4.4.

Table 4.4 Process Innovation

<table>
<thead>
<tr>
<th></th>
<th>Mean Statistic</th>
<th>% Statistic</th>
<th>Std. Deviation Statistic</th>
<th>Skewness Statistic</th>
<th>Std. Error</th>
<th>Kurtosis Statistic</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination and elimination of non value adding activities in production process</td>
<td>4.083</td>
<td>81.66</td>
<td>0.692</td>
<td>-0.493</td>
<td>0.201</td>
<td>0.431</td>
<td>0.400</td>
</tr>
<tr>
<td>Increase of output quality in processes, techniques and machinery software</td>
<td>4.186</td>
<td>83.72</td>
<td>0.589</td>
<td>-0.064</td>
<td>0.201</td>
<td>-0.310</td>
<td>0.400</td>
</tr>
<tr>
<td>Determination and elimination of non value adding activities in delivery related processes</td>
<td>4.000</td>
<td>80.00</td>
<td>0.858</td>
<td>-0.736</td>
<td>0.201</td>
<td>0.437</td>
<td>0.400</td>
</tr>
<tr>
<td>Increase of delivery speed in delivery of related logistics processes</td>
<td>4.248</td>
<td>84.96</td>
<td>0.778</td>
<td>-1.094</td>
<td>0.201</td>
<td>1.765</td>
<td>0.400</td>
</tr>
</tbody>
</table>

The research findings indicated that 84.96% (mean = 4.248) of the respondents were of the opinion that process innovations increase delivery speed in delivery of related logistics processes while 83.72% (mean = 4.186) of the respondents agreed that process innovation leads to increase of output quality in processes, techniques and machinery software. The results were positively skewed while the kurtosis results were distributed over a normal distribution.
The findings implies that process innovations are important in ensuring that the products produced by insurance firms are aimed at ensuring that the products produced fulfill customer needs and are able to reach the markets quickly. This ensures that the organization creates value in the products it produces. These findings are consistent to that of Peters (2008) argues that not all the innovations processes may lead to savings cost, but some permits the firm to market their products at competitive prices. Therefore, one can assert that the production performance, which is the merging accomplishments in such performance pointers as speed, value, flexibility, and cost efficiency, is positively affected by the innovative performance.

4.4.2 Relationship between process innovations and the innovative performance measures

The researcher sought to establish if there was any relationship between the process innovations and the innovative performance measures

Table 4.6 Relationship between process innovations and the innovative performance measures

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Process Innovations</th>
<th>Innovative performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>44</td>
<td>44</td>
</tr>
</tbody>
</table>

33
The correlation results indicated that there was no significant relationship (0.075) between the process innovations and the innovative performance measures. This meant that investments in the process innovations have to be supported by other strategies to ensure that the value created in the process innovations ensured that the product performed more favorably in the market. These findings are consistent to that of López-Mielgo et.al, (2009) who stated that process innovations give a positive effect on the total quality management efforts of the organizations.

4.5 Effect of Promotion Innovation Measures and Sales performance

4.5.1 Promotion Innovation Measures

The study sought to establish the Promotion innovation measures that are applied by the Insurance firms and the results were presented in the study as illustrated in table 4.7.

Table 4.7 Promotion Innovation Measures

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean Statistic</th>
<th>% Mean Statistic</th>
<th>Std. Deviation Statistic</th>
<th>Skewness Statistic</th>
<th>Kurtosis Statistic</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company advertises its products and services</td>
<td>4.083</td>
<td>81.66</td>
<td>0.722</td>
<td>-0.688</td>
<td>1.448</td>
<td>0.400</td>
</tr>
<tr>
<td>Promotion stimulates purchase</td>
<td>3.952</td>
<td>79.04</td>
<td>0.802</td>
<td>-0.731</td>
<td>0.877</td>
<td>0.400</td>
</tr>
<tr>
<td>It differentiates products</td>
<td>3.993</td>
<td>79.86</td>
<td>0.812</td>
<td>-0.303</td>
<td>-0.695</td>
<td>0.400</td>
</tr>
<tr>
<td>It helps present information to customers well</td>
<td>3.821</td>
<td>76.42</td>
<td>0.855</td>
<td>-0.658</td>
<td>0.340</td>
<td>0.400</td>
</tr>
</tbody>
</table>
The research findings indicated that 81.66% (mean = 4.083) of the respondents were of the opinion that the company advertises its products and services while 79.04% (mean = 3.952) of the respondents noted that the Promotion stimulates purchase. 79.86% (mean= 3.993) were of the opinion that it differentiates products and 76.42% (mean= 3.821) were of the opinion that it helps present information to customers well. The results were positively skewed while the kurtosis results indicated a normal distribution.

The results were interpreted to mean that promotion innovation strategies create product value by presenting the product to the customer in a form that will attract the customers’ perspective about the product without increasing the characteristics of the products while at the same time ensuring that the product reaches the customer. These findings are consistent to studies by Yongchuan et. al, (2011) who stated that new product success eventually is determined by market approval. Firms may build confidence about their advantageous inventions, but high in technology do not assure market success. Whether a technological invention can win customers depends majorly on whether they award significant profits to customers or typically distinguish the focal organization from its competitors.

4.5.2 Relationship between the Promotion innovation and financial performance

The study investigated the relationship between the promotion innovative measures and the market performance measures. The correlation results were as presented in table 4.8.
Table 4.8 Relationship between the Promotion innovation and financial performance

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Promotion Innovation</th>
<th>Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion Innovation Pearson Correlation</td>
<td>1</td>
<td>.244**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.111</td>
<td>.111</td>
</tr>
<tr>
<td>N</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Financial Performance Pearson Correlation</td>
<td>.244**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.111</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>44</td>
<td>44</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation results indicated that there was a significant relationship (p = 0.111) between the Promotion innovation and the financial performance measures. This was interpreted to mean that marketing results are to yield instant results which the marketers can evaluate to assess how the product is performing in the market. The strength of the relationship however was partial with a Pearson correlation value of 0.244.

4.6 Effect of Pricing Innovative Measures on Financial Performance

4.6.1 Pricing Innovative Measures

The study sought to establish the Pricing innovative measures that were employed by the Insurance firms that participated in the study. The results were as illustrated in table 4.8.
Table 4.9 Pricing Innovative Measures

<table>
<thead>
<tr>
<th></th>
<th>Mean Statistic</th>
<th>% Mean Statistic</th>
<th>Std. Deviation Statistic</th>
<th>Skewness Statistic</th>
<th>Std. Error Statistic</th>
<th>Kurtosis Statistic</th>
<th>Std. Error Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of efficient scale facilities</td>
<td>3.931</td>
<td>78.62</td>
<td>0.673</td>
<td>-0.333</td>
<td>0.201</td>
<td>0.321</td>
<td>0.400</td>
</tr>
<tr>
<td>Prices are lower than those of competitors</td>
<td>3.945</td>
<td>78.9</td>
<td>0.610</td>
<td>-0.345</td>
<td>0.201</td>
<td>0.839</td>
<td>0.400</td>
</tr>
<tr>
<td>Keeps prices same as competitors</td>
<td>3.979</td>
<td>79.58</td>
<td>0.702</td>
<td>-0.338</td>
<td>0.201</td>
<td>0.082</td>
<td>0.400</td>
</tr>
<tr>
<td>Prices are not static ensuring expected innovation capacity</td>
<td>3.993</td>
<td>79.86</td>
<td>0.741</td>
<td>-0.197</td>
<td>0.201</td>
<td>-0.594</td>
<td>0.400</td>
</tr>
<tr>
<td>Pricing strategies reflect organizational goals</td>
<td>4.028</td>
<td>80.56</td>
<td>0.687</td>
<td>-0.296</td>
<td>0.201</td>
<td>-0.028</td>
<td>0.400</td>
</tr>
</tbody>
</table>

The study results indicated that 80.56% (mean 4.028) were of the opinion that pricing strategies reflect organizational goals, 79.86% (mean = 3.993) were of the opinion that prices are not static ensuring expected innovation capacity, 79.58% (mean= 3.979) were of the opinion that they keeps prices same as competitors, 78.9% (mean= 3.945) were of the opinion that Prices are lower than those of competitors while 78.62% (mean= 3.931) were of opinion that use of efficient scale facilities. The results were positively skewed while the kurtosis results indicated a normal distribution.

The results were interpreted to mean that pricing innovations were mainly limited to ensuring specific organizational design that will ensure that the organizations departments and human resource function effectively according to the respondents that were sampled to participate in the
study. These findings are consistent to that of Gunday et.al, (2011) who stated price is also an essential component used to enhance quality of product positioning. In creating a pricing strategy, marketer should follow a six-step technique: choosing the pricing purpose; determining demand; estimating prices; analyzing costs of competitors, and bids; selecting pricing technique, and selecting the final price of a product.

4.6.2 Relationship between Pricing Innovation Strategies and Financial Performance of the Firm

The study sought to establish if innovations attributed to pricing function had any effect on financial performance measures of the firm. The results are presented in table 4.9.

Table 4.10 Relationship between Pricing Innovation Strategies and Financial Performance of the Firm

<table>
<thead>
<tr>
<th>Pricing innovation</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.171</td>
</tr>
<tr>
<td>N</td>
<td>44</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.171</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.267</td>
</tr>
<tr>
<td>N</td>
<td>44</td>
</tr>
<tr>
<td>N</td>
<td>44</td>
</tr>
</tbody>
</table>
The correlation results indicated that there was a significant relationship \((p = 0.171)\) between the pricing innovative measures and the financial performance measures. This was interpreted to mean that pricing innovative measures are key in enhancing the overall sales performance of the firm which is indicated by the financial performance measures of the firms. This findings are supported by Simmonds (2007) who asserts that there is possibility to examine the cost-volume-profit relationship of their competitors so as to forecast their pricing responses.

### 4.7 Financial Performance

The study sought to establish the effects innovative strategies on financial performance of Insurance firms that participated in the study. The results were as illustrated in table 4.11

<table>
<thead>
<tr>
<th></th>
<th>Mean Statistic</th>
<th>Std. Deviation Statistic</th>
<th>Skewness Statistic</th>
<th>Std. Error</th>
<th>Kurtosis Statistic</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm has had an increase on return as a result of implementing innovation strategies on product</td>
<td>4.2273</td>
<td>1.30942</td>
<td>-1.484</td>
<td>.357</td>
<td>.794</td>
<td>.702</td>
</tr>
<tr>
<td>Our firm has had an increase on return on assets as a result of process innovation strategies</td>
<td>4.0909</td>
<td>1.11685</td>
<td>-1.341</td>
<td>.357</td>
<td>1.234</td>
<td>.702</td>
</tr>
<tr>
<td>Our firm has an increase in general profitability as a result of promotion innovation strategies</td>
<td>4.0000</td>
<td>1.12063</td>
<td>-1.454</td>
<td>.357</td>
<td>1.764</td>
<td>.702</td>
</tr>
<tr>
<td>Our firm has an increase in profitability as a result of pricing innovation strategies.</td>
<td>4.4773</td>
<td>.59018</td>
<td>-.620</td>
<td>.357</td>
<td>-.526</td>
<td>.702</td>
</tr>
</tbody>
</table>
The study results indicated that (mean 4.227) were of the opinion that insurance companies has had an increase on return as a result of implementing innovation strategies on product, 79.86% (mean = 4.09) were of the opinion that has had an increase on return on assets as a result of process innovation strategies, (mean= 3.979) were of the opinion that Our firm has an increase in general profitability as a result of promotion innovation strategies, (mean= 4.00) were of the opinion that Our firm has an increase in general profitability as a result of promotion innovation strategies while (mean= 4.47) were of opinion that has an increase in profitability as a result of pricing innovation strategies.. The results were positively skewed while the kurtosis results indicated a normal distribution.

The results were interpreted to mean that innovation strategies were mainly important in ensuring specific organizational design that will ensure that the organizations departments and human resource function effectively hence organizations profitability. These findings are consistent to that of Damanpour et al. (1989) who stated that administrative inventions led to technical inventions in public sectors they also recommended further studies on various types of firms to make their findings general. Similarly, Staropoli (1998) put emphasis on the importance of cooperative organizational arrangements and harmonization technique to improve technological innovations, while Germain’s study (1999) revealed that firm structural characteristics might be important indicators of process innovation in the logistics industry. Walker (2008) stated that organizational, advertising and innovations are interconnected in a study on public sector, and that more research was needed to make clear the findings.
4.8 Contribution of Innovation on Financial Performance (Regression Model)

The study adopted the regression model to examine how each of the identified innovative measures that is, product innovation measures, process innovation measures, promotion innovation measures and pricing innovation measures contributed to the overall performance of the firm. The results were illustrated in table 4.12.

Table 4.12 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.879</td>
<td>.773</td>
<td>.750</td>
<td>.34624</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), pricing innovation, promotion innovation, process innovation, product innovation

The model summary used in this study, Adjusted R squared is coefficient of determination which tells us about the version in the dependent variable due to changes in the independent variable, the value of adjusted R squared was 0.773 an indication that there was variation of 77.3% on financial performance of insurance companies due to changes in the independent variables product innovation, process innovation, promotion innovation and pricing innovation, this show that 77.3% changes in financial performance of insurance companies in Eldoret could be accounted for by product innovation, process innovation, promotion innovation and pricing innovation.

Table 4.13 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>15.941</td>
<td>4</td>
<td>3.985</td>
<td>33.243</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>39</td>
<td>.120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20.616</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

b. Predictors: (Constant), pricing innovation, promotion innovation, process innovation, product innovation

The Analysis of Variance (ANOVA) in table 4.13 assesses the overall significance of the model. According to the table p < 0.05, (0.000), indicating that the regression model was useful in explaining the financial performance of insurance companies in Eldoret town.
### Table 4.15 Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-1.116</td>
<td>.877</td>
<td></td>
<td>.211</td>
</tr>
<tr>
<td>Product innovation</td>
<td>1.196</td>
<td>.113</td>
<td>.931</td>
<td>10.562</td>
</tr>
<tr>
<td>Process innovation</td>
<td>.115</td>
<td>.109</td>
<td>.084</td>
<td>1.055</td>
</tr>
<tr>
<td>Promotion innovation</td>
<td>-.161</td>
<td>.086</td>
<td>-.172</td>
<td>-1.881</td>
</tr>
<tr>
<td>Pricing innovation</td>
<td>.114</td>
<td>.146</td>
<td>.061</td>
<td>.786</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: financial Performance*

The results indicated that there was a significant relationship between the product innovative strategies (p = 0.000) and the Financial performance. The findings also indicated a significant relationship (p = 0.298) between the process innovative strategies and the Sales performance and a significant relationship between promotion innovative measures (p=0.067) and the Financial performance. The results however indicated that there was no significant relationship (p=0.436) between the pricing innovative measures and the overall financial performance.

In assessing the regression model for the firm’s financial performance as per the indicators in the study, the study evaluated the standardized coefficients of the study and illustrated the results as indicated in the table multiple linear model below.

**Financial Performance** = 1.116 (promotion Innovation Strategies) + 1.196 (product innovation strategies) + 0.0.161 (process innovation strategies) + 0.114 (pricing innovation)

These results indicated that the promotion innovative measures were very important on the overall financial performance of the Insurance firm. This was interpreted to mean that despite the role of Insurance firm being to produce products they must heavily invest in creating value through promotion strategies by ensuring that products reach in the market fast and that the customers have the right perceptions about the products.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Findings

The study findings indicated that a majority of the respondents who participated in the study indicated that 25(56.8%) had a capital base of over 40 million while 19(43.2%) indicated that they had a capital base of between 30 million and 40 million. The study found that all the three Insurance firms had operated for more than 20 years. The research findings indicated that a majority of the respondents, 81.1% (mean = 4.055) were of the opinion that there was an improvement in quality of current products. Research findings also indicated that 79.86% (mean = 3.993) were also of the opinion that there was development of improved products with components and materials totally differing from current ones. The three results were positively skewed to indicate that the level of agreements was high while the kurtosis results indicated a near normal distribution. The research findings indicated that there was a significant relationship (p = 0.002) between the number of years the Insurance firms had been on business and their ability to be innovative in terms of the products they produce. This means that for Insurance firms to be innovative they require the right experience in order to be able to have the knowledge to be innovative. The results indicated a significant relationship between the product innovation and the product performance (p = 0.001). The relationship however was evaluated to be a weak relationship where the results of the study indicated a Pearson correlation of 0.264.

The research findings indicated that 84.96% (mean = 4.248) of the respondents were of the opinion that process innovations increase delivery speed in delivery of related logistics processes while 83.72% (mean = 4.186) of the respondents agreed that process innovation leads to increase
of output quality in processes, techniques and machinery software. The results were positively skewed while the kurtosis results were distributed over a normal distribution. The results indicated that there was a significant relationship ($p = 0.001$) between the capital that the firms had invested and their ability to perform process innovations. This is interpreted to mean that the process innovations require heavy investments and hence firm that are not capital intensive cannot invest in new process despite different forms of innovations that they may develop.

The correlation results indicated that there was no significant relationship ($0.075$) between the process innovations and the innovative performance measures. This meant that investments in the process innovations have to be supported by other strategies to ensure that the value created in the process innovations ensured that the product performed more favorably in the market. The research findings indicated that 81.66% (mean = 4.083) of the respondents were of the opinion that the company advertises its products and services while 79.04% (mean = 3.952) of the respondents noted that the Promotion stimulates purchase. 79.86% (mean= 3.993) were of the opinion that it differentiates products and 76.42% (mean= 3.821) were of the opinion that it helps present information to customers well. The results were positively skewed while the kurtosis results indicated a normal distribution.

The correlation results indicated that there was a significant relationship ($p = 0.000$) between the Promotion innovative measures and the market performance measures. This was interpreted to mean that marketing results are to yield instant results which the marketers can evaluate to assess how the product is performing in the market. The strength of the relationship however was partial with a Pearson correlation value of 0.324. The study results indicated that 80.56% (mean = 4.028) were of the opinion that pricing strategies reflect organizational goals, 79.86% (mean =
3.993) were of the opinion that prices are not static ensuring expected innovation capacity, 79.58% (mean = 3.979) were of the opinion that they keep prices same as competitors, 78.9% (mean = 3.945) were of the opinion that prices are lower than those of competitors while 78.62% (mean = 3.931) were of opinion that use of efficient scale facilities. The results were positively skewed while the kurtosis results indicated a normal distribution. The correlation results indicated that there was a significant relationship (p = 0.000) between the pricing innovative measures and the financial performance measures.

5.2 Conclusion

Insurance firms need to develop innovative products to be relevant in the market. They need to recognize the competitive nature of the industry that they operate in and the substitutability of products in the market and hence put strategies that will lead to creation of products that will fulfill the markets need more. The firms however need to have the know-how to do this as experience or the intellectual know how need to be accumulated over time.

Process innovations are important in ensuring that the products produced by Insurance firms fulfill customer needs and are able to reach the markets quickly. This ensures that the organization creates value in the products it produces. Process innovations however require heavy investments and hence firms that are not capital intensive cannot invest in new process despite different forms of innovations that they may develop. Insurance firms therefore need to raise capital over time.

Promotion innovation strategies create product value by presenting the product to the customer in a form that will attract the customers’ perspective about the product without increasing the
characteristics of the products while at the same time ensuring that the product reaches the customer.

Pricing innovations are mainly limited to ensuring specific organizational design that will ensure that the organizations departments and human resource function effectively. These pricing innovations therefore are important in creating synergy for the organization in that the management provides the relevant coordination’s needed in an environment where there are existing resources.

5.3 Recommendations
The study proposes the following measures for Insurance firms to help positively influence their performances;

i. Insurance firms should undertake market research with an aim of improving their product innovation strategies. This will ensure that the Insurance firms only produce products that fulfill market needs and hence product innovations will have a positive impact on the innovative measures of a firm.

ii. Insurance firms should also seek to acquire more credit to assist them invest more heavily on process innovations which would ensure that the organization is able to effectively able to ensure that the products produced are value creating products.

iii. The Insurance firms should not invest heavily in the marketing of the products they produce. This will go a long way in ensuring that the firms are able to change the public’s perceptions about the products that they produce and hence they will be able to make more sales on the products that they produce.

iv. Finally, Insurance firms must invest in management as management has been identified o positively identify the financial performance measures. The management will assist in
allocation of resources and coordination of activities to ensure that the firm is able to get
the products to the market and make product sales on the products produced.

5.4 Suggestions for further findings

The study makes the following suggestions for future researchers to perform a detailed
investigation about the research areas to help shed more light on the issues.

i. Impact of intellectual capital as an innovation asset on the Sales performance

ii. Impact of innovation moderating factors on the performance of Insurance firms.

iii. Effect of management innovations on the competitiveness of organizations
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APPENDICES

APPENDIX ONE: LETTER TO RESPONDENTS

Dear Respondent,

I am a student at Kisii University pursuing a course leading to a Master of Business Administration. I am carrying out a research on investigation of innovation strategies adopted by insurance companies on sales performance, a survey of insurance firms in Eldoret.

The attached questionnaire has been designed to help gather data from respondents. With respect to this, you have been identified as one of the respondents.

Therefore, I kindly request you to facilitate the collection of the necessary data by answering the questions as precisely and factually as possible.

This information sought is purely for academic purposes and this I assure you of strict confidentiality of the information given.

Yours faithfully,

WILSON NANDWA
APPENDIX TWO: QUESTIONNAIRE

Please tick appropriately and use the scales provided where necessary.

Section A

1. What is the name of your firm (Optional)?

………………………………………………………………

2. What is the size of your organization in terms of capital base?

<table>
<thead>
<tr>
<th>Capital base (in Ksh)</th>
<th>Tick correctly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10,000,000</td>
<td></td>
</tr>
<tr>
<td>10,000,001-20,000,000</td>
<td></td>
</tr>
<tr>
<td>20,000,001-30,000,000</td>
<td></td>
</tr>
<tr>
<td>30,000,001-40,000,000</td>
<td></td>
</tr>
<tr>
<td>Over 40,000,001</td>
<td></td>
</tr>
</tbody>
</table>

3. How many years have you been in the business?

<table>
<thead>
<tr>
<th>Number of years in Business</th>
<th>Tick correctly</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td></td>
</tr>
<tr>
<td>6-10</td>
<td></td>
</tr>
<tr>
<td>11-20</td>
<td></td>
</tr>
<tr>
<td>Over 21</td>
<td></td>
</tr>
</tbody>
</table>
SECTION B

Please tick appropriately in the Boxes provided

4. How would you rate the level of achievement of the following product innovation items in your organization in the last three years compared to the previous years? (1= extremely unsuccessful, 2= unsuccessful, 3=Similar, 4= successful, 5=extremely successful).

<table>
<thead>
<tr>
<th>Product innovation Measures</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in quality of current products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in cost of current products</td>
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<tr>
<td>Development of improved products leading to improved ease of use for customers and increase customer satisfaction</td>
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<tr>
<td>Development of products with technical specification and functionalities totally differing from current ones</td>
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<tr>
<td>Development of improved products with components and materials totally differing from current ones</td>
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</tr>
</tbody>
</table>

5. How would you rate the level of achievement of the following process innovation items in your organization in the last three years compared to the previous years? (1= extremely unsuccessful, 2= unsuccessful, 3=Similar, 4= successful, 5=extremely successful).

<table>
<thead>
<tr>
<th>Process innovation Measures</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination and elimination of non value adding activities in production process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase of output quality in processes, techniques and machinery software</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determination and elimination of non value adding activities in delivery related processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase of delivery speed in delivery of related logistics processes</td>
<td></td>
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</tr>
</tbody>
</table>
6. How would you rate the level of achievement of the following promotion innovation items in your organization in the last three years compared to the previous years? (1= extremely unsuccessful, 2= unsuccessful, 3=Similar, 4= successful, 5=extremely successful).

<table>
<thead>
<tr>
<th>Promotion innovation Measures</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company advertises its products and services</td>
<td></td>
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<tr>
<td>Promotion stimulates purchase</td>
<td></td>
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<tr>
<td>It differentiates products</td>
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<td></td>
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<tr>
<td>It helps present information to customers well</td>
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</tbody>
</table>

7. How would you rate the level of achievement of the following pricing innovation items in your organization in the last three years compared to the previous years? (1= extremely unsuccessful, 2= unsuccessful, 3=Similar, 4= successful, 5=extremely successful).

<table>
<thead>
<tr>
<th>Pricing innovation Measures</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of efficient scale facilities</td>
<td></td>
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</tr>
<tr>
<td>Prices are lower than those of competitors</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Keeps prices same as competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prices are not static ensuring expected innovation capacity</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Pricing strategies reflect organizational goals</td>
<td></td>
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</tr>
</tbody>
</table>
8. How would you rate the level of achievement of the following financial performance items in your organization in the last three years compared to the previous years? (1= extremely unsuccessful, 2= unsuccessful, 3= Similar, 4= successful, 5= extremely successful).

<table>
<thead>
<tr>
<th>Financial Performance Measures</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm has had an increase on return as a result of implementing innovation strategies on product</td>
<td></td>
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</tr>
<tr>
<td>Our firm has had an increase on return on assets as a result of process innovation strategies</td>
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</tr>
<tr>
<td>Our firm has an increase in general profitability as a result of promotion innovation strategies</td>
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</tr>
<tr>
<td>Our firm has an increase in profitability as a result of pricing innovation strategies.</td>
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<td></td>
</tr>
</tbody>
</table>

THANK YOU.
APPENDIX THREE: INTERVIEW GUIDE FOR THE MANAGERS

What are the forms of product innovation strategy employed by the company?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

What can you comment on process innovation strategy to enhance performance in your company:
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Kindly list some of the consumer sales promotion techniques employed by the company and how effective are they in enhance sales.
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

What can you comment about the company’s pricing innovation strategy?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Give your own opinion as to how effective you think sales performance measures are
________________________________________________________________________
________________________________________________________________________
APPENDIX THREE: INSURANCE COMPANIES

1. Kenindia assurance company ltd Eldoret branch,
2. Britam, Eldoret,
3. Africa Merchant Assurance Co. Ltd (AMACO), Eldoret,
4. Apollo Life, Eldoret,
5. Trinity Life Assurance Co.Ltd, Eldoret,
6. Monarch Insurance Co Ltd, Eldoret,
7. Madison Insurance Co Kenya Ltd, Eldoret,
8. The Heritage Insurance Co.Ltd, Eldoret
9. AAR insurance Limited, Eldoret,
10. Jubilee Insurance Agency, Eldoret,
11. Kenya Orient Insurance, Eldoret,
12. APA Insurance Co Ltd, Eldoret,
13. UAP Insurance Company Ltd, Eldoret,
14. Pacis Insurance Co.Ltd, Eldoret,
15. Phoenix Assurance, Eldoret
16. First Assurance, Eldoret,
17. Fidelity shield insurance, Eldoret,
18. Mayfain Insurance, Eldoret,
19. Direct line Insurance, Eldoret,
20. CFC Life, Eldoret,
APPENDIX FOUR; RESEARCH AUTHORIZATION

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471, 2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

Ref: No.

NACOSTI/P/15/0959/6403

Wilson Nandwa Owiye
Kisii University
P.O. Box 402-40800
KISII.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Effects of innovation strategies that influence sales performance. A survey of Insurance Firms in Eldoret,” I am pleased to inform you that you have been authorized to undertake research in Uasin Gishu County for a period ending 30th September, 2015.

You are advised to report to the Chief Executive Officers of selected Insurance Firms, the County Commissioner and the County Director of Education, Uasin Gishu County before embarking on the research project.

On completion of the research, you are expected to submit two hard copies and one soft copy in pdf of the research report/thesis to our office.

DR. S. K. LANGAT, OGW
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Chief Executive Officers
Selected Insurance Firms.

The County Commissioner
Uasin Gishu County.
THIS IS TO CERTIFY THAT:

MR. WILSON NANDWA OWIYE
of KISII UNIVERSITY, 6434-30100
ELDORET, has been permitted to conduct
research in Uasin-Gishu County

on the topic: \textit{EFFECTS OF INNOVATION STRATEGIES THAT INFLUENCE SALES PERFORMANCE: A SURVEY OF INSURANCE FIRMS IN ELDORET}

for the period ending:
30th September, 2015

Signature

Director General
National Commission for Science, Technology & Innovation
CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.

2. Government Officers will not be interviewed without prior appointment.

3. No questionnaire will be used unless it has been approved.

4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.

5. You are required to submit at least two (2) hard copies and one (1) soft copy of your final report.

6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.

RESEARCH CLEARANCE

PERMIT

National Commission for Science, Technology and Innovation

Serial No. A 5990

CONDITIONS: see back page