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# Influence of Strategic Innovation on the Performance of Small and Medium Women-Owned Enterprises in Kenya

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## Abstract

In today's volatile business environment, Small and Medium-Sized Enterprises (SMEs) in Kenya experience high number of problems affecting their performance, profitability, success and survival. Women-owned SMEs have important contributions to make to innovation and development of the Kenyan economy. Strategic innovations can actually enhance the performance of women-owned SMEs in several aspects. It has been found that more innovative firms adopt different operational strategies to accommodate flexibility and quality capabilities. The objective was to determine the influence of organization innovation on the performance of small and medium women-owned enterprises in Kenya. The scope of this study was in Nairobi County. The study was guided by an epistemological research philosophy adopting a positivist research paradigm. The research design was cross-sectional survey design using both quantitative and qualitative approaches. The target population for this study was 5,362 registered women owned enterprises registered with the County Government of Nairobi by December 2017 and the sample size was 358 respondents derived using Fisher's formulae. This study used a self-administered, closed and open-ended questionnaire to obtain quantitative data. The study results revealed that organizational innovations had a positive and significant influence on performance of women owned enterprises in Kenya. Findings also implied that strategic innovations adopted helped enterprises to create new markets which improved performance. The study concluded that favourable external environments such proper legislations, political climate conducive for business among others may enhance the performance of small and medium size enterprises. The study recommended that those women-owned enterprises should always be on the lookout for

better strategic innovations of conducting business which reduces costs and improves performance.

**Keywords:** *Strategic innovation, Performance, Women-Owned Small and Medium Enterprise*

## **1.0 Introduction**

### **1.1 Background to the Study**

Women entrepreneurship is essential for any country's growth and development. Some scholars even argue that women entrepreneurs' contribution tends to be higher than that resulting from entrepreneurial activity of men (Minniti & Naude, 2010). Minniti and Naude further stated that the general attention to women and entrepreneurship in developing countries has increased to a great extent and the focus on this 'untapped source' of growth seems to be indispensable for development practitioners and policy makers.

Foster (2016) noted that many women entrepreneurs are located in low value markets where there are few barriers to entry, consequently this leads to saturated markets and little room for growth. He also observed that, without innovation through new products development and access to higher value markets, the potential for success for SMEs is relatively low (Kathuria & Mamta, 2012). Ndesaulwa and Kikula (2016) support the notion that women SMEs that engage in innovation activities are better performers.

Innovation and entrepreneurship are needed to transform the inputs of an enterprise in profitable ways. Drucker in 1985 as quoted by Balkiene and Jagminas (2010) states that innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It can be presented as a discipline, can be learned or practiced.

In today's volatile business environment, small and medium-sized enterprises (SMEs) in Kenya experience high number of problems affecting their performance, profitability, success and survival. Katua (2014) established that small business owners in Kenya and other countries have the same characteristics, face the same obstacles but differ in their understanding of how small businesses assist in economic growth. To combat these emerging challenges, SMEs must continuously innovate to reduce their cycle time and introduce cheaper products more quickly; with higher quality and that better satisfy customer and market needs (Chesbrough, 2010). Synchronizing continuous improvement and day-to-day management is of increased importance for success. SMEs that fail to embrace continuous innovation and development initiatives to enhance their performance and competitiveness jeopardize their sustainability.

Innovation is linked to the growth and performance of Small and Medium enterprises globally due the firm competitiveness that results from innovation. Anderson and Eshima as cited in Price, Stoica and Boncella (2013) stated that undertaking research on innovation in SMEs is vital since there is possibility of specific set of processes and resources involved that may help explain innovation as a critical factor in predicting SME performance. In Kenya, a study done by Kenya Association of Manufacturers (KAM) (2017) indicates that the presence of innovations, inventions and modifications are signs of growth and performance in SMEs.

Strategic innovation refers to implementation of new ideas, processes, products or services. Innovation is broadly seen as an essential component of competitiveness, embedded in the organizational structures, processes, products, and services within a firm (Katua, 2014). Strategic innovation is a future-focused business development framework that identifies breakthrough growth opportunities, accelerates business decisions and creates near-term, measurable impact within the context of a longer-term vision for sustainable competitive advantage. Chesbrough (2010) argues that combining non-traditional, creative approaches to business innovation with traditional consulting models, strategic innovation inspires cross-functional teams composed of an organization's leading change agents, guiding them to identify new revenue streams, to create breakthrough growth strategies, to define innovative new products, services and business models, to stimulate new business relationships and to rethink current business practices.

Strategic innovation challenges an organization to look beyond its established business boundaries and mental models and to participate in an open minded, creative exploration of the realm of possibilities (Foster, 2016). Ndesaulwa and Kikula (2016) posit that, the significance of strategic innovation to an organization lies in its ability to supplant competition by generating more value in the long run. This they argued, is achieved through creation of new differentiated business that initially by pass competition and new business marketing, offers and space that renders competition irrelevant.

Buzzavo (2012) contests that enhancing the innovative ability of an organization is one of the most critical levers to increasing profitability and growth. According to him, strategic innovation creates long term value in business model by leveraging both new businesses model and improving on technologies. Foster (2016) observes that strategic innovation is crucial in driving firm performance. According to the scholars, strategic innovation orientation provides a collective guidance and direction that drives a firm to achieve sustainable competitive advantage.

Firms with a proactive market orientation are suggested to strive more for discovering and satisfying unarticulated, emerging needs of customers than customer-led firms that only listen and respond to expressed needs of current customers. The author however contest that the influence of the strategic innovation on the performance of the firm is greatly dependent on the top management team that is responsible for decision making.

Buzzavo (2012) elucidates that strategic innovation is at the heart of the competitive game among business firms. He argues that firms that are strategic innovators pursue strategies that blend efforts aimed at improving what is being practiced at present with attempts to achieve performance improvements through leaps and breakthrough. The consequential effect of such efforts is a competitive edge that the firm can use to leapfrog rivals. The competitive advantage created by the strategic innovation brings value to the customers. This value can only be enhanced if it is perceived to be non-imitable, substitutable and rare that eventually differentiates the firm from the rest of the competitors (Barney, 2007).

The Kenyan enterprise system has not fully integrated innovation to enhance competitiveness (Ministry of Science and Technology as cited in Mwangi, 2014). As a result, women-owned enterprises in key sectors such as manufacturing have not been able to become competitive. The contribution of manufacturing has stagnated at 11 percent over the past 15 years. In addition,

most women-owned enterprises in manufacturing sector have not been able to develop technological competencies to acquire and apply knowledge from foreign firms. Little is documented on women-owned SMEs organization innovation and its related impact on growth of SMEs in Kenya (Mwangi, 2014).

## **1.2 Statement of the Problem**

Research points that most women SMEs in Kenya are not innovative and this affects negatively on their performance. As a result, key sectors such as manufacturing have not been able to become competitive. Kiraka, Kobia and Katwaro (2013) found out that incidences of decline or stagnation were significant at between 15 to 30 percent across the several measures of performance among women-owned SMEs. Strategic innovation may solve the challenges of growth eclipsing the performance of women-owned enterprises in Kenya. Strategic Innovation has a considerable impact on corporate performance by producing an improved market position that conveys competitive advantage and superior performance (Walker, 2004).

Strategic innovation enhances global competitiveness, overall productivity and value maximization of the firm. The management and owners of women-owned SMEs should align the wider business strategy with strategic innovation strategies to overcome the challenges of dismal performance. Though there exist a relationship between innovation and performance as stated by various scholars ((Walobwa, Ngugi & Chepkulei, 2013; Mwangi & Namusonge, 2014), all are contextually varied and none reviewed the effect of strategic innovation on performance of women-owned SMEs in Kenya. Thus the research question, what is the influence of strategic innovation on the performance of women-owned SMEs in Kenya?

## **1.3 Objective of the Study**

To assess the influence of strategic innovation on performance of small and medium women - owned enterprise in Kenya.

## **1.4 Research Hypotheses**

H<sub>a3</sub>: There is a significant positive influence of strategic innovation and performance of small and medium women-owned enterprise in Kenya.

## **2.0 Literature Review**

### **2.1 Theoretical Framework**

#### **2.2.1. Dynamic Capabilities Theory**

Dynamic capability theory was initially introduced by David Teece and Gary Pisano in 1994 according to Gizawi (2014). They defined it as the ability to achieve new forms of competitive advantage by being flexible and fast in dealing with changing market environments. In their attempt to advance this reasoning they argued that while resource based view recognizes the mechanisms that enable competitive advantage, it does not attempt to explain how these mechanisms operate. The environment in which entrepreneurs are currently operating is very dynamic and this has been further complicated by technological disruptions and thus managers need to employ capabilities that enable them to survive the competition.

This is echoed by Žitkienė, Kazlauskienė, and Deksnys, (2015) who stated that entrepreneurs in highly competitive and constantly changing environment, enterprises need to be able to anticipate changes and prepare to make changes in their strategy, in order to gain and maintain competitive advantage. The ability to do this systematically has been referred as dynamic capability and its main goal is to explain long term competitive advantage of the firm.

Dynamic capabilities theory grew as an extension to resource based view, which states that an enterprise will outperform its competitors if it has resources which are valuable, rare, difficult to imitate and substitute. Strategic innovation is one such resource that an enterprise can possess and which can enhance the entire performance. The fundamental concern in the field of entrepreneurship is the antecedent of enterprise performance and how entrepreneurs achieve and sustain competitive advantage in their firms. Teece, Pisano, and Shuen (1997) argued that this concern can be addressed by developing the dynamic capabilities approach through strategic innovation which attempts to analyse the sources of wealth creation and wealth capture by firms. Dynamic capability approach is relevant in a Schumpeterian world of strategic innovation-based competition, performance rivalry, increasing returns, and the creative destruction of existing competences.

Gizawi (2014) added that competitive advantage would be attributed to those enterprises that are able to react rapidly and flexibly through strategic innovation, while simultaneously possessing the capacity to manage firm specific capabilities in such a way as to effectively coordinate and redeploy internal and external competences. The dynamic capability theory views competition in Schumpeterian terms, where enterprises are constantly seeking to create “new combinations” or innovations and competitors in the marketplace are continuously attempting to improve their competences or to imitate the competence of their most qualified competitors (Teece & Pisano, 1994). Rivalry is thus inevitable in Schumpeterian terms, which implies that a firm’s ability to improve or develop new types of competences through strategic innovation is imperative in developing long-term competitive advantage.

According to Eisenhardt and Martin (2000), dynamic capabilities are made of specific processes through strategic innovations, such as development of new products, making alliances in the industry, making strategic decisions, that help organizations to compete in rapidly changing environments. Managers reconfigure various capabilities to adjust them to new strategies. Dynamic capabilities show commonalities across different firms and often are used as example of best practice methods. This theory is applicable in this study since dynamic capabilities value lays in the reorganization of resources of women-owned enterprises and in specific capabilities within the enterprise.

Dynamic capabilities in women-owned enterprises are important for they support the necessity of strategic innovation in enhancing the differentiation and the re-position of the competitive advantage of the enterprise thus enhancing its performance levels. The theory also demonstrates that through strategic innovation, women-owned enterprises may have the capability to compete rapidly in changing business environments. The theory supports the formulation of questions and interpreting the information on strategic innovation.

## 2.2 Empirical Review

### 2.2.1. Strategic Innovation

Strategic innovation is a strategic tool effective for aligning the firm's resources and capabilities with opportunities in the external environment in order to enhance survival and long term performance of the organization (Akinwale, Adepoju & Olomu, 2017). Strategic innovation is considered as developments and new applications, with the purpose of launching newness into the economic area of an enterprise. It can be conceived as the transformation of knowledge to commercial value (Lilly & Juma, 2014).

Lily and Juma (2014) studied on the relationship between strategic innovation and performance of commercial banks in Kenya. The specific objectives of the study were to establish the nature of various strategic innovations such as; new product development, cost reduction, differentiation, quality improvement, increased sales and entrance into new markets in the banking sector and determine the influence of strategic innovations on the performance. This was a case study where only one organization was involved in the study, Kenya Commercial Bank. The target population was 170 managers of 59 branches in Nairobi County. The sample size was 119 respondents out of the possible 170 managers in Nairobi County branches of KCB. The study found out that the strategic innovation measures adopted by the bank greatly affects the bank's performance. Though the study was on strategic innovation and firm performance, its focus is on the banking sector. The current study is on manufacturing sector and specifically the women-owned SMEs.

Shisia, Sang, Matoke and Omwario (2014) studied on the relationship between strategic innovation and performance of public universities in Kenya. The specific objectives of the study were to establish the nature of strategic innovations in the universities and determine the influence of strategic innovations on the performance. The population for the study was the public universities in Kenya from which the sample was selected.

The researcher adopted descriptive survey design. Data to establish the relationship was obtained with the use of structured questionnaires. The findings established that there existed a positive significant relationship between strategic innovation and performance of public universities in Kenya. The focus of this study was public universities while the current study is on innovation and performance of women-owned enterprises.

AlQershi, Abas and Mokhtar (2018) undertook a conceptual analysis of strategic innovation and its impact on the performance of manufacturing SMEs in Yemen. The study also explained strategic innovation in relation to performance. The findings established that strategic innovation was very important in a developing country like Yemen. Additionally, there is a need for financial innovation because access to finance has been found to be a major problem of SMEs in developing countries. This study was in Yemen with the current study in Kenya

Osuga (2016) attempted to establish the effects of strategic innovation on the performance of Small and Medium Enterprises in Nairobi County. The research methodology employed was the descriptive research method. The target was owners and employees of small and medium enterprises operating in Nairobi County. The sample size of 138 SMEs was chosen using simple

random sampling technique. The study established that there is a positive relationship between strategic innovation and performance. The study found that innovations of new products improved the performance of the SMEs. It was determined the organizations vision and mission played a critical role in strategic innovation.

Ngugi and Karina (2014) studied on the effect of strategic innovation on performance of mobile telecommunication firms in Kenya. This study sought to find out the effect of strategic innovation on the performance of mobile telecommunication firms in Kenya. The study used descriptive research design in data collection and analysis. SPSS version 21 was used to analyze the data. The study found out that strategic innovation has positive effect on organizational performance. Adoption of superior strategies relating to products, services, marketing processes and human resources led superior organization performance.

### 2.3 Conceptual Framework

A conceptual framework is a presentation where a researcher conceptualizes or represents the relationships between variables in the study and shows the relationship graphically or diagrammatically (Orodho, 2008). The study sought to examine the influence of strategic innovation on the performance of women-owned small and medium enterprises in Kenya.

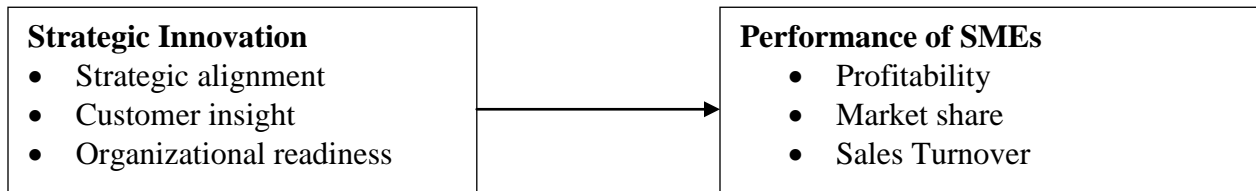


Figure 1: Conceptual Framework

### 3.0 Research Methodology

The study adopted a positivist research philosophy. The study adopted cross-sectional survey design using both quantitative and qualitative approaches. This design was appropriate for this study which extensively tested the analysis of the relationships between organization innovation and performance of small and medium women-owned enterprises. The target population for this study was the 5,362 registered women owned enterprises registered with the County Government of Nairobi by December 2017.

Sampling was conducted through stratified random sampling technique and proportionate stratified sampling to gain a sample size of 358 respondents. Questionnaires were used in data collection. Descriptive and inferential statistics were used in the analysis of quantitative data generated. Pearson product moment correlation was applied to determine the relationship between independent and dependent variables.

Linear regression analysis was used to explain the extent independent variables explained variations in dependent variable. The study conducted diagnostic tests that included standard F-test, T-test, Analysis of Variance (ANOVA) test, factor analysis, Multicollinearity analysis, Heteroscedasticity test and normality test. The general linear regression model for this study was:



$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where; Y= performance of SMEs

$\beta_0$ =constant

$\beta_i$  is the coefficient for  $X_i$  ( $i=1, 2, 3$ ) ;

$X_1$ = Strategic innovation

$\varepsilon$  = error term

## 4.0 Results and Discussion

### 4.1 Correlation Analysis

#### 4.1.1. Bi-variate Linear Relationship between Study Variables

Before running regression analysis, the researcher tested correlational matrix to establish whether association existed between strategic innovation and performance of women-owned SMEs. To establish correlation, Pearson Product, Moment Correlational Coefficient (r) was used as shown in Table 1.

**Table 1: Linear relationships of variables**

Variables		Performance	Strategic Innovation
Performance	Pearson Correlation	1	.394**
	Sig. (2-tailed)		.000
	N	287	288
Strategic Innovation	Pearson Correlation	.512**	1
	Sig. (2-tailed)	.000	
	N	287	288

The findings revealed that strategic innovation ( $X_4$ ) had a strong association with performance of women-owned SMEs in Kenya as shown by  $r=0.512$ . The correlation was significant as shown by  $p=0.000$  which was less than 0.05. These findings concur with those Lily and Juma (2014) who concluded that indeed there exist a positive relationship between strategic innovation and performance of public universities in Kenya. The study findings concur with Shisia, Sang, Matoke and Omwario (2014) who found out that the strategic innovation measures adopted by the bank greatly affects the bank's performance.

### 4.2. Diagnostic Tests

#### 4.2.1. Multicollinearity

Multicollinearity is said to exist between two independent variables when a strong relationship exists between them. Garson (2012) asserts that the rule of thumb is that  $VIF >4.0$  multicollinearity is a problem and other scholars use more lenient cut off of  $VIF >5.0$  when multicollinearity is a problem. However, O'Brien (2007) suggests that this rule of thumb should be assessed in contextual basis taking into account factors that influence the variance of

regression coefficient. Accordingly, this study adopted a VIF value of 5 as the threshold. The findings revealed that strategic innovation had a VIF of 1.795. The results in Table 2 indicate that the VIF values of the variables were within the threshold of 5. This indicates that there was no significant threat of multicollinearity.

**Table 2: Test of Multicollinearity**

	Collinearity Statistics	
	Tolerance	VIF
Strategic Innovation a Dependent Variable: SME Performance	0.557	1.795

#### **4.2.2. Factor Analysis**

The importance of conducting a factor analysis was to summarize the information contained in a number of original variables into a smaller number of factors without losing much information. The implication of this is that the newly created variables should represent the fundamental constructs, which underlie the original variables factor (Bartholomew, Knott, & Moustaki, 2011). Loadings are an indication of how much a factor explains a variable in factor analysis.

#### **4.2.3. Factor Loading of Strategic Innovation**

The results show that the factor loadings of these variables were ranging from 0.611 to 0.808 which indicates satisfactory factorability for all items of the variables. This means that the variables fitted well with other variables in their factors (Pallant, 2010). Factor loading for strategic innovation is shown in Table 3.

**Table 3: Factor Loadings of Strategic Innovation**

<b>Strategic Innovation</b>	<b>Loadings</b>
My enterprise is continuously engaged in creating strategic alignment with stakeholders to better customer value.	0.737
In coming up with new ways of doing business, customer needs and priorities are considered.	0.694
My enterprise is continuously targeting the products and services that will be significant to future needs of customers.	0.682
My enterprise has a futuristic outlook to estimate the future demands of customers.	0.748
There are many initiatives that have been undertaken to change the business model.	0.755
The enterprise has embraced new methods of distribution of its products and services.	0.672
The enterprise has introduced strategic innovation to enter and create new markets.	0.660
The enterprise has embraced strategic innovation to target specific markets (women and youth enterprises)	0.708
The enterprise has embraced strategic innovation that requires changing or bringing new value propositions, services and production processes.	0.611
The enterprise has introduced strategic innovation for determining what it needs to achieve from the innovation process.	0.757
My enterprise is readily adapted to embrace new innovations.	0.777
My enterprise has the preparedness to competitively innovate when faced with potential rivals.	0.808
My enterprise is prepared to innovate in new products and markets.	0.655
My enterprise gains from financial supports from the government.	0.706

#### **4.2.4. Test of Normality**

It is the best practice in statistical analysis to determine if a data is well-modeled by a normal distribution and compute for randomness in the variable. Ghasemin and Zahediasi (2012) argued that the variables are supposed to be roughly normally distributed especially if the results are to be generalized beyond the sample. The study used Kolmogorov-Simonov and Shapiro test of normality test as shown in Table 4. Under the Shapiro test the null hypothesis  $H_0$ : data is normally distributed while the  $H_a$ : Data is not normally distributed. Since the p-values for the variables were greater than 0.05, the null hypotheses for the variables is not rejected hence confirming that data was normally distributed and therefore fit for linear regression analysis.

**Table 4: Test of Normality**

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Strategic Innovation	0.126	283	0.060	0.952	283	0.107
SME Performance	0.282	283	0.230	0.756	283	0.071

#### 4.2.5. Linearity Test

Linearity refers to the relationship between variables where the value of the dependent variable is a straight-line function of the independent variable. The study conducted the test of linearity to determine whether the relationship between innovation and performance of women-owned SMEs in Kenya was linear or not. Table 5 provides the findings.

**Table 5: Linearity Test**

			Sum of	df	Mean	F	Sig.
Innovation	Between	(Combined)	50.598	10	4.6	18.52	0.000
		Linearity from Linearity	48.455	1	48.455	195.1	0.000
	Within Groups		25.083	273	0.248		
	Total		75.681	283			

#### 4.2.6. Homoscedastic Test

Heteroscedasticity is a state where the error terms among different values of explanatory variables do not have a constant variance. Breusch-Pagan test as used by Rosopa, Schaffer and Schroeder (2013) to test for homogeneity in a linear regression mode states that null hypothesis was that the error term was homoscedastic and the alternative hypothesis was that the error term was heteroscedastic. If the null hypothesis was rejected, then it implied that there was presence of heteroscedasticity. The result of the test is shown in Table 6, which indicates that the test statistic is 0.9464 (p-value = 0.3985) with the degree of freedom. Since the test-statistic is small with the p-value greater than 0.05, the null hypothesis was accepted and it was concluded that there was homoscedasticity in the data (that is, the data is not heterogeneous in variance), which satisfies the assumption of regression.

**Table 6: Test of Homoscedasticity**

Test – Statistic	Degree of Freedom	P-Value
0.9464	4	0.3985

### 4.3. Influence of strategic innovation and performance of small and medium women-owned enterprise in Kenya

In order to determine the relationships proposed in the research model, linear regression analysis was used. Linear regression analysis is applicable in modeling the relationship between a scale of variable Y or more variables denoted as X.

#### 4.3.1. Hypothesis One: There is a significant positive influence of strategic innovation and performance of small and medium women-owned enterprise in Kenya.

#### 4.3.2. Model Summary

The results in Table 7 revealed that  $R = 0.296$  and  $R^2 = 0.247$ . R value implied that there is a strong relationship between strategic innovation and performance of women owned SMEs in Kenya.  $R^2$  on the other hand, indicates that explanatory power of the independent variable on dependent variables was 24.7%. This means that 24.7% of the variation in performance of women owned SMEs in Kenya is explained by strategic innovation while the remaining 83.3% of the variation in performance of women owned SMEs is unexplained by the variables in the model.

**Table 7: Model Summary for Multivariate Regression Analysis**

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	0.296	0.247	0.221	0.31471

a. Predictors: (Constant), Strategic Innovation

#### 4.3.3. ANOVA Results for Multivariate Regression Analysis

The findings in Table 8 of ANOVA revealed F-statistics of 63.332 with a p-value of 0.000 which was less than significance level of 0.05. The study hence concluded that the model used to link the independent variables to dependent variable had a good fitness. In this case the alternative hypothesis that the model had good fitness was accepted and concluded that strategic innovations significantly predicated performance of women owned SMEs in Kenya.

**Table 8: ANOVA Results for Multivariate Regression Analysis**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	54.112	1	17.027	63.332	0.000
	Residual	34.630	280	.171		
	Total	88.542	284			

a. Dependent Variable: SME Performance

b. Predictors: (Constant), Strategic Innovation

#### 4.3.4. Beta Coefficient Results

The findings in Table 9 indicate the existence of a positive significant relationship between strategic innovation and growth of women-owned SMEs ( $\beta=0.250$  and  $p\text{-value}=0.013$ ). The implication was that a unit increase in strategic innovation strengthened performance of women-owned SMEs by 25%.

**Table 9: Beta Coefficient Results for Multivariate Regression Analysis**

	<b>B</b>	<b>Std. Error</b>	<b>T</b>	<b>Sig.</b>
(Constant)	0.848	0.328	2.586	0.002
Strategic Innovation	0.250	0.100	2.503	0.013

a Dependent Variable: SME Performance

#### 4.4. Descriptive Results for Strategic Innovation

Majority of the respondents agreed and strongly agreed as shown by the mean response of 4.10 that their enterprise had embraced strategic innovation to target specific markets. The study finding further revealed that majority of the respondent shown by mean of 4.09 agreed that their enterprise had embraced strategic innovation that requires changing or bringing new value propositions, services and production processes.

The study also sought to establish from the respondents whether their enterprise had introduced strategic innovation for determining what it needs to achieve from the innovation process. The study results revealed that 49.8% and 33.1% of the respondents agreed and strongly agreed. On whether enterprise readily adapted to embrace new innovations, the research findings showed that 46.3% and 36.8% agreed and strongly agreed. The study further sought to find out from the respondents whether their enterprise had the preparedness to competitively innovate when faced with potential rivals, the statement had a mean response of 4.56 which implied that majority of the respondents agreed and strongly agreed with the statement. Finally, the study sought to find out from the respondents whether their enterprise was prepared to innovate in new products and markets, the findings revealed that 55.6% and 39.8% of the respondents agreed and strongly agreed. The mean response for this statement was 4.35 which implied that respondent agreed and sternly agreed.

These findings implied that majority of the respondents agreed and strongly agreed to have adopted various strategic innovations in their enterprises. According to the respondents' strategic innovations adopted helped their firms to create new markets which improved firm performance. These findings concur with those Lily and Juma (2014) who concluded that indeed there exist a positive relationship between strategic innovation and performance of public universities in Kenya. The study findings concur with Shisia, Sang, Matoke and Omwario (2014) who found out that the strategic innovation measures adopted by the bank greatly affects the bank's performance. The results are shown in Table 10.

**Table 10: Descriptive Results for Strategic Innovation**

<b>Strategic Innovation</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std Dev</b>
The enterprise has embraced strategic innovation to target specific markets (women and youth enterprises)	0.0%	1.0%	23.7%	48.1%	27.2%	4.01	0.74
The enterprise has embraced strategic innovation that requires changing or bringing new value propositions, services and production processes	0.0%	0.3%	15.3%	59.2%	25.1%	4.09	0.64
The enterprise has introduced strategic innovation for determining what it needs to achieve from the innovation process	0.0%	0.0%	17.1%	49.8%	33.1%	4.16	0.69
My enterprise is readily adapted to embrace new innovations	0.0%	0.0%	16.8%	46.3%	36.8%	4.20	0.71
My enterprise has the preparedness to competitively innovate when faced with potential rivals	0.0%	0.0%	4.6%	34.9%	60.6%	4.56	0.58
My enterprise is prepared to innovate in new products and markets	0.0%	0.0%	4.6%	55.6%	39.8%	4.35	0.57

**a) Discussions of Findings of the Influence of Strategic Innovation and Performance of Women-Owned SMEs**

The objective of the study was to analyze the influence of strategic innovation on the performance of small and medium women-owned enterprises in Kenya. The descriptive findings implied that majority of the respondents agreed and strongly agreed to have adopted various strategic innovations in their enterprises. According to the respondents' strategic innovations adopted helped their firms to create new markets which improved firm performance.

The correlation findings also revealed that strategic innovation had a strong association with performance of women SMEs in Kenya. The study also employed linear regression analysis to test the relationship between strategic innovation and performance of women SMEs in Kenya. The beta coefficient for strategic innovation was positive and significantly. The study therefore accepted the alternative hypothesis  $H_{a1}$ : there is a significant positive influence of organizational innovation on performance of small and medium women-owned enterprises in Kenya and concluded that strategic innovation positively and significantly influenced performance of small and medium women-owned enterprises in Kenya.

#### 4.5. Hypotheses Testing

Hypotheses were tested using simple linear regression analysis.

**H<sub>a1</sub>: There is a significant positive influence of strategic innovation and performance of small and medium women-owned enterprise in Kenya.**

To test the above hypotheses, the study also employed linear regression analysis. The beta coefficient for strategic innovation was  $\beta = 0.362$  which was significantly different from 0 with a p-value= 0.013 which was less than 0.05. The study therefore accepted the alternative hypothesis H<sub>a4</sub>: there is a significant positive influence of organizational innovation on performance of small and medium women-owned enterprises in Kenya and concluded that strategic innovation positively and significantly influenced performance of small and medium women-owned enterprises in Kenya.

The findings implied that adoption of strategic innovations would lead to increase in performance of small and medium women-owned enterprises in Kenya. These findings concur with those Lily and Juma (2014) who concluded that indeed there exist a positive relationship between strategic innovation and performance of public universities in Kenya. The study findings concur with Shisia, Sang, Matoke and Omwario (2014) who found out that the strategic innovation measures adopted by the bank greatly affects the bank's performance.

#### 5.0 Conclusions

Based on the findings, the study established a significant influence of strategic innovations on the performance of women owned small and medium size enterprises in Kenya. The study concluded that small firms that strive to modernize their operations and adopt new ways of doing business, addressing customer needs and priorities stand a better chance of recording improved performance. Finally, the study concluded favourable external environments such proper legislations, political climate conducive for business among others may enhance the performance of small and medium size enterprises.

#### 6.0 Recommendations

The study recommended that women-owned enterprises should always be on the lookout for better strategic innovations of conducting business which reduces costs and improves performance. Strategies that enhance the innovation capabilities of women-owned enterprises will improve the capacity of these enterprises to better their performance.

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