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Abstract

This work sought to study the implementation of strategic innovation and its influence on firm performance. The scope of the study was commercial banks in Kenya. The research objective was to determine the effect of strategic innovation on the firm performance of the commercial banks sector in Kenya. Specific research objectives were: to determine the influence of innovation process management on the firm performance; and to evaluate the effect of strategic alignment on the firm performance of commercial banks in Kenya. An analysis of both primary and secondary data was undertaken through multilinear regression with the help of Statistical Package for Social Sciences tool. Firm performance of the banks was informed by the Return on Assets for a period of five years. Strategic innovation was approached from the four dimensions of a managed innovation process, industry foresight, strategic alignment and customer insight. The study followed the descriptive research design. The study population was 41 banks from which 10 were sampled using stratified sampling through proportionate and simple random sampling. 60 respondents made up of 10 respondents per selected bank across the 10 banks were targeted, with a response rate of 83 percent. From the findings, the study concluded that commercial banks’ implementation of innovation process management, strategic alignment, had a significant and positive effect on the firm performance of commercial banks in Kenya. The study recommended that the management of commercial banks in Kenya should adequately finance the innovation process management which is capital intensive to accrue the benefits from this process full implementation. Management should continuously build the capacity of the employees to effectively execute the bank’s strategy that should be adaptable to the dynamic market forces. Further research was recommended to replicate the study across other financial institutions including insurance companies, SACCOs and micro-finance institutions.

Key words: Firm performance, Strategy, Innovation, Strategic innovation
INTRODUCTION

The world today has undergone massive changes. Innovation is on the forefront in both emergent and advanced economies, in the global competition for talent, resources and market share. Stiff competition among existing players has left firms with no option but to find ways to attain competitive advantage through innovation. A company’s competitiveness globally is determined by the ability and capability to meet the dynamic needs of customers (Peteraf, 2013). In addition to goods and services designed to meet their needs, today’s demanding consumers are more informed, connected and keen to buy products and services that are of high quality, are dependable and have competitive prices. The firm with a capacity to innovate is in a better position to compete in markets than one which lacks the innovative ability (Morrison, 2014).

Firm performance refers to the productivity of the company in the context of the market where it operates. According to Bharadwaj (2000) it is a relevant construct in strategic management and is frequently used as a dependent variable. In finance, it is referred to as financial stability. Firm performance can be measured in financial and non-financial indicators. Simpson and Kohers (2012) list some of the financial measures to include sales growth, revenue, profit margins, return on equity, return on assets, stock prices, liquidity ratio and capital adequacy. These indicators can also inform the evaluation of firm performance in relation to that of the competitors. In banking, ratios used include the percentages of: nonperforming assets; nonperforming loans (NPLs), and reserves.

The dynamism and global competitiveness in today’s business environment have made innovation feisty and pertinent due to three crucial trends: overarching international competition, flagellant and dynamic markets, and varied and advanced technologies encumbered by change overdrive (Hobday & Grantham, 2012).

Statement of the problem

World Bank’s estimates from the 2014 Findex survey program indicate a 75% uptake of bank accounts among the adults (Demirgüç-Kunt, Klapper, Singer & Van Oudheusden, 2015). Furthermore, Kenya is celebrated globally as a leader in financial inclusion, ranking 1st among 21 developing economies, according to The Brookings Financial and Digital Inclusion Project (FDIP).

The financial industry in Kenya is one of the dynamic sectors of the economy (Odhiambo, 2008). Characterized by the adoption of digital branches, the emergence of agency banking, internet banking, adoption of mobile banking and the competition from mobile network operators, the industry is dynamically finding new and better ways to transform business processes. Traditional banking halls and paper-based transactions are gradually being replaced by recent trends such as agency banking, chip and pin machines commonly known as PDQ machines and cards, bunch note acceptors and the Kenya Interbank transaction switch (Gure & Karugu, 2018). As it is with all industries, there are the early adopters as well as the late adopters.

According to the CBK 2016 report, the banking sector’s total assets were Ksh. 3.6 trillion, gross loans were Ksh. 2.4 trillion, deposit base was Ksh. 2.6 trillion while the profit before tax was Ksh. 38.4 billion at the end of quarter one. The number of bank customer deposit accounts and loan accounts stood at 37,455,795 and 7,163,560 respectively. At the time, the sector comprised 43 commercial banks, and one of the banks was under receivership.

While some of the banks are evidently leading the industry, there are some that are struggling, and a few put into receivership, and some even collapsed.
This dissertation seeks to determine the relationship between strategic innovation and firm performance. The Central Bank of Kenya (2017) presents that while seven banks hold 80 percent of the population’s cash, other banks are starved of liquidity. The regulator further proposes the need to design means of distributing the liquidity for the health of the industry, and as a result, promoting competition and growth. This study sought to determine whether strategic innovation has had a role to play in the firm performance of commercial banks in Kenya, and consequently in the distribution of liquidity among the players in the banking sector in Kenya.

Objectives of the study

- To determine the influence of innovation process management on the firm performance of commercial banks in Kenya.
- To evaluate the effect of strategic alignment on the firm performance of commercial banks in Kenya.

LITERATURE REVIEW

Disruptive Innovation Theory

Disruptive innovation refers to an improvement that unsettles an existing market and value network by introducing new ones. This innovation eventually displaces the recognized market leader firms, products, or even alliances. Christensen (2013) describes disruptive innovation as a process by which a product or service initially takes a hold at the bottom of a market and in simple applications, steadily moving up market and ultimately displaces the established competing firms.

Bailey, Baines, Wilson, and Clark (2009) observe that traditionally, management at established companies have consciously made the strategic decision to let new industry entrants take over the low-end of the market. This follows that school of thought that the low end of the market is often the least profitable, and by removing it from your customer base, larger companies expect to become more profitable (Christensen, 2013). In today’s dynamic markets, customers’ needs are constantly evolving, causing companies to play catch up through innovating faster. The result is usually products or services that are laden with features, making them too complex, and expensive for a large portion of the target market (Laforet, 2008). In the past, companies perceived to be innovative were those that charged the highest prices to their top tier clientele. Characterized as demanding and sophisticated these customers would pay high prices, leading to great profitability for the company (Agnihotri, 2016).

More recently, smaller companies are taking advantage at the evolution of the customer needs and the increase in awareness. Companies have realised that there is an open door at the bottom of the market, where innovation is way less demanding in resources and the benefits immense (Ling, Peng & Kao, 2008). An example of a disruptive innovation in Kenya’s banking industry is Equity Bank. Entering a market that was at the time perceived to be saturated, Equity Bank lowered their opening balances to levels so low that attracted students and the lower income earners. This in turn attracted the SMEs, which are the backbone of Kenya’s economy (Misati, 2010). Increasing accessibility to banking, their customer growth was so high, that in no time they were leading in the market. While initially Equity Bank had to make do with lower gross margins, the number of customer eventually paid off, and continues to do so. To remain the leaders, firms must keep an eye on the unattractive lower tiers of the market create space for disruptive competitors to emerge.
Although strategic innovation initiatives are majorly led by senior leaders, there is need to nurture a culture of innovation that encourages collaboration across the organization. Some renowned companies that have successfully applied strategic innovation principles include Apple, IBM, Ikea and Nintendo. Apple grew their customer base by expanding the use of computers from businesses to individuals; IBM moved to providing whole solutions instead of limiting their products to hardware; Ikea standardized their products; and Nintendo launched Wii, expanding its customer base to women, adults and the elderly.

**Blue Ocean Strategy**

Blue Ocean strategy was coined as a marketing theory in 2005. It builds the firm’s sustainability by making the competition irrelevant. Its name is derived from viewing the market universe as two types of oceans: red oceans and blue oceans. The red oceans represent all the industries and known market spaces in existence. On this type, companies try to outperform rivals to obtain market share, with products often becoming commodities and fierce competition turning the red ocean bloody. In contrast the blue oceans represent all the industries, products and services that are not yet in existence, in other words, the unknown market space. The blue oceans, characterized by untapped demand, offer the greatest potential for profitable growth. But there can be a downside to the blue ocean as well, as it is largely unexplored ground that often has a significant amount of risk.

In their publication Blue Ocean Strategy, Kim and Mauborgne (2005) present a systematic approach to making the competition irrelevant and outlines principles and stool any organization can use to create and capture their own blue oceans. Following a study of more than 150 strategic moves globally, spanning over 100 years and covering 30 industries, the authors debate that long-term success comes not from fighting competitors, but from creating blue oceans; untapped new market spaces ready for growth. They advocate on focusing efforts in creating uncontested market space, therefore making the competition irrelevant.

Kim and Mauborgne (2005) contend that while traditional strategies that are based on competition, also referred to as red ocean strategies, are necessary, they are not sufficient to support sustainable high performance. They call for
companies to go beyond competing and seize new profit and growth opportunities by creating blue oceans. The authors argue that competition based strategies assume that an industry’s structural conditions are set, and that firms are obligated to compete within the prevailing conditions, what academes refer to as environmental determinism.

In order to remain competitive, red ocean strategists emphasize on leveraging improvements over the competition. This is often achieved through evaluating the competitions actions toiling to enhance it. In this approach, seizing the biggest market share is perceived as a win-lose game, where one’s gain is only possible through another’s loss. Roth, Melkonyan, Kaivo-Oja, Manka, and Dana (2016) present that rivalry is based on supply as the defining variable of strategy. In this scenario, value and cost are considered trade-offs, and the firm is left with the choice of either a differentiation position. Given that the cumulative profits of the industry are regulated by underlying factors, it is follows that firms essentially seek to seize and redistribute the existing wealth, instead of creating new wealth. The focus is competition, dividing up the red ocean, where growth is increasingly limited.

**Empirical Review**

**Firm Performance**

Several authors agree that innovation is essential for business survival and especially in highly competitive markets. Such markets characteristics pose challenges to firms trying to differentiate products and services. Serrat (2017) poses that innovation is of great consequence for various reasons: it allows businesses to expand their customer base by refreshing the market with new and improved products; it is a key component of competitive advantage and helps companies stay ahead of competitors before rivals’ innovations take market share; it supports the ability to charge a premium; it provides incremental revenue and profit and increases shareholder value. Studies have shown that businesses that do not pursue growth through new product and service development are likely to decline as their existing sales portfolio inevitably matures (McKelvie, Brattström & Wennberg, 2017).

Firm performance is a relevant construct in strategic management research and frequently used as a dependent variable. Despite this relevance, there is hardly a consensus about its definition, dimensionality and measurement, what limits advances in research and understanding of the concept. According to Richard, Devinney., Yip and Johnson (2009), firm performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Richard et al. (2009) state that organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.). Santos and Brito (2012) proposed a measurement model for firm performance, based on subjective indicators. The model is grounded in stakeholder theory and a review of empirical articles. This model contains six dimensions: profitability, growth, customer satisfaction, employee satisfaction, social performance, and environmental performance.

**Strategic Alignment and Firm Performance**

Strategic innovation originated as a concept in academic literature in the 1990’s and provides companies with the opportunity for substantial value creation (Schilling, 2010). While previous research has shown how the learning or process aspects of a company foster strategic innovation capacity, or the ability of a company to systematically create strategic
innovation initiatives, Schilling (2010) notes that an understanding of the role of the organisation’s strategic plan and its implementation as a driver of strategic innovation is limited. The link between Strategy Processes, People, Culture and Resources remains hazy in many organizations (McKenzie, 2010). Despite a heightened awareness and interest by both scholars and practitioners in studying and better understanding strategic innovation, it is still regarded as an emerging field of inquiry. Additionally, limited research has been conducted on strategic innovation in the context of Kenyan commercial banks.

Strategic management is seen as a systematic process which aims at maximizing the utilization of resources in relation to organizational objectives which are in conformity with the demands of the business environment (Gure & Karugu, 2018). Strategic management normally looks beyond the mere day-to-day operations of the business, as it is long term in nature. Hence it aims at creating a good future, without neglecting the present, thereby providing an appropriate platform for reacting to changes in business environment. Strategic alignment referred to as the process of understanding the nature of a business through the correlation of business processes and strategies. El-Awad, Gabrielsson, and Politis (2017) emphasise the need to ensure the configuration of the organization’s resources is in line with its aspirations. This includes its structures, resources and internal processes. It is critical that all these aspects are clearly articulated in its internal and external communication. Traditionally, organizations solely relied on their internal understanding of their vision and mission, with the assumption that it is not dependent on the customer (Bailey, Baines, Wilson, & Clark, 2009). Bailey et al (2009) demonstrate that the engagement of the customers in the coining of an organization’s vision, mission and therefore the strategic plan is key for its success and survival, especially in a service oriented industry like banking.

Innovation Process Management and Firm Performance

Tidd and Bessant (2014) prescribe that the control systems of firms that are rigorous in implementing strategic management practices must stimulate innovation, proactiveness, and risk-taking. Further, strategic controls base performance on strategically relevant criteria as opposed to objective financial information (Chandler, 2000). El-Awad, Gabrielsson and Politis (2017) conclude that sustainable innovation results from the development and institutionalization of a mind-set and processes that support repeatable innovative actions. Building organizational capacity for sustainable innovation is critical to successfully nurturing the culture of innovation among the team members as exemplified by companies such as Apple, IBM, Ikea and Nintendo.

Birkinshaw, Hamel and Mol (2008) advocate that innovation should be built into business routines at three distinct levels – at the Annual Business Planning (ABP) process, through structured ‘themed’ Quarterly Innovation Workshops (QIWs), and ad hoc day to day activities. Some of the routines are ‘proactive’ by nature – a conscious focus on bringing ideas and concepts forward into the innovation process – such as ABP meetings and QIWs. Some routines are ‘passive’ or ‘reactive’, such as creating a culture of innovation where day to day activities and management seek to enable innovations to flourish.

The application of innovation in the context of organizations can be achieved through several paths as outlined by Teece (2010). Product or service innovation facilitates the development of goods or services that are new or substantially improve in terms of function, convenience or technical capabilities. Process innovation sees the implementation of new or significantly improved production or delivery methods. Business model innovation changes the way business is done.
Organisational innovation creates or changes the business structures, practices and models. Marketing innovation develops alternative marketing techniques to deliver improvements in price, position, packaging, product design or promotion (Serrat, 2017). Supply chain innovation improves the way that materials are sourced from suppliers or improving methods of product delivery to customers. Financial innovation brings together basic financial concepts including credit, risk-sharing, ownership or liquidity to produce new financial services, products or ways of managing business operations.

**Conceptual Framework**

![Conceptual Framework Diagram](image)

**METHODOLOGY**

This study adopted a descriptive research design. The quantitative approach followed allowed for collection of readily analysable data. The target population was 10 banks from a population of 41, representing 25 per cent of the total population. From each of the 10 banks, the study targeted six managers in charge of strategy, operations, customer relations, sales and marketing, communication and information technology to respond to the questionnaire. The targeted respondents were 60 across 10 banks. The selection of a representative number of banks from each category was done using simple random sampling technique.

The study was based on both primary and secondary data. Questionnaires was used for primary data. Data was collected using drop and pick later method. The secondary data was accessed from governing institutions in Kenya’s banking sector including the Central Bank and the Kenya Bankers Association, as well as international sources like World Bank Findex reports (Demirgüç-Kunt et al, 2015). Public financial statements of each bank also made up the secondary data of this study.

**RESULTS**

**Innovation Process Management and Firm Performance**

The first objective was to determine the influence of innovation process management on the firm performance of commercial banks in Kenya.

<table>
<thead>
<tr>
<th>Innovation process management and firm performance</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The department has a clearly defined innovation management process</td>
<td>4.04</td>
<td>0.80711</td>
</tr>
<tr>
<td>The department regularly evaluate and review the process to ensure effectiveness</td>
<td>4.04</td>
<td>0.66884</td>
</tr>
<tr>
<td>All the people in the department work together towards great innovations and they do not do things on their own</td>
<td>4.00</td>
<td>0.60609</td>
</tr>
<tr>
<td>The department properly evaluates and tests its innovations before taking them to market</td>
<td>3.96</td>
<td>0.72731</td>
</tr>
</tbody>
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Innovation process management and firm performance

<table>
<thead>
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<th>Std Dev</th>
</tr>
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<tr>
<td>The department has a clearly defined innovation management process</td>
<td>4.04</td>
<td>0.80711</td>
</tr>
<tr>
<td>The department measures execution of providing services or products from customer's perspective</td>
<td>3.96</td>
<td>0.66884</td>
</tr>
<tr>
<td>The process of finding ideas is permanent and involves all employees</td>
<td>3.94</td>
<td>0.86685</td>
</tr>
<tr>
<td>Employees are inspired and motivated to find and submit ideas</td>
<td>3.92</td>
<td>0.69517</td>
</tr>
<tr>
<td>There is open communication and information flow from within and outside the bank on new ideas</td>
<td>3.84</td>
<td>0.61809</td>
</tr>
<tr>
<td>Employees believe that a clearly defined innovation management process could help the organization to achieve goals better</td>
<td>3.28</td>
<td>0.88156</td>
</tr>
<tr>
<td><strong>Aggregate score</strong></td>
<td><strong>3.87</strong></td>
<td><strong>0.72670</strong></td>
</tr>
</tbody>
</table>

Source Survey data, 2018.

According to the findings, majority of the respondents agreed that banks leveraged on innovation process management to enhance the performance of commercial banks in Kenya based on the overall mean score of innovation process management at 3.87. More specifically, they were in agreement with innovation process management constructs that; the department has a clearly defined innovation management process (Mean=4.04); the department regularly evaluate and review the process to ensure effectiveness (Mean=4.04); all the people in the department work together towards great innovations and they do not do things on their own (Mean=4.00); the department properly evaluates and tests its innovations before taking them to market (Mean=3.96); the department measures execution of providing services or products from customer's perspective (Mean=3.96); the process of finding ideas is permanent and involves all employees (Mean=3.94); employees are inspired and motivated to find and submit ideas (Mean=3.92); there is open communication and information flow from within and outside the bank on new ideas (Mean=3.84); employees believe that a clearly defined innovation management process could help your organization to achieve goals better (Mean=3.28) respectively. This depicted that innovation process management was a strategic innovation that banks heavily deployed to enhance their firm performance. Through the innovation process management, commercial banks were able to innovate in their product and service offering. They also understood and effectively meet the evolving customer banking needs, hence achieving customer satisfaction that lead to improve firm performance. Through innovation process management, the banks leveraged on open communication and information flow to respond to the emerging internal and external changes as a resulting of market force that had a bearing on their firm performance.

These findings were consistent with those of Sanders (2014) that concluded that innovation process management is positively related to performance regardless of the competition intensity. This is one of the few studies to empirically examine process management as three core elements. Previous studies utilized a single construct of process management or multiple manufacturing practices such as customer/supplier involvement, statistical quality control, process focus, and cross-functional teams to measure process management. Using this measurement approach demonstrates how process
management can influence both efficiency and innovation.

**Strategic alignment and firm performance**

The second objective was to evaluate the effect of strategic alignment on the firm performance of commercial banks in Kenya.

**Table 2: Strategic Alignment and Firm Performance**

<table>
<thead>
<tr>
<th>Strategic alignment and firm performance</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees are knowledgeable on what their goals are</td>
<td>3.94</td>
<td>0.58589</td>
</tr>
<tr>
<td>There is a clear link between the goals and supporting activities</td>
<td>3.9</td>
<td>0.67763</td>
</tr>
<tr>
<td>All employees are involved in the individual goal setting in line with the bank’s goals</td>
<td>3.9</td>
<td>0.58029</td>
</tr>
<tr>
<td>All goals are SMART (specific, measurable, achievable, relevant and time-bound)</td>
<td>3.88</td>
<td>0.71827</td>
</tr>
<tr>
<td>All new rules and procedures are in line with the goals and mission of the bank</td>
<td>3.88</td>
<td>0.74615</td>
</tr>
<tr>
<td>The bank’s current capability supports the achievement of your business strategy</td>
<td>3.88</td>
<td>0.71827</td>
</tr>
<tr>
<td>The bank’s current human resources support the achievement of the business strategy</td>
<td>3.86</td>
<td>0.70015</td>
</tr>
<tr>
<td>The bank’s business strategy strongly supports fulfilment of its purpose</td>
<td>3.86</td>
<td>0.85738</td>
</tr>
<tr>
<td>There is only one version of the bank’s vision among the employees</td>
<td>3.86</td>
<td>0.67036</td>
</tr>
<tr>
<td>There is a tracking mechanism of foreseeable changes in customer sentiment and behaviour.</td>
<td>3.82</td>
<td>0.89648</td>
</tr>
<tr>
<td><strong>Aggregate score</strong></td>
<td>3.88</td>
<td>0.7150</td>
</tr>
</tbody>
</table>

Source Survey data, 2018.

According to the findings, most of the respondents agreed that banks applied strategic alignment to improve performance of commercial banks in Kenya based on the overall mean score of strategic alignment at 3.88. More specifically, they agreed with strategic alignment constructs that;

- all employees are knowledgeable on what their goals are (Mean=3.94); there is a clear link between the goals and supporting activities (Mean=3.9); all employees are involved in the individual goal setting in line with the bank’s goals (Mean=3.9); all goals are SMART (specific, measurable, achievable, relevant and time-bound) (Mean=3.88); all new rules and procedures are in line with the goals and mission of the bank (Mean=3.88); the bank’s current capability supports the achievement of your business strategy (Mean=3.88); the bank’s current human resources support the achievement of your business strategy (Mean=3.86); the bank’s business strategy strongly supports fulfilment of its purpose (Mean=3.86); there is only one version of the bank’s vision among the employees (Mean=3.86); there is a tracking mechanism of foreseeable changes in customer sentiment and behaviour (Mean=3.82) respectively.

From the foregoing, it was deduced that banks in Kenya used strategic alignment as one of their operational strategies to enhance their firm performance. Through strategic alignment, there was shared vision and synergy among the staff in executing the bank corporate goals and plans. Similarly, the commercial banks’ business strategy was aligned with the human resources hence likely to be effectively executed as employees understood and owned the strategy implementation process while being flexible to the changes encountered. These findings agree with those of Kathuria, Joshi and Porth.
(2007) that concluded as firms grow and diversify, becoming multi-business organizations, the importance of horizontal alignment is elevated. The study, based on a thorough review of both theoretical and empirical research, sought to examine evidence of alignment-performance relationship within firms.

**Table 3: Return on Asset (ROA)**

<table>
<thead>
<tr>
<th>Year</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>10</td>
<td>0.09</td>
<td>2.923</td>
</tr>
<tr>
<td>2014</td>
<td>10</td>
<td>0.10</td>
<td>2.692</td>
</tr>
<tr>
<td>2015</td>
<td>10</td>
<td>0.12</td>
<td>1.042</td>
</tr>
<tr>
<td>2016</td>
<td>10</td>
<td>0.15</td>
<td>1.016</td>
</tr>
<tr>
<td>2017</td>
<td>10</td>
<td>0.18</td>
<td>1.003</td>
</tr>
</tbody>
</table>

Source Survey data, 2018.

ROA as the measure of financial performance of commercial banks was 0.09 in 2013 while the uppermost ROA value was 0.18 in 2017. This implied a significant positive improvement in ROA mean values by 1.00 (100%). This points to an improved financial performance of the banks in Kenya over the five-year period (2013 to 2017) which was attributed to the banks robust investment in strategic innovation including; innovation process management, strategic alignment, industry foresight and customer insight employed by the commercial banks in Kenya. There was significant variation on standard deviation implying great variation of financial performance between the tier 1 and the rest of tier 1 and 3 commercial banks.

**CONCLUSION**

The study concluded that innovation process management has a positive influence on the firm performance of commercial banks in Kenya. Therefore, innovation process management was a strategic innovation that banks need to heavily deploy to enhance their firm performance. Through the innovation process management, commercial banks can ensure they remain competitive through their product and service offering. It would also be advantage in predicting the ever-evolving customer banking needs, hence achieving customer satisfaction that in turn lead to higher firm performance. Through innovation process management, the banks can strengthen open communication and information flow to respond to the emerging internal and external changes as a resulting of market force that had a bearing on their firm performance.

It was also concluded that strategic alignment has a positive effect on the firm performance of commercial banks in Kenya. Thus, commercial banks in Kenya should pursue strategic alignment as one of their strategic moves in increasing their performance and hence profitability. Through strategic alignment, there is shared vision and synergy among the staff in executing the bank corporate goals and plans. Similarly, the commercial banks’ business strategy was aligned with the human resources hence likely to
be effectively executed as employees understood and owned the strategy implementation process while being flexible to the changes encountered.

The improved financial performance among commercial banks in Kenya over the five-year period (2013 to 2017) registered was likely attributed to the robust investment in strategic innovation including: innovation process management and strategic alignment, employed by the commercial banks in Kenya.

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