# The Influence of Strategic Innovations Capability on Performance of Vendor Managed Retail Medium and Large Supermarkets in Nairobi City County in Kenya

Mr. Hendrick Nyongesa Pilisi[1], Professor G.S Namusonge,phD[1] & Dr. J.K. Ngeno, phD[2]

[1]Jomo Kenyatta University of Agriculture and Technology
[2]Kenya Bureau of Standards

## Abstract

The general objective of this study was to determine the influence of strategic management capabilities on the performance of vendor managed retail medium and large supermarkets in Nairobi City County, Kenya. The specific objective was to establish the extent to which strategic innovation capability as measured by preparedness in change of market demands and research and development contributes to profitability of the vendor managed retail medium and large supermarkets. To achieve these objectives the study adopted a descriptive survey. The study population comprised of all senior managers of the medium and large supermarkets in in Nairobi County, Kenya. According to business licensing department at the Nairobi City County, there are forty-three medium and fifteen large supermarkets in Nairobi County. These constituted the sample frame of the two categories of supermarkets licensed at a fee of $800 and $1200 respectively. The target population included five senior managers in each of medium and large supermarkets totaling 290. Simple random sampling technique was used to select two (2) management staff from each of the supermarket. The sample size was 116 respondents. The study utilized both primary and secondary data. Data collection method for primary data was a structured questionnaire while Secondary data was obtained from firm records, reports, publications and document. The data was purely quantitative and it was analyzed by descriptive and inferential statistics. IBM SPSS Statistics Version 20 was used to aid in data analysis. Tables were used to summarize responses for further analysis and facilitate comparison. The findings were presented using tables. A multiple linear regression analysis was used in analysis. Strategic innovations capability was found to be significant at 95% confidence level and positively affecting performance of retail supermarkets.
*Key words:* Strategic Innovation Capability, Capability, Firm Performance

## 1.0 Introduction

The importance of the retail sector in economic development needs not be over-emphasized. Retailing, which is responsible for matching the individual demands of consumer with vast quantities of supplies Produced by a huge range of manufacturers and service providers has made a significant Contribution to economic prosperity (Dunne, 2010). It has the potential to create more employment opportunities through establishment of retail outlets to meet the multiple consumer needs. Wal-mart substantially impacted on the American economy in 2004 by raising consumer discretionary income by almost 1% p.a. (Dunne, 010). Nevertheless, the sector requires an endowment of legible strategic capabilities in order to be competitive in value creation and delivery through the system to the ultimate customer.

Delloite (2012), report on the growth of the Global Retail Sector in 2012, observed that the global retail industry continued to grow, building on the rebound in growth that started in 2010. Sales-weighted, currency-adjusted retail revenue rose by 5.1% to US$4.271 trillion for the world's top 250 retailers in fiscal 2012, building on 2011 growth of 5.3%. More than 80% of the Top 250 retailers (204 companies) posted an increase in retail revenue but at the same time, most other companies experienced decline in total sales attributable to business restructuring rather than a deterioration of their core business (Delloite, 2013).

In Kenya, the wholesale and retail sector comprises of the established large superstores like Nakumatt, Tuskys, Uchumi, Naivas and many other individually owned wholesales and retails across the country. It involves many players at this point of the multiplier process, handling billions of Kenya shillings in the exchange process. In the year 2006, the focus of Kenya`s development blueprint however shifted to a long term highly ambitious Vision 2030 in which the Wholesale and Retail Trade sector aimed at moving towards a formal sector that is efficient, multi-tiered, diversified in product range, and innovative (GOK, 2013). It was identified as one of the key sectors in the economic development of Kenya because the sector is the link between production and consumption, both of which are expected to expand substantially as the economy heads to a 10 per cent growth rate in 2030. Currently the sector is faced with various challenges including lack of secure business location, credit, training, and access to markets. The trade sector in Kenya as a whole is characterized by inefficiencies along the

supply chain from producer to consumer, and from the importer to the final buyer (GOK, 2006). This explains how the sector has remained less competitive in comparison with global retail outlets like Wal-mart, but the question of why it is less locally and globally competitive remains largely un-answered.

Diop and Topping (2008), observed that the modern day realities of business demand for creative approaches that guarantee competitive advantage for sustained profitability as opposed to through increase in prices. Writings on boundless sustainable competitive advantage aver that firms can obtain competitive advantage by value creating strategies not simultaneously being implemented by any current competitor. These strategies need to be rare, valuable and non-substitutable. Calenton, Cavusgil and Zhao, (2002) observed that innovation capability is the most important determinant of firm performance and serves as the most important source of competitive advantage.

The dynamic capability perspective focuses on the capacity of an organization facing a rapidly changing environment has to create new resources, to renew or alter its resource mix (Teece et el 1997). It acknowledges that `top management team and its beliefs about organizational evolution may play an important role in developing dynamic capabilities. Even with availability of stock of resources, what matters more are the mechanisms by which firms learn and accumulate new skills and capabilities and the forces that limit the rate and direction of this process. Without dynamic capabilities, a firm`s returns may be short lived if the environment exhibits any significant changes. Dynamic capabilities allow firms continually to have a competitive advantage and sustain profitability potential even in the face of environmental changes.

## 1.1 Problem Statement

The study aimed to establish the influence of strategic management Capabilities on performance of medium and large supermarkets in the Nairobi County in Kenya. The strategic capabilities construct remains pivotal for a business enterprise to earn sustained competitive advantage. Dunne (2010) observed that retailing, which is responsible for matching the individual demands of consumers with vast quantities of supplies Produced by a huge range of manufacturers and service providers has made a significant contribution to economic prosperity). It has the potential to create more employment opportunities through establishment of retail outlets to meet the multiple consumer needs and can effectively succeed on this through innovative, efficient cost reduction measures

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In Kenya, the wholesale and retail sector comprises of the established large superstores like Nakumatt, Tuskys, Uchumi, Naivas and many other individually owned wholesales and retails across the country. It involves many players at this point of the multiplier process, handling billions of Kenya shillings in the exchange process. In the year 2006, the focus of Kenya`s development blueprint however shifted to a long term highly ambitious Vision 2030 in which the Wholesale and Retail Trade sector was tasked at moving towards a formal sector that is efficient, multi-tiered, diversified in product range, and innovative (GOK, 2013). The medium term goal of the sector is to stimulate additional Ksh 50 billion increase in GDP by; Creating 10 district based wholesale hubs, establishing 1,000-1,500 producer business groups (PBGs); building at least 10 formal 'Tier 1' district based retail market places, Increasing formal market (supermarkets) share from 5 percent to 30 percent, attracting at least 3 new retailers with 10 or more stores each and creating 1 free trade port in Mombasa in a strategy dubbed 'bringing Dubai to Kenya'. (GOK, 2013). It is therefore imperative that the sector possesses the requisite capabilities to be able to deliver.

Studies on the influence of both business strategies and capabilities on performance in emerging economies is limited. Calanton and Cavusgil (2002) conducted studies on Learning orientation, firm innovation capability and firm performance of the U.S industries and established that firm innovative capability significantly affects firm performance. However their studies focused on the manufacturing sector which does not necessarily apply in the retail service setup. Karanja, Muathe & Thuo (2014) studying on marketing capability and the performance of mobile service provider intermediary organizations in Nairobi County, Kenya established that marketing capabilities contributed significantly to the Mobile Service Provider Intermediary organizations' performance. Mugambi et al. (2011) discussed the importance of organizational, environmental, economic, cultural, political, and legal factors and their influence on business performance in Kenya. They recommended further studies to evaluate the influence of strategic capabilities and contextual factors in small-and-medium enterprises because they form the bulk of business organizations in Kenya.

The objective of the Kenya Vision 2030 is to create at least 10 wholesale hubs to improve the supply chain of small operator retail market and expand formal market outreach. The rationale being to establish a world class retail sector in Kenya. This can only happen when individual Medium and Large Supermarkets which are significant stakeholders in the retail sector grow individually and their growth contributes to that of the market. But with new market and government policy changes, it necessitates employment of non-ordinary measures to assume superior performance. There exists a gap in literature as to whether this is happening in Kenyan retail sector. Further the

sector continues being vulnerable to global competitors that are more formal, agile and with more efficient supply chains. This study therefore sought to address these gaps by answering the research question; what is the relationship of strategic innovation dynamic capability with the performance of vendor managed retail medium and large supermarkets in Nairobi County, Kenya?

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## 1.2 Purpose of the Study and Specific Research Objective

The general objective of this study was to determine the influence of strategic management dynamic capabilities on the performance of vendor managed medium and large retail supermarkets in Kenya. The specific objective of the study was to establish the influence of strategic innovation adoption capability on the performance of the vendor managed medium and large retail supermarkets

## 1.3 Research Hypothesis

$H0_1$: Strategic innovations capability does not significantly affect firm performance of vendor managed medium and large retail supermarkets

## 2.0 Empirical Review
## 2.1 Strategic Innovations Capability

Innovative capability is the most important determinant of firm performance (Calantone, Cavusgil and Zhao, 2002). Innovation is the ability of a firm to transform an idea into something new which carries an economic value (Calantone, Cavusgil and Zhao, 2002). The importance of this construct needs not be overemphasized since it stands out as the most important differentiation strategy to acquire a competitive advantage in the market. According to Davila and Robert (2006), strategic innovation is the ability to create and revitalize the business idea and concept of the company by changing both the market of the company and the competencies and business system of the company. In this way, strategic innovation is concerned with developing the entire company. Evidently, organizations need to be more innovative and think proactively in their strategic management. At least, this has rapidly become the mantra of the new decade both among managers and in academia. The well-known work on innovation management and technology management has gained new-found or perhaps re-found respectability and has begun to influence the way we think about strategic management as a discipline (Davila and Robert, 2006).

Drejer (2002), affirm that strategic managers need to consider both strategies for tomorrow and strategy for today in order to stay successful over time. This is now the state of the art knowledge within the field of strategic management, following the work of people such as Hamel and Prahalad (1994) acknowledgement of Porter (1996) that strategy needs to consider both operational effectiveness and differentiation.
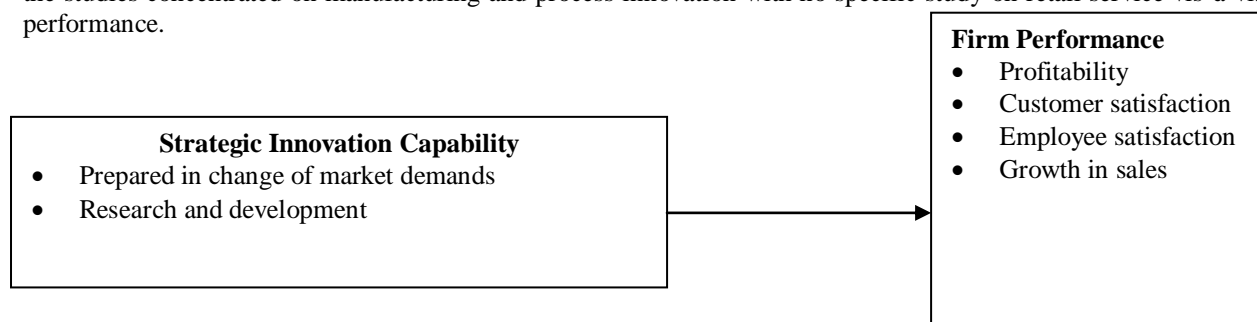
Frame and White (2004) categorized financial innovations into three categories namely: new products and services; new production processes; and new organizational forms. Mwangi (2007) carried out a study on Factors Influencing Financial Innovation of Companies listed at Nairobi Stock Exchange with objective of explaining the macro-environmental and micro-environmental factors influencing financial innovation in Kenya's securities market. He studied a population of all 48 companies listed on the Nairobi Stock Exchange in 2005. The study concluded that Kenyan laws protecting investors was the major factor influencing financial innovation. This result is similar to the finding by Frame and White (2004). Further, the research finding showed that unstable forex rates were the most important factor influencing financial innovation among market volatility factors. Mwangi also observed that the absence of automated trading systems as a technological factor was found to influence financial innovations regularly. Finally he argued that global financial competition and integration had an influence on financial innovation with increased financial competition amongst financial institutions influencing financial innovation the most.

Kamotho (2009) conducted a study on mobile phone banking: usage experiences in Kenya. A focus on the two main dominant mobile banking service providers- Safaricom and Zain - during a three year period 2006-2008 revealed that from inception with total outlets of 8000 agents, this number tripled compared to 876 branches and 1424 ATM for commercial banks (CBK, 2008). Kamotho (2009) concluded that competition triggers innovation and creativity. Continuous innovation not only yield new products but rather promotes efficiency in the performance of activities. Hence lowering the transaction cost.

Furst, Karen, William and Daniel (2000) analyzed survey data on Internet banking as of the third quarter of 1999. Using logit models, they found that a bank's choice of adopting Internet banking is related to holding company affiliation, location in an urban area, higher fixed expenses, and higher non-interest income. Among banks that offer Internet-related services, a greater number of service offerings were positively related to bank size and the length of time offering Internet banking.

Sullivan (2000) compared banks in the 10th Federal Reserve district that had transactional Internet websites as of the first quarter of 2000 to those that did not have such web-sites. He found the former to be significantly larger and located in areas with a more educated population and a higher population fraction in the 18 to 64 age group. Banks offering transactional Internet web-sites are also found to have higher non-interest expenses and higher non-interest income.

Calantone, Cavusgil and Zhao, (2002), conducted studies on 400 vice presidents of research and development of U.S industries, drawn from Corptech directory of Technology companies to establish the influence of firm innovativeness and performance. The results indicated that firm innovativeness significantly affects performance. Therefore, whilst many previous studies have been done on strategic innovations, they focused on new products and services, new production processes, and new organizational forms with little or no direct linkage to profitability as a measure of organizational performance (Kamotho, 2009; Mwangi, 2007; Frame and White, 2004). Further, most of the studies concentrated on manufacturing and process innovation with no specific study on retail service vis-à-vis performance.

**Firm Performance**
- Profitability
- Customer satisfaction
- Employee satisfaction
- Growth in sales

**Strategic Innovation Capability**
- Prepared in change of market demands
- Research and development

**Independent variable**

**Dependent variable**

## 3.0 Methodology

This study utilized a mixed research design that included qualitative and quantitative research methods. Qualitative and quantitative research methods complemented each other in this study in the sense that while quantitative research method included multiple linear regression model whose coefficients were tested using Analysis of Variance (ANOVA) for overall model significance qualitative research method involved content analysis where issues emerging from the key open ended questions were clustered into thematic areas upon which interpretation and conclusions were drawn.

The study population comprised the vendor managed retail medium and large supermarkets in located in Nairobi County. According to business licensing department at the Nairobi City County, there are 58 medium and large supermarkets in Nairobi County. The target population included five senior managers in each of the 58 medium and large supermarkets. Simple random sampling technique was used to select two of the management staff from the medium and large supermarkets of Nairobi County making a sample size of 116.

Data collection methods for primary data comprised structured questionnaires while Secondary data was obtained from firm records, reports, publications (magazines and books). A Cronbach's alpha (Cronbach coefficient alpha), which is based on internal consistency was calculated using SPSS to establish the reliability of the survey instrument. The pilot results revealed Cronbach coefficient alpha of 0.810 hence proving the instrument reliable. The data was purely quantitative and it was analyzed by descriptive statistics that included frequencies, percentages, means and standard deviations. IBM SPSS Statistics Version 20 was used to aid in data analysis. Tables were used to summarize responses for further analysis and facilitate comparison. The findings were presented using tables and charts. A multiple linear regression analysis was done using the following formula:

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

Where
$Y$= vendor managed retail firms performance
$X_1$= Strategic Innovations Capability
$\beta_1$ = Beta coefficient for corresponding variable
$\varepsilon$= Stochastic term

## 4.0 Results of the Study
### 4.1 Response Rate

Out of the 116 respondents surveyed, 91 administered questionnaires were filled and returned. This translates into a response rate of 78.4%. According to Babbie (2002), a response rate of 50% and above is adequate for analysis

and reporting hence a response rate of 78.4% was considered excellent for analysis and reporting in this study. Mugenda (2008) classified response rate into three categories; 50% as adequate; 60% as good; and 70% and over as excellent.

## 4.2 Vendor Managed Medium and large supermarkets Performance

Organizational performance is a business processes outcome within an organization and a symbol of company success (Zhang & McCullough, 2005). In this regard, the study first sought to find out the performance of vendor managed medium and large retail supermarkets in Kenya, a five point likert scale containing seven performance measuring statements was used. The scale ranged from 1-5, with 1 denoting strongly disagree, 2 representing disagree, 3 neutral, 4 agree and 5 strongly agree. The midpoint of the scale was a score of 3. Therefore, any score above 3 denoted that respondents agreed with the statement while scores below 3 signified that respondents disagreed with the statement. Table 1 illustrates means and standard deviations obtained on the scale measuring firm performance.

**Table 1: Vendor managed medium and large supermarkets performance**

| Statements | SA | | A | | N | | D | | SD | | Mean | Std Dev. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | f | % | f | % | f | % | f | % | f | % | | |
| We are more efficient in service delivery | 52 | 57.1 | 31 | 34.1 | 7 | 7.7 | 1 | 1.1 | 0 | 0.0 | 4.47 | .689 |
| We have increased number of customers | 35 | 38.5 | 35 | 38.5 | 20 | 22.0 | 1 | 1.1 | 0 | 0.0 | 4.14 | .797 |
| We have increased the number of products and services offered in this supermarket | 15 | 16.5 | 64 | 70.3 | 12 | 13.2 | 0 | 0.0 | 0 | 0.0 | 4.03 | .547 |
| We have improved our sales | 16 | 17.6 | 59 | 64.8 | 16 | 17.6 | 0 | 0.0 | 0 | 0.0 | 4.00 | .596 |
| We have better profits | 15 | 16.5 | 45 | 49.5 | 31 | 34.1 | 0 | 0.0 | 0 | 0.0 | 3.82 | .693 |
| We have increased the number of employees | 4 | 4.4 | 40 | 44.0 | 40 | 44.0 | 7 | 7.7 | 0 | 0.0 | 3.45 | .703 |
| We have opened new branches | 16 | 17.6 | 26 | 28.6 | 12 | 13.2 | 31 | 34.1 | 6 | 6.6 | 3.16 | 1.258 |

**Key: SA-Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD-Strongly Disagree**

As shown in the table above, the mean scores obtained by the respondents on the statements measuring firm performance ranged from 3.16 to 4.47. The highest ranked statements were; "we are more efficient in service delivery (4.47)" and "we have increased number of customers (4.14)." On the other hand, the lowest ranked statements were; "we have opened new branches (3.16)" and "we have increased the number of employees (3.45)". Based on these findings, it emerged that all the statements on the scale measuring firm performance of medium and large supermarkets obtained mean scores above 3.00, meaning majority of the respondents agreed with the statements.

Based on the ratings given on the scale, an overall score for the firm performance was computed, with the highest possible score being 35 and the lowest possible score being 7. The midpoint on the scale was 21. The figure below illustrates results of this analysis.



N=91
Mean=27.0879
Std Dev.=3.36864
Skewness=0.79

Overall scores on firm performance
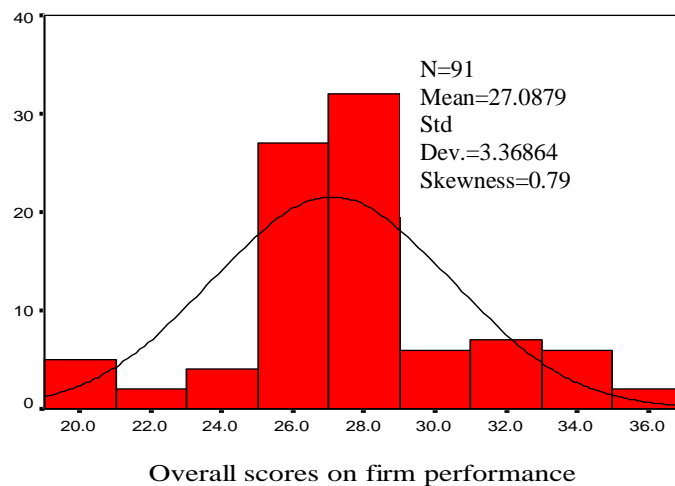
**Figure1: Overall scores on firm performance**

As shown in Figure 1, the overall scores obtained by the respondents on the scale measuring firm performance ranged from 20.0 to 36.0 with a mean score of 27.0879 and standard deviation of 3.36864. Majority of the respondents obtained mean scores above 21 meaning their firms had recorded improved performance in terms of number of customers, profits earned, sales made, products and services offered and also the numbers of employees

within the firm. The numeric value for skewness (0.079) denoted that the distribution of the scores on the scale was positively skewed.

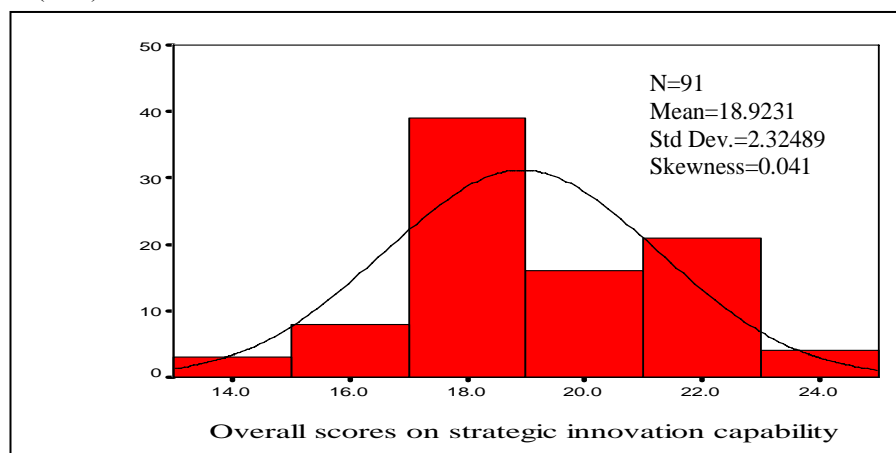## 4.3 Assessment of Innovation Capability

Innovation is assessed as the most important differentiation strategy to acquire a competitive advantage in the market. Innovation capability is the ability of a firm to transform an idea into something new which carries an economic value (Noordin and Mohtar, 2011). With these views, the study sought to find out the extent to which strategic innovation capability adoption contributes to profitability of the vendor managed medium and large supermarkets. The table below presents means and standard deviations obtained on the scale measuring strategic innovation capability adoption.

**Table 3: Strategic innovations capability adoption**

| Statements | SA | | A | | N | | D | | SD | | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | f | % | f | % | f | % | f | % | f | % | | |
| From an overall profitability stand point, our new product development program has been successful. | 27 | 29.7 | 41 | 45.1 | 21 | 23.1 | 2 | 2.2 | 0 | 0.0 | 4.02 | .789 |
| The overall performance of our new product development program has met our objectives. | 22 | 24.2 | 48 | 52.7 | 15 | 16.5 | 6 | 6.6 | 0 | 0.0 | 3.92 | .815 |
| We have clear processes in place for the development of new products and services. | 3 | 3.3 | 67 | 73.6 | 20 | 22.0 | 1 | 1.1 | 0 | 0.0 | 3.79 | .506 |
| We have invested adequately in research and development | 12 | 13.2 | 39 | 42.9 | 40 | 44.0 | 0 | 0.0 | 0 | 0.0 | 3.69 | .694 |
| We regularly considers the consequences of changing market demands in terms of new products and services | 5 | 5.5 | 33 | 36.3 | 53 | 58.2 | 0 | 0.0 | 0 | 0.0 | 3.47 | .603 |

**Key: SA-Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD-Strongly Disagree**

Results presented in Table 3 depicts that the mean scores obtained by respondents on statements measuring strategic innovation capability adoption ranged from 3.47 to 4.02. Majority of the respondents (74.8%) agreed with the statement that "from an overall profitability stand point, our new product development program has been successful (4.02)". In addition, a significant number of them (76.9%) also agreed with the statements which stated that "the overall performance of our new product development program has met our objective (3.47)". On the other hand, over 50.0% of the respondents were neutral on the statement which stated that "we regularly consider the consequences of changing market demands in terms of new products and services (3.47)". Nevertheless, 44.0% of the respondents were undecided on the statements which stated that "we have invested adequately in research and development (3.69)".



N=91
Mean=18.9231
Std Dev.=2.32489
Skewness=0.041

Overall scores on strategic innovation capability

**Figure 2: Overall scores on strategic innovation capability**

The scores on the scale ranged from 14.0 to 24.0 with an overall mean score of 18.92 and standard deviation of 2.32489. Majority of the respondents obtained scores above 15, meaning they approved that their firms exercise strategic innovations capability. The numeric value for skeweness (0.041) was positive meaning that the distribution of the scores on the scale measuring strategic innovation capability was positively skewed.

## 4.4 Hypothesis Testing

To determine whether there was a significant relationship between strategic innovation capability and firm performance, the first hypothesis of the study was tested. This hypothesis stated that:

**H0₁: βⱼ = 0** Strategic innovation capability does not significantly affect firm performance of vendor managed retail firms.

To test this hypothesis, Pearson Product Moment correlation was conducted and the results of this analysis were as shown in Table 4.

**Table 4: Relationship between strategic innovation capability and firm performance**

| Variables | Pearson Product Moment Correlation | Strategic innovation capability | Firm Performance |
|---|---|---|---|
| Strategic Innovation capability | Pearson Correlation | 1 | .243** |
| | Sig. (2-tailed) | . | .020 |
| | **N** | **91** | **91** |
| Firm Performance | Pearson Correlation | .243** | 1 |
| | Sig. (2-tailed) | .020 | . |
| | **N** | **91** | **91** |

**\* Correlation is significant at the 0.05 level (2-tailed).**

Pearson Product Moment Correlation analysis revealed that there was a significant relationship between strategic innovation capability and firm performance, (r=0.020, p<0.05 level). This shows that there was a significant but a weak positive correlation between the two variables. The correlation coefficient was found to be positive meaning high scores on strategic innovation capability correlated with high scores on firm performance. From these findings, the first hypothesis of the study which stated that strategic innovation capability does not affect firm performance H0₁: βⱼ = 0 was rejected and its alternative form H₁: β ⱼ ≠ 0 accepted. In agreement with the findings, Faruk and Gary (2015) established that innovation strategy, organizational structure and innovation culture significantly increased firm performance. In another study, Xi'na, Sohyoun, Xinming and Sang (2016) found out that innovation capability and marketing capability positively influence firm performance. Strategic innovation capability dimensions consist of new idea enhancement, proactive activity support, market-driving encouragement, risk-taking circumstance acceptance, and dynamic adaptation commitment which have an important positive effect on firm sustainability (Sriboonlue, Ussahawanitchakit and Raksong, 2015). However, contrary to the above findings, a study by Kemp et al. (2003) found out that innovation was associated with turnover and employment growth, but not profit and productivity among firms. Similarly, Zhou, Tan and Uhlaner (2007) found no positive effect of innovation (new products and new service) on firm performance.

## 4.5 Regression line fitting

In order to establish the relative contribution of strategic innovation capability on firm performance, the following linear regression model was applied with the firm performance as the dependent variable.

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

Where Y= vendor managed medium and large supermarkets performance

$X_1$= Strategic Innovations Capability

$\varepsilon$=stochastic term

Table 5 illustrates regression model summary

**Table 5: Regression Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .243 | .059 | .049 | 3.28557 |

a Predictors: (Constant), Strategic innovation capability

Table 5 shows an R square value of 0.059 meaning the independent variable (strategic innovation capability) explained 5.9% of the variation in firm performance. Table 6 shows regression coefficient for the model.

**Table 6: Regression Coefficients**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 20.412 | 2.840 | | 7.188 | .000 |
| Strategic innovation capability | .353 | .149 | .243 | 2.368 | .020 |

a Dependent Variable: Firm Performance

As presented in Table 6 the estimated regression model is as follows:-

$Y = 9.429 + 0.353X_1 + \varepsilon$

This means that firm performance is predicted to improve by 0.353 when strategic innovation capability goes up by one unit. The regression analysis model clearly shows that strategic innovation capability had a positive impact on firm performance. These findings were consistent with the results by Salim and Sulaiman (2011) who provided evidence that organizational learning contributes to innovation capability, and that innovation is positively related to firm performance.

## 5.0 Conclusion

Based on the research findings, this study concluded that strategic innovation capability contributes to performance of the vendor managed retail medium and large supermarkets. The results of this study have shown that strategic innovations capability had a statistically significant positive effect on vendor managed retail firm performance and therefore a unit increase application of strategic innovations capability will lead to increase in vendor managed retail firm performance. The null hypothesis that $\beta=0$ was rejected and alternative hypothesis $\beta\neq0$ was accepted. It also emerged that more emphasis on strategic innovation capability within a firm leads to improved firm performance. In addition, strategic innovations capability explained 4.8% of variance in vendor managed retail firms' performance as measured by the goodness of fit. Correlation analysis results have also shown that strategic innovations capability and vendor managed retail firms' performance have a weak positive correlation (r=0.243, p<.05).

## 5.1 Recommendations

Based on the findings of the study, the author recommends that since strategic innovations capability in vendor managed retail firms are still low, they should be increased to have a bigger positive impact on profitability. Further this study recommends that managers of vendor managed retail firms should receive training on strategic innovations capabilities that their firms can employ to remain competitive amidst growing market changes. The study also recommends that policy makers should adopt stakeholder management approach in developing far reaching policies to avoid losing out on some sectors

## 5.2 Suggestions for Further Research

Future studies should look into the reasons behind low levels of strategic adoption capabilities by vendor managed retail firms. They should also examine the drivers of strategic capabilities adoption among the vendor managed retail firms. Finally, future studies should enlarge scope to look into adoption of strategic capabilities in different sectors and by different firm sizes.

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