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THE RELATIONSHIP BETWEEN INNOVATION STRATEGIES AND ORGANIZATIONAL COMPETITIVENESS OF KENYA POWER & LIGHTING COMPANY LTD

[1]Amboka Asumwa Agustine & [2]Fred Ssemugenyi

[1]PhD (Cand.), MBA, BBA
[2]PhD, MA, BA

Abstract

Innovation is generic, encompassing both education and training, formal and informal processes. Innovation strategy provides a clear direction and focuses the effort of the entire organization on a common innovation goal. Firms adopt various innovations to perform functions in order to improve services. Despite the fact that the energy sector in Kenya has been affected adversely by the changing operating environment calling for adoption of innovation strategies to enhance a competitive edge in the markets, there exists a knowledge gap on the relationship between innovation strategies and organizational competitiveness of Kenya Power & Lighting Company Ltd(KPLC). The main objective was to investigate the relationship between innovation strategies and organizational competitiveness of Kenya Power & Lighting Company Ltd. This research was studied through the use of a descriptive research design. The target respondents included 1000 top, middle and low level staffs drawn from regional offices of Kenya Power& Lighting Company Ltd. Stratified random sampling technique was used where a sample of 10% (100 respondents) were selected. The study used a survey questionnaire administered individually to all respondents of the study. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. From the study, there was positive correlation between competitiveness and process innovation, technology, product innovation and market innovation. The study recommends that the Firm should embrace the adoption of innovative strategies; Service companies like KPLC should ensure new products introduction, reduction of costs, improved innovation process and conformance to regulations are used to influence their competitiveness. The firms also should ensure that they adapt the new technology in order to cope with the fast changing technology.

Keywords: *Innovations, technology innovations, product innovations, market innovations and process innovations*

Introduction

An organization which is competing in fast changing markets with fast changing technology must make things happen, it must innovate. If it does not innovate it risks being overtaken by competitors. Sometimes a business underestimates the competitive challenges it faces. The risk of this happening is high when competitors react to potential challenges in much the same way (Abernathy and Utterback, 2005). In today's global and dynamic competitive environment, product innovation is becoming more and more relevant, mainly as a result of three major trends: intense international competition, fragmented and demanding markets, and diverse and rapidly changing technologies (Wilkinson, 2003). Firms that offer products that are adapted to the needs and want of target customers and that market them faster and more efficiently than their competitors are in a better position to create a sustainable competitive advantage.

Service institutions must play a catalytic function to develop technological innovation-driven economy. The experience of developed countries has evidently demonstrated that a shift of government's industrial policy-making towards a technological innovation-driven economic strategy is absolutely critical. Allegedly successful industrial policy performs an important function in fostering firms to inculcate a culture-based spirit of innovation and addresses firms' concerns in the realm of innovation pursuits (Goh, 2002). Innovation strategy provides a clear direction and focuses the effort of the entire organization on a common innovation goal. For innovation to occur, something more than the generation of a creative idea or insight is required.

Innovation is the utilization of knowledge in order to create something which has new economic value. The term innovation refers to both radical and incremental changes in thinking, things, and processes or in services (Simpson, Siguaw and Enz, 2006). Innovation strategy provides a clear direction and focuses the effort of the entire organization on a common innovation goal. The innovation strategy needs to specify how the importance of innovation will be communicated to employees to achieve their buy-in and must explicitly reflect the importance that management places on innovation. In the current world, innovation performance is a crucial determinant of competitiveness and organization at progress.

Research Problem

Many service firms consider investing in innovation strategies, aiming to increase their competitiveness and overall performance (Abernathy and Utterback, 2005). Anthony & Christensen (2008) submit that the adoption of innovation strategies provides significant benefits in work measurement, cost reduction, productivity improvement and better services to customers. It is the adoption of innovations which makes its use possible and it is the use that makes performance attainable. So, the combined effect of innovation strategies can enhance the competitiveness of the service firms.

KPLC has made use of innovations such as technological innovations to reduce interactions between staff and customers to improve efficiency, remove gate keeping and corruption opportunities. The innovative solutions include bill query via SMS, bill payment by mobile phone, and query of progress of new application via SMS, E-mail system where customers can register to automatically receive their bills via e-mail and bill payment through PCK, banks and supermarkets. With the use of such innovations, the company has realized improved reputation, was Winner of 2010 Corporate Governance FiRe Award, reduced wastage and cost of doing business, enhanced efficiency, and greater customer loyalty, and customer satisfaction, employee morale boosted and increase in profits.

Previous research in this area has revealed that the benefits from innovations investment vary significantly among firms in new organizational practices and skills and business process reengineering (Arvanitis & Loukis, 2009). The contribution of innovations strategic alignment to business value and to business performance has been investigated in some empirical previous studies (OECD, 2008; Arvanitis & Loukis, 2009). However, most of them are based on managers' subjective perceptions of business performance or contribution of innovations to business performance, as their main variables, and not on objective measures of them. Also, they lack sound theoretical foundations, so they do not include all the fundamental independent variables. Moreover, all these previous empirical studies of the relationship between organizational innovations and competitiveness have been conducted in the context of only a few countries with high levels of economic development and ICT diffusion, and large markets, such as USA and UK.

To the best of the researcher's knowledge, no study had ever focused on the effects of innovations on competitiveness of the Kenya Power and Lighting Company (KPLC). This was despite the fact that the service industry environment had been affected adversely by the changing operating environment calling for adoption of innovation strategies to enhance a competitive edge in the markets. KPLC has been connecting 200,000 new customers to the national grid every year since 2008 in support of the Rural Electrification Authority programme. Previously, the company had been able to cater for electricity demand which has been growing at an annual average rate of 5.3%. As a consequence of using innovations, the company was intensifying efforts to increase population access to electricity from the current 29% to a target of 40% by the year 2020 as part of a medium-plan target of Vision 2030.

There was, therefore, a knowledge gap with regard to the effects of organizational innovation on firm competitiveness. The knowledge on how innovations affect competitiveness of the company would be important as it would enlighten the company's management as well as other stakeholders in the industry on the approaches to take. It was in light of this that the study sought to fill the research gap that existed by carrying out an investigation into the relationship between innovation strategies and organizational competitiveness of Kenya Power & Lighting Company Ltd.

Research Objectives

The main objective of this study was to investigate the relationship between innovation strategies and organizational competitiveness of Kenya Power & Lighting Company Limited.

The specific objectives of this study were:

i. To determine how technological innovations affects the organizational competitiveness of Kenya Power & Lighting Company Limited
ii. To establish how product innovations affects the organizational competitiveness of Kenya Power & Lighting Company Limited
iii. To determine how market innovations affects the organizational competitiveness of Kenya Power & Lighting Company Limited
iv. To establish how process innovations affects the organizational competitiveness of Kenya Power & Lighting Company Limited

Conceptual Framework

The types of innovation are classified using the criterion of their purpose as technical or administrative innovation. Whereas technical innovations include new technologies, products and/or services, administrative innovations refer to new procedures, policies and organizational forms. Innovations include both, product innovations, which refer to the development and introduction of new or improved products and/or services, and process innovations, which involve the adoption of new or improved methods of distribution or delivery of service. Given the competitive environment of the innovation/diffusion process in the service industry a conceptual framework was developed of the dynamics of innovation. The product innovation in the company leads to business growth, strong market for the products/services, old products are updated and also there is new product development in the company. The independent variables in this study are technology innovations, product innovations, market innovations and process innovations, while the dependent variable is organizational competitiveness of Kenya Power & Lighting Company Limited measured in terms of market share and profitability. To guide the study, the interrelationship between variables discussed in the literature review is presented in the conceptual framework model shown below.

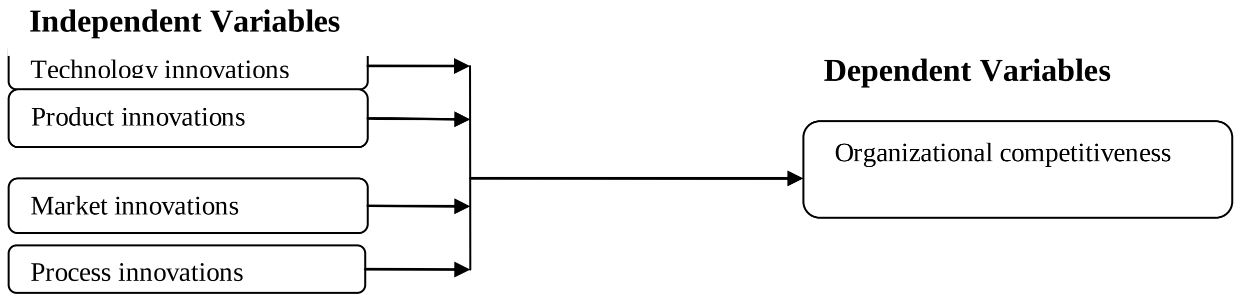

Figure 1: Perceived Relationship between Innovations and Firm Competitiveness

Methodology

The study applied a descriptive research design in determining the relationship between innovation strategies and organizational competitiveness of Kenya Power & Lighting Company Limited. Descriptive research design was chosen because it enables the researcher to generalize the findings to a larger population. The intention of descriptive research is to gather data at a particular point in time and use it to describe the nature of existing conditions. The target population composed of the senior, middle and first line management staff working in the regional offices of KPLC. Stratified random sampling technique was used to select a sample of 10% (100 respondents). This implied that this population would have diverse socio-economic backgrounds that were relevant to this study. The researcher administered the questionnaire individually to all employees of the Company who were the target population. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages and frequencies.

Findings

The study found that adoption of innovations affects the competitiveness of KPLC to a very great extent. These findings are consistent with those of Davila et al (2006) who argued that innovation strategies provide a clear direction and focuses the effort of the entire organization on a common innovation goal and thus organizations tend to make full of utilization to impact their competitiveness. Technological innovation strategies affect the competitiveness of KPLC to a moderate extent. The respondents indicated that new technology development have been adopted by the Company to a moderate extent as well as mobile funds transfer. These findings confirm that technology innovations are more influential in performance of companies and hence their competitiveness.

The service innovation strategies adopted by KPLC include service range extension, service improvement, service costs revision/improvement, service replacement, new service introduction and service repositioning. From the study, KPLC uses service improvement, service range extension, new service introduction, service repositioning, service costs revision/improvement and service replacement. Accordingly, service development that are radical, inventive and early offer greater rewards and performance improvement, service development is important in both the supply as well as in the support part of any offer.

The study found that various forms of market innovation strategies used by the company involve creating value through pricing, availability of resources and capabilities, customer satisfaction and retention, entry into new markets, environmental analysis and response to changes and aggressive anti-competitors marketing campaigns. McAdam and McClelland (2002) argue that market orientation is expected to produce a significant positive impact on all analyzed effects of innovative activities through use of a combination of the aspects of customer satisfaction and retention, aggressive anti-competitors marketing campaigns, entry into new markets, consideration of availability of resources and capabilities, considering environmental analysis and response to changes and creating value through pricing. Market innovation strategies help in identifying better (new) potential markets, generating better (new) ways to serve target markets, improving the mix of target markets, offering the best service to the markets and helps in market segmentation.
The study found that various forms of process innovation strategies used by KPLC include reduction of costs, new services introduction, conformance to regulations and improved innovation process. The Company outlets remain open in good time to serve the customers efficiently, use of innovation promotes a friendly and helpful staff hence customer satisfaction, less time is required at the service point due to innovations in the Company and the innovations ensure that the services given to customers are of high quality. The study found that there are challenges of lack of staff knowledge on the KPLC services, lack/poor homogeneity of ideas on the innovations made, inadequate network coverage and challenges in decision making processes.

Karl Pearson's coefficient of correlation was used to quantify the strength of the relationship between the variables. The results are shown in Table 1.

Table 4.1: Coefficient of Correlation

Component	Competitiveness	Technology	Product	Market	Process
Competitiveness	1	.958	.089	.023	.103
Sig. P-Values		.958	.949	.864	.435
Technology	.047	1	.166	.235	.097
Sig. P-Values	.958		.214	.076	.461
Service innovation	.089	.166	1	.146	.213
Sig. P-Values	.949	.214		.273	.102
Market innovation	.023	.235	.146	1	.123
Sig. P-Values	.864	.076	.273		.335
Process innovation	.103	.097	.213	.123	1
Sig. P-Values	.435	.461	.102	.335	

From the findings, it was clear that there was relationship between competitiveness and technology innovation. Technology showed a positive correlation with competitiveness as shown by a correlation figure of 0.958. It was also clear that there was a relationship between competitiveness and service innovation which was in a positive direction with a correlation figure of 0.089. There was also a positive correlation between competitiveness and market innovation with strength of correlation value of 0.023 and a positive correlation between competitiveness and process innovation with a correlation value of 0.103. This shows that there was positive correlation between competitiveness and process innovation, technology, service innovation and market innovation.

Discussion

The study found that use of technological innovations such as new technology development; mobile funds transfer and integrated IT systems enhance performance of company. The study further found that KPLC makes use of other technological innovations to easily transact business. These innovations enhance improved revenue gains.

The study further found that service range extension, service improvement strategy, service repositioning, service costs revision/improvement, service replacement and new service introduction are used significantly which contribute to Company's competitiveness.

The company branches remain open in good time to serve the customers efficiently, use of technology innovation promotes a friendly and helpful staff hence customer satisfaction, less time is required at the service point due to innovations in the company and that the innovations ensure that the services given to customers are of high quality.

The study also found that the Company uses customer satisfaction and retention market strategy, aggressive anti-competitors marketing campaigns, entry into new markets as well as consideration of availability of resources and capabilities as market innovation strategies, environmental analysis and response to changes and creation of value through pricing. Customer satisfaction and retention, aggressive anti competitors marketing campaigns, creating value through pricing, services entry into new markets, environmental analysis and response to changes are influential on competitiveness of KPLC.

The study found that process innovation strategies influence firm competitiveness. KPLC used improved innovation process, new services introduction, reduction of costs and process innovation through conformance to regulations. New products introduction, reduction of costs, improved innovation and conformance to regulations are used in the Kenya Power.

Conclusions

The study concludes that innovations affect revenues of the Company. Technological innovations offer reduced customer support costs as well as revenue growth, mobile banking offers opportunity to target and acquire new customer segments leading to increased customer growth and revenue, innovative, personalized mobile services also assist KPLC to attract and retain customers and lead to more satisfied customer base hence higher economic returns.

The study deduces that various innovations affect the market share of the Company. The various aspects of innovations that affect the market share of the Company include customer security, competitive strength, efficient service delivery, convenient locations, partnerships with several organizations and service development. Innovative tools and techniques that support the sales process increases market reach, the need to expand and maintain banking market share has influenced the Company to invest more in making better use of technological innovations, service development is a speed-to-market a decisive competitive strength, leading to a market share increase and offer services professionally than would be its competitors in a better situation to create a sustainable competitive advantage in future.

The study also concludes that process innovations affect the costs of operations in the Firm. Customer base/reach, competition, profitability, operational costs and customer relation affects the firm competitiveness. Innovations increase the Firms' competitive positioning, enhances the achievement of sustainable performance, it is also a cost effective, reliable and simple way of conducting business and reduces the instances of human error and it increases service efficiency and customer base as well as lowering the costs of serving low-income customers and assures the survival of the Firm.

Recommendations

The study recommends that for the Companies to realize higher competitiveness (such as increasing number of customers, business growth) it should embrace the adoption of innovative strategies. The findings in the earlier studies also recommends that customer satisfaction and retention market strategy, aggressive anti-competitors marketing campaigns, entry into new markets while consideration of availability of resources and capabilities as market innovation strategies, environmental analysis and response to changes and creation of value through pricing, is critically important if the aim is to develop the performance of a business to the full.

The study also recommends that the companies should also strive to ensure service range extension, service replacement, service improvement, service repositioning and new service introduction to enable the company to be more productive, to grow faster, to invest more and also to earn more competitiveness. The service development strategies can be effectively adopted if there are quality systems in place, there is good information flow, there is specialization and also if the management fully supports the competitive strategies. The power of service innovation in helping company retain and grow competitive position is indisputable.

The study also recommend that service companies like KPLC should ensure new products introduction, reduction of costs, improved innovation process and conformance to regulations are used to influence their competitiveness. This will help the tap into customers' needs so well that new products generate their own source of marketing momentum. The company should establish that there are staffs available in good time to serve the customers efficiently, use of innovations to promote a friendly and help staff hence customer satisfaction, less time is required at the service point due to innovations in the company and the innovations ensure that the services given to customers are of high quality.

The study also recommends that the firms also should ensure that they adapt the new technology in order to cope with the fast changing technology. Technology innovation encourages ease of flow of information and fast delivery to the intended persons. For efficient adoption of technology innovation strategies, there should be reliable infrastructure, enough financial resources; and the staff should be equipped with adequate skills and knowledge on the new technology through regular learning and development in order to ensure that they do not resist the adoption of the new technology in the company.

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