Int Journal of Social Sciences Management and Entrepreneurship 8(2): 980-991 2024

ISSN 2411-7323 www.sagepublishers.com

INNOVATION STRATEGIES AND COMPETITIVENESS AMONG TIER 1 COMMERCIAL BANKS IN NAIROBI CITY COUNTY KENYA

[1.] Muroria Martin, [2.] Dr. Nambuswa Elizabeth (PhD)

[1] Master of Business Administration, Jomo Kenyatta University of Agriculture and Technology;

[2] Lecturer, Jomo Kenyatta University of Agriculture and Technology

ABSTARCT

Background: The purpose of this study was to establish the influence of innovation strategies on competitiveness among tier I Commercial Banks in Nairobi City County, Kenya. The specific objectives wereo assess the influence of product innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya; to establish the influence of process innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya. The research was based by the Porter's theory of competitive advantage.

Methodology: The study adopted a descriptive survey research design. The study focused on a sample population consisting of nine tier 1 commercial banks. The selection of tier 1 commercial banks is predicated upon their substantial capital basis, extensive client base, and sizable loan portfolio. The research sampled of 110 employees from the operations, marketing, and information and communication technology divisions of the aforementioned institutions, as indicated by the human resource records. A census methodology was used.

Findings: The study established that there was significant positive correlation between the strategic innovations and competitiveness among tier I Commercial Banks in Nairobi City County, Kenya. The study found strong positive correlation between innovation strategies with competitiveness of tier I Commercial Banks in Nairobi City County. From the findings the study concludes that innovation strategies (product innovations & process innovations) have significant positive correlation with competitiveness of tier I Commercial Banks in Nairobi City County, Kenya.

Recommendations: The study recommends that there is need for the management of tier I Commercial Banks in Nairobi City County, Kenya to adopt modern technologies in the banking industry.

Key words: product innovation, product innovation, innovation strategies, competitive advantage, tier 1 commercial banks

Background of the Study

The competitive advantage achieved by commercial banks is contingent upon the level of sustainability of such advantage. The concept of innovation within the financial sector pertains to the capacity to develop and promote novel financial instruments, markets, and institutions, hence enhancing the availability of pertinent information and facilitating the process of transmitting payments (La Frame & White, 2014). In contemporary times, the concept of innovation has garnered significant significance due to three primary factors: the fast evolution of technology, the dynamics of the market, and the intensification of competition resulting from globalization (Aghion et al, 2012). According to Johnston and Bate (2013), the presence of innovative abilities plays a crucial role in fostering economic growth and ensuring the sustainability of competitiveness within the commercial banking sector in Kenya.

The implementation of innovation methods on a global scale has facilitated the UK financial industry's capacity to maintain a competitive edge. This advantage is contingent upon firms effectively internalizing the advantages derived from inventive endeavors (Lashitew, Bals, Van & Tulder, 2020). According to Forbes (2022), success of a firm is about gaining competitive advantage and that innovation strategies are imperative in realization of it. In developed countries like United States of America, blue chip companies like Google and Apple are good examples of firms that have embedded innovation strategies into their daily operations. Innovation strategies allow firms to create value to their customers by lowering the prices of products relative to competitors while at the same time increasing reliability and durability of the products (Forbes, 2022).

In Kenya, companies have recognized the prevailing high level of rivalry within their individual sectors, prompting them to develop innovative tactics in order to sustain their competitiveness within the business environment. According to Laban and Deya (2019), the implementation of effective innovative methods leads to enhanced levels of high performance and competitiveness. Mohammad (2018) posits that the implementation of process, product, market, and organizational innovation strategies enables organizations to strategically position themselves in order to recognize market opportunities and successfully capitalize on them, therefore establishing a lasting competitive advantage. Market innovation significantly influences the competitive landscape of a corporation. According to Mohammad (2018), companies may preserve their competitive advantage in the sector by expanding their market shares via market innovation, hence increasing awareness among consumers.

The regulation of the banking industry in Kenya is overseen by the Central Bank of Kenya (CBK). Through CBK, commercial banks have been categorized into three tiers based on the asset base and market shares of respective banks. This study will focus on 9 tier I commercials banks (Kenya Commercial Bank Equity Bank Kenya Ltd, The Co-operative Bank of Kenya Ltd ABSA formerly Barclays Bank of Kenya Ltd Diamond Trust Bank Kenya Limited Standard Chartered Bank Kenya Ltd Stanbic Bank Kenya Ltd NCBA Ltd, I & M Bank Ltd). Tier I banks are more stable commanding a high cumulative market share compared to the tier 2 and 3commercial banks in Kenya. However, in past years, competitive advantage of these banks has remained a challenge, a situation that forced National Investment Corporation (NIC) and Commercial Bank of Kenya (CBA) to merge forming NCBA so as to remain competitive (CBK, 2019).

Statement of the Problem

Due to the small number of commercial banks compared to the size of the market as a whole, the banking industry is sometimes described as being uncompetitive. Commercial banks in Kenya need to comply with new capital adequacy standards from the Central Bank of Kenya if the sector is to remain healthy in the wake of several mergers and acquisitions (Cytonn, 2016). Furthermore, the implementation of interest rate limiting legislation in 2016 resulted in a decrease in income streams for banks, hence necessitating the management of operational expenses (Barclays Bank, 2017). “To maintain their competitive edge, banks have made substantial investments in research and development endeavors with the aim of devising creative strategies to address the evolving demands of their customers. The performance of commercial banks in Kenya has shown a favorable growth trajectory, but with a declining rate (Juma & Atheru, 2018).

The industry has been marketing financial goods that are mostly distinguished by their packaging, despite their substantial similarities. The decreasing competitiveness of banks is evident as they are unable to assert their ability to provide exceptional financial services (CBK, 2019). The evolving nature of the sector has necessitated that commercial banks adopt creative strategies in order to maintain their competitiveness. According to Cherop (2016), many factors have played a significant role in shaping innovation within the financial sector. These factors include intense rivalry, the dynamics of financial service markets, advancements in technology, the scale of financial institutions, macroeconomic situations, legislative frameworks, and heightened financial oversight. Hence, it is essential for commercial banks to implement innovative initiatives in order to maintain competitiveness within the operational landscape

Specific Objectives

i) To assess the influence of product innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya.
ii) To establish the influence of process innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya.

Research Questions

i) How does product innovation influence competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya.
ii) What is the influence of process innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya.?

Theoretical Review

This study was guided by Porters Theory of Competitive Advantage. The proponent of this theory was Porter (1979) and argues that there exist competitive responses to changes in the environment by an organization. The theories indicate that competitive pressure is generated that firms should effectively respond to in order to remain competitive (Hifza & Aslan, 2020). Porter’s Five Forces The model encompasses many fundamental factors that influence the extent of competition within an industry. These factors include obstacles to entry for new businesses, the intensity of rivalry among existing firms, the bargaining power wielded by suppliers, the presence of alternative goods posing threats, and the negotiating power held by purchasers (Kahupi, Hull, Okorie & Millette, 2021). Through these forces, the level and degree of competition in the industry is shaped and determined (Darmawan & Grenier, 2021). According to Gareche, Hosseini, and Taheri (2019), this approach enables a company to effectively assess the level of competition within the sector and develop appropriate reaction plans to ensure its survival.

Therefore, this theory has the potential to assist organizations in attaining a competitive edge within their respective industries, therefore ensuring their continued development and survival despite the presence of competitive pressures (Tarofder et al, 2019). This theory has significant relevance in the field of research, as it posits that competition within an industry is contingent upon a systematic process, including five distinct elements that have effect on rivalry. These forces include the threat of new entrants, the negotiating power wielded by suppliers and consumers, as well as the potential for replacement. In order to effectively respond to competition and foster process innovation, commercial banks must possess an understanding of these influential factors and then develop a strategic agenda. The methodology is often used in established organizations, although it may also be utilized by startups to assess the feasibility of entering a certain market. The process of deriving or creating value for the organization from innovation relies in great part on the internal dynamics of the commercial banks. In particular innovation relies on strategic deployment, rigorous system and people all very internal dynamics of a business.

Conceptual Framework

This conceptual framework uses a diagram to show how the study's independent variables process innovation are product innovation are connected competitiveness.

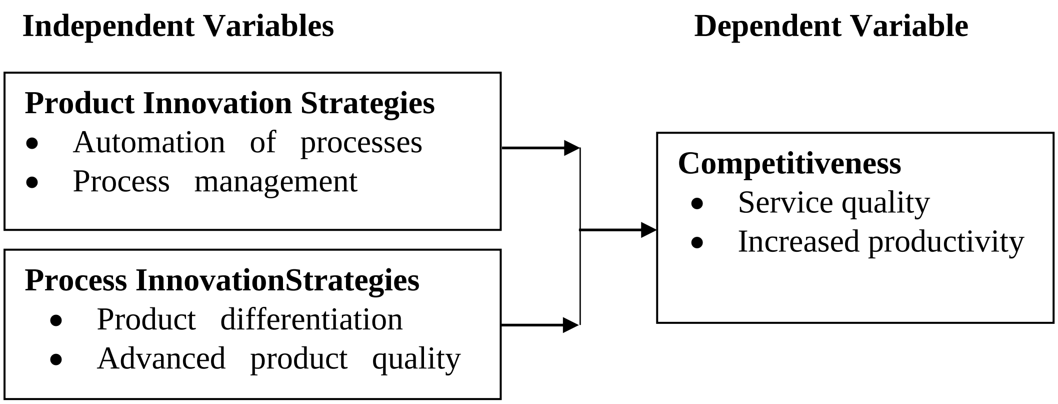

Figure 1: Conceptual Framework

Product innovation

Automation of processes is an important aspect of product innovation that creates effectiveness and accuracy in operations (YuSheng & Ibrahim, 2019). It facilitates integration and effective sharing of information among employees in an organization. Effective management of processes facilitate coordination of operations and this may allow an organization to achieve superior competitive edge (Christa & Kristinae, 2021). Effective design of process facilitates integration and sharing of knowledge and information among employees to create competitive advantage (Nakato, Ngigi & Andemariam, 2021).

Process innovation

Differential of products and services allow an organization to effectively meet the ever-changing needs and preferences of its customers. Providing differentiated products provide an incredible opportunity to customers who select from a range of product portfolio (Peter, Munga & Nzili 2021). Transformation of processes in an organization helps in improving the quality of products and services provided to customers and this improves competitive advantage of the business. Modification of products as a form of process innovation helps to stay in line with the changes in the needs of customers (Christopher, Jane & Yussuf, 2021).

Competitive Advantage

According to Porter (1980), businesses need to choose between reducing production costs and gaining a competitive edge via the use of institutional procedures and other resources. Gilbert (2022) argues that, to maintain a competitive edge, businesses must constantly improve their processes in order to achieve their goals, whether those goals are financial, social, or environmental (Mehmood, Alzoubi, & Ahmed, 2019). Only by consistently using techniques that set them apart from competitors can businesses hope to keep their competitive edge. A company may go much farther with this. A company has an edge in the market when it is able to keep its consumers happy while simultaneously increasing productivity and cutting down on most of its expenses (Emami-Langroodi, 2021).

Empirical Review

Past empirical studies are reviewed in the subsequent sections.

Product innovation and Competitive Advantage

Product innovation and its effect on the success of Taiwan's high-tech companies was the subject of research by Tsai, Chang, Lin, and Cheng (2020). Questionnaires were used to collect data in a survey manner. Research demonstrates that introducing new products helps businesses thrive. Christa and Kristinae (2021) looked at how new products influenced company results during the COVID 19 epidemic. Three hundred local product business players in Central Kalimantan and Bali participated in the quantitative analysis of this study utilizing SEM-AMOS statistical software. Positive results for the encouraging mediating influence of information sharing (51%) and innovation (63% on company success) as antecedents of a market-oriented mindset were discovered. Nakato, Ngigi, and Andemariam (2021) used a case study of Ugandan printing service providers to investigate the impact of product innovation on productivity. The explanatory method was applied in this research. The research sample consisted of 125 small printing businesses in the Kampala Central neighborhood. Managers of printing SMEs were given semi-structured questionnaires to fill out on their own. The research found that product novelty has a beneficial effect on productivity.

Waliuddin and Umar (2022) aimed to determine the effect of new product launches on sales. This study's sample population is comprised of businesses small and medium in size from Purbalingga's industrial districts. There were 119 participants in the sample. Positive and substantial effects of customer focus and entrepreneurial attitude on marketing outcomes were found. Adegboyega (2017) aimed to determine how product innovation affects business results. The Nestle Nigeria Plc. survey was conducted. In all, 340 usable survey copies were filled out. The results reveal that when customers see a company's product innovations as more powerful, favorable, and distinctive, the innovations have a greater influence on the company's success.

Process innovation and competitive advantage

In a study conducted by Kowo, Akinbola, and Akinrinola (2018), an investigation was undertaken to analyze the impact of process innovation on firms in Nigeria. The study conducted among 114 workers at prominent telecommunications businesses in Lagos State, Nigeria, reveals that process innovation has a substantial impact on organizational performance. Furthermore, the findings indicate a noteworthy correlation between service modification and sales volume. “In their recent study, Peter, Munga, and Nzili (2021) used a descriptive survey research methodology to investigate the effects of process innovation strategies on the productivity levels of leading commercial banks in Kenya. A study was conducted on 494 executives and managers from the top, middle, and lower levels of the 8 major commercial banks. Data was collected from a total of 221 individuals using a stratified random sampling procedure. Primary data was obtained via the use of structured questionnaires. Based on the findings of the study, it has been observed that the leading commercial banks in Kenya use strategies centered on process innovation.”

"The study conducted by Christopher, Jane, and Yussuf (2021) aimed to examine the effects of process innovations on the productivity levels of small and medium-sized industries located in Nairobi County, Kenya. The research used a positivist approach in its methodology and adopted an explanatory research design. By using a stratified random sampling technique, a sample size of 254 individuals, consisting of managers or owner managers from small and medium-sized manufacturing enterprises (SMEs) affiliated with the Kenya Association of Manufacturers, was successfully selected. The data was gathered via a questionnaire. A strong positive link was shown between process innovation and corporate performance."

The impact of process innovation on corporate performance and the function of design management in Malaysia was investigated by Alshorman, Alzoughool, Khalaf, and Ahmed (2020). In this study, 386 participants were surveyed from the product industries in Malaysia using a quantitative research technique. The necessary information was gathered by a validated questionnaire and a simple random sample technique. The survey data was further evaluated using Structural Equation Modeling (SEM). The research found that design management not only mediated the connection between process innovation and the success of Malaysia's manufacturing sector, but that it also established a direct causal link between the two.

RESEARCH METHODOLOGY

In this study, a descriptive survey research design was adopted for the purpose of establishing the influence of innovation strategies on competitiveness among tier I Commercial Banks in Nairobi City County, Kenya. This approach is suitable for the study since it helps to accurately represent people's profile events and scenarios.

Study Population

Nine large commercial banks made up the focus group for this study. Because of their large client bases, loan portfolios, and financial resources, top commercial banks were selected. From these banks, the study targeted110 staff from operations, marketing and information and communication technology departments according to the human resource records. The target population included operations department: branch managers and credit managers, marketing department: marketing directors, marketing managers, ICT department: ICT directors and ICT managers. The target population is shown in table 1.

Table 1. Target Population

Population Cadre	Frequency	Percentage
Operations department	37	34%
Marketing department	43	39%
ICT department	30	27%
Total	**110**	**100**

Source: Human Resource Records (2023)

Sampling

The population is manageable in size, making a census unnecessary. According to Yin (2017), census is ideal when the population has less items of less than 200. Thus, all the 110 respondents were included in the study.

Data collection and analysis

Information gathering was mostly made use of semi-structured questionnaires for this study's data collection. Because questionnaires enable the research to acquire data from actual participants, they were employed. SPSS, the Statistical Package for the Social Sciences, makes it simple to create and analyze questionnaire. In this research, both quantitative and qualitative methods was collected. The qualitative data was analyzed using content analysis. For analyzing quantitative data, both descriptive and inferential statistics was used. Means, standard deviations, frequencies, and percentages are all examples of descriptive statistics. Regression analysis is an example of an inferential statistic.

RESEARCH FINDINGS AND DISCUSSION

This section gives the findings analysis and interpretation on the study. The main objective of the study was to establish the influence of innovation strategies on competitiveness among tier I Commercial Banks in Nairobi City County, Kenya.

Response Rate

The study administered 110 questionnaires for data collection. A total of 102 were duly filled and returned representing a response rate of 92.72%.

Descriptive Statistics

The study used measure of central tendency to describe the responses and analyze them. A Likert scale was used where the responses were coded as follows: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5 = Strongly Agree. The ranges for the mean will be as follows: Strongly Disagree (1-1.8), Disagree (1.9- 2.6), Neutral (2.7-3.4), Agree (3.5-4.2), and Strongly Agree (4.3-5). The results were presented in tables and analyzed and discussed. The descriptive statistics for the study variables are as follows:

Product Innovation

The first objective of the study was to assess the influence of product innovation on competitive advantage amongtier I Commercial Banks in Nairobi City County, Kenya. The study also was guided by the research question ‘How does product innovation influence competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya?’From table 4.12 below the study found that product innovation influence competitive advantage amongtier I Commercial Banks in Nairobi City County, Kenya.

Table 2: Product Innovation and Competitive Advantage

Statement	S A %	A %	N %	D %	SD %	Mean	Std
Product innovation in the organisation ensures quality of the product is met	23	12	21	45	0	3.11	1.21
Product innovation enables the organisation to come up with product development strategy	17	12	25	46	0	2.97	1.12
Product innovation enhances project management execution in the organisation	36	7	25	28	4	3.43	1.33
Product innovation ensures that product design is in line with the needs of customers	37	14	10	36	0	3.50	1.33

Product innovation plays a big role in total quality management on company products and services	28	45	18	9	0	3.91	.90

The findings from Table 2 revealed that product innovation plays a big role in total quality management on company products and services (M = 3.91, Sd = 0.90). Product innovation ensures that product designs are in line with the needs of customers (M = 3.50, Sd = 1.33). Product innovation in the organisations ensures quality of the products were met (M = 3.11, Sd = 1.21). Product innovation enhances project management execution in the organisations (M= 3.43, Sd = 1.33). There are contingent payments in the organizations (M= 3.59, Sd = 1.36). Product innovation enables the organisations to come up with product development strategy (M =2.97, Sd = 1.12). In line with Nakato, Ngigi, and Andemariam (2021) the research found that product novelty has a beneficial effect on productivity. Christa and Kristinae (2021) found positive results for the encouraging mediating influence of information sharing (51%) and innovation (63% on company success) as antecedents of a market-oriented mindset were discovered.

Process Innovation

The second specific objective was to establish the influence of process innovation on competitive advantage amongtier I Commercial Banks in Nairobi City County, Kenya. The study was also guided by the research question 'What is the influence of process innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya?' From Table 3 the study found evidence that process innovationinfluence competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya.

Table 3: Process Innovation and Competitive Advantage

Statement	S A %	A %	U %	D %	SD %	Mean	Std
The organisations process its products to current and new customers in the existing market	36	55	9	0	0	4.18	.82
The organisations process its existing products in the new market	82	18	0	0	0	4.82	.38
The organisation is involved in coming up with new products and market them through process innovation	80	20	0	0	0	4.79	.40
The organisation is involved in coming up with new process innovation strategies and use them for marketing new products	28	45	19	9	0	3.91	.90
The organisation is involved in implementation of other process innovation strategies	28	63	9	0	0	4.19	.58

From Table 3, the study found that the organisations process their existing products in the new market (M = 4.82, Sd = 0.38). The organisations are involved in coming up with new products and market them through process innovation (M = 4.79, Sd = 0.40). The organisations are involved in implementation of other process innovation strategies (M = 4.19, Sd = 0.58). The organisations process their products to current and new customers in the existing market (M =4.18, Sd = 0.82). The organisations are involved in coming up with new process innovation strategies and use them for marketing new products (M = 3.91, 0.91). In a study conducted by Kowo, Akinbola, and Akinrinola (2018), findings indicate a noteworthy correlation between service modification and sales volume. Peter, Munga, and Nzili (2021) observed that the leading commercial banks in Kenya use strategies centered on process innovation."

Competitive Advantage

The descriptive statistics aimed and describing competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya. The findings are tabulated in Table 4.

Table 4: Competitive Advantage

Statement	S A %	A %	N %	D %	SD %	Mean	Std
The organisation garners ore /sales than the competitors	12	21	15	45	8	3.22	1.19
There has been an increase in new market segments	51	26	24	0	0	3.06	1.10
The organisation has been able to improve its profitability over the years	51	0	26	24	0	3.59	1.36
There has been a decrease in all overall costs relative to organisation revenue	51	0	26	24	0	3.70	1.32
The firm's competitiveness has increased tremendously	19	25	12	39	6	3.46	1.20

From Table 4 the study found that there has been a decrease in all overall costs relative to organisation revenue (M = 3.70, Sd = 1.32). The organisation has been able to improve its profitability over the years (M = 3.59, Sd = 1.36). The firm's competitiveness has increased tremendously (M = 3.46, Sd = 1.20). The organisation garners ore sales than the competitors (M = 3.22, Sd = 1.19). There has been an increase in new market segments (M = 3.06, Sd = 1.10).

Inferential Statistics

The study conducted inferential analysis to determine the relationship between the independent variables and the dependent variables

Multicollinearity Test

Multicollinearity was checked using variation inflation factor (VIF) and tolerance. For multicollinearity to occur, the VIF has to greater than 10 and the tolerance less than 0.1. in this study the VIFs were less than 10 and the tolerance greater than 0.1 indicating that no multicollinearity was found. Table 5 below show the findings.

Table 5: Multicollinearity

Model (Variables)	Collinearity Statistics

	Tolerance	VIF
Product innovation	2.156	0.345
Process innovation	4.034	0.112

Correlation Test

The study determined the correlation that existed among the predictor variables using the Pearson correlation coefficient test and it was tested at 0.05 level of significance. The correlation analysis assisted in establishing the linearity of the existing variables in the data as shown in Table 6.

Table 6: Coefficient of Correlation

		Competitive advantage
Product innovation	Pearson Correlation	.795**
	Sig. (2-tailed)	.000
	N	102
Process innovation	Pearson Correlation	.545
	Sig. (2-tailed)	.165
	N	102

Table 6 shows a correlation (r = 0.795; p<0.001) between product innovation and competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. This implies that product innovation is positively correlated to competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. In addition, the correlation between these two variables was significant, that is p<0.5 implying a linear relationship between product innovation and competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. There is a direct association between product innovation and competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. There is a positive, significant, and average correlation (r = 0.545; p<0.000) between process innovation and competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. This implies that the process innovation is positively correlated to competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. In addition, the correlation between these two variables was significant, that is p<0.5 implying a linear relationship between process innovation and competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya.

Regression Analysis

The study ran the procedure of obtaining the regression coefficients, and the results were as shown on the Table 7. The coefficients or beta weights for each variable allows the researcher to relative importance comparatively of the competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. In this study the unstandardized coefficients and standardized coefficients are given for the multiple regression equations. However, discussions are based on the unstandardized coefficients.

The following regression model was used;

$$\gamma = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots \text{(i)}$$

Whereby;
$\beta 0$: Constant (coefficient of intercept) X_1: Productinnovation X_2 : Process innovation ε : the error term

Table 7: Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	B		
1	(Constant)	-1.687	.446		-3.786	.000
	Product innovation	.536	.045	.505	11.803	.000
	Process innovation	.315	.096	.406	4.158	.025

Findings in Table 6 showed that product innovation had coefficients of estimate which was significant basing on $\beta_1 = 0.536$ (p-value = 0.000 < 0.05). Also, the influence of product innovation is more than the effect attributed to the error and supported by the t-critical = 11.803 at a 5 per cent level of significance. Product innovation influences performance by 0.536 or 53.6%, thus the study concludes that product innovations significantly influence competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya. The findings also concur with Nakato, Ngigi, and Andemariam (2021) the research found that product novelty has a beneficial effect on productivity. Christa and Kristinae (2021) found positive results for the encouraging mediating influence of information sharing (51%) and innovation (63% on company success) as antecedents of a market-oriented mindset were discovered.

In addition, the findings indicate that Process innovation had coefficients of estimate which was significant basing on $\beta 2 = .315$ (p-value = 0.025 < 0.05). Also, the process innovation is more than the effect attributed to the error and supported by the t values where t calculated= 4.158 at a 5 per cent level of significance, thus we conclude that process innovation significantly competitive advantage in tier I Commercial Banks in Nairobi City County, Kenya by 31.5 or 31.5%. The findings are also supported by Kowo, Akinbola, and Akinrinola (2018), findings indicate a noteworthy correlation between service modification and sales volume. Peter, Munga, and Nzili (2021) observed that the leading commercial banks in Kenya use strategies centered on process innovation.

CONCLUSION OF THE STUDY

The first specific objective of the study was to assess the influence of product innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya. The study concludes that product innovation has a significant positive correlation with competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya. Product innovation also have a positive significant influence competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya. The second specific objective of the study was to assess the influence of process innovation on competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya. The study concludes that process innovation influence competitive advantage among tier I Commercial Banks in Nairobi City County, Kenya.

Recommendations

The results of this study demonstrated a significant relationship between process innovation and the performance of Kenya's leading commercial banks; thus, the authors advise these organizations to use innovation tactics to strengthen their competitive edge. Businesses need to make sure that their processes are designed to support their long-term goals in order to do this. Any new process's design and implementation require input from both consumers and employees. Employee exclusion from the innovation process may lower the project's chances of success and hinder the business's capacity to compete.

Process innovation should also take the organization's future competitiveness of banks into consideration. According to the report, Nairobi City County's Tier I Commercial Banks should adopt innovative ideas to advance the application and provide incentives and prizes to imaginative clients for their value-added services. Give people a forum to talk about and showcase the biggest developments in the banking industry. In order to stay profitable and relevant in the market, banks should also offer a wide variety of commodities, make sure the target market is adequately informed about their offerings, continuously enhance the quality of their offerings, and launch new, improved services.

REFERENCES

Adegboyega, I. A. (2017). Impact of product innovation on organizational performance (A Survey of Nestle Nigeria Plc), *Journal of Marketing and Consumer Research*, *37*, 23-31.

Alshorman, M., Alzoughool, S. A. A., Khalaf, D., & Ahmed A. (2020). he Effect of Process Innovation on Business Performance and Role of Design Management: A Structural Equation Modelling *International Journal of Psychosocial Rehabilitation* 24(07

Central Bank of Kenya. (2019). *Bank Supervision Annual report.* Nairobi, Kenya: Government Press.

Christa, U., & Kristinae, V. (2021). The effect of product innovation on business performance during COVID 19 pandemic. *Uncertain Supply Chain Management*, *9*(1), 151-158.

Christopher, Y. K., Jane, S., & Yussuf, K. (2021). Effect of Process Innovations on Performance of Small and Medium Manufacturing Enterprises in Nairobi County, Kenya. *African Journal of Education, Science and Technology*, *6*(4), 88-101.

Darmawan, D., & Grenier, E. (2021). Competitive Advantage and Service Marketing Mix. *Journal of Social Science Studies (JOS3)*, *1*(2), 75-80.

EmamiLangroodi, F. (2021). Schumpeter's Theory of Economic Development: a study of the creative destruction and entrepreneurship effects on the economic growth. *Journal of Insurance and Financial Management*, *4*(3).

Forbes. (2022). The Role Of Innovating In Competitive Success And How To Do It. Retrieved at https://www.forbes.com/sites/forbescommunicationscouncil/2022/10/03/

Gareche, M., Hosseini, S. M., & Taheri, M. (2019). A comprehensive literature review in competitive advantages of businesses. International Journal of Advanced Studies in Humanities and Social Science, 8(3), 223-240.

Gilbert, R. J. (2022). Innovation matters: competition policy for the high-technology economy. MIT Press.

Hifza, A., & Aslan, A. (2020, June). The Model of Competitive Advantage Development in Private Islamic Education Institutions. In *BASA 2019: Proceedings of the Third International Seminar on Recent Language, Literature, and Local Culture Studies, BASA, 20-21 September 2019, Surakarta, Central Java, Indonesia* (p. 205). European Alliance for Innovation.

Juma, A. M., & Atheru, G. (2018). Financial risks analysis and performance of commercial banks in Kenya. *Journal of Finance and Accounting*, *2*(2).

Kahupi, I., Hull, C. E., Okorie, O., &Millette, S. (2021). Building competitive advantage with sustainable products–A case study perspective of stakeholders. *Journal of Cleaner* Production, 289, 125699.

Kowo, S. A., Akinbola, A. O., & Akinrinola, O. O. (2018). The impact of process innovation on organisational performance. *Acta Universitatis Danubius. Œconomica*, *15*(2).

Laban, O. M., & Deya, J. (2019). Strategic innovations and the performance of information communication technology firms in Nairobi Kenya. *International Journal of Academic Research in Progressive Education and Development*, *8*(2), 1-24.

Lashitew, A. A., Bals, L., & van Tulder, R. (2020). Inclusive business at the base of the pyramid: The role of embeddedness for enabling social innovations. *Journal of business ethics*, *162*(2), 421-448.

Mehmood, T., Alzoubi, H. M., & Ahmed, G. (2019). Schumpeterian entrepreneurship theory: Evolution and relevance. *Academy of Entrepreneurship Journal*, *25*(4).

Mohammad, M. M. (2018). *Innovation strategies and sustainable competitive advantage of information and communication technology firms in Mombasa County, Kenya* (Doctoral dissertation, University of Nairobi).

Nakato, M., Ngigi, B., & Andemariam, K. (2021). Effect Of Product Innovation On Performance Of Printing Smes In Kampala Central District. *European Journal of Business and Strategic Management*, *6*(2), 1-14.

Peter, M. N., Munga, J., Nzili, J. M. (2021). Effect of process innovation strategies on performance of tier one commercial banks in Kenya, *International Academic Journal of Innovation*, Leadership and Entrepreneurship, 2(2), 142-162.

Porter, M.E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press

Porter, M.E. (1985), *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press

Tarofder, A. K., Jawabri, A., Haque, A., Azam, S. F., & Sherief, S. R. (2019). Competitive advantages through it-enabled supply chain management (SCM) context. *Polish Journal of Management Studies*, *19*(1), 464-474.

Tsai, M. H., Chang, J. H., Lin, Y. S., & Cheng, K. C. (2020). The Impact of Product innovation on Performance: The Influence of Uncertainty and Managerial Accounting Information Systems.

Waliuddin, A. N., & Umar, F. (2022, January). The Impact of Product Innovation on Marketing Performance. In *2nd International Conference of Strategic Issues on Economics, Business and, Education (ICoSIEBE 2021)* (pp. 328-335). Atlantis Press.

Yin, R. (2017). *Case study research and publication: desogn and methods.* Sage publications.

YuSheng, K., & Ibrahim, M. (2019). Service innovation, service delivery and customer satisfaction and loyalty in the banking sector of Ghana. *International Journal of Bank Marketing*.