# INNOVATION CAPABILITY AND SERVICE QUALITY IN SERENA HOTELS, KENYA

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY**

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## DECLARATION

This research project is my original work and to the best of my knowledge has not been presented for a degree in any other University or any other award.

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## DEDICATION

This research work is dedicated to my family, whose unwavering love and support enabled me to accomplish this project. To my friends, who provided both support and motivation during challenging times, I am deeply grateful for your belief in me. I also appreciate my colleagues, whose collaboration and insights enriched this project. Your contributions and camaraderie have made this experience not only possible but also rewarding. Together, you have all played an invaluable role in helping me achieve this significant milestone, and for that, I am forever thankful.

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## ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| **AKDN** | Aga Khan Development Network |
| **AKFED** | Aga Khan Fund for Economic Development |
| **DIT** | Diffusion of Innovation Theory |
| **ICT** | Information, Communication and Technology |
| **SQ** | Service Quality |

## OPERATIONAL DEFINITION OF TERMS

| | |
|---|---|
| **Adaptive Capability** | Adaptive capability is a person's institutional's ability to adjust and respond effectively to changes in their environment. It involves the capacity to learn from experiences, embrace new information, and implement strategies that allow for flexibility in the face of challenges or opportunities. |
| **Marketing Capability** | The skill set and knowledge that enables a firm in a competitive landscape to perform relatively better than their rivals. It is signified by customer relation management, market-sensing and networking. |
| **Operational Capability** | It's an organization's capacity to effectively carry out its intended functions or activities. It encompasses factors like resources, infrastructure, personnel, technology and processes. |
| **Product Innovation** | Product innovation entails developing and presenting new or enhanced products to the market. This can mean inventing, entirely new products or improving some existing products by adding new characteristics. |
| **Process Innovation** | Process innovation is the exploitation of new or considerably enhanced production or delivery technologies for goods and services. This can mean changes in the approach, tool or a software that may improve on the rate of output or product quality. |
| **Service Quality** | Service quality therefore is the evaluation or the perceived value judgement of a service. It refers to how effectively a company fulfills its customers' expectations and aligns its services with the attributes they value. |
| **Innovation Capability** | Innovation capability means the capacity of an organization to make new products, create new ideas, implements new processes or services and effectively apply them in the market. |

| | |
|---|---|
| **Product Capability** | It's the ability of a product to meet specific requirements or perform designated functions. |
| **Market Capability** | This term is used to refer .to the capacity of an organization to effectively address to its surroundings accordingly and outperform its competitors in terms of service delivery to its customers. |
| **Process Capability** | It's the use of new and significantly enhanced delivery or production means of a process that is characterized by notable changes in equipment, methods and or software. Process innovation is sought to reduce expenditure, enhance the mode of delivery of goods and services and enhance the quality of the product. |

## ABSTRACT

Service quality is the exchange whereby one person, organization, or set of organizations provides output to another; it is a non-ownership benefit. This interaction should be used with the purpose of attaining customer satisfaction. The purpose of this study was toevaluate the role of innovation capability on service quality in Serena Hotels, Kenya.The particular objectives were; to evaluate product innovation effecton service quality in Serena Hotels, Kenya; to analyze the market innovation's effecton service quality in Serena Hotels, Kenya; and to establish the effect of process innovation on service quality in Serena Hotels, Kenya. The theories anchored on this study were; Servqual Model, Diffusion of Innovation Theory, Institutional theory and Stakeholder Theory of Management. The study adoptedexplanatory research design to analyze population of 590 staff selected from various chains across the country. Primary data was collected using survey questionnaire. To test the validity of the questionnaire, content and construct validity were tested. The analysis was conducted quantitatively using inferential and descriptive statistics, specifically through a linear regression model, to examine the relationship between the variables. The study results revealed an existence of a strong positive correlation linking product innovation and service quality. Study results also revealed that market innovation positively and moderately influenced on service quality. However, study findings an existence of a negative and moderate correlation linking process innovation to service quality. The research suggests that to enhance service quality at Serena Hotels in Kenya, the organization should prioritize greater investment in product innovation. Additionally, it is advised that the company place a stronger emphasis on cultivating robust relationships with its customers. The study further recommends refining administrative procedures and developing forward-thinking product innovation strategies to enhance employee expertise and organizational performance.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

The rise of globalization alongside innovations in information and communication technology has transformed economic activities worldwide. Economic systems are undergoing rapid changes on both national and global scales. This intensifying competition among industries necessitates proactive management strategies. Hence, firms must continuously develop their competitive strengths to maintain long-term sustainability. This paper highlights that currently, firms are placing significant emphasis on product quality, as consumers now demand only high-quality products (Carraresi, Aibisu & Mamaqi, 2022). Quality can also be an important operating objective and task for various organizations and businesses, especially for service organizations, because these organizations' policies stress the importance in the context of Banterie (2020), the enhancement of service quality performance positively impacts customer satisfaction.

Service quality is defined as the exchange whereby one person, organization, or set of organizations provides output to another; it is a non-ownership benefit (Kotler & Lee 2008). In other words, a service is any action performed by the service provider in order to satisfy customers' demands. This interaction should be used with the purpose of attaining customer satisfaction. Sometimes, customers are able to make product choices after checking out, and this is where the services are clearly assumed. Quality service clearly has a positive effect on companies, mainly through enhancing customer loyalty and the profit margin. Components of service quality are shown by the ability to place an order for a service or product, consumer responsiveness, product/service

responsibility, product/service return, and product/service accessibility (Parasuraman, 1988).

The customer's overall service quality assessment is known as service quality (Santos, 2013). Assessing the quality of service offered has proven to be more difficult. The ability of a business to meet customer expectations while also providing for their requirements impacts service quality (Yoo & Park, 2017). Since services are typically performance-driven, it might be difficult to determine reliable descriptions of a homogeneous quality (Kettinger & Lee, 2014).

Innovation capability is well-thought-out as a treasured organizational competency for organizations that seek to attain and deliver superior performance and stability while pursuing their strategies. This capability is a part of value chain activities in organizations and is fully realized in the strategic business processes of an organization (Lawson & Samson, 2001). Indicated by the resource-asset mix, it identifies the effectiveness of innovation. Therefore, a wide range of availability seems to be essential for the effective management of modern business success (Rajapathirana & Hui, 2018).

A product innovation capability is the use of a new product that is also improved in terms of its traits and use such as having notable improved materials, components, technical specifications, user friendliness, software among other notable traits (Morone & Testa, 2014). Morone and Testa (2014) noted that product innovation is the use of a new and enhanced product or service that is an improvement in the currently offered product. Camison and Lopez (2010) points out that product innovation does not only enhance the products quality but also reduces cost. Additionally, it enables the organization to boost its overall competitiveness while ensuring that its presence and influence within the market are more effectively recognized. Constantly improved

products are very important for organizations that are seeking continuous growth and enhanced performance (Bayus, Erickson & Jacobson, 2013). Product innovation has been used frequently by new organizations entering different markets as it allows them to attract different customers very fast and meet their unique needs (Hult, 2014). Further, organizations that want to get hold of a bigger market share use this strategy since it attracts different customers that have unique needs (Oke, 2017).

Several techniques have been identified by literature that can enhance product innovation. The marketing orientation, defined as a specific organizational culture that promotes behaviors that enhance customer value creation and proactive, continuous performance enhancement (Cano, Carrill at & Jaramillo, 2014), is one such technique. It also fosters innovation and provides crucial information to firms facing intense global competition. It allows executives to ensure that their strategies will sustain or enhance their competitive position. Also, personnel culture—the collection of ideas, beliefs, and values that are accepted and practiced in an organization—is an important source of product innovation. Companies that support creativity and innovation together with focusing on new product innovation will be able to improve overall organizational performance (Luthar et al., 2015).

As noted by Simpson, Siguaw and Enz (2016) product innovation is one of the most unique ways of improving a business profit. It is also a sure means of enhancing product quality and reducing costs. Enhanced and new products contribute substantially to the enduring stability of business operations. The impact of product innovation on organizational growth and sustainability remains indisputable. It is important that organization keep on updating and improving their products if they are to gain new markets and keep their customers interested.

The innovation of a process capability is characterized by the use of a new of significantly enhanced delivery or production means of a process that is characterized by notable changes in equipment, techniques and or software (OECD, 2015). Process innovation is sought to reduce expenditure, enhance the mode of delivery of goods and services and enhance the quality of the product (Oke, Burke & Myers, 2019). According to O'brien (2013), process innovation leads to improved quality and the reengineering of the business process. Over time, as expertise in productivity improvement increases, there are higher probabilities of developing products that can provide the same performance at a lower cost. This can be passed onto the customer to improve the business sales volumes and overall business performance.

In today's business world that is characterized by stiff competition organization do not rely on product innovation alone (Oke, Burke & Myers, 2019). They also use process innovation to allow for improved service delivery, provide improved changes in processes and reduce costs. This kind of innovation has to happen in a professional manner where vision is created, new processes are designed while having an understanding of the already existing process.

Process innovation is a method of enhancing an organization's performance that does not involve drastic changes in its operations (O'Brien, 2013). Organized from a corporate perspective, this view often incorporates both top-down and bottom-up approaches. In line with breakthrough innovations, the implementation of top-down models enhances employee involvement, thereby boosting performance (Rao, 2015).

It must be emphasized that process innovation plays a pivotal role in stimulating the creation of new products. Frequently, product improvement is most successful when implemented alongside targeted process refinements. Thus, process innovation efforts

should be designed in harmony with the organization's strategic aims and objectives. This close alignment transforms process innovation into a key facilitator of strategic execution and long-term competitiveness. Strategic execution becomes a core source of competitive advantage and puts organizations that deliver superior value in process innovation at a competitive advantage (Danneels, 2012). Hence, from a resource-based view, the real capabilities of the institution play significant roles in the execution of sustainable competitive strategies. Process innovation impacts three critical dimensions of success: operating profit, customer satisfaction, superior market stock returns, and a resultant competitive advantage that has led to better organizational performance (Barney & Clark, 2017).

According to OECD (2015) market innovation capability is the recent form of marketing that leads to changes in the product packaging, design, promotion, pricing or placement. The aim of market innovation is to meet customer needs, positioning an organization product in the market or conquering new markets all for increased revenue for the firm (Gunday, 2011).Market innovations are done in relation to product packaging designs, pricing strategies, product placement, and promotional activities by use of the four marketing P's (Kotler, 1991). One of the most recognized facilitators of market innovation is information technology (Govindarajan & Ramamurti, 2011). Firms have been shown to use market innovation to gather important customer data that helps to serve their customers better. Some of the notable ways that technology has helped in market innovation include the use of internet marketing. This has led to increase in online ads, online stores and the use of online to communicate on delivery for products and services. Technology has increased the reach of customers for firms, reduced costs for firms while increasing sales (Rosli & Sidek, 2013).

Kim and Jon (2014) note that market innovation has to do with market selection and market mix in a bid to meet the customer needs. Organizations should continually improve their marketing, mix since today technology has allowed for businesses to easily reach their customers. Kim and Jon (2014) further note that market innovation helps firms meet their customer needs and take advantage of growing market opportunities. It is therefore necessary for any market innovation efforts to be shifted towards meeting the customer's needs and satisfying them.

Marketing literature emphasizes that level of pricing initiatives and promotions are major sources of key market forces, while packaging aesthetics and location are viewed as more subjective yet relevant marketing forces. All these attributes have been proposed to enhance the performance of the firm. In fast-growing markets that are characterized by technological changes, it is mandatory to carry out innovations on the market continually so that business organizations may be able to survive in the market. Given the heightened competition, companies should prioritize market innovation as a crucial factor. Furthermore, the literature on market innovation reveals that, while it assists firms in capturing new opportunities, it also shields a firm's existing business (Barney and Clark, 2017).

### 1.1.1 Service Quality

Parasuraman et al. (2004) advanced this model which that encompasses five key dimensions: responsiveness, tangible, assurance, reliability, and empathy. These conceptualized as follows: Tangibility: this focuses on the physical nature of the service; this includes amenities, personnel, equipment, and any communication media. Reliability deals with the ability to provide services to consumers in a steady and precise manner. The concept involves the ability to help the customers and be

ready to supply them with whatever they need within a short time. Policies guarantee staff professional conduct, which in turn guarantees customer professionalism and trust. Lastly, empathy entails a kind of care that is oriented to customer care needs as human beings requiring special attention (Yoo & Park, 2017).

Tangibility refers to the visual presence of physical attributes, including the overall look of facilities, communication materials, equipment, and staff (Gosling and Johnson, 2022). When customers interact with a business, they anticipate clean and well-maintained facilities, presentable and tidy employees, and clearly written and visually appealing materials like menus, websites, and signage (Stewart, 2019). Paying attention to the way your company looks can communicate to customers that you prioritize their comfort. Although appearance is not the most crucial factor in service, it does play a role in shaping customers' perception of your business, particularly if your brand offers a high-end experience (Ven & Poole, 2015).

Verhoef and Lemonk (2015), states that reliability refers to the capacity to reliably and precisely deliver the promised service. Fulfilling the commitments made by a firm is crucial for satisfying its customers. Customers expect businesses to provide functional products or efficient services, to offer assistance whenever required, and to do so promptly. Trustworthiness is at the core of this aspect, as customers desire to have confidence in the businesses they engage with (Nunnally & Bernstein, 2018).

Responsiveness refers to the disposition to assist and deliver timely service to customers. It is crucial to promptly address the concerns and inquiries of customers, particularly in today's business environment. Even when customers are slow in responding, it is crucial to reply promptly to let them know that their concerns are being addressed. By being responsive, customers are assured that the company listens and

works effectively towards resolving their issues (Kinoti, Jason and Harper, 2013). Assurance is a guarantee of the expertise and politeness of employees, and ability to make customers trust them. This dimension encompasses features such as the ability of employees to influence customers' trust, ensure their safety during transactions, maintain politeness, and respond to customers' questions (Nassè, 2019).

Empathy is the compassionate and personalized attention that the company offers to its clients. It is essential for customers to feel valued and establish a rapport with the company, rather than being treated as mere transactions. Even if a business has top-notch products or services, it may still fall short of customer expectations. Demonstrating empathy towards customers involves demonstrating the company's concern. By training employees to deliver exceptional and empathetic service, with a focus on frequent smiles and meaningful conversations, an organization can surpass expectations (Aziz, 2016).

### 1.1.2 Innovation Capability

Innovation capability is the creation, application, and acceptance of innovative ideas, processes, goods, and services (Rajapathirana & Hui, 2017). Innovation capability model multi-facilitated with various indicators namely Knowledge management, Adaptability, Market innovation and process innovation. Knowledge management capability as viewed by Von Krogh, Nonaka and Aben (2011) entails the mechanism by which a firm to continually create and apply knowledge in generating customer value. Dahlquist (2021) contends that marketing capability is a basis for the ability to respond and increases efficiency of cross-functional processes that are intended for creation and delivery of customer value in light changes in to market place. Process innovation includes the execution of new or effectively different ways of operating, which can extend to techniques, equipment, or software. The ability of an organization to sustain

and grow through change and innovation, by addressing changing circumstances and adapting to innovation opportunities, trends, and technologies, is known as Adaptability Innovation Capability (Iansih et al., 2017).

The implementation of knowledge management practices significantly enhances a firm's ability to innovate by promoting the efficient utilization of its knowledge assets. Effective knowledge management strategies enable organizations to leverage internal and external knowledge sources, promote learning and drive innovation initiatives (Argote & Ingram, 2020). Knowledge creation is fundamental to innovation as new ideas and solutions emerge from the synthesis of existing knowledge (Nonaka & Takeuchi, 2018). Knowledge management practices that encourage knowledge creation, such as encouraging collaboration, experimentation and dialogue can stimulate innovation by providing a fertile ground for idea generation and exploration (Choo, 2020). Harnessing knowledge effectively is fundamental to turning innovation-driven ideas into actionable and productive results. Knowledge management practices that facilitate knowledge transfer, codification enable organizations to harness effectively. By capturing and disseminating lessons learned from past innovations, organizations can avoid reinventing the wheel and accelerate the place of innovation (Von Krogh & Ichijo, 2020). By implementing knowledge management strategies and practices, organizations can leverage their innovation and drive sustainable competitive advantage in today's information motivated economy.

Adaptability which refers to the capability of firm to keep up with the pace of ever fluctuating circumstances and environments is closely linked to an organization's capability to innovate. Organizations that embrace adaptability are better positioned to respond to evolving market dynamics, customer needs and technological

advancements, thereby enhancing their innovation capability (Teece, 2017). Adaptability enables organizations to quickly identify and respond to emerging opportunities and threats, facilitating a proactive approach to innovation. Agile organizations exhibit a willingness to experiment, iterate and pivot in response to feedback, enabling them to capitalize on new market trends and disruptive technologies (O'Reilly & Tushman, 2018). Adaptability extends beyond individual behaviors to encompass organizations structures, processes and strategies. Flexible organizational structures and agile decision-making processes enable organizations to adjust to varying market conditions and customer preferences facilitating innovation (Birkinshaw & Gibson, 2016). Adaptability is critical in organization's innovation capability. Organizations that embrace adaptability are better equipped to navigate uncertainty, exploit emerging opportunities and respond to competitive threats thereby fostering culture of innovation.

Mahmod, Ibrahim, and Rodina (2010) opine that market innovation is a continuous activity improving the organization's current capacity to market its goods and services. Consequently, market innovation can be defined as coming up with and putting into practice new ideas, providing customers with value, communicating, and managing customer relationships. Market innovation is a process that starts major, continuous market changes to make consumers more aware of products and services (Trott, 2017). The market's innovation favors one player who can adapt to changes in the market's structure and gain a competitive edge (Palmer, Wright, and Powers, 2015). Ren., Xu., Pang., Liu & Du, (2020), market innovation is critical not just for a company to achieve long-term competitive advantage but also for allowing businesses to seize potential opportunities while also assisting them in satisfying client needs.

Process innovation takes place when an organization finds a way of tackling a problem or performing a business process that is new and has the potential to provide greater benefits to those who are interested in or affected by the process than previous approaches to solving that problem. Han, Zuo, Law, Chen, and Zhang (2021) define process innovation as the action of redesigning and enhancing organizational commercial processes. Referring to the 2018 Oslo Manual, process innovation is a business practice of generating new or meaningfully enhanced goods or service production or distribution methods; this typically entails variations in practices, software, and/or equipment. Innovation of this type can lead to improvements in assets, adding value for internal customers, e.g., employees, the organization as a whole, or external customers, end uses, and business partners (Piening & Salge, 2015).

### 1.1.3 Serena Hotels, Kenya

Tourism is a very important subsector in the Kenyan economy because of the positive impacts it brings for socio-economic development and the support of many people's livelihoods. The sector, however, has experienced severe challenges in the recent past, particularly this year due to the COVID-19 virus, not only in Kenya but throughout the world. The virus that started in Wuhan, China, in December 2019 affected almost all countries and paused many economic activities. The World Travel and Tourism Council demonstrates that this sector played a crucial role for Africa, contributing 8.5% ($194.2 billion) to the continent's total GDP in 2018 (African Travel and Tourism Association [ATTA], 2019). The tourism industry in Kenya has recorded strong growth since 2015 (ATTA, 2019). International arrivals rose by 3.9% to 2.02 million in 2018 and slightly increased to 2.05 million in 2019, a 37.33% increase from 1.47 million in 2017 (ATTA, 2019). Local tourists also experienced an improvement in domestic tourism, rising from 3,645,144 in 2017 to 3,974,243 in 2018, a 9.03% increase (Standard Media, 2020).

Across the world, domestic tourism has been by far the leading market segment within the travel and tourism industry, as was FY 2017/2018, contributing 73% and 71.2%, respectively. From 2015 to 2018, domestic tourists alone accounted for more than 50% of the bed-night occupancy, increasing from 2, 950,000 in 2014 to 4,560,000 in 2018. Domestic tourism strengthens the internal economy, encourages infrastructure development, eliminates overcrowding at specific destinations, encourages rural tourism, reduces seasonal pressure, and provides work opportunities in tough conditions.

According to Magical Kenya (2017), the country boasts a diverse range of tourist attractions, yet it lacks the necessary development to fully capture the tourism market. This challenges tourism marketers and stakeholders to at least employ a development model that will address these gaps (Magical Kenya, 2017). For instance, Kiambu County boasts prominent attractions such as Mau Mau Caves, Paradise Lost, agricultural farms, and other scenic sights. Notably, Kiambu County's close proximity to Nairobi and its favourable climatic conditions foster the growth of tourism as a potential economic resource (Kiambu County website, 2019). Since Kenya's new constitution was promulgated in the early 2010s, the county governments have gained more power to develop tourism. The Priority Tourism County Development Master Plans (2013) were to address those issues that constrain tourism growth in Kenya (Magical Kenya, 2017).

The properties of Serena Hotels are positioned in some of the most opulent and desirable areas that were carefully chosen to provide their customers with thrilling experiences. In its on-going effort to be the attract travellers, Serena Group of Hotels maintains an unmatched focus on product, service standards, and client happiness.

STPS is the subsidiary of AKFED, the only for-profit organization in the Aga Khan Development Network (AKDN), which was established by the Aga Khan in 1984 and is responsible for AKDN's economic development initiatives. The Kenyan operations, known as Serena Limited, Kenya, were listed as a public company on the Nairobi Securities Exchange in 1997. The Serena Group gradually increased its operations in Zanzibar and Tanzania, and in 2006. The new company, Tourism Promotion Eastern Africa (Serena) Limited, Kenya, was a public company that included the subsidiaries Serena Hotels Kenya, Serena Hotels Tanzania, and Serena Hotels Zanzibar. According to the 2006 Annual Reports and Financial Statements, TPSL was delisted. The bulk of shares in Serena Hotels, Kenya are owned by the AKFED. The institution is a significant stakeholder in Tourism Promotion Eastern Africa (Serena) Limited. By constructing and maintaining hotels in certain developing nations that contribute to economic progress in a financially feasible and ecologically responsible way, AKFED encourages tourism. In addition to being economically viable, projects have the capability to advance economies in both short and long term (de Borja, Hervás-Oliver, & Peris-Ortiz, 2015).

### 1.2 Statement of the Problem

Tourism is an important source of socio-economic development and the world's employment. It goes beyond the gross domestic product and employment impact, and it has positive trickle-down impacts through producer linkages and induced effects (Wong and Yamat, 2020). As highlighted by the WTTC (2019), the combined direct, indirect, and induced contributions of the global travel and tourism industry represented 10.3% of the world’s GDP, equivalent to US$8.9 trillion. The industry supported approximately 330 million jobs globally and earned US$1.7 trillion through international visitor exports, accounting for 6.8% of total exports that year.

Furthermore, tourism contributed 28.3% to overall service export earnings and 4.3% to total investment, with a capital investment of US$948 billion (Kinyua, Muchemi, & Kiiru, 2021). The industry is located in a highly competitive and relatively sensitive environment caused by volatility in the business environment (Johnson & Scholes, 2). Over the past few years, the industry has struggled with several critical challenges, particularly due to the ongoing COVID-19 pandemic. This pandemic has significantly impacted air transport, leading to the global shutdown of flights and the closure of Kenyan airspace and borders for passengers. This led to a decline in tourist arrivals, which fell to 392,691 from 619,698 in the same period prior to the pandemic (Weerawardena, Mort, Salunke, Knight & Liesch, 2015). Further, the pandemic cost the industry US$ 511M in hotel revenue (OECD, 2021). If the trend continues, then tourism and hotel industry will lay off many employees, close down many premises and this will have adverse impact particularly among emerging economies in sub-Saharan Africa whose economies heavily depends on tourism for economic growth and foreign exchange.

Empirical literature present adequate evidence that innovation capability is vital in all organizations irrespective of their sector in order to survive and continue to be competitive (Therrien, Doloreux & Chamberlin, 2015). The research work by Gunday, Ulusoy, Kilic, and Alpkan (2017) on the effect of product innovation capability on the firm service quality that covered the manufacturing industry in Turkey, revealed product innovation capability to have had a momentous effect on the service quality of companies in the industry. In this empirical investigation, product innovation capability was chosen as the only dimension for innovation capability for manufacturing industry in Turkey. In addition, the study explored manufacturing industries in Turkey to resolve the cause-effect concern between firm performance and innovation capability. Herrera

(2015) on the other hand indicates a significant association to exist between process innovation capability and service quality from the study of organizations in the Philippines. In Nigeria, Oluseye et al. (2014) established that process innovation capability had a positive effect on service quality of telecommunication industry companies. In these empirical researches, process innovation capability was chosen as the only dimension for innovation competence in both studies. In addition, the studies performed in Philippines and Nigeria to analyze the cause-effect concern between process innovation capability and firm performance represents a portion of global literature supporting this study.

Locally, Ngirigacha and Bwisa (2013) carried out research on the relevance of product innovation capability on Small and Medium Enterprises' (SMEs) service quality. The study's results suggest the presence of a meaningful and positive linkage between the two variables, highlighting their mutual influence. In this empirical study, product innovation capability was chosen as the only dimension for innovation capability. In addition, the study explored Small and Medium Enterprises' (SMEs) to resolve the cause-effect concern between study variables. Karanja (2011) researched on innovation capability effect on service quality in the United Bank of Africa (UBA). The results from the study shows that the embracing of process innovation capability significantly improved UBA's delivery method hence their increased profitability. In this empirical study, it explored United Bank of Africa (UBA) which operates in a financial sector to analyze the cause-effect concern between study variables.

This study seeks to gather empirical evidence to validate theoretical propositions on innovation capability as a predictor of service quality. Basing on the issues revealed

from review of past literature, this study will evaluate the role of innovation capability on service quality in Serena Hotels, Kenya.

## 1.3 Objectives of the Study

### 1.3.1 General Objective

The primary aim of this study was to evaluate the role of innovation capability on service quality in Serena Hotels, Kenya.

### 1.3.2 Specific Objectives

i. To evaluate the effect of product innovationon service quality in Serena Hotels, Kenya.
ii. To analyze the effect of market innovationon service quality in Serena Hotels, Kenya.
iii. To determine the effect of process innovationon service quality in Serena Hotels, Kenya.

### 1.3.3 Research Questions

i. What effect does product innovation has on service quality in Serena Hotels, Kenya?
ii. What effect does market innovation have on service quality in Serena Hotels, Kenya?
iii. Does Process innovation have effecton service quality in Serena Hotels, Kenya?

## 1.4 Significance of the Study

The study sought to inform both future and current entrepreneurs about the importance of focusing on innovation capability in order to enhance their service quality. By formulating an optimal innovation capability, businesses can achieve growth, improve customer satisfaction, and enhance their capability to outperform rivals within the industry. Furthermore, this study can provide a basis for future research, helping to

expand knowledge in this area as well as examining the relevance of established theories to the modern business context.

The results of this study can help scholars and researchers pave out new directions for research grounded on the findings achieved in this study. It is useful for academics or researchers who would like to continue or embark on similar or related studies. Therefore, the study's implications and recommendations are beneficial to scholars who plan to undertake similar research projects. Further, it finds significant relationships beneath the service quality dimension level in the tourism industry, which could be worthy of future research. The need for tourism sector's companies to innovate products with the customer needs in perspective while adopting to modern technological processes for the purpose of advancing their operational effectiveness and outcomes has gained promise. The research will therefore able to establish how an organization's creativity and innovation can influence service quality.

For policy makers, the research is of importance to policy institutions particularly government organizations such as wildlife services and potential investors in the tourism sector as they are able to define the role of innovation capability on service quality on tourism firms. This is expected to facilitate, for example, the looming of appropriate guidelines on developmental and training plans so as to increase the organization realization of quality services. Regulators will therefore be able to discover appropriate incentives to shore up the organization creativity and innovation activities.

### 1.5 Scope of the Study

This research was confined in the tourism sector in Kenya. The study evaluated the role of innovation capability on service quality in Serena Hotels, Kenya.This research

conceptualizes innovation capabilities as the influencing variable and service quality as the outcome of that influence. The study is underpinned by three theoretical perspectives: the Diffusion of Innovation Theory, Institutional Theory, and the Stakeholder Theory of Management, which collectively provide the analytical basis for examining the relationship between the two constructs. This study utilized a descriptive research approach since it aimed to explain the contemporary state of matters and make statements about the influence of innovation capabilities on service quality. The target population in this case consisted of 590 staff selected from various chains across the country. Personnel were drawn from four main departments. Questionnaires were used for data collection. By use of primary data collection methods all attributes which are more suited to the study are obtained.

The study research covered a study period of between April 2024 to December 2024. The time frame is long enough for extrapolation of the findings.

### 1.6 Limitations of the Study

Interviewing important decision-makers at the top levels of the company may be restricted yet they could offer crucial data for this study. Since most of these officers have extremely busy schedules, scheduling interviews was challenging. In order to overcome this challenge, the researcher provided a range of dates and times that suited the respondent's schedule. Second, the research was constrained by the issue of obtaining authorization from respondents before conducting an interview with them. The researcher was aware that, due to the rigorous restrictions in the business sector, there is a code of conduct that prohibits junior employees from speaking on behalf of the organization. Some employees rightly may refuse to participate in this study for fear

of being quoted as this will put their jobs at risk. However, the researcher ensured to uphold absolute confidentiality in these situations.

### 1.7 Organizations of the Study

The prospective study was largely divided into five sections. The first section of the study was the research background, which stated the research's purpose, its significance, its focus areas, and its research limitations. The second portion aimed to give a comprehensive overview of empirical and theoretical literature, and to establish a conceptual framework. The third part outlined the study's methodology—covering the research design, population of interest, tools utilized, procedures for data collection, methods of analysis, and the chosen format for presenting results. The fourth stage of the process included descriptive statistics data, panel regression analysis, diagnostic test results, and completed objective tests. Finally, the fifth portion presented the study's ultimate conclusions and suggestions.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter presents an in-depth review of existing literature that forms the foundation of the study on the role of innovation capabilities in enhancing service quality, with a particular focus on Serena Hotels in Kenya. The chapter begins with a review of theoretical literature, exploring key theories: Diffusion of Innovation Theory, Institutional theory and Stakeholder Theory of Management. This is followed by an empirical review, the chapter concludes by presenting the study's conceptual framework.

## 2.2. Review of Theoretical Literature

Various theories have been formulated for the explanation of the innovation capability puzzle. These are; Servqual Model, Diffusion of Innovation Theory, Institutional theory and Stakeholder Theory of Management.

### 2.2.1 Servqual Model

The SERVQUAL Model was proposed by Parasuraman, Zeithaml, and Berry in the 1980s and has ever since been widely used in the general service sectors, including hospitality, health, retail, and banking services (Parasuraman, Zeithaml, & Berry, 1985). The SERVQUAL model remains central to the assessment of service quality, as it systematically evaluates the difference between what customers expect and what they perceive they have received in terms of service delivery. Due to such a miscellaneous nature of consumer perception of service quality, there are various dimensions that have been suggested (Brady & Cronin, 2011). Initially, Parasuraman (1988) proposed ten dimensions: access, credibility, competence, reliability, security, customer

understanding, tangible aspects, courtesy, and communication. Over time, these components were streamlined into five core dimensions: organizational credibility, communication responsiveness, professional dependability, application of positive and assertive language, and the surrounding physical environment. However, some authors have pointed out the fact that such constructs can be used across all service sectors of industry (Finn & Lamb, 2011; Cronin & Taylor, 2014). Cronin and Taylor (2014) argued that the expectation disconfirmation model that includes the expectation-performance gap proposed by Parasuraman (1988) is inadequate. Churchill and Surprenant (2012) found that performance-based measures of service quality were more effective in explaining consumer behavior than the expectation-performance gap measures. Additionally, Kang & James (2014) noted that SERVQUAL showed less sensitivity to significant service characteristics that are influenced by the outcome of the service delivery process. Therefore, SERVQUAL may not accurately measure the technical components of service delivery. Scholars like Grönroos (2014) have proposed two additional well-known attributes, namely perceived service and expected service. Rust & Oliver (2015) supplemented the model put forward by Grönroos by adding a three-component model that measures service quality within the service delivery, service product, and service environment. They identified three key dimensions: With reference to Grönroos' service model, this current study finds that the service outcome tackles the technical aspect of the model, the customer-employee interaction addresses the functional dimension of the model, and the service environment falls under both the technical and functional scope of the model. Therefore, the SERVQUAL model was selected for this study because it fills several research gaps. The knowledge gap can be defined as the inconsistency between client prospects and the assessment by management of those expectations. A delivery gap emerges when staff members do not

meet the set service standard, potentially due to non-adherence to company standards, lack of equipment, or inadequate training. The model also considers the perception of the product, establishing a direct correlation between product innovation and perceived service quality: Expectation minus perceived service equals product perception (Aldlaigan & Buttle, 2012).

This research seeks to employ Bayesian Structural Regression (BSR) methodology to model service quality, based on SERVQUAL in Serena Hotels, Kenya. In contrast to previous research, adaptive structural methods are used to model SERVQUAL items in this research. The Bayesian approach is an important way of trying to include prior structural information into covariate estimation, which may be imprecise or definite, and is used in measures in which it is helpful to understand structural relationships between variables.

### 2.2.2 Institutional Theory

Institutional theory originated from the research conducted by DiMaggio and Powell (1983). According to these theorists, employees should conform to institutions work environment. They argue that the work environment takes a phenomenal role in business growth than external influences. The work environment consists of various characteristics that drive organizational change. The institution follows established statutes and processes, known as institutional myths, which provide guidance and ensure its long-term sustainability. Innovative ideas that enhance operational efficiencies are allowed within the organization and eventually incorporated, regardless of their impact on efficiency improvement.

Organizations are formed from formal structures that are recognized by formal rules to gain legitimacy, stability, resources and dynamic stability. Therefore, patterns of

coordination and control are most likely to be scaled down; overall, the principle of trust is realized (Meyer & Rowan, 1977). All institutional elements within an organization originate from conscious decisions about structural frameworks and brand images. The emulation of these models by other organizations or structures results in improved legitimacy (Scott, 1995). Understanding entrepreneurship within operational organizational contexts that are historically, culturally, traditionally, and environmentally imperative is useful, as evidenced by research institutions (Bergsgard & Ndland, 2020).

The explicative theory most often used to address factors related to academic innovation is the theory of institutionalism. One significant factor defining how researchers relate to the concept is the conflict between business and science (Koskela-Huotari, Vink, and Edvardsson, 2020). Several organizational missions and behavioral models serve as crucial institutional arrangements that influence academic choices and foster the creation of novel solutions (Watson et al., 2018). In emerging economies, the other factors include governance structures, business organizations, and supports for innovation. However, informal institutions such as behavioral models, reward systems, university structures, and attitudes toward innovative practices, regardless of their formal structure, play a crucial role in advancing the theory of innovation (Hazarika and Zhang, 2019).

A study carried out by Sossion (2015) uncovers that organizations are likely to adopt these measures to maintain or achieve relevance in their operational environment. This theory encompasses the rules and procedures that stakeholders of Serena Hotels in Kenya must adhere to in order to fulfill the organization's objectives. The significance of these measures' grants Serena Hotels a sense of authority and legitimacy, thereby

enhancing organizational stability even in challenging circumstances. Institutions experience structural changes in various forms, such as job title modifications, procedure reviews, and shifts in institutional roles. The genuine attainment of legitimacy ensures continuous enhancement of service delivery and sustainable organizational survival. Political manipulation, along with internal and external organizational factors, can alter the established formal structures within an authority, leading to variations in service quality. This theory provides a relevant foundation for the current research as its focus is on the formal structures implemented in Serena Hotels. All employees and stakeholders of the organization must adhere to the prescribed procedures and regulations to fulfill the organization's mission.

### 2.2.3 Diffusion of Innovation Theory

The theory of diffusion of innovation, formulated by Rogers (1962), elucidates the process by which a concept or product gradually advances traction and spreads among a targeted social system or population. The theory suggests that when an innovation—whether a product or a service—is first introduced, it rarely achieves immediate acceptance among consumers. Instead, its adoption spreads incrementally across different segments of the population through a diffusion process. This mechanism involves successive acceptance by distinct groups, namely innovators, early adopters, early majority, late majority, and laggards. Innovators, typically those who embrace uncertainty and exhibit high levels of creativity, are the pioneers in adopting new technologies.

The Innovation Decision Process suggests that innovation diffusion occurs over time and consists of five distinct stages: acquisition, influence, decision-making, action, and ratification. In other words, potential adopters have to become aware of the innovation,

develop a favorable attitude toward it, decide to use it, and assess whether they support or reject it. Surry (1997) observes that even as this theory has been used in the area of instructional technology, it has been criticized for being prescriptive for change agents. According to Rogers' Individual Innovativeness Hypothesis, some individuals are more likely to adopt innovations earlier than others who are less susceptible (Rogers, 1995). This theory can be envisaged on a straight line from the innovative people, who are usually pioneers in the adoption of innovations, to the laggards, who are usually very slow in adopting such changes if at all (Surry, 1997). The early adopters, known as the early and late majority fall in between these groups.

Also, the theory shows that the level of innovations tends to diffuse in an S-curve pattern. It rises slowly, progresses to a slower growth rate, then increases sharply, levels off, and finally declines (Surry, 1997). The Theory of Perceived Attributes says that people who might adopt a new idea judge it based on five main factors: how easy it is to adopt (which is an example of innovativeness); how others have adopted it (an example of observability); what the person thinks the innovation's advantages are (see Rogers, 1995); what they think the innovation's difficulties are (also called complexity); and how well it fits in (in this case, compatibility). For his part, Surry (1997) notes that this theory has been used as the basis of several works in instructional technology since these attributes underpin use of IT. In particular, Wyner, Holloway, and Eads have found that potential adopters of instructional technology place the most importance on post-adoption perceived beliefs about relative advantage and compatibility.

Early adopters, often found in managerial or leadership capacities, are proactive in recognizing the benefits of innovation and tend to embrace new solutions ahead of others. The early majority, representing a sizable portion of the population, adopts

innovations before the average user and generally requires minimal persuasion. The late majority, on the other hand, tends to be more cautious, accepting innovations only once they have become well-established and proven by widespread use. On the other hand, laggards are conservative individuals who only adopt technology when pressured by society or when it becomes necessary for them (Rogers, 2003). According to LaMorte (2016), this theory highlights that innovation is adopted when it provides a clear advantage compared to existing products or services, offers ease of use, and demonstrates tangible results. The diffusion of innovation theory examines the process and pace at which institutions accept and integrate new technologies. The speed of this adoption is often determined by the readiness and commitment of organizational decision-makers. For Serena Hotels Kenya, implementing technological solutions such as online registration systems is crucial for operational efficiency and enhanced service delivery.

### 2.2.4 Stakeholder Theory of Management

The stakeholder theory, initially introduced by Freeman (1984), provides an understanding of stakeholders as individuals or groups with a vested interest in an organization. According to this theory, stakeholders can be directly or indirectly impacted by the organization's activities, goals, policies, and strategies, and the organization, in turn, can also be affected by them. Stakeholders encompass a wide range of individuals, including employees, suppliers, shareholders, customers, and board members. The stakeholder theory emphasizes the significance of valuing these stakeholders, particularly customers, employees, and the organization as a whole, as their support is crucial for the sustainability and success of the organization (Freeman et al. 2010).

There are three primary approaches to stakeholder management: Thinking about these various functions, it could be divided into normative, descriptive, and instrumental. The normative approach looks into the moral and philosophical aspects related to corporate management activities (Fontain et al., 2016). On the other hand, this work is aimed at exploring the managerial approaches that explain how managers engage themselves with outward stakeholders and represent their interests so as to reflect how these dynamics affect the realization of diverse corporate goals (Galbreath, 2006). The second perspective on the subject investigates the organizational consequences of taking stakeholders into account in management. This paper also aims to scrutinize the interaction between stakeholder management practices and the achievement of corporate governance objectives.

As stated by Polonsky, Jay, and Don (2005), it is crucial to understand the relationship between stakeholder engagement strategies in order to see if positive outcomes confirm the proper implementation of effective strategies. Stakeholder theory identifies those organizations that have a better performance than those that deny stakeholders' groups' necessities (Post et al., 2020). The instrumental perspective opts that stakeholder connection may result in increased profitability or improved firm value. This means that organizations must ensure they not only listen or respond to the stakeholders who have actively supported the implementation of the strategies but also those who are likely to work against the strategies. As is often said, the best way to kill an enemy's plans is to make that enemy a friend. In the view of Eden and Ackermann (2011), stakeholder analysis and management are useful activities to identify those who may support the organizational vision and plan or can be influenced to do so.

One of the primary reasons for the establishment of Serena Hotels Kenya is its clients, as the organization's services are specifically designed, created, and delivered for them. The organization depends on its employees and strategic partners to provide these services. It is crucial for management to ensure that all stakeholders are aligned towards the same objectives. This is supported by a theoretical framework consisting of three approaches: the normative approach, the descriptive approach, and the instrumental approach. The contributory approach emphasizes the link between attaining corporate goals and efficiently managing stakeholders using factual information. The descriptive technique describes an organization's characteristics and inherent qualities (Donaldson & Preston, 1995). The normative approach is crucial in describing the behavioral and physiological orientation of a company's strategy, operations, and leadership. The Theory's primary goal is to categorize many stakeholders and harmonize their different interests. This theory is applicable to this research because it takes into account the capabilities and interests of the workers and Serena Hotels, Kenya who are the main stakeholders from whom efficient and effective service delivery is expected.

### 2.3 Empirical Review

In this section, existing empirical literature concerning organizational innovation, product innovation, and marketing capability is critically reviewed and discussed. The objective of this review is to acknowledge and synthesize what has already been accomplished by previous researchers in these areas, highlighting key findings, methodological approaches, and theoretical perspectives that have shaped the current understanding of innovation within organizational contexts. By examining both global and local studies, the review aims to contextualize the role of these innovation dimensions within the hospitality industry and assess their influence on service quality outcomes.

### 2.3.1 Product Innovation and Service Quality

Findings from earlier studies highlight that value creation is a major driver of service improvement achieved through product innovation. The resource-based theory emphasizes that organizational performance is determined by how well internal resources and competencies are managed and leveraged. Delivering innovative, high-quality products enhances performance, while effective management of these capabilities fosters value addition and brand reputation.

Product innovation is a critical factor for every organization, greatly enhancing its performance (Aaker, 2016). Emphasizing the development and adoption of innovative products is a crucial factor in fostering business value and achieving higher profitability levels compared to firms that prioritize innovation to a lesser extent. Kingsland (2017) highlights that the incorporation of unique and differentiated product features enhances organizational profitability while simultaneously improving the quality and competitiveness of the services delivered. According to Davcik (2013), improving various types of product innovation helps organizations improve the quality-of-service delivery. In their study, Tan, Mavondo, and Worthington (2015) proposed that the resource-based theory aptly accounts for the relationship between product innovation and service quality. They noted that a firm's ability to design and offer innovative, distinctive products is closely aligned with its potential to deliver superior service experiences to customers.

According to Hussain's (2013) research, there exists a positive association between product innovation and the quality of business relationships. His analysis confirmed that increased product innovation tends to enhance relationship quality. Stock (2014) argued that product innovation, defined as the firm's capacity to introduce new features

into the product, is a vital tool for improving services. Further, Dimyati (2017) reviewed the effect of product innovation on service quality in Indonesian manufacturing firms and noted that the two variables were positively correlated. Therefore, firms that were famed first in launching new products have been known to reap big as it creates strong products that protect firms from competitive threats.

Kuncoro and Suriani (2018), for example, determined the impact of product innovation on the competitive advantage of rabbit meat merchants. The study involved the participation of 110 merchants who completed structured questionnaires, with data analyzed through structural equation modeling using the partial least squares method. The results demonstrated a statistically significant and positive association between product innovation and organizational competitiveness. Moreover, the study concluded that product innovation serves as a key determinant of market-driving behavior, playing a crucial role in sustaining a firm's competitive advantage over time. It is relevant to note that the study by Kuncoro and Suriani (2018), targeted only the rabbit meat merchants due to the contextual research problem.

### 2.3.2 Market Innovation and Service Quality

Nuryakin (2018), studied the effect of marketplace orientation on marketing performance and product innovation was investigated. The researcher analyzed using a regression model the data gathered from 200 managers of SMEs through questionnaires. The findings revealed that marketing capabilities did not significantly impact marketing performance, but meaningfully impact the competitiveness of the firm. The results reveal that both product innovation and marketing orientation significantly influenced competitive advantage. The emphasis of Nuryakin's study (2018) was specifically on SMEs.

Dahlquist (2021) carried out a study among Norway SMEs where the researcher contends that marketing innovation gives a firm the ability to respond and increases efficiency of cross-functional processes that are intended for creation and delivery of customer value in light of dynamism in to market place. Marketing capability involves customer relations management, service innovation, and market-sensing (Coltman, 2007; Song, Benedetto & Song, 2009). There is widely shared view that marketing capability aids in sensing and responding to variation in the market place including strategic moves initiated by competitors, and evolution and revolution of technology (Alharbi, 2015).

A survey conducted on microfinance banks in Ghana by Agyapong (2015**)** revealed a direct association between marketing service quality, and innovation. This study gathered field data from 333 from the target 550 microfinance banks using a structured questionnaire. Descriptive and explanatory research designs were employed in this investigation. Marketing innovation was conceptualized as a type of dynamic capability that not easily transferable and substitutable across firms in an industry and thus has potential to build and maintain superior performance. Agyapong found significantly positive association between marketing innovation and service quality. Nevertheless, the existence of variances in regulatory regime and other business variables, the results of the study would require validation in the Kenyan microfinance banking sector.

Aharbi (2015) conducted a review of relevant existing empirical and theoretical literature on the relevance of marketing innovation in firm's success with a bias towards firms operating in the global markets in Saudi Arabia. The object of this review was to conceptualize and hypothesize the path through which marketing innovation contribute to marketing performance outcomes. The review identified market sensing, partner

linking and customer engagement as important attributes of marketing innovation. However, the current study purposes to extend the theoretical perspective to the empirical landscape so as to collaborate relevant field data in the analysis to verify whether firm service quality is an outcome of marketing innovation.

Sagheb et al. (2018) investigated the impact of marketing innovation and approaches on global branding. Descriptive survey was used as a key aspect of research method for the study. Marketing innovation was indicated by customer, competitor, and innovation orientations. Survey data was collected from 155 employees of Snowa Company, an Iranian appliances manufacturing firm. The study's finding was that marketing innovation has a favorable effect on international branding.

### 2.3.3 Process Innovation and Service Quality

It has been studied before using a lot of different survey designs, methods, and ways to look at data to find a link between process innovation and service quality. Some examples are simple linear regression, multiple regression analysis, and correlation analysis (Adepoju et al., 2017; Baber, 2020; Bersali & Geurmat, 2014; Kyei & Bayoh, 2017; Mutuku & For instance, Adepoju, Olomu, and Akinwale (2017), through multiple regression by the least squares method, documented a significantly positive effect to exist between process innovation and service quality among manufacturers in Nigeria. This has supported the finding of Baber (2020), who revealed an existence of direct correlation linking process innovation and service quality among FinTech banks in Malaysia. Baber's current recommendations for implementing diverse process innovations include enhancing payment, advisory, and compliance services to enhance service delivery and boost customer confidence. He also recommended that FinTech companies ought to join associations to add value to their businesses.

Likewise, Bersali & Geurmat (2014) revealed a significantly strong positive association between process innovation and service quality in the telecommunications industry of Ghana. They underscored the fact that companies that wish to follow clients tend to overemphasize process and market improvements. This aligns with the findings of Kyei and Bayoh's (2017) study, which established a positive correlation to exist between service quality and process innovation, and suggested that both process innovation and service marketing innovation play crucial roles in customer retention and acquisition. Similar findings were confirmed by Mutuku and Wambua (2019), who found a positive impact between process innovation and the quality of service. Olomu (2019) found confirmed the negative and weak relationship between these variables among manufacturing firms in Nigeria, pointing out that type of train, level of investment, and size of the firms are found to exert significant influence on service quality. He suggested other studies should be conducted using different parameters so as to get other results.

### 2.3.4 Technology Innovation and Service Quality

According to Miller & Smith (2022), technology has enhanced organizational flexibility, whereby organizations are able to center their services on the customers. They demonstrate how some organizations are using technology to deliver more targeted services, including one-on-one financial planning and tailored products. Thus, using data analytics, an organization will be able to understand the behaviors and preferences of a given client and, in consequence, deliver recommendations that will improve customer satisfaction and engagement (Davis, Madsen, Lorena, & Higham, 2019).

Improved and frequently updated ICT tools can effectively facilitate several business processes, such as record keeping, online billing and payment inquiries, and accounting

activities. But a recent study by Ameme and Wireko (2016) revealed that the cost of advancing with technology has imposed higher transaction charges on organizations in Ghana, though customers are more satisfied with technological development in their organizations. Demirgüç, Pedraza, and Ruiz-Ortega established in their 2021 study that the application of technology to service delivery in the tourism sector is capable of raising the standards of services.

As much as the use of AI and chatbots to handle repetitive tasks in the tourism companies leads to efficiency, the actual time is freed up to handle other customer-related problems, adding to the efficiency of the companies. Some developments, like app-based bookings, mean that clients can make a booking at any time and from any location, minimizing physical contact with others (Chen & Lu, 2017). Also, new technologies reduce costs, which stakeholders may either offer to clients or use for improving service delivery (Parker & Anderson, 2019). The authors also identify potential economic benefits of electronically available services from various hotels for either tourism services or clients making a call on various hotels to develop unique products and services and offer new products and services at cheaper costs.

## 2.4 Study gaps

**Table 2.1: Summarizing the Research Gaps**

| Author | Type of study and Research variables and context | Findings | Research Gaps | Focus of the current study |
|---|---|---|---|---|
| Miller & Smith (2022) | Empirical study Variables; technological innovation and service delivery | Study findings established existence of a positive correlation linking technological innovation and service delivery. | The research focused only on technological innovation. | This study will fill the existing research gap by focusing on process, product and market innovation. |
| Dahlquist (2021) | Empirical study Variables; marketing innovation and service quality | marketing innovation increases firms' efficiency and service quality. | Contextual bias; SMEs in Norway | Serena Hotels, Kenya. |
| Baber (2020) | Empirical study Variables; service quality and process innovation. | Process innovation has a positive contribution on service quality | Contextual bias; FinTech banks in Malaysia | Serena Hotels, Kenya. |
| Mutuku & Wambua (2019) | Empirical study Variables; service quality and process innovation. | Findings revealed a significant positive association to exist between service quality and process innovation. | Process innovation was the only focus of the study. | This study will fill the existing research gap by focusing on process, product and market innovation. |
| Rubio & Yague, 2019 | Empirical study Variables; product innovation and service quality | Product innovation leads to improved service quality | The study focused only on product innovation. | This study will fill the existing research gap by focusing on process, product and market innovation. |

| | | | | |
|---|---|---|---|---|
| Parker & Anderson, (2019) | Empirical study Variables; service quality and technological innovation. | The findings established strong direct correlation linking quality of service and technological innovation. | Contextual bias; the research emphasized only on technological innovation. | This study will fill the existing research gap by focusing process, product and market innovation. |
| Kuncoro & Suriani (2018) | Empirical study Variables; product innovation and service quality | There is a direct positive significant effect linking study variables. | Contextual bias; rabbit meat merchants | This study will focus on Serena Hotels, Kenya. |
| Nuryakin (2018) | Empirical study Variables; product innovation, competitive advantage and market innovation. | The findings reveal that both product innovation and marketing innovation significantly influenced competitive advantage | The study focus was specifically on SMEs | This study will focus on Serena Hotels, Kenya. |
| Sagheb, Asayesh, Ziari and Roosta (2018) | Empirical study Variables; marketing innovation and strategies on international branding | marketing innovation has a favorable effect on international branding | Contextual bias; appliances manufacturing firm in Iran | Serena Hotels, Kenya. |
| Adepoju, Olomu, & Akinwale, (2017) | Empirical study Variables; Process innovation and service quality. | Research findings revealed that process innovation has a positive effect on service quality. | Contextual bias; the study was carried out in Nigeria. | This study will focus on Serena Hotels, Kenya. |
| Kariuki (2017) | Empirical study Variables; Innovation strategies and competitive advantages. | The findings from showed that a direct correlation exists among study variables. | The study was carried out on commercial banks | This study will focus on Serena Hotels, Kenya. |

| | | | | |
|---|---|---|---|---|
| Dimyati (2017) | Empirical study Variables; product innovation and service quality. | Study findings revealed a significant positive effect among the study variables | Contextual bias; manufacturing companies based in Indonesia | Serena Hotels, Kenya. Further empirical studies |
| Aaker, (2016). | Empirical study Variables; Product innovation and organization performance. | Product innovation has positive impact on organizational performance. | No field data | Use of field data to verify the effect of innovation capability on service quality |
| Agyapong (2015) | Empirical study Variables; marketing innovation and service quality. | The study found that marketing innovation is positively related to service quality. | Contextual bias; companies based in Ghana. | This study will focus Serena Hotels, Kenya. |
| Aharbi (2015) | Empirical study Variables; marketing innovation and service quality | marketing innovation contributes positively to service quality | Contextual bias; firms operating in the global markets in Saudi Arabia | This study will focus on Serena Hotels, Kenya. |
| Hussain (2013) | Empirical study Variables; product innovation and relationship quality | significant and positive correlation linking the study variables | No field data | Use of field data to verify the effect of innovation capability on service quality |

**Source: Review of literature (2024)**

### 2.5 Conceptual Framework

Based on the problem statement, the conceptual framework drives the investigation being reported (McGaghie, 2001). The study's dependent variable Service quality, while organizational innovation, market innovation and product innovation are the independent variables.

**Independent Variable** **Dependent Variable**

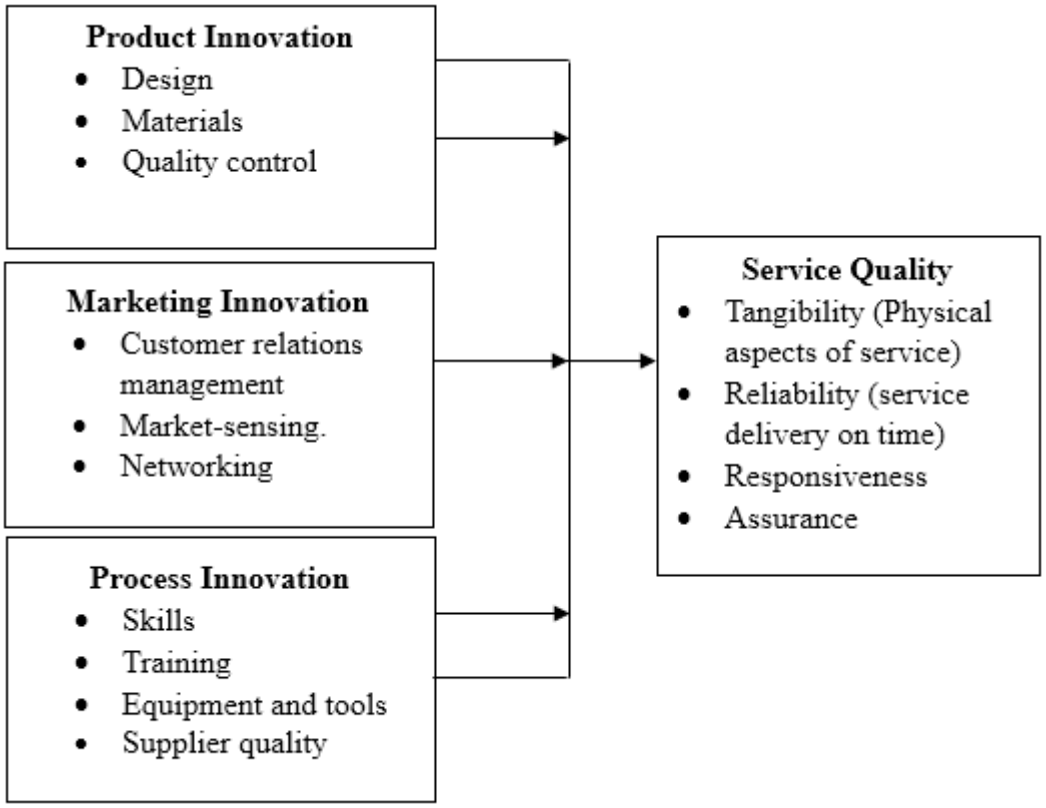


**Figure 2.1: Conceptual Framework**

**Source: Author, (2024)**

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter explains methods that were used by the researcher to conduct the study, providing a clear roadmap of how the research was structured and executed. The chapter entails a discussion of research design applied, the population targeted for the study, the sample size and sampling design, instruments and methods used in data collection, pilot testing of the instrument, validity of the questionnaire, reliability of the research instruments, data analysis and presentation and ethical consideration.

## 3.2 Research Design

A research design can be understood as a comprehensive blueprint that outlines the processes and strategies for conducting a study, with the aim of aligning research methods, resources, and costs to meet the objectives of the research proposal effectively (Creswell, 2014). It provides a guide for addressing the research questions, as it logically positions the various aspects of the study (Mishra & Alok, 2011). Therefore, for this study, explanatory research design was adopted bearing in mind that it deals with establishing causal relationships between research variables rather than mere association between research variables (Edmonds & Kennedy, 2016).Thus, the explanatory research design was employed to examine the impact of innovation capability on service quality, using data obtained from Serena Hotels, Kenya.

## 3.3 Target Population

According to Creswell (2014), the target population is the set of individuals who essentially are viewed to possess the information regarding the research phenomena at the core of a given study. Establishing a clear definition of the target population is a

crucial step in ensuring that research outcomes are both valid and generalizable to the population of interest. The need to embark on such research was carried out at Serena Hotels, which operates in Kenya. The issues of performance of the Serena Hotels determine selection in consideration of the fact that tourism is seen to present an opportunity to address increased levels of poverty and unemployment and offer potential ground for economic growth and development in Kenya, as noted by Ali (2015). With regard to this analysis, Serena Hotels were used as the unit of analysis, while the management staff of the various functional areas was the unit of observation in the Serena Hotels, Kenya branches across the country.

The study targeted 590 staff selected from various chains across the country. Personnel were drawn from four main departments. It targeted senior administrative officials, department heads, middle-level supervisory workers, and operational staff in each department. The intended population was reachable and representative, allowing the study's findings to be generalized. The target population included 45 employees for sales and marketing department, 73 Finance department, 418 Operations departments and 54 customer (see table 3.1).

**Table 3.1**: **Distribution of Target Population**
**Source: Author (2024)**

| Key Departments | Nairobi Serena Hotel | Serena Beach Resort | Mara Serena Safari Lodge | Total | Percentage |
|---|---|---|---|---|---|
| Sales and Marketing | 13 | 14 | 18 | 45 | 7.63% |
| Finance | 21 | 25 | 27 | 73 | 12.37% |
| Operations | 124 | 138 | 156 | 418 | 70.85% |
| Customer care | 18 | 20 | 16 | 54 | 9.15% |
| **Total** | **176** | **197** | **217** | **590** | **100%** |

### 3.4 Sampling Design

Sampling design is the guide or plan for selecting a portion of a population to participate in a study and it's a critical component of the research methodology. A well-structured sampling design helps researchers collect data efficiently while minimizing bias and ensuring representativeness (Creswell, 2014). Mugenda and Mugenda (2003) while emphasizing the need for determining inappropriate sample for facilitating fair representation of the population proposes that any proportion between 10% and 30% of the population as appropriate for purposes of sample survey. However, Creswell (2014), recommends a sample size ranging between 20% and 30%of the population of study for deductive research. To ensure representativeness, a sample comprising 30% of the population was obtained through the stratified proportionate sampling approach, as detailed in Table 3.2.

**Table 3.2: Cluster Sampling**

| Functional Area | Sampling Factor | Nairobi Serena Hotel | Serena Beach Resort | Mara Serena Safari Lodge | Total | Percentage |
|---|---|---|---|---|---|---|
| Sales and Marketing | 0.30 | 4 | 4 | 5 | 13 | 7.4% |
| Finance | 0.30 | 6 | 8 | 8 | 22 | 12.50% |
| Operations | 0.30 | 37 | 41 | 47 | 125 | 71.10% |
| Customer care | 0.30 | 5 | 6 | 5 | 16 | 9.0% |
| **Total** | | **52** | **59** | **65** | **176** | **100%** |

**Source: Researcher (2024)**

In accordance with the sampling procedure, 30% of employees were selected from each of the four divisions across Serena Hotels' three branches. The operations division formed the largest share of the sample with 125 respondents, followed by the finance

division with 22, the sales and marketing division with 13, and the customer care division, which contributed 16 participants.

### 3.5 Data Collection Instruments

The method preferred was through drop-and-pick to distribute questionnaires as part of the study's principal data gathering methodologies. According to Owens (2002), questionnaires are preferred in research projects because they are less costly, time-consuming, and may be utilized to gather data from a large geographic area. The following six sections will comprise the questionnaire: The demographic data of the respondent was questioned in Part A. While Parts C, D, E, and F focused on product, market, and process innovation, Part B asked about service quality at Serena Hotels in Kenya. A Likert scale, with 1 denoting the lowest level and 5 denoting the greatest, was used to arrange the questionnaire's closed-ended items.

#### 3.5.1 Pilot Testing of the Instrument

The feasibility study involved interviewing four senior officials from the marketing and sales department, the operation department, the customer relations/services department, and the financial department from Serena Hotels in Kenya. This pilot study provided an opportunity to test the study tool and analyze the reliability of the test items using an internal consistency measure. Of the 84 participants who were included in the final sample, 10 percent participated in the experience. The rationale behind selecting sample members is that human resource managers, who typically operate at the executive level and report to the heads of functional areas, are likely to be familiar with the practices related to the investigated variables. It is imperative that you notice that these managers were not engaged in the last stage of data collection. Reliability data needed was collected in the pilot study carried out prior to actual study begins.

### 3.6 Validity of the Questionnaire

The study sought to verify the validity of the research instrument, with particular attention given to assessing its content and construct validity. Oluwatayo (2012) defines content validity as an objective evaluation of the test's credibility in terms of intelligibility, comparability, practicability, simplicity, and legibility. The research instrument underwent evaluation by strategic management experts, whose insights and recommendations were incorporated during the questionnaire's modification process. Construct validity, as asserted by Straub, et al. (2004), is the extent to which test items cover the entire spectrum of the content domain to which the test is meant to be applicable. Thorough and extensive review of literature on process innovation, innovation, market innovation, product innovation, and service quality ensured content and construct validity of the research instrument (Straub et al., 2004).

### 3.7 Reliability of the Research Instruments

Instrument's reliability refers to extent where a procedure can be repeated several times and still produce similar results(Babbie, 2010). Cronbach Alpha model was used to ensure consistency as well as to find out the correlation among study variables. It was scaled since it is majorly in likert form. According to Sekaran (2006), the values approaching the value of 1.0 reveal a high correlation while an α score of at least 0.70 is considered satisfactory. Cronbach's alpha values range from 0 (for inconsistent variances) and 1 (for consistent variables).

**Table 3.3: Reliability Test**

| Research Construct | Number of Test Items | Cronbach Alpha Coefficients | Decision |
|---|---|---|---|
| Service Quality | 4 | 0.786 | Accept |
| Product Innovation | 4 | 0.833 | Accept |
| Market Innovation | 4 | 0.703 | Accept |
| Process Innovation | 4 | 0.721 | Accept |

**Source: Data in the Pilot Study (2025)**

From Table 3.4, it is evident that the reliability analysis produced Cronbach's Alpha values of 0.833 for Product Innovation, 0.786 for Service Quality, 0.721 for Market Innovation, and 0.703 for Organizational Innovation. These results indicate that all constructs achieved internal consistency levels above the generally accepted minimum threshold of 0.70. Therefore, the instrument used in this study was validated as reliable for accurately collecting and representing the required data.

### 3.8 Data Collection Procedure

According to Creswell (2014), data collection is defined as the process of accumulating information from subjects chosen for specific research. A self-administered questionnaire was the main means of primary data collection. The questionnaire consisted of five parts The first part (A) had questions in relation to the demographic characteristics of the study participants. The second part (B) inquired information pertaining service quality, part C information on product innovation, part D information on market on innovation and part E information on process innovation. The questionnaire was structured with close-ended questions by use of a Likert scale ranging from a scale of 1 – 5 (Creswell, 2014).

Participants' data was treated with high confidentiality ensuring that the data or information provided by the respondents remain private, secured and not linked directly to the specific participants (anonymity). The study will be submitted to Institutional Review Board (IRB) for review.

### 3.9 Data Analysis and Presentation

After obtaining data, the questionnaires were subjected to further scrutiny before coding via SPSS software. Using an Excel sheet to create graphs, the analysis was carried out to establish whether there was any link between the study variables. The graphs revealed whether there exists a correlation among study variables. Quantitative analysis was done using mean and statistical frequencies.

Regarding the subjects in the study, percentages, frequency counts, standard deviations, and means were used in the descriptive analysis. This basic analysis formed the backdrop for more specific statistical analyses, which henceforth focused mainly on testing hypotheses and drawing conclusions about the existence of relationships between variables in the researcher's independent set. The multiple linear regression analysis was undertaken as shown in equation below.

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e}$$

Where;

| | | |
|---|---|---|
| **Y** | - | Service quality |
| **α** | - | Constant |
| **$X_1$** | - | Product innovation |
| **$X_2$** | - | Market innovation |
| **$X_3$** | - | Process innovation |
| **$B_1$. $B_2$. $B_3$** | - | Coefficients |
| **e** | - | Error term |

### 3.10 Ethical Consideration

Ethics offers the fundamental principles that scientists have to follow during their research (Flick, 2006). In order to conduct the research, the researcher applied for a data collection letter from Kenyatta University's School of Business. Besides, permission was obtained from the management of Serena Hotels in Kenya. At first, the

researcher identified herself and gave brief information and rationale about the survey questionnaire to the participants. The data obtained from the study participants was used for research only and was not to be used for other purposes. To avoid revealing the participants' identity and promoting anonymity, all participants were referred to by pseudonyms.

# CHAPTER FOUR
# RESULTS AND FINDINGS

## 4.1 Introduction

The chapter entails analysis of primary data collected during the course of the research, offering insights into how innovation capabilities influence service quality at Serena Hotels. It begins by detailing the number of questionnaires that were distributed, the response rate, and the number of fully completed and returned questionnaires, establishing the reliability and adequacy of the data. The chapter then provides a demographic profile of the respondents, outlining characteristics such as departmental affiliation, position, and length of service to give context to the perspectives shared by participants. Subsequent sections delve into the core variables of the study, critically examining how different aspects of innovation capability, including organizational, product, and marketing innovations, relate to perceived service quality. The chapter also incorporates diagnostic tests to assess data suitability for further analysis and investigates correlations among independent variables to identify possible patterns and associations. It concludes with an interpretation of the key findings, linking them back to the research objectives and theoretical framework, and setting the stage for the final chapter's conclusions and recommendations.

## 4.2 Response Rate

Response rate is an important element is studies involving use of survey questionnaire tool for data collection because it reflects the level of participant engagement in the study (Mugenda and Mugenda, 2003). The following table provides a summary of the response rate.

**Table 4.1: Response Rate**

| Department | Number administered | Number returned | Percentage returned |
|---|---|---|---|
| Sales & Marketing | 22 | 15 | 67 |
| Finance | 18 | 12 | 66 |
| Operations | 20 | 14 | 68 |
| Customer Care | 24 | 17 | 70 |

The response rate among staff at Serena Hotels in Kenya stood at 67%. Specifically, the Sales & Marketing department had a 67% participation rate, Finance recorded 66%, Operations reached 68%, and Customer Care achieved 70%. Since all departments reported rates above 65%, that data can therefore be considered sufficient for analysis, (Mugenda and Mugenda, 2003). Kothari (2008) also supports this response rate by arguing that a response rate exceeding 50% for a descriptive survey as sufficient while one above 65% as most appropriate.

The high questionnaire response rate from staff at Serena Hotels, Kenya, can be attributed to the researcher's in-person visits, which enabled direct distribution and immediate collection of the questionnaires. However, a few employees were unable to return the questionnaires promptly due to their engagement in duties that frequently took them outside the office.

### 4.3 Characteristics of Research Participants

Key characteristics of the study participants including their gender and position tenure were examined. These characteristics were important because they informed on the nature of outcome of the study by justifying it in relation to the gender perception and roles as well as years of experience in the given role.

### 4.3.1 Respondents Gender

This section outlines the respondents' personal characteristics, which are further detailed in the subsequent parts.

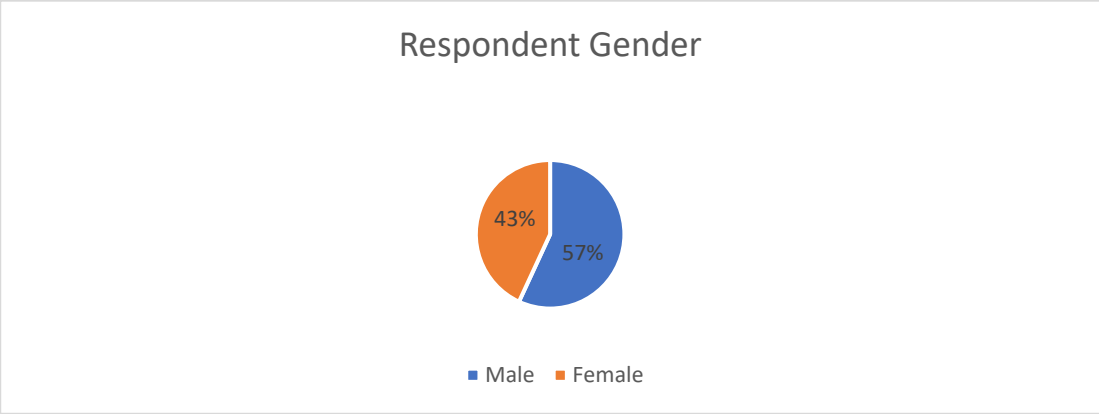


**Figure 4.1: The Gender of Respondents**

Figure above reveals male respondents constituted the majority, while female participants were fewer in number. This suggests that the organization had not yet reached gender balance in its workforce. Nevertheless, the study provided a desirable representation of both genders as indicated by the results.

### 4.3.2 Length of Service

The participant's tenure in the firm was studied to examine whether there was a link between the respondent's knowledge of product innovation strategies and the firm's success, with length of service. Employees with long tenure at the organization are expected to have more knowledge on the product innovation strategies and success when compared to employees with short tenure considering the more years of experience, they have gained working at the same firm as revealed below.

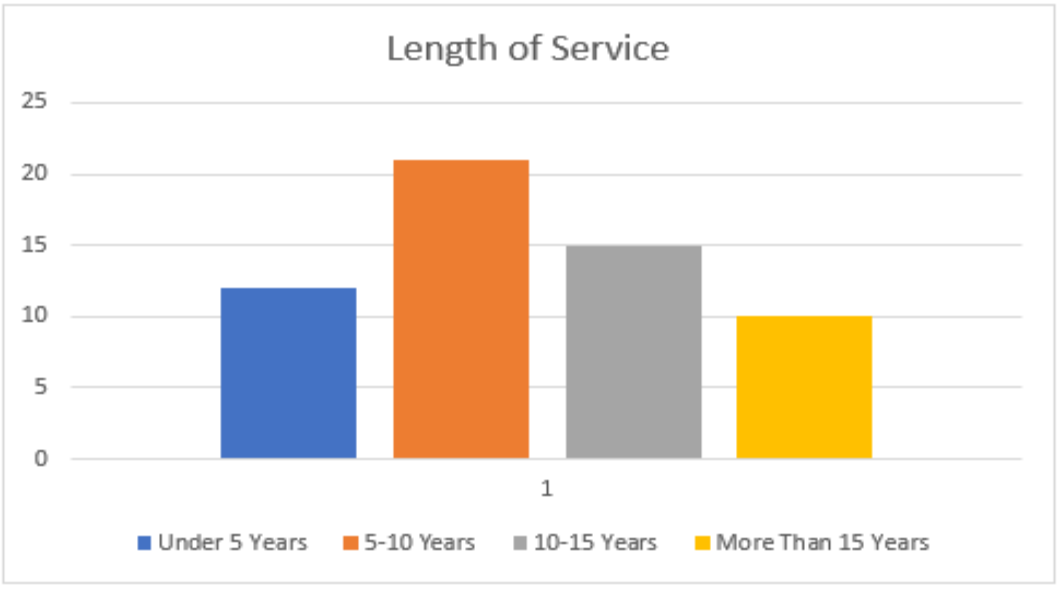


**Figure 4.2: Respondent's Length of Service**

As shown in Figure 4.2, 36% of the participants had been with the company for between 5 and 10 years, while the next largest group had served for 10 to 15 years. Furthermore, 43% of study participants had over a decade of experience at the firm, indicating they had spent sufficient time within the organization to provide reliable insights.

### 4.4 Innovation Capability

Innovation capability is considered a valuable organizational competency for organizations that seek to attain and deliver superior performance and stability while pursuing their strategies. This capability is a part of value chain activities in organizations and is fully realized in the strategic business processes of an organization (Lawson & Samson, 2001). Indicated by the resource-asset mix, it identifies the effectiveness of innovation. Therefore, a wide range of availability seems to be essential for the effective management of modern business success (Rajapathirana & Hui, 2018). Innovation capability as a variant of dynamic capability includes Product innovation, Market Innovation and Process Innovation.

### 4.4.1 Product Innovation

Resource-Based Theory asserts that organizational performance improvement is largely driven by the strategic management and utilization of a firm's internal resources and capabilities. Performance gains are attainable through the production of innovative and high-quality products. When effectively managed, these capabilities contribute to product differentiation and brand enhancement. The summarized analysis of activities indicative of product innovation is provided in Table 4.2.

**Table 4.2: Product Innovation**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| How important do you consider product innovation in enhancing overall service quality | 58 | 4.5172 | .68162 |
| In your experience, product design influence customer satisfaction | 58 | 4.2069 | .89362 |
| Investing in product materials positively affects customer loyalty | 58 | 4.5345 | .53690 |
| Quality control contributes to acquiring a competitive superiority in the market regarding service quality | 58 | 4.1207 | .99256 |
| **AVERAGE** | | **4.3448** | **0.77617** |

**Source: Survey Observations (2025)**

The results indicated that respondents largely agreed with all the product innovation attributes that were evaluated. The analysis revealed that the statement regarding the positive impact of investing in product materials on customer loyalty registered the highest mean score of 4.5345. The corresponding low standard deviation of 0.53690 indicates that respondents' perceptions were closely clustered around the mean, demonstrating strong consensus among participants on the importance of product material investment in fostering customer loyalty. The second highest mean was; Product innovation is important in enhancing overall service quality which registered

4.5172 mean and low levels of standard deviation of 0.68162illustrating significant closeness of scores assigned to this aspect by participants. Product design influence customer satisfaction had mean of 4.2069 and a high level of standard deviation of 0.89362The significant broad range of answers highlighted the necessity of encouraging product design as these facets of innovation capability enhance Serena Hotels' service quality. The least was; Quality control contributes to obtaining a competitive advantage in the market regarding service quality with mean 4.1207 and the responses observed with regards to that aspect had the highest level of variability relative to responses for other aspect as signified by a standard deviation of the highest standard deviation 0.99256. The observed wide dispersion in responses denotes that participants were not of the same page concerning the extent to which this aspect is embedded in the practices of service quality in Serena Hotels.

The overall average score of 4.3448 showed that respondents strongly agreed that product innovation significantly impacts quality of services offered by the company. The standard deviation of 0.77617 shows a notable variation in perceptions, with responses differing by approximately ±0.78.

The observations made above are in line with those of Aaker, (2016) who reiterated that the adoption of new innovative products can help create business value and increase profit compared to firms that emphasize product innovation less. Kingsland (2017) emphasized that organizations adopting distinctive product features are likely to achieve improved financial performance and deliver higher-quality services. This suggests that product differentiation plays a critical role in both profitability and customer satisfaction outcomes. According to Davcik (2013), improving various types of product innovation helps organizations improve the quality-of-service delivery an, Mavondo, and Worthington (2015) further noted that a company’s competence in

producing superior and unique products indicates its potential to deliver quality service to clients.

### 4.4.2 Market Innovation

Market innovation capability encompasses the adoption of innovative marketing practices that introduce variations in key marketing elements such as product design, packaging, promotional activities, distribution channels, and pricing structures. The aim of market innovation is to meet customer needs, positioning an organization product in the market or conquering new markets all for increased revenue for the firm. Market innovations are done in relation to product packaging designs, pricing strategies, product placement, and promotional activities by use of the four marketing P's. Firms have been shown to use market innovation to gather important customer data that helps to serve their customers better. Some of the notable ways that technology has helped in market innovation include the use of internet marketing**.** The observation collected on activities signifying Market innovation (see table 4.3).

**Table 4.3: Market Innovation**

| | **N** | **Mean** | **Std. Deviation** |
|---|---|---|---|
| How significant do you believe marketing innovation is in shaping the overall service quality provided by a company | 58 | 4.5000 | .56970 |
| Company's innovation in customer relationship management influence service quality | 58 | 4.0000 | .93659 |
| Market-sensing directly contributes to enhancing the quality of services delivered to customers | 58 | 4.1724 | .88135 |
| Company's Networking with various stakeholders positively affects customer satisfaction | 58 | 3.8103 | 1.14642 |
| **AVERAGE** | | **4.120675** | **0.883515** |

**Source: Survey Observations (2025)**

Observation taken from the activities regarding crucial features of market innovation characteristic low levels of variation of responses by participants. The largest mean of 4.5000on the aspect that marketing innovation is significant in shaping the overall service quality provided by a company which was associated with a relatively low level of standard deviation of 0.5697, illustrating significant closeness of scores assigned to this aspect by participants. Hence, formulating futuristic marketing innovation improves the quality of services provided by a firm particularly when comparing with competitors or peers. Followed by attribute; Market-sensing directly contributes to enhancing the quality of services delivered to customers with a mean of 4.1724associated with a low level of standard deviation of 0.8813, illustrating significant closeness of scores assigned to this aspect by participants. Company's innovation in customer relationship management influence service quality had a mean of 4.0000, this is one of key goals for a long-standing market control tactic as it increases company competitiveness greatly it was associated with a standard deviation of 0.9365 illustrating significant closeness of scores assigned to this aspect by participants. Finally, Company's Networking with various stakeholders positively affects customer satisfaction with a mean of 3.8103. The responses observed with regards to that aspect had the highest level of variability relative to responses for other aspect as signified by a standard deviation of 1.1464. The observed wide dispersion in responses denotes that participants were not of the same persuasion concerning the extent to which this aspect is embedded in the practices of service quality of Serena Hotels, Kenya.

The average mean of 4.120675 demonstrates that most participants concurred that market innovation plays a vital role in enhancing service quality at Serena Hotels,

Kenya. The overall standard deviation of 0.883515 reflects a substantial level of variability in their views, approximately ±0.88.

The observations made above are in line with those of Nuryakin, (2018), where study results revealed that marketing capabilities significantly impact the firms' competitiveness. Further, research by Dahlquist (2021) contended that marketing innovation gives a firm the ability to respond and increases efficiency of cross-functional processes that are intended for creation and delivery of customer value in light of dynamism in to market place. There is widely shared view that marketing capability aids in sensing and responding to variation in the market place including strategic moves initiated by competitors, and evolution and revolution of technology (Alharbi, 2015). Aharbi (2015) review identified market sensing, partner linking and customer engagement as important attributes of marketing innovation. Sagheb et al. (2018) investigated the impact of marketing innovation and approaches on global branding where study finding revealed that marketing innovation has a favourable effect on international branding.

### 4.4.3 Process Innovation

The Process innovation is characterized by the use of a new of significantly enhanced delivery or production means of a process that is characterized by notable changes in equipment, techniques and or software. It is sought to reduce expenditure, enhance the mode of delivery of goods and services and enhance the worthiness of the product. Process innovation results to improved quality and the reengineering of the business process. Over time, as expertise in productivity improvement increases, there are higher probabilities of developing products that can offer similar performance at a lower cost. This can be passed onto the customer to improve the business sales volumes and overall

business performance. The activities signifying Process innovation results were presented using the standard deviation and mean as shown below.

**Table 4.4: Process Innovation**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| Process innovation is crucial in enhancing the overall service quality provided by a company | 58 | 4.4138 | .64982 |
| Skills and training contribute to improving efficiency in delivering services | 58 | 4.4828 | .62804 |
| Good facilities give the company a competitive advantage in terms of service quality | 58 | 4.5000 | .53803 |
| Supplier quality can lead to sustained improvement in service quality standards | 58 | 4.2586 | .82845 |
| **AVERAGE** | | **4.4138** | **0.661085** |

**Source: Survey Observations (2025)**

The findings show that respondents largely concurred with all the assessed aspects of process innovation. The highest mean was good facilities give the company a competitive advantage in terms of service quality with a mean of 4.5000 and 0.53803 standard deviation. Interestingly, high score of mean with corresponding relatively low scores of standard deviations were observed for the aspects illustrating management concur that good facilities give the company a competitive advantage. This was followed by aspect that Skills and training contribute to improving efficiency in delivering services which registered a 4.4828mean and 0.62804 standard deviation, illustrating significant closeness of scores assigned to this aspect by participants. The third highly ranked aspect was, Process innovation is crucial in enhancing the overall service quality provided by a company had mean of 4.4138 and mean of 0.64982 which illustrates the closeness of scores assigned to this aspect by participants. The least was; Supplier quality can lead to sustained improvement in service quality standards with mean 4.2586 and standard deviation 0.8284. The responses observed with regards to

that aspect had the highest level of variability relative to responses for other aspect as signified by a standard deviation of 0.8284. The observed wide dispersion in responses denotes that participants were not of the similar opinion concerning the extent to which this aspect is embedded in the practices of service quality of Serena Hotels, Kenya. Overall mean of 4.4138 reveals that respondents strongly believed process innovation significantly enhances the company's service quality. The standard deviation of 0.661085 indicates a moderate level of variation in responses, approximately ±0.66.

The observations made above are in line with those of (Adepoju et al., 2017; Baber, 2020; Kyei & *Bayoh,* 2017; Bersali & *Geurmat,* 2014; Adepoju, Olomu, and Akinwale (2017), where the researchers revealed that process innovation has huge impact on the service quality among manufacturers in Nigeria. This supported the finding of Baber (2020), who established that implementing diverse process innovations encompasses enhancing payment, advisory, and compliance services to enhance service delivery and boost customer confidence and companies ought to join associations to add value to their businesses. Likewise, Bersali & Geurmat (2014) underscored the fact that companies that wish to follow clients tend to overemphasize process and market improvements. Similar findings were confirmed by Olomu (2019) who pointed out that type of train, level of investment, and size of the firms are found to exert significant influence on service quality.

### 4.4.4 Service Quality

Service quality is the exchange whereby one person, organization, or set of organizations provides output to another; it is a non-ownership benefit. Service is any action performed by the service provider so as to achieve customer satisfaction. This interaction should be used with the purpose of attaining customer satisfaction.

Sometimes, customers are able to make product choices after checking out, and this is where the services are clearly assumed. Components of service quality are shown by the ability to place an order for a service or product, consumer responsiveness, product/service responsibility, product/service return, and product/service accessibility. The activities signifying service quality (see Table 4.5).

**Table 4.5: Service Quality**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| Workers are fast in responding to consumer's needs | 58 | 4.1379 | .99909 |
| The company is highly adaptable to accommodate customer changing needs | 58 | 4.0345 | 1.02539 |
| How would you rate physical facilities provided by the service provider | 58 | 4.3448 | .84918 |
| The sale center is easily contacted by customers | 58 | 3.7069 | 1.28430 |
| **AVERAGE** | | **4.0560** | **1.03949** |

**Source: Survey Observations (2025)**

The results indicate that respondents expressed strong agreement across all the evaluated dimensions of service quality. The largest mean of 4.3448 on the aspect of how they rate the physical facilities provided by the service provider which was associated with a relatively low level of standard deviation of 0.8491, illustrating significant closeness of scores assigned to this aspect by participants. Hence, majority of participants highly rated the quality of services provided by a firm particularly when comparing with competitors or peers. Followed by attribute; The results show that workers efficiently address customer needs, as indicated by a mean of 4.1379 associated with a low level of standard deviation of 0.9991, illustrating significant closeness of scores assigned to this aspect by participants. The results show that respondents agreed, with a mean of 4.0345, that the company demonstrates a strong ability to adjust to

customers' changing preferences and requirements. This is one of tactic which ensure company adapts to ever changing customer needs as well as improving company competitiveness it was associated with a standard deviation of 1.0253 illustrating significant closeness of scores assigned to this aspect by participants. Finally, the sale center is easily contacted by customers with a mean of 3.7069. The responses observed with regards to that aspect had the highest level of variability relative to responses for other aspect as signified by a standard deviation of 1.2843. The observed wide dispersion in responses denotes that participants were not of the same persuasion concerning the extent to which this aspect is embedded in the practices of service quality of Serena Hotels, Kenya.

An average mean score of 4.0560 indicates that respondents generally agreed that service quality plays a crucial role at Serena Hotels, Kenya. The standard deviation of 1.03949 reflects a significant variation in responses, with a spread of approximately ±1. 04.

### 4.5 Linear Regression Analysis

To investigate the association between three independent (predictor) variables and one dependent (predicted) variable, a regression analysis was used. While service quality was the dependent variable, product, market, and process innovation were the independent factors. The table below provides an summary the model.

**Table 4.6: Regression Model**

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .942[a] | .888 | .881 | .24835 |

a. **Predictors: (Constant), Process Innovation, Product Innovation, Market Innovation**

**b. Dependent Variable: Service Quality**

The outcomes of the multiple linear regression analysis are detailed in this section of the findings. The correlation between the actual and predicted values of the predictor variable is represented by R—a square-root of R-squared score. R-squared reflects the percentage of variation in the predicted variable—service quality—that can be predicted based on the predictor variables. In this model, the R-squared value was 0.888, signifying that 88.8% of the changes in service quality contributed by product, market, and process innovation, while 11.2% is contributed by other factors or variables excluded from this model.

**Table 4.7: F-Statistics**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 26.325 | 3 | 8.775 | 142.276 | .000[b] |
| | Residual | 3.330 | 54 | .062 | | |
| | Total | 29.655 | 57 | | | |

**a. Dependent Variable: Service Quality**

**b. Predictors: (Constant), Process Innovation, Product Innovation, Market Innovation**

**Source: Survey Observations (2025)**

The significance of the model is reflected in the F and Sig columns of the table above. The F-statistic is derived by getting the quotient between the regression's mean square and the residual's mean square. This calculation helps assess whether the predictor variables significantly predict the predicted variable, thereby evaluating the model's overall effectiveness. With a p-value of 0.00—well below the standard alpha level of 0.05—the results suggest that the predictor variables provide a statistically significant prediction of the predicted variable.

**Table 4. 8: Beta Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | .822 | .278 | | 2.959 | .005 |
| | Product Innovation | .682 | .074 | .788 | 9.253 | .000 |
| | Market Innovation | .401 | .139 | .378 | 2.889 | .006 |
| | Process Innovation | -.257 | .156 | -.208 | -1.643 | .106 |

**a. Dependent Variable: Service Quality**

**b. Predictors: (Constant), Process Innovation, Product Innovation, Market Innovation**

**Source: Survey Observations (2025)**

The regression model was developed based on the values presented in the coefficient table above.

$$\mathbf{Y= 0.822 +0.788X_1 + 0.378X_2 -0.208X_3 + Ɛ}$$

The T-test values illustrate the individual effect of each independent (predicted) variable on the predicted variable. Based on the regression analysis, product innovation demonstrated a strong and positive effect on the service quality at Serena Hotels in Kenya (Beta = 0.788, P = .000). This implies that there is a 0.788 improvement in service quality for every unit rise in product innovation. Additionally, market innovation showed a moderate and positive relationship with service quality (Beta =

0.378, P = .006), signifying that a unit rise in market innovation is linked with a 0.378 enhancement in service quality. Conversely, the analysis revealed that process innovation had a moderate but negative effect on service quality (Beta = -0.208, P = .106), implying that a unit increase in process innovation may lead to a 0.208 reduction in the quality of services offered by the company. These results support (Olomu, 2019) assertion that confirmed the negative and weak correlation linking process innovation to service quality among manufacturing firms in Nigeria, pointing out that type of train, level of investment, and size of the firms are found to exert significant influence on service quality.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMENDATIONS

## 5.1 Introduction

This chapter summarizes the study and presents the conclusion and recommendations for practice and future research. The summary of results provides an overall picture of what the findings present about what the study aimed to examine. The conclusion is drawn from the findings for each study objective and the overall aim. The recommendations on the other hand relied on what the findings have indicated and the limitations faced by the study. More specifically, the practice recommendations are grounded on the findings. In contrast, the recommendations for future research are founded on the limitations of this study and what the study found not to be normal.

## 5.2 Summary of Findings

Based on the discoveries regarding the impact of product innovation on service quality at Serena Hotels, Kenya, it was inferred that all four aspects of product innovation significantly contribute to the company's service delivery. This is supported by a high overall mean score of 4.3448, demonstrating that, on average, study participants strongly agreed that product innovation plays a substantial role in improving service quality. The standard deviation of 0.77617 suggests a notable level of variation, with product innovation deviating by approximately ±0.77617. Regression analysis using standardized Beta coefficients showed a strong positive effect of product innovation on service quality (Beta = 0.788, P = .000), suggesting that each unit increase in product innovation leads to an increment of 0.788 in the company’s service performance.

To evaluate the impact of market innovation on service quality, the study evaluated four key attributes of market innovation. The mean score was 4.120675, indicating that

respondents generally agreed that market innovation significantly affects service quality at Serena Hotels, Kenya. The corresponding standard deviation of 0.883515 indicates modest variability around this perception. The regression results demonstrated a moderately direct correlation linking market innovation and service quality (Beta = 0.378, P = .006), implying a unit increment in market innovation leads to an approximate 0.378 improvement in service quality within the organization.

Four attributes of product innovation were measured to establish impact of process innovation on quality of service at Serena Hotels, Kenya. The four attributes were found to have a substantial influence on quality of service provided by the firm as indicated by the high means on the attribute. The mean for the four attributes was 4.4138 suggesting that the study participants agreed process innovation influences company service quality to a great extent. The collective standard deviation was calculated at 0.661085, indicating its moderate impact in process innovation, with fluctuations of approximately ±0.661085. According to the regression analysis using standardized Beta coefficients, process innovation had a moderate but negative effect on the service quality at Serena Hotels, Kenya (Beta = -0.208, P = .106). This suggests that a one-unit increase in process innovation is linked with a 0.208 decline in the quality of services provided by the company.

### 5.3 Conclusion

The first objective was to assess how product innovation affects service quality at Serena Hotels in Kenya. This was examined using a hypothesis that proposed no relationship between product innovation and service quality. However, findings from the multiple regression analysis revealed a strong positive effect, with β= 0.788. This shows a substantial effect of product innovation on enhancing service quality. Based on

this, rejecting the null hypothesis and accepting the alternative hypothesis stating a significant relationship between product innovation and service quality was accepted.

The second objective focused on exploring the impact of market innovation on service quality at Serena Hotels, Kenya. The corresponding hypothesis suggested that market innovation does not influence service quality. Nonetheless, the regression analysis produced a $\beta = 0.378$, pointing to a moderate but positive influence of market innovation. Given these findings, the study statistically confirmed the significant effect of market innovation on service quality through the hypothesis testing.

Lastly, third objective sought to evaluate the effect of process innovation on service quality at Serena Hotels. In this objective, process innovation was hypothesized to have no effect on service quality. The regression output, however, indicated a moderate negative relationship, with a beta coefficient of -0.208. This indicates that increased focus on process innovation may slightly reduce service quality. Consequently, the null hypothesis was rejected, supporting the alternative view that process innovation has a statistically significant influence be it negative on service quality.

### 5.4 Recommendations from the Study

Product innovation as indicated in this study findings have a substantial impact on service quality in Serena Hotels, Kenya. According to the report, Serena Hotels, Kenya should invest more in product innovation so as to enhance service quality. One such investment is in new technology that will allow the firm to gain a competitive advantage. Other areas of improvement include enhancing on how they interact with customers considering that the findings showed a significant effect of innovation in retaining loyal customers.

From the results of this study, it is recommended that Serena Hotels, Kenya enhance its administrative routines, as a potential market innovation strategy geared towards improving the quality of service. In a market dominance strategy, improving service quality is an important aspect as it helps in developing a futuristic product innovation, that in return enhances the knowledge of employee.

The study also recommends that for Serena Hotels, Kenya to improve on its performance; it should focus on shaping the overall service quality provided by a company. The company should also invest on innovation in customer relationship management influence service quality. The researcher further recommends for improved Market-sensing as it contributes to enhancing the quality of services offered to clients as well as well as company's Networking with various stakeholders in order to positively improve customer satisfaction.

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## APPENDIX I: RESEARCHER'S LETTER OF INTRODUCTION

**Glory Ngigi**
Kenyatta University
School of Business, Economics and Tourism
P.O Box 43844 - 00100
Nairobi, Kenya.

**24th April, 2024**

**Dear Sir/Madam,**

**RE: DATA COLLECTION**

I am a postgraduate student at Kenyatta University, undertaking a Masters of Business Administration. As partial requirement for the program, I am carrying out a research project on 'Innovation Capability and Service Quality in Serena Hotels, Kenya'.

In light of this, I wish to inform you that you have been selected to participate in this scholarly research. Therefore, you are requested to support this academic endeavor by filling in the research questionnaire herewith attached. The information that will be provided in this exercise will be used solely and exclusively for scholarly purposes and will be treated with utmost confidence. Further, a copy of the final report will be available to you upon request.

Your support in this matter is highly appreciated.

Yours sincerely,

**Glory Wangui Ngigi**
D53/PT/CTY/20851/2021

## APPENDIX II: RESEARCH INSTRUMENT

**Dear Respondent**,

This data collection tool has been formulated to collect data on service quality, product innovation, market innovation, process innovation and service quality using items constructed on a 5-point rating scale. I will be grateful if you could spend a few minutes of your time to complete the questionnaire. I assure you that all information collected is strictly for academic purposes and will be kept confidential. Thank you for your kind assistance. If there is any doubt, please do not hesitate to contact me on the following email address: ngigiglory@gmail.com

### SECTION A: DEMOGRAPHIC INFORMATION

Please specify your answer by placing a **(√)** on the relevant answers provided. The following questions will be used only in determining the sample demographics.

1. Gender: [ ] Male
   [ ] Female
2. Department currently stationed
   [ ] Sales and Marketing
   [ ] Finance
   [ ] Operations
   [ ] Customer care
3. Years Served in the respective department
   [ ] Under 5
   [ ] 5-10
   [ ] 10- 15
   [ ] More than 15

### PART B: Service Quality

Using the given scale below to which extent would you say the stated aspects have affected the service quality?

5. Strongly Agree 4. Agree 3. Uncertain 2. Disagree 1. Strongly Disagree

| | **Service quality.** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| 1) | Workers are fast in responding to consumer's needs | | | | | |
| 2) | The company is highly adaptable to accommodate customer changing needs | | | | | |
| 3) | How would you rate physical facilities provided by the service provider | | | | | |
| 4) | The sale center is easily contacted by customers | | | | | |

**PART C: PRODUCT INNOVATION**

Using the given scale below to which extent would you say the stated aspects have affected the service quality?

5. Strongly Agree 4. Agree 3. Uncertain 2. Disagree 1. Strongly Disagree

| | **In any company dealing with service delivery product innovation is critical.** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| 5) | How important do you consider product innovation in enhancing overall service quality | | | | | |
| 6) | In your experience, product design influence customer satisfaction | | | | | |
| 7) | Investing in product materials positively affects customer loyalty | | | | | |
| 8) | Quality control contributes to gaining a competitive edge in the market regarding service quality | | | | | |

**PART D: MARKET INNOVATION**

For each of the following parts, please tick where applicable to the extent to which you agree using the following likert scale.

5. Strongly Agree 4. Agree 3. Uncertain 2. Disagree 1. Strongly Disagree

| Q | **The Following Market Innovation Practices Impact on the company's service quality.** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| 9) | How significant do you believe marketing innovation is in shaping the overall service quality provided by a company | | | | | |
| 10) | Company's innovation in customer relationship management influence service quality | | | | | |
| 11) | Market-sensing directly contributes to enhancing the quality of services delivered to customers | | | | | |
| 12) | Company's Networking with various stakeholders positively affects customer satisfaction | | | | | |

**PART E: Process Innovation**

For each of the following parts, please tick where applicable to the extent to which you agree using the following likert scale.

5. Strongly Agree 4. Agree 3. Uncertain 2. Disagree 1. Strongly Disagree

| | **The Following organization innovation Impacts On service quality;** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 13) | Process innovation is crucial in enhancing the overall service quality provided by a company | | | | | |
| 14) | Skills and training contribute to improving efficiency in delivering services. | | | | | |
| 15) | Good facilities give the company a competitive advantage in terms of service quality. | | | | | |
| 16) | Supplier quality can lead to sustained improvement in service quality standards | | | | | |

Your time and effort in completing this research questionnaire is much appreciated.

**THANK YOU.**