

**STRATEGIC INNOVATION AND NON-FINANCIAL PERFORMANCE AT  
EQUITY BANK, NAIROBI CITY COUNTY, KENYA**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,  
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KENYATTA UNIVERSITY**

**OCTOBER 2025**

## DECLARATION

### Declaration by candidate

This research project is my original work and has not been presented for an academic award in any other University or Institution of higher learning.

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Signature

30/09/2025 .....

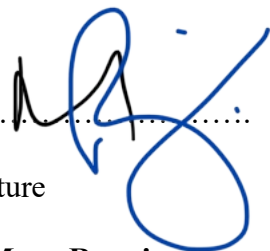
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This research project has been submitted for examination with my approval as the University duly appointed supervisor

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## **DEDICATION**

In appreciation of the affection, concern, assistance, and motivation received from my mother during my academic endeavors, this project is dedicated to her.

## **ACKNOWLEDGMENT**

God's grace has been sufficient throughout my education endeavor. Additionally, I attribute the success of this project to the professional guidance of my supervisor, Dr. Mary Ragui.

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## OPERATIONAL DEFINITION OF TERMS

- Strategic Innovation:** Adjusting an organization's corporate strategy to enhance growth and deliver value to both its customers and shareholders.
- Product Innovation Strategy:** Designing a unique product or service or making a superior version of one that was initially made.
- Process Innovation Strategy:** Utilization of advanced technology and enhanced method of operating.
- Market Innovation Strategy:** Building up optimized marketing methods and their implementation.
- Organizational Innovation Strategy:** The use of new and enriched practices that touch on the culture and the work force of an organization.
- Non-financial Performance:** Assessment of positive outcome of an organization's operations using non-monetary indicators like customer experience, workforce engagement and customer growth.

## **ABBREVIATIONS AND ACRONYMS**

<b>BSC</b>	- Balanced Scorecard Model
<b>DOI</b>	- Diffusion of Innovation
<b>EBS</b>	- Equity Building Society
<b>GDP</b>	- Gross Domestic Product
<b>RBV</b>	- Resource-Based View
<b>IT</b>	- Information Technology
<b>KBA</b>	- Kenya Bankers Association
<b>KPLC</b>	- Kenya Power and Lighting Company
<b>SPSS</b>	- Statistical Package for the Social Sciences
<b>MSME</b>	-Micro, Small and Medium Enterprises
<b>SME</b>	- Small and Medium Enterprise
<b>OECD</b>	- The Organization for Economic Co-operation and Development
<b>USA</b>	- United States of America
<b>NSE</b>	- Nairobi Securities Exchange
<b>NACOSTI</b>	- National Science, Technology and Innovation
<b>PhD</b>	-Doctor of Philosophy
<b>SD</b>	- Standard Deviation

## ABSTRACT

Non-financial performance indicators have become crucial in assessing organizational performance. They are superior indicators of the future success of an organization thus guiding managers in decision making. The motive of the research was to examine the effect of strategic innovation strategies on the non-financial performance at Equity Bank, Nairobi County, Kenya. The specific objective was to ascertain how Equity Bank's non-financial performance in Nairobi County, Kenya, was affected by its process, product, market, and organizational innovation strategies. The diffusion theory, balanced scorecard model, Schumpeter's theory, and the resource-based view theory were the key guiding theories. A case study design was adopted. The 52 Equity Bank Branches in Nairobi County were included. A census was conducted whereby two respondents from each branch were targeted that is the two top level managers at the branch level resulting to a total of 104 respondents. But just 92 participants took part in the research. A hybrid questionnaire for data collection was used. To ensure its reliability and validity, a pretest was done involving 5 respondents. According to Mugenda & Mugenda (2003), a pre-test sample should range from 1% to 10% of the entire population which justifies the inclusion of 5 respondents in the pilot study. Inferential and descriptive statistics were deployed. Additionally, SPSS facilitated interpretation of the information gathered and presentation of results done in statistical measures. Equity Bank Kenya's product innovation strategies, such as mobile loans and the Equity app, received strong positive feedback, with high agreement (mean 4.24–4.63) on improving customer accessibility, satisfaction, and employee performance. Process innovations like online banking significantly enhanced efficiency (mean 4.45–4.70), though automated customer service scored lower (mean 3.57). Market innovation strategies, including personalized campaigns, were well-received (mean 4.45–4.70), but loyalty programs lagged (mean 3.29–3.43). On the other hand, organizational innovations like decentralized decision-making showed mixed results (mean 3.15–3.98), with risk management systems scoring moderately (mean 3.65). Innovation strategies collectively boosted non-financial outcomes, with high agreement on improved customer satisfaction (mean 4.68), employee satisfaction (mean 4.58), and customer growth (mean 4.47), but response time improvements were less consistent (mean 3.83). Apart from the descriptive statistics, the inferential statistics results were presented through the F-test and T-test. According to the F-test findings, there was a statistically insignificant connection between Equity Bank's non-financial performance and strategic innovation. The T-test results further confirmed that the product innovation strategy had a adverse and statistically insignificant connection with Equity Bank's non-financial performance. Market innovation strategy also had a negative and statistically insignificant connection with non-financial performance. Additionally, organizational innovation strategy had a positive and statistically insignificant association with non-financial performance. Nonetheless, there was a statistically significant and favorable connection between Equity Bank's non-financial performance and process innovation. The findings imply that adopting process innovation strategies such as online banking and automated customer service helped improve Equity Bank's performance. Therefore, Equity Bank should prioritize process innovation strategies over product, market, or organizational innovations to improve its non-financial performance. Policymakers should support the implementation of Internet banking and improve online banking to enhance transaction efficiency. According to the study results, banks should encourage self-service in online banking platforms since it leads to improved customer satisfaction. Moreover, automated customer services should be utilized in banks to ease the workload of employees since they improve performance.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Non-financial measures have become critical in assessing organizational performance (Wu, Pan, Zhou & Li, 2020). The “non-financial measures of performance” act as complementary to a firm’s short-term financial measures (Kori, Muathe & Maina, 2020). They provide additional information to managers for decision-making (Ahmada & Zabri, 2018). Prior research has shown that employee and customer satisfaction, customer growth, and worker retention are crucial indicators of organizational performance (Salkić, 2024; Wu *et al.*, 2020; Abdullahi, Ardo, Hassan & Ibrahim, 2021). In the banking sector, these non-financial performance indicators are crucial for differentiation and long-term viability given the highly dynamic and competitive environment (Tami, Anna & Gaia, 2021). As a result of technological evolution and ever-changing customer preferences, businesses have resorted to the use of innovative strategies not only for the sake of financial performance but to enhance their non-financial performance (Farida & Setiawan, 2022), which is equally critical for establishing a competitive edge within the industry.

Globally, the banking industry has experienced a transformation that is attributed to strategic innovations in processes, products, organizational structures, and markets. The non-financial performance indicators like brand recognition, service quality and customer satisfaction have become important factors that affect the market position of the global financial institutions (Tulcanaza-Prieto *et al.*, 2020). McKinsey & Company (2024) report indicates that the global banking industry registered outstanding performance in the year 2022 and 2023 for the first time since the financial crisis that occurred between 2007 to 2009. The sector has recorded healthy profitability, liquidity

and capital. However, the market remains doubtful as far as long-term value creation is concerned (Kurznack et al., 2021), which is determined by non-financial performance. In some countries, performance has been poor. For instance, in 2023, some of the large US banks collapsed (Adrian et al., 2024) Despite the spending on technology, the productivity of the US bank has been falling. The number of employees by banks in the US is declining (McKinsey & Company, 2024)

The Banking sector in Africa has been through a major shift in the previous 3 decades (Thorsten, Robert, Davide & Patricio, 2023). The evolution is attributed to innovation and particularly, the mobile money revolution which has enhanced access to banking services for the underserved population (Osabutey & Jackson, 2024). Consequently, there has been an increase in customer acquisition and growth over the past decade and a half (Thorsten *et al.*,2023). Beyond, cost efficiencies, the adoption of technology strategies and digitization of operations has enhanced service quality. This is achieved through a significant reduction of processing time, preventing payment processing errors as well as enhanced customer and employee satisfaction. This is because digitization enables workers to concentrate on more customer-facing value-added tasks (Dayi, Girancourt, Fjer & Makgatho, 2022).

Locally, the sector has shown improved growth in 2023 an indication of resilience and stability. The performance in terms of growth in employees has increased as it increased by 5.1% in 2023 compared to 2022. This was an increase of 36,107 in December 2022 to 37,933 in December 2023. The management staff, secretariat, and supervisory staff levels have also increased from 513, 920 and 400 respectively (Central Bank of Kenya, 2024). However, the industry net promoter score, that is, the ability of a bank customer to recommend it to a close associate, which ultimately determines the level of customer retention and acquisition, has been on the decline in the banking industry. In 2021, it

was 77.6% which dropped to 55.8% in 2022 (KBA, 2023). The industry net promoter score further dropped in 2023 to 54.8% (KBA, 2024).

Consequently, the complaint Resolution rate has also been on the decline. In the 2021 survey, 74% indicated that complaints are always replied to in two days (KBA, 2023). In the 2022 survey, 68.9% indicated that complaints are always replied to in two days, while in the 2022 survey, 66.4% of complaints are resolved within 2 days, 25.6% indicated that sometimes they are resolved while 4.9 % indicated that they are never resolved (KBA, 2024).

In Equity Bank Limited, non- financial performance indicators confirmed the industry's performance. The Equity bank's net promoter scores were 21% in 2021, 47% in 2022 and 47% in 2023 (Equity Bank Limited, 2022). Equity bank satisfaction score was 81% which is a bit low compared to the highest-ranking bank which was at 90.7%. Concerning the complaints resolution rate, Equity Bank recorded 93% done within 5 days compared to 97.8% of the best-performing bank (KBA, 2024).

### **1.1.1 Organizational Non-Financial Performance**

According to Kotane and Kuzimina-Merlino (2017), performance of a company is the result of business activities of a company. It signifies the actual outcomes achieved by a business in comparison with the planned outcome (Richard, Devinney & Yip, 2009). In essence, it serves as a means of assessing what a company has accomplished in relation to the targets for a particular business year. Most studies have concentrated on financial performance, but the study focussed on non-financial performance. Selvarajan et al. (2017) argues that while financial indicators are valuable for measuring organizational performance, it's critical to include non-financial measures, including reliability, operational efficiency, and the flexibility of services offered.

Non-financial performance, as indicated by Wu, Pan, Zhou & Li (2020), is the measurement of a business's success based on factors that are not directly linked to financial metrics. These include indicators like customer satisfaction, employee engagement, brand reputation, operational efficiency, corporate social responsibility (CSR), and innovation (Wu et al., 2020). These measures shed light on sustainability and general health of a business, focusing value creation on long-term as opposed to short-term financial gains (Christopher & David, 2013).

Non-financial performance is typically measured through a wide range of indicators. At the global level, studies highlight diverse approaches. Maletič et al. (2021) emphasize innovation, environmental, and social performance as core outcomes used in measuring non-financial performance in European organizations. Alves and Lourenço (2022) identify customer-oriented, employee-oriented, and operations-oriented measures in Portugal. Similarly, Al-Mamary et al. (2020) focus on customer satisfaction, product or service quality, and employee loyalty in Saudi Arabia. Additionally, Rahmaniati and Ekawati (2024) capture non-financial performance through Environmental, Social, and Governance (ESG) disclosures. Collectively, these studies show that non-financial performance is assessed through customer experience, employee engagement, operational efficiency, innovation, and sustainability dimensions.

In the African context, non-financial performance is measured using various constructs. Abdullahi et al. (2021) in Nigeria measure it through product or service delivery, client satisfaction and retention, employee competency, health and safety performance, and training. Akanbi et al. (2021) emphasize measuring non-financial performance using customer satisfaction and retention. Businge et al. (2023) in Uganda expand the scope to include internal processes, organizational learning and growth, corporate social

responsibility, and environmental impact. Within Kenya, Muchoki and Njuguna (2020) identify efficiency, effectiveness, and customer retention as key measures of non financial performance. Kori et al. (2020) highlight broader indicators such as service levels, brand awareness, employee empowerment, training and development, innovation, and motivation.

These measures are key in forecasting the sustained performance of a company by providing a holistic comprehension that results in in-depth evaluation of a firm's overall performance. Olsen (2011) indicated that organizations can utilize non-financial indicators to assess customer feedback, internal processes, innovation initiatives, and learning processes, all of which contribute to enhancing their financial position over the long term. Therefore, this study measured the performance of Equity Bank Limited using non-financial measures including customer satisfaction, customer growth, response time, and employee satisfaction.

### **1.1.2 Strategic Innovation**

Strategic innovation comprises adjusting of a firm's corporate strategy to acquire a competitive edge, maximize value and increase the growth of the business. Different authors have described strategic innovation differently. Hamel (1998) posited it as the remodeling function of a firm that makes it possible to make gain for its customers and generate shareholder value. On the other hand, Schlegelmilch, Diamantopoulos and Kreuz (2003) described strategic innovation as a major switch in the value chain and remodeling of the existing markets through an alteration in the competitiveness to boost customer's value and strengthen high growth. Additionally, Strategic innovation as indicated by Drejer (2006), is the potential to put in place and enhance the business concept and the plan of the firm through adjusting its capabilities, market and its manner of operation.

The study adopted 4 types of innovation strategies as identified in Oslo Manual (OECD, 2015). This is the basic international basis that guides the description and assessment of innovation activities as well as putting together and using data. Therefore, the process; product; organization and marketing innovation strategies formed the independent variable.

A product innovation strategy is designing a unique product or service or making a superior version of one that was initially made. It forms a crucial element of a company's overall business strategy, as it empowers organizations to maintain their competitiveness, meet evolving customer requirements, and seize new market opportunities (Reguia, 2014). This strategy serves as a comprehensive blueprint that directs a company's efforts toward developing new products. Therefore, it consists of practical, action-oriented plans that encompass specific goals, choices regarding implementation, areas of strategic emphasis, as well as plans for market penetration. The process of establishing a product innovation strategy is demanding and necessitates the involvement of numerous individuals, particularly the senior management of a company. However, it remains a critical factor for achieving success in the business world (Cooper & Edgett, 2009).

A process innovation strategy represents an attractive and innovative approach adopted by a company to enhance and streamline its internal procedures, systems, and operational methods (Maier et al., 2014). Its primary focus lies in the identification, adoption, and refinement of fresh approaches, methodologies, or technologies aimed at improving productivity, efficiency, quality, and overall performance within the organization (Dogan, 2017). This strategy emphasizes the gradual enhancement of processes rather than implementing radical changes. Saxena (2009) submitted process innovation as doing away with the operations that are not adding value to the firm and

to the employees, thereby generating incremental instead of drastic improvements. This involves the extensive remodel of the entire process which can result in notable improvement in the process performance.

A market innovation strategy represents a company's approach to identifying and capitalizing on fresh opportunities within the market. It incorporates the development and implementation of marketing tactics meant to provide better service to customers, expanding into new target segments, and gaining a competitive edge (Sattari & Mehrabi, 2016). Market innovation goes beyond conventional marketing tactics and seeks to establish distinctive value propositions, set the company apart from competitors, and disrupt established market dynamics. As stated by Sprong et al., (2021) it entails a clear understanding of the market trends, emerging technologies and customer's needs to uncover untapped markets, unfulfilled needs, or underserved customer segments. Moreover, market innovation strategy is applied to fulfil customer expectations, to meet the demands of customers, capitalize on market potential and enhance product positioning (OECD, 2015).

Organizational innovation strategy is utilization of brand new and enriched systems that touch on the culture and the work force of an organization. According to Demircioglu (2016) it involves the creation and use of tactics intended to cultivate creativity, experimentation, and enhance adoption of novel concepts and practices within a firm.

Strategic innovation is measured through a broad set of dimensions. At the global level, De Guimarães et al. (2020) highlight product and process innovations as central indicators in Brazil showing the extent to which firms introduce new products or improve operational processes. AlQershi (2024) expands these measures in Yemen to include product, design and branding, process/operational, delivery and distribution,

and marketing innovations. Earlier, AlQershi (2020) provided an even wider perspective by including metrical, sales, logistics, packaging, service, technology, communication, and channel innovations alongside strategic innovation itself. The broad approach to strategic innovation reflects the multi-faceted nature of innovation in organizational strategy. These measures demonstrate that strategic innovation is not confined to product and process development but also encompasses other types of innovation.

In the African context, research shows similar emphasis used in measuring strategic innovation. Edeh et al. (2020) and Effiom & Edet (2022) both emphasize product, process, and marketing innovations in Nigeria as dominant measures of innovation. In Kenya, scholars adopt a more diversified approach. Irene et al. (2025) identify service, product, and technological innovations as key measures. That shows the integration of digital transformation into strategic innovation is important. Similarly, Nduati (2020) emphasizes product, process, market, and technology innovation strategies in Kenya. Kawira (2021) narrows down to product and service innovation in Kenya. These insights suggest that in African and Kenyan contexts, strategic innovation is measured through product, service, and process improvements. The results also show that there is increasing attention to technology and market-driven innovations.

### **1.1.3 Equity Bank Limited**

Founded in October 1984, Equity Bank Limited originally offered mortgage financing for low-income Kenyans as Equity Building Society (EBS) (Amungo, 2020). EBS had a well-intended mission, but it went through difficulties during the next decade. Although there was a decline in Kenyan banking industry, this was self-caused turmoil. This is because, during those initial days, EBS was in operation informally, as

a family-run company. Its members of the board were the friends of the founders, who never offered professional oversight. However, in 2004, EBS appointed a new CEO who continued to transform the institution from a mortgage service provider into a loan-providing and savings institution (Lewa, 2020). Its main income-generating product was micro-loans, which was of Kshs 16,000 and below.

The institution switched to small loans because of a market with fewer competition compared to mortgages and offered a chance for innovation and growth. The business grew in terms of volume and outreach; hence, the need to change EBS into a commercial bank. EBS was converted into Equity Bank Limited on 31st December 2004 (Ndegwa, 2021; Nyaringita & Muathe, 2025). This was done to enhance its brand image as well as its visibility to earn public confidence. The bank has been performing exemplarily over the years. Equity Group holdings reported a profit before tax of Kshs 51.88 billion in the financial year 2023 and a nine-month profit after tax of Kshs 40.9 billion in the year 2024 (Equity Group holdings, 2023). This is despite some of the banks in the same sector in Kenya struggling to the point of closing down. Therefore, Equity Bank makes an appropriate case to evaluate how strategic innovation influences non-financial performance of banks.

## **1.2 Statement of the Problem**

Although Equity Bank has sustained superior performance over the years, just like other commercial banks in Kenya, it is faced with very stiff competition as the banks attempt to surpass one another in terms of products, service delivery, and retention of employees. The performance seems to be declining (KBA, 2023). Based on a 2021 banking industry customer satisfaction by the Kenya Bankers Association (KBA), the bank was ranked number three and has not featured in the top 3 ever since based on the 2022 and 2023 surveys (KBA, 2022).

Concerning the internal processes, there are still some inefficiencies that could be costing the bank. Some of the challenges with internal processes include delayed reversal, transaction failures, network failures, and fraud (Karimi, 2018). This has significantly affected customer satisfaction. The Equity bank's net promoter scores were 21% in 2021, 47% in 2022 and 47% in 2023 (Equity Bank Limited, 2022).

Equity Bank Kenya is facing signs of weakening in key non-financial metrics. Recent reports highlight strained customer satisfaction and growth, slow service response, and rising staff turnover all pointing to deteriorating organizational performance. A Kenya Bankers Association (KBA) survey (2024) shows 30.1% of banking customers cited long wait times as a top issue, and only 36.7% of customers remained loyal to a single bank (nearly half now hold accounts at multiple banks (Ngugi, 2025)). The prevalence of these complaints suggests customer satisfaction is fragile. The bank's customer base expansion is also slowing. Equity Group's latest results show that deposit growth fell to 11% in 2023, down sharply from 29% in 2022 (Equity Bank Kenya, 2024). Equity Group now has roughly 20 million deposit accounts overall but growth has stalled (Equity Bank Kenya, 2024). This abrupt slowdown suggests fewer new customers and deposits than in prior years, implying market share is plateauing.

Service turnaround times remain a problem. The KBA survey found that even though 75.4% of customer complaints were resolved within two days, 30.1% of customers still report long wait times and 16.3% experience inconsistent complaint handling (Ngugi, 2025). For Equity Bank, persistent delays in service therefore contribute directly to declining non-financial performance by frustrating customers and driving them away. Equity Bank Kenya's workforce metrics likewise point to trouble. In 2023 the bank's Kenyan staff count fell by 415, from 8,178 to 7,763 (Mwangi, 2024). Fresh hiring

actually more than tripled, but even so more staff exited than entered. This resulted in a very low staff retention rate of 81% for the Kenyan unit, the worst among Equity's regional subsidiaries (Mwangi, 2024). High turnover and low retention imply worsening employee satisfaction. Recently, cases of fraud have been reported with many customers reporting loss of funds from their accounts (Mwende, 2023). While the management has assured customers of the safety of their accounts, the issues could still be affecting the bank's performance (Mwende, 2023). Concerning organizational capacity, a review of Equity Bank Limited in relation to career opportunities, culture and values, compensation and benefit, and work/life balance shows that only 79% would recommend the bank to a friend, which shows that overall workforce satisfaction still needs some improvements.

As indicated in equity bank sustainability reports, staff turnover has been on the rise. In 2021, the bank had 6408 employees, yet it had hired 1236 new employees. In 2022, the bank had 8,178 employees but had hired 2044 new employees. In 2023, the bank's employees dropped to 7763, yet it had hired 1,123 new employees during the year. This shows that rate of staff turnover is high an indication of employee dissatisfaction (Equity Bank Limited, 2022; Equity Bank Limited, 2024). Therefore, there is a need for sustained strategic innovations to enhance competitive advantage and superior performance (Roberts & Amit, 2013). Efficient and effective implementation of strategic innovation is crucial for survival and sustenance (Ferreira, Manso, & Silva, 2017). Several researches have assessed the effect of innovation in the finance sector on organizational performance (Chien et al., 2021; Chipeta & Muthinja, 2018; Muia, 2018; Muchemi & Moronge, 2017). The results showed that innovation significantly influences firm performance. However, the variables involved were mainly financial unlike the current study. This research involves the left-out variables on organizational

performance by concentrating on non-financial performance and strategic innovation at Equity Bank, Kenya.

### **1.3 Objectives**

#### **1.3.1 General Objective**

To assess the effects of strategic innovation on the non-financial performance at Equity Bank in Nairobi County, Kenya.

#### **1.3.2 Specific Objectives**

- a) To examine the influence of product innovation strategy on non-financial performance of Equity Bank in Nairobi County.
- b) To determine the impact of process innovation strategy on non-financial performance of Equity Bank in Nairobi County.
- c) To establish the market innovation strategy effect on non-financial performance of Equity Bank in Nairobi County.
- d) To establish the effect of organizational innovation strategy on non-financial performance of Equity Bank in Nairobi County.

### **1.4. Research Questions**

- a) What influence does product innovation strategy on the non-financial performance of Equity Bank Kenya?
- b) What is the effect of process innovation strategy on the non-financial performance of Equity Bank Kenya?
- c) How does market innovation strategy affect the non-financial performance of Equity Bank Kenya?
- d) What impact does organizational innovation strategy have on the non-financial performance of Equity Bank Kenya?

### **1.5 Significance of the Study**

Outcomes of the research will benefit the banking industry by providing knowledge on how the four types of strategies embraced, affect the realization of the objectives and goals in the areas under measurement. This is important to the bank managers by granting clarity on the key priority areas that require resources and energy to obtain superior performance and competitive advantage.

The regulatory authorities in the banks will acquire information on how strategic innovation impacts the non-financial performance of the banks. This will guide them in establishing fitting policies that will smooth the path for strategic innovations.

The study will also be employed by future researchers as a reference. Moreover, the findings will guide on areas that need to be considered for more study.

### **1.6 Scope of the Study**

The research focalized on strategic innovation impact on non-financial performance. Equity Bank Kenya Limited was targeted for the study. Due to the vastness of the counties where Equity Bank branches are located, the focus of the research was on the 52 branches located in Nairobi country. The research targeted two top managers from each of these branches to get conclusive results on strategic innovation since they are directly involved in strategic management practices within the bank. Therefore, any generalization in this research was derived from information gathered from Equity Bank Limited, in Nairobi Country. Study encompassed Schumpeter's; Diffusion of innovation; Resource based view and Balanced score card theories. The study was carried out from 2022 to 2024 because this period marks the onset and escalation of Equity Bank Kenya's non-financial performance challenges. This is justified by

evidence showing that deposit growth slowed sharply from 29% in 2022 to 11% in 2023 confirming an escalation of the problem in 2024.

### **1.7 Limitations of the Study**

The participants were not free in disclosing relevant data for the research. A letter from NACOSTI and the University attenuated this with evidence that the purposes of the research are purely academic and high confidentiality was maintained. The key players were focused on, in order to obtain factual information.

### **1.8 Organization of the Study**

The study contains five chapters. The first chapter highlighted the introduction which covered the background of the study, the research problem, research objectives and questions, significance and scope of the study. Chapter two covered the review of literature based on theoretical literature, empirical literature and the conceptual framework. Follow the above format for the rest of the chapters. Chapter three covered the methodology which offered details on the research design, population, sample, data collection methods, data analysis methods and ethical considerations. Chapter four covered the findings and it explained results on demographic characteristics, descriptive and inferential statistics. Chapter five covered the summary, conclusion, and recommendations and it included key conclusions from the results, recommendations for further studies and outlined potential directions for further investigation.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Introduction**

Theoretical and empirical review is shown in the initial section of the chapter. Secondly, the summary of areas of further research identified are presented in table form. Finally, a conceptual basis covering strategic innovation variables and non-financial performance variables is presented in diagram form.

### **2.2 Theoretical Review**

Four theories are connected to this study namely; Balanced Score card Model, Schumpeter's theory, Diffusion and Resource based view.

#### **2.2.1 Balanced Scorecard Model (BSC)**

According to the Harvard Business Review article (1992), the BSC model was advocated by David Norton and Robert Kaplan through their article first published in the year 1992 and later in 1996, the proponents published a book on the BSC Model. It argues that in the measurement of an organization's performance, the operational measures should also be incorporated to complement the financial measures (Kaplan & Norton,1992). This enables an organization to be analyzed from various perspectives incorporating financial, customer viewpoint, internal procedures and growth and learning (Kaplan &Norton, 1992).

Kaplan & Norton (1996) submitted that metrics used in the BSC provide a holistic comprehension of how advancements in one section can influence other sections for example an improvement in the internal process can result in enhanced customer satisfaction: This understanding of many interrelationships helps managers make better decisions and solve problems effectively.

The BSC model advocates for the alignment of the strategy and vision across the organization. Additionally, the measures are formed with the aim of bringing human capital in the same direction as the vision of the firm. (Kaplan & Norton, 1996). Among the four viewpoints suggested by the BSC, the study mainly focused on the internal operations, the learning and innovation viewpoint, and the customer perspective.

The customer viewpoint calls for strong information-gathering processes within the organization to predict and respond effectively to future trends and opportunities (Kaplan & Norton, 1996). It gives a company valuable information about its business environment, which helps in predicting trends and create strategies that deliver value to customers while supporting future growth and performance (Marchand, 2007). The internal business process viewpoint supports strategic plans by focusing on how effective managers are in developing products (Kaplan & Norton, 1996). A firm's innovation procedures aid in the creation of new goods, services and methods (Vu, Anh, & Doan, 2014).

Learning and growth viewpoint highlights the need for improving skills and an edifying mindset connected to individual excellence for organizational growth. This also offers insights into how those who make decisions can be encouraged to behave strategically, drive innovation, and adopt practices that enhance policy-making effectiveness (Kuosa, 2014). The Kaplan & Nortons' BSC model is relevant in the research since it provides insight into the non- monetary measures of performance and their link to the strategy.

The Balanced Scorecard (BSC) theory fundamentally informs this study by providing the conceptual framework that links specific types of strategic innovation directly to non-financial performance outcomes. Therefore, it tests the core BSC hypothesis that improvements in non-financial operational perspectives drive overall organizational

success. The study operationalizes the BSC's four perspectives by categorizing product, process, marketing, and organizational Innovation as direct manifestations of the internal business processes and learning & growth viewpoints. The theory posits that improvements in internal processes, learning and growth, and customer perspectives collectively drive long-term organizational success. In this study, product innovation, process innovation, marketing innovation, and organizational innovation represent internal and learning dimensions that influence customer satisfaction, customer growth, response time, and employee satisfaction. Therefore, the BSC framework underpins the study's hypothesis that strategic innovation initiatives when aligned with customer and internal process perspectives significantly enhance non-financial organizational performance.

### **2.2.2 The Schumpeter's Theory of Innovation**

Joseph Schumpeter introduced this view of entrepreneurship and innovativeness through his publication in 1934. Schumpeter indicated that in order to obtain greater returns, business owners should innovate. However, these high returns attract imitators resulting into a decrease in the abnormally high profits in the market. (Schumpeter, J.A,1934)

Schumpeter (1934) posited that innovative and novel ideas can be realized by entrepreneurs and their actions can alter the market and the process of production. In agreement with Schumpeter's arguments, Solow (1957) highlighted the importance of innovation for a country's development. Schumpeter (1939) put forward an emphasis on the crucial role of big organizations in creating innovations to enhance their competitive edge and encourage economic growth.

This theory has been criticized in a number of ways. First, it is claimed to place greater emphasis on sociological factors than on economic ones. This makes it challenging to objectively assess the theory in relation to business cycles (Hagedoorn, 1996). Second, the theory has been compared to the over-investment theory, differing only in its explanation of the causes of investment variations during stable economic conditions (Hagedoorn, 1996). Lastly, the theory overlooks other significant factors that also influence fluctuations in economic activity. Despite these criticisms, it remains generally accepted and utilized in the market-based economy (Hagedoorn, 1996).

The dynamic Banking industry demands for innovation that sets an organization apart from its competitors. This requires the tearing down of the long-standing methods to create way for innovation as presented by the Schumpeter (1934) theory of innovation.

Schumpeter's Theory of Innovation directly informs this study by offering the theoretical guide through which the relationship between different types of innovation and organizational performance in the banking industry is analyzed. The study is fundamentally built on Schumpeter's core premise that entrepreneurs and organizations must innovate to gain a competitive advantage and achieve greater returns. Mobile loans (product), online banking (process), data-driven marketing (marketing), and decentralized decision-making (organizational) are modern manifestations of Schumpeter's novel ideas that alter the market and the process of production. The theory predicts that implementing these innovations creates a temporary monopoly, setting banks apart from its competitors. However, the study also inherently engages with the Schumpeterian dynamic of imitation. These innovations become industry standard and their competitive edge diminishes which necessitates continuous innovation to sustain high performance. This cycle explains the dynamic nature of the banking industry under investigation. Therefore, Schumpeter's theory provides the

foundational logic for hypothesizing that active innovation is a primary driver of the non-financial performance metrics central to this study.

### **2.2.3 Diffusion of Innovation Theory**

Everett Rogers (1962) introduced DOI through his book publication in the year 1962. It suggests that innovation refers to a new object, practice, or idea incorporated into a social structure. Conversely, innovation diffusion is the means by which this new concept is transmitted into the social system using predetermined channels over a specific duration. The theory defines the patterns of technology adoption, elaborates on the mechanisms of adoption, and predicts how and whether innovation was successful. Everett Rodgers (1962) submitted that innovations are not accepted at the same rate by various people in the market and that the social system can influence the rate at which adoption occurs. Therefore, the DOI seeks to explain the way innovations are accepted and used in a social system.

The DOI theory has not been without some criticism. Robinson (2009) criticized the DOI theory on the basis that the theory took a drastically diverse outlook, unlike other change theories. He argued that the theory fails to focus on how people can change but perceives change to be largely about the reinvention or progression of products to fit the individual's needs or wants. Robinson (2009) further suggested that the notion of the DOI theory is that people do not change, but innovation needs to be in line with their needs. Sevcik (2004) noted that process of taking in the innovation is not instantaneous, instead it occurs gradually. He further maintains that resistance to change has a great impact on the diffusion of innovation, thereby delaying the acceptance of an innovation.

However, Rogers (1995) noted that the process of adopting innovation is affected by five key attributes: compatibility, observability, complexity, trialability, and relative

advantage. Therefore, the level of adoption of innovation is dependent on how an organization perceives these five attributes. The theory directed evaluation of the incorporation of various innovation approaches guiding the research and its effect on non- financial performance.

The Diffusion of Innovation (DOI) Theory informs this study by providing a framework for understanding how innovative practices and technologies are adopted within financial institutions and how such adoption influences non-financial performance outcomes. According to Rogers, the rate and success of innovation adoption depend on relative advantage, compatibility, complexity, trialability, and observability. In this context, product innovations such as mobile loans and the Equity App demonstrate the relative advantage and compatibility of providing accessible financial services that enhance customer satisfaction and growth. Process innovations like online banking and automated customer service reflect trialability and complexity reduction. This is because they allow customers to experience efficiency improvements that shorten response time and strengthen user trust. Marketing innovations such as data-driven marketing and customer loyalty programs illustrate observability. Here, the visible benefits and personalized engagement increase customer retention and satisfaction. Organizational innovations such as decentralized decision-making and enhanced risk management systems promote internal flexibility and empowerment leading to improved employee satisfaction. Therefore, the DOI theory underpins how these diverse innovations diffuse through systems collectively enhancing customer satisfaction, customer growth, response time, and employee satisfaction.

#### **2.2.4 Resource-Based View Theory**

Penrose (1959) initially proposed the RBV theory that was later worked on by Wernerfelt (1984) and advanced in the 1990s by Barney (1991). Penrose (1959)

indicated that managers can utilize the resources and capabilities of a company to come up with services and products than meet customer expectations better than their rivals.

It argues that gaining a competitive edge is possible if an organization focusses on its unique set of resources. Barney (1991) mentioned rarity, lack of substitutability, value and imperfect imitability as the features that can bring about competitive advantage. The RBV can be applied to explain why some businesses may succeed compared to others despite being within the same sector. Spanos and Lioukas (2001) confirmed this argument when they noted that variations in a competitive position in any industry enjoyed by various firms are best explained by this theory.

The firm's performance is attributed to what the firm has concerning resources and competence (Amit & Shoemaker, 1993; Eisenhardt & Martin, 2000). Therefore, it is prudent for a firm to evaluate its resources before deciding on an innovation strategy. The theory is, thus, essential in explaining the way firms can reach optimal performance by understanding their resources, strategies, and available opportunities. From the foregoing, it can be deduced that strategic planning is used to effectively allocate organizational resources to develop a valuable strategy for the organization.

The RBV theory is not without some criticism. For instance, Priem and Butler (2001) criticized the theory, arguing that it does not prescribe or offer management-specific advice about the resources that need to be harnessed by an organization to have a competitive edge. This is although different businesses have varying resources, which means a theory may not be specific in advising on the resources of every business. However, Barney (1991) argued that resources can originate from not only the internal but also the external of an organization such as cost-effective processes and technology advancement respectively. Therefore, the RBV theory can help managers when their

businesses are not able to realize their full potential of gaining sustainable performance. This can be achieved by helping to understand the type of resources a firm has and the way it can expend them to attain a sustainable competitive edge.

Commercial banks can grow and diversify by determining their rare capabilities and looking internally to their resources such as the work force. Therefore, RBV theory is applicable in explaining how commercial banks may be competitive and enhance their performance by optimizing their unique resources and competencies.

The Resource-Based View (RBV) Theory informs this study by explaining how the internal resources and capabilities of commercial banks drive innovation and influence non-financial performance outcomes. Firms achieve sustainable competitive advantage when they effectively utilize valuable, rare, inimitable, and non-substitutable (VRIN) resources. In this context, product innovations such as mobile loans and the Equity App utilize technological and human resources to create unique financial solutions that enhance satisfaction and customer growth. Process innovations like online banking and automated customer service depend on the bank's technological infrastructure and skilled personnel to improve operational efficiency. That helps in faster response times and better service delivery. Marketing innovations utilize the organization's analytical capabilities and customer databases to build lasting relationships and enhance customer satisfaction. Similarly, organizational innovations such as decentralized decision-making and enhanced risk management systems rely on internal leadership structures, employee expertise, and information systems that strengthen employee satisfaction and responsiveness. Therefore, the RBV theory shows that the effective deployment and management of internal resources guides the success of these innovation strategies which collectively enhance customer satisfaction, customer growth, response time, and employee satisfaction.

## **2.3 Empirical Review**

This section entails study results associated to variables reviewed on strategic innovation and performance.

### **2.3.1 Product Innovation Strategy and Organizational Performance**

Tsai, Chang, Lin, Cheng and Chih (2020) undertook an investigation on the relationship between product innovation and performance of tech organizations in Taiwan. They targeted 150 firms selected randomly in the tech industry. 600 managers were involved as the respondents and they were sent questionnaires electronically. 135 were responsive and 125 questionnaires were properly answered. The outcome established that innovation of products has a positive impression on organizational outcome. It differs from the current study since it focalized on tech firms in Taiwan. Additionally, it involved tech industry while the study was on the banking industry.

Fidelia and Ogor (2022) conducted investigation concerning innovation of products and its implication on performance of the manufacturing sector. The survey approach was applied and a total 180 participants were targeted from the Asaba area in Nigeria. Based on the 124 respondents selected, the study results indicated an enhancement of manufacturing companies' performance attributed to product innovation. This was focused on manufacturing firms in Nigeria which differs from this study whose focus was on the banking industry.

Product innovation influence on the performance of Nestle Nigeria were analyzed by Onikoyi (2017). 2,294 Nestle employees in Lagos were targeted out of which 340 respondents were selected through stratified sampling. A survey was launched with the aim of collecting data via a questionnaire in key departments. Innovation of products had a favorable effect throughout the company. Concentration of the research was on food service industry which varies from this study on financial service sector.

Moreover, more variables were added to include the operational measures in the current study.

Kawira (2021) attempted to determine the degree of MSMEs product innovations and their attributed change in performance. The research was done in Tharaka Nithi county with a focus on the 8,526 MSMEs in the County. A representative selection consisting of owners and managers was involved. Questionnaires were the preferred method of collecting data. The product innovation was beneficial to the performance of MSMEs as confirmed by the findings. Kawira (2021) embraced financial performance of MSMEs distinct from this study's attention on the non-financial determinants of performance.

### **2.3.2 Process Innovation Strategy and Organizational Performance**

Cheah, Leong, and Fernando (2022) focused on the connection linking performance of SMEs in Malaysia to process Innovation. 123 respondents were targeted. Study research revealed notable improvement in performance attributed to process innovation. It was done in Malaysia as opposed to the current one that was done in Kenya. Additionally, the focus was on SMEs while the present one was on banks.

Raja and Wei (2014) launched research on innovation of processes consequence on the performance of the service sector in Pakistan. 157 firms were involved the study. Data analysis was conducted and the outcome showed notable influence in service sector firms' performance. This research centered on Pakistan's service sector in general while this research was centered on Equity Bank Limited in Nairobi County in Kenya.

Survey on process innovation effect on performance of telecom company was conducted by Akpoviroro, Amo and Olalekan (2019) in Nigeria. 114 staff of a Lagos telecommunications company were involved. Results confirmed that the company's performance was positively affected by process innovation. Having been conducted in

Nigeria, the results cannot be applied to Kenya. Moreover, it was not on the non-monetary attributes of performance which was covered in this study.

Nyamoita (2015) launched research at KPLC, on the consequence of innovation of processes on the financial outcome of the company. Secondary information derived from company database was utilized to conduct the descriptive research. The outcome indicated notable influence on the performance of KPLC financially which was attributed to the process innovation. The research utilized secondary data while this one utilized primary data. Moreover, the focus was on non-financial performance metrics which were not covered in KPLC research.

### **2.3.3 Market Innovation Strategy and Organizational Performance**

The association between innovation in marketing and Turkish organizations performance was investigated by Atalay, Anafarta, and Sarvan (2013). 113 senior management employees of companies in the automotive industry were interviewed via a questionnaire. A favorable association between innovation in marketing and performance could not be found. The research was conducted in the Turkish automobile sector; hence, the results cannot be applied to Kenyan commercial banks; the market dynamics in banking environment are different compared to the automotive industry in Turkey. As such, this investigation differed from Atalay *et al.* (2013) study.

Raja and Wei (2014) studied “the relationship between innovation, quality practices and firm performance” within the service sector in Pakistan. 157 service sector organizations were targeted and data was gathered and evaluated utilizing inferential and descriptive techniques. The findings indicated that marketing innovation strongly affects both client and societal outcomes. This research majored on organizations in the Pakistan's service industry; hence, the findings aren't generalizable to banks in Kenya.

An examination of the connection between market innovation, customer experience and Vodacom performance was launched by Senguo and Kilango (2015) in Tanzania. Secondary data was utilized. The study found that enhanced customer experience can be realized through market innovation, which subsequently increases organizational profit. This research differs from the current research in different ways. First, the research employed secondary data, which may raise questions about the credibility and reliability of the results. Secondary data is prone to personal, commercial, or political bias, and it can become obsolete quickly (Collins, 2010). Second, it was done in Tanzania at Vodacom Company in contrast to the current which was undertaken at Equity Bank Limited.

A descriptive study was undertaken by Mugo (2015) on the connection between innovation and the business performance in the wine industry. Collection of primary data was undertaken via a questionnaire. The results indicated that market innovation can aid organizations gain a competitive edge by increasing market channels, better service delivery and customer experience. The research was on different industry from the research whose emphasis was on the banking sector.

#### **2.3.4 Organizational Innovation Strategy and Organizational Performance**

The connection between innovation within organizations in the aspect of innovation in technology and business performance was explored by Camisón and Villar-López (2014). 50 industrial firms were targeted and a questionnaire was the mode of data collection. It stipulated that organizational innovation can result to exceptional performance. The research centered on industrial companies in Spain, while this investigation concentrated on Kenya's banking sector. Therefore, the cultural, economic, and regulatory contexts are different. Second, the population characteristics

differ; hence, the findings of this investigation are not generalizable to Equity Bank in Kenya.

Noruzi et al. (2013) explored the association between organizational innovation and performance of manufacturing companies in Iran. 106 companies were targeted out of which 280 top managers made the respondents of the study. The outcome indicated that transformational leadership influences organizational innovation leading to better performance. It differs from current context which was on Equity Bank.

The extent of innovation consequence on SMEs performance was examined by Boachie-Mensah and Acquah (2015). SMEs in Ghana were targeted and a questionnaire was the preferred instrument. The study discovered beneficial pay-off that organization innovation exerted on SMEs. The research evaluated the influence on non-financial metrics of performance.

## 2.4 Summary of Literature Review and Research Gap

**Table 2.1: Summary of Literature Review and Research Gaps**

Author (s)	The study's main emphasis/ Topic	Research Findings	Research Gaps	The current study's main emphasis
Tsai, Chang, Lin, Cheng &Chih (2020)	Assessed the association between Taiwanese companies' performance and product innovation.	Study outcome showed that innovation in products had a favorable impression on organizational outcome.	<p>Conducted among Taiwan tech firms.</p> <p>Operational measures of performance not included.</p> <p><b>Theoretical Gap:</b> Limited theoretical foundation, primarily focusing on innovation-performance linkage without integrating comprehensive frameworks like Balanced Scorecard Model (BSC), Schumpeter's Theory of Innovation, Diffusion of Innovation Theory and Resource-Based View Theory.</p> <p><b>Empirical Gap:</b> Narrow focus on tech firms in Taiwan, lacking cross-sectoral (banking) and geographical (Kenya) generalizability.</p>	<p>Took place in Kenya at Equity Bank Limited.</p> <p>The emphasis was on non-financial performance.</p>

Fidelia and Ogor (2022)	Conducted investigation concerning innovation of products and its implication on performance of the manufacturing industry.	Study results indicated an enhancement in the performance of the manufacturing companies attributed to product innovation.	<p>Study was carried out among manufacturing firms in Nigeria.</p> <p>Theoretical Gap: Relied on basic innovation-performance models without incorporating BSC for balanced performance views, Schumpeter's Theory for entrepreneurial innovation dynamics, Diffusion of Innovation for spread mechanisms, or Resource-Based View for competitive advantages from resources.</p> <p>Empirical Gap: Restricted to manufacturing sector in Nigeria, missing insights from service-oriented industries like banking in Kenya. Performance measures not specified as non-financial.</p>	Was conducted at Equity Bank Limited in Kenya.
Onikoyi, (2017)	Innovation in products has an influence on Nestle Nigeria's performance.	The effect of product innovation in the company	Financial measures were solely used.	Used Non-financial indicators of a business's performance.

		<p>were positively realized on its performance.</p>		
			<p>Undertaken in a food and beverage company in Nigeria</p> <p><b>Theoretical Gap:</b> Narrow theoretical lens on product innovation without integrating BSC, Schumpeter's Theory for innovation as economic driver, Diffusion of Innovation for adoption rates, or Resource-Based View for resource orchestration.</p> <p>Empirical Gap: Exclusive use of financial metrics in a single Nigerian food company, lacking non-financial performance analysis and applicability to banking sectors in Kenya.</p>	<p>The study concentrating on Equity Bank Limited in Kenya.</p>

Kawira (2021)	Assessed the extent of MSMEs product innovations and their attributed change in performance.	Findings confirmed that innovation in products is beneficial to the performance of the MSMEs.	<p>Focalized on the performance of MSMEs.</p> <p><b>Theoretical Gap:</b> Focused on product innovation without broader theoretical integration such as BSC for multi-perspective evaluation, Schumpeter's Theory for disruptive innovation, Diffusion of Innovation for implementation, or Resource-Based View for internal capabilities. It ignored other innovation variables like process, marketing, and organizational.</p> <p>Empirical Gap: Limited to MSMEs, not extending to larger institutions like commercial banks. It is context-specific to MSMEs without Kenyan banking focus or non-financial measures.</p>	Research emphasized on Commercial banks specifically, Equity Bank Limited.
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Cheah, Leong & Fernando (2022)	Dwelt on the connection linking performance of SMEs in Malaysia to process Innovation.	Research revealed notable improvement in performance attributed to process innovation.	<p>Study centered on SMEs</p> <p><b>Theoretical Gap:</b> Emphasized process innovation without incorporating BSC for comprehensive performance, Schumpeter's Theory for innovation cycles, Diffusion of Innovation for process adoption, or Resource-Based View for resource-based advantages.</p> <p><b>Empirical Gap:</b> SME-focused in Malaysia, lacking relevance to banking sectors in Kenya and non-financial performance indicators.</p>	Study concentrated on Commercial banks.
Akpoviroro, Amo, & Olalekan (2019)	Survey on process innovation influence on performance of telecom company was conducted	It confirmed that the company's performance was positively affected by process innovation.	<p>Involved a telecommunications firm in Nigeria.</p> <p><b>Theoretical Gap:</b> Process innovation-centric without full theoretical coverage</p>	Research took place at Equity Bank Limited in Nairobi, Kenya

			<p>via BSC for balanced metrics, Schumpeter's Theory for innovation economics, Diffusion of Innovation for diffusion patterns, or Resource-Based View for strategic resources.</p> <p><b>Empirical Gap:</b> Telecom-specific in Nigeria, not generalizable to banking in Kenya. Performance not delineated as non-financial.</p>	
Nyamoita (2015)	Launched research at KPLC, on the consequence of innovation in processes on the financial outcome of the company.	Enhanced financial performance attributed to process innovation.	Relied on secondary data which may be inaccurate and incomplete for the specific study.	Primary data was used in the research.
			Based at KPLC.	The research focused on Equity Bank Limited in Kenya.
			Measurement of company performance based on financial measures.	The measure of performance was non-financial

			<p><b>Theoretical Gap:</b> Process innovation focus without integrating BSC for non-financial aspects, Schumpeter's Theory for broader innovation impacts, Diffusion of Innovation for adoption, or Resource-Based View for resource views.</p> <p>Empirical Gap: Utility company (KPLC) in Kenya using secondary data and financial measures, not primary data or non-financial performance in banking context.</p>	
Raja & Wei (2014)	Evaluated the associated between company performance, high-quality methods, and innovation.	The findings showed that marketing innovation strongly affects both client and societal outcomes, hence affects firm performance.	<p>Focused on service sector organizations in Pakistan.</p> <p><b>Theoretical Gap:</b> Marketing innovation emphasis without full use of BSC for performance balance, Schumpeter's Theory for creative processes, Diffusion of Innovation for market</p>	The emphasis was on Equity bank

			<p>diffusion, or Resource-Based View for internal strengths.</p> <p><b>Empirical Gap:</b> Service sector in Pakistan, lacking banking-specific insights in Kenya and non-financial performance focus.</p>	
Mugo (2015)	<p>Descriptive analysis was undertaken on the link between company performance and innovation in the wine sector.</p>	<p>Research confirmed market innovation can aid organizations gain a competitive edge.</p>	<p>Focalized on the wine industry</p> <p><b>Theoretical Gap:</b> Market innovation in wine sector without incorporating BSC for multi-dimensional analysis, Schumpeter's Theory for innovation destruction, Diffusion of Innovation for spread, or Resource-Based View for resources.</p> <p>Empirical Gap: Wine industry-specific, not applicable to banking in Kenya. No explicit non-financial measures.</p>	<p>Research focused on banking industry.</p>

Camisón and Villar-López (2014)	Correlation between innovation in businesses in the aspect of technological innovation and company performance was explored.	Organizational innovation was found to enhance the performance of the business.	<p>The study concentrated on industrial businesses in Spain, while.</p> <p><b>Theoretical Gap:</b> Technological/organizational innovation without BSC for balanced views, Schumpeter's Theory for economic innovation, Diffusion of Innovation for tech adoption, or Resource-Based View for capabilities.</p> <p><b>Empirical Gap:</b> Industrial firms in Spain, not extending to Kenyan banking or non-financial performance.</p>	Study centered on Kenyan banks specifically, Equity Bank Limited.
Boachie-Mensah and Acquah (2015)	The extent of innovation consequence on SMEs performance was examined.	Study results recognized enhanced SMEs performance attached to innovation.	<p>Study focalized on SMEs.</p> <p><b>Theoretical Gap:</b> General innovation on SMEs without specific theories like BSC for performance metrics, Schumpeter's Theory for innovation</p>	The focus was on Equity bank

			<p>types, Diffusion of Innovation for processes, or Resource-Based View for resources.</p> <p><b>Empirical Gap:</b> SME-oriented, lacking large-scale banking context in Kenya and non-financial emphasis.</p>	
Atalay, Anafarta, and Sarvan (2013)	The association between innovation in marketing and Turkish organizations' performance was investigated.	A favorable association between innovation in marketing and performance could not be found.	<p><b>Empirical Gap:</b> Used a questionnaire survey with 113 senior management employees in the automotive industry; limited sample size and focus on senior managers only.</p> <p><b>Theoretical Gap:</b> Focused solely on marketing innovation without integrating comprehensive frameworks like Balanced Scorecard Model (BSC) for multi-dimensional performance assessment, Schumpeter's Theory of Innovation for creative destruction and economic impacts, Diffusion of</p>	This investigation differed from Atalay et al. (2013) study, focusing on Equity Bank Limited in Kenya with an emphasis on non-financial performance in the banking sector.

			<p>Innovation Theory for adoption and diffusion processes, or Resource-Based View Theory for leveraging internal resources.</p> <p><b>Contextual Gap:</b> Conducted in the Turkish automobile sector; results not generalizable to Kenyan commercial banks.</p>	
Senguo and Kilango (2015)	An examination of the connection between market innovation, customer experience, and Vodacom performance was launched in Tanzania.	The study found that enhanced customer experience can be realized through market innovation, which subsequently increases organizational profit.	<p><b>Empirical Gap:</b> Relied on secondary data, which may raise concerns about credibility, reliability, bias. No primary data collection for validation.</p> <p><b>Theoretical Gap:</b> Emphasized market innovation and customer experience without broader theoretical integration such as BSC for balanced performance metrics, Schumpeter's Theory for innovation-driven growth, Diffusion of Innovation for market adoption mechanisms, or Resource-Based View for resource-based competitive advantages.</p>	This research differs from the current research, which was undertaken at Equity Bank Limited in Kenya using primary data and emphasizing non-financial performance.

			<p><b>Contextual Gap:</b> Conducted at Vodacom Company in Tanzania within the telecommunications sector; not applicable to the banking industry in Kenya.</p>	
Noruzi et al. (2013)	Explored the association between organizational innovation and performance of manufacturing companies in Iran.	The outcome indicated that transformational leadership influences organizational innovation leading to better performance.	<p><b>Empirical Gap:</b> Surveyed 280 top managers from 106 manufacturing companies; focused on top management.</p> <p><b>Theoretical Gap:</b> Centered on organizational innovation and transformational leadership without incorporating BSC for holistic performance evaluation, Schumpeter's Theory for innovation as an economic driver, Diffusion of Innovation for implementation and spread, or Resource-Based View for internal capabilities and resources.</p> <p><b>Contextual Gap:</b> Conducted among manufacturing companies in Iran; findings not directly transferable to the banking sector in Kenya.</p>	It differs from the current context, which was on Equity Bank Limited in Kenya with an emphasis on non-financial performance in the banking industry.

**Source: Researcher (2025)**

## 2.5 Conceptual Framework

Conceptual framework is a constructed design which puts together key variables in a manner that aids to interpret how they are correlated (Kombo & Tromp, 2009). Process; product; organizational and marketing innovation strategies makes for independent variable. Non-financial measures which form dependent variables are customer satisfaction, customer growth, response time and employee satisfaction.

### Independent Variables

### Dependent Variables

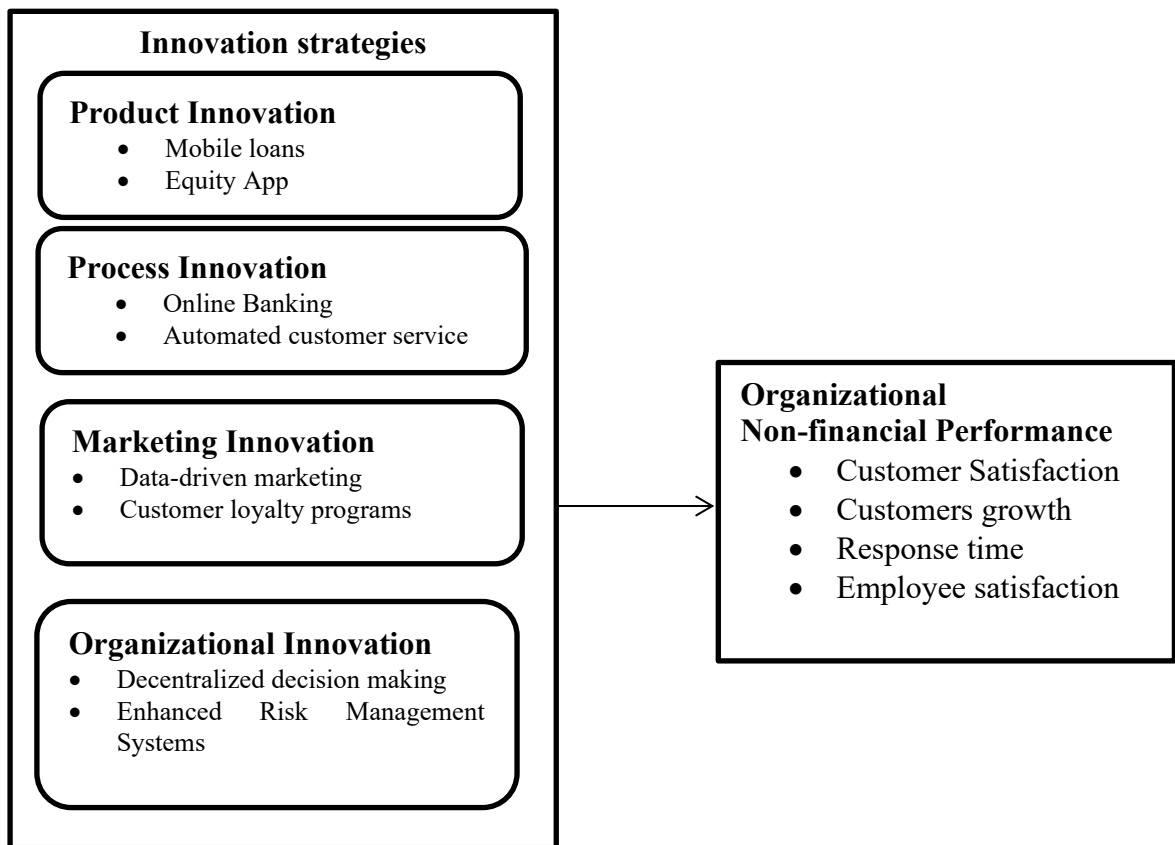


Figure 2. 1: Conceptual Framework

Source: Researcher (2025)

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1. Introduction**

This chapter covers the research design, target population, sampling techniques and sample size determination. In addition, the chapter also captures the instruments and tools, data collection procedure, data analysis and presentation, validity and reliability along with ethical consideration.

### **3.2. Research Design**

Entails a fundamental strategy that provides an outline of actions imperative to conduct a study. The case study design, which Kothari (2004) states provides a thorough analysis of a single subject or a collection of events was used. This design plays a crucial role in narrowing a broad area or population into something manageable for research. This allowed the researcher to thoroughly describe a unit in detail, within its context and from a holistic perspective (Kombo & Tromp, 2009). The case study design was appropriate for this study as it enabled an in-depth exploration of Equity Bank's specific innovation strategies and their impact on non-financial performance. Therefore, it provided context-specific insights that might be obscured in broader research approaches. Focusing on Equity Bank as a representative case helps the design to provide a detailed understanding of innovation dynamics within a leading Kenyan commercial bank. The case study design was suitable as it allowed the researcher to evaluate how different innovation strategies influence non-financial performance at Equity Bank and used it to generalize on commercial banks in Kenya.

### **3.3 Target Population**

Kombo & Tromp (2009) explains it as a grouping of people wherefrom samples are drawn for research. The study targets Equity Bank locations in Nairobi City County.

All the 52 Equity Bank branches in Nairobi County were included. This ensured the collected data was representative and detailed enough.

### **3.4 Sampling Design**

#### **3.4.1 Sampling Technique**

Kothari (2004) presents it as steps taken to select study respondents from entire group targeted. Data was collected from all the 52 branches in Nairobi County and it was gathered from two top management employee in all the 52 branches. Therefore, 104 respondents were targeted. This was deemed appropriate because in each of these branches regardless of the size, at least two top management staff can be found; that is a Branch manager and an operations Manager.

### **3.5 Data Collection Instruments**

A questionnaire was applied for gathering information. Mugenda & Mugenda (2013) posited that questionnaires are used prevalently to accumulate data from a large population due to their economical nature. The hybrid questionnaire made room for both open and closed questionnaires in order to acquire more detailed information.

#### **3.5.1 Validity of Research Instruments**

Mugenda & Mugenda (2003) indicated validity as the level the research phenomenon is represented by the study outcomes. Research tool validity is a combination of internal, external and content validity. An evaluation of the effectiveness of the instrument in how it takes into account every aspect of the construct being measured. According to Burns & Grove (2009) this kind of validity is dependent on the perception of expert in the relevant area. In depth literature examination ensured content validity is enhanced.

Internal validity was enhanced by looking into areas of potential bias through the use of supervisor guidance and expert opinion. The applicability of the findings to practical

use which makes the external validity was established through the utilization of a representative sample. Additionally, pilot research was conducted on 5 branches to ensure that the instrument is producing the expected outcome. According to Mugenda & Mugenda (2003), a pre-test sample should range from 1% to 10% of the entire population which justifies the inclusion of 5 respondents in the pilot study. The five selected branches were from Kiambu County.

### **3.5.2 Reliability of the Research Instruments**

The level to which the instrument applied for data collection is consistent in measurement of an aspect is reliability as posited by (Polit & Hungler,2013). A higher reliability is an indicator of less variation (Polit & Hungler, 2013). A coefficient of reliability test was performed using a coefficient alpha reliability index which falls between 0 to 1. The study considered 0.7 and greater as acceptable.

The values fall between 0.701 to 0.900. Product innovation strategy scores the highest at 0.900, indicating excellent internal consistency. Process innovation strategy (0.803) and organizational innovation strategy (0.832) also show good reliability. Market innovation strategy (0.714) and organizational non-financial performance (0.701) meet the minimum acceptable threshold. Therefore, all constructs have adequate reliability. Each scale demonstrates consistency in measuring its intended concept, supporting their validity for analysis.

**Table 3.1: Cronbach Alpha**

Study Variable	Number of Items	Alpha
Product Innovation	6	0.900
Strategy		
Process innovation strategy	7	0.803
Market innovation strategy	5	0.714
Organizational Innovation	5	0.832
Strategy		
Organizational non-financial performance	5	0.701

**Source: Researcher (2025)**

### **3.6 Data Collection Procedure**

Authority for data collection was retrieved from the institution. Thereafter, NACOSTI authorization was obtained before engaging to the field. Questionnaires were apportioned to the branches: thereafter picked after a duration of 10 working days.

### **3.7 Data Analysis and Presentation**

The research employed conceptual analysis and summary statistics in the analysis of data gathered. A presentation of the results was done in percentages, standard deviations, mean and frequencies. Additionally, a pictorial presentation in pie charts and bar charts was included. The link between the variables was examined utilizing multiple linear regression.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where,

Y = Non- financial Performance

**B0** = Constant

**β1, β2, β3, β4,** = R squared

**X1** = Product Innovation Strategy

**X2** = Process Innovation Strategy

**X3** = Market Innovation Strategy

**X4** = Organizational Innovation Strategy

**ε** = Error term

### **3.8 Ethical Consideration**

These involve the approach before setting out to perform research in order to ensure that confidentiality and integrity is upheld. The first thing was to request research permission from the University. The next thing was to seek permission to conduct the study from NACOSTI. This was accomplished by obtaining a research permit before the start of data collection. Finally, an introductory letter indicating the aim and context of the undertaking was utilized. The study author was in charge of analyzing all data and displaying the results with guarantee that the data is not tampered with.

## **CHAPTER FOUR: RESEARCH FINDINGS**

### **4.1 Introduction**

The data analysis, interpretation, and discussion of the results are presented in this chapter. It offers an examination of the data and its relevance to the aims. It starts with the response rate, showing the degree of involvement from the targeted participants. It then presents the pilot study results, focusing on reliability analysis. Next, the chapter explores the demographic traits. This provides insights into their background and relevance to the study. Descriptive statistics are also presented to summarize key variables. These results highlight trends, patterns, and distributions in the data. The chapter further includes inferential statistical analysis. Finally, the results are examined in light of existing literature.

### **4.2 Response Rate**

The table shows that 92 questionnaires were completed and returned. In contrast, 12 remained unanswered, accounting for 11.5% of the total. This represents an 88.5% response rate, reflecting strong participant engagement. According to Sataloff and Vontela (2021) a 60% response rate is deemed appropriate. Therefore, such a high rate improves the reliability of the results by minimizing non-response bias. Moreover, the robust input from respondents establishes a credible basis for data analysis. Consequently, the results are well-supported and likely representative of the target population.

**Table 4.1: Response Rate**

Response	Frequency	Valid Percentage
Returned Questionnaires	92	88.5%
Unreturned Questionnaires	12	11.5%
Total	104	100.0

**Source: Researcher (2025)**

#### 4.4 Demographic Information

An analysis of the demographic information is presented in this section. It highlights key details such as gender, age, work experience, role at the branch, and education level.

The data is detailed in frequency tables.

##### 4.4.1 Gender

The table indicates that among the 92 respondents, 54.3% were females and 45.7% were male. The results show a slight predominance of female participants. The gender distribution is relatively balanced, though females outnumber males by approximately 8.6 percentage points. The near-equal proportions imply that the results are not heavily skewed toward one gender. As a result, it allows for reasonably comparative analyses between groups.

**Table 4.2: Gender**

	Frequency	Percent	Cumulative Percent
Valid Male	42	45.7	45.7
Female	50	54.3	100.0
Total	92	100.0	

**Source: Researcher (2025)**

#### 4.4.2 Age

The age distribution of the 92 respondents leans heavily toward older participants. The largest group, 45.7% ( $n = 42$ ), falls within the 41–50-year range. Next, 27.2% ( $n = 25$ ) are aged 31–40 years, and 22.8% ( $n = 21$ ) are 51–60 years old. Only 4.3% ( $n = 4$ ) represent the youngest cohort (20–30 years). Overall, 77.2% of participants are 41 or older, underscoring a strong focus on middle-aged and older demographics. This pattern suggests the study’s findings may primarily reflect the perspectives of these age groups. However, the minimal representation of younger adults (20–30 years) limits insights into that demographic.

**Table 4.3: Age**

		Frequency	Percent	Cumulative Percent
Valid	20 – 30 years	4	4.3	4.3
	31 – 40 years	25	27.2	31.5
	41 - 50 years	42	45.7	77.2
	51 – 60 years	21	22.8	100.0
	Total	92	100.0	

**Source: Researcher (2025)**

#### 4.4.3 Work Experience

The largest group of respondents (38.0%,  $n = 35$ ) reported 6–8 years of work experience. This was followed by 30.4% ( $n = 28$ ) with 4–6 years. Cumulatively, 83.7% have at least 4 years of experience, reflecting a mid-to-senior-level skew. Only 15.2% ( $n = 14$  combined) fall below 4 years, including a small 3.3% ( $n = 3$ ) in the 0–2-year category. Additionally, 16.3% ( $n = 15$ ) possess over 8 years of experience. These results highlight a sample dominated by seasoned professionals, aligning with the focus on supervisors and branch managers. However, the minimal representation of early-career

respondents (0–2 years) suggests limited input from newer workforce entrants. Overall, the data emphasizes perspectives from experienced individuals in leadership roles.

**Table 4.4: Work Experience**

		Frequency	Percent	Cumulative Percent
Valid	0 – 2 years	3	3.3	3.3
	2 – 4 years	11	12.0	15.2
	4 – 6 years	28	30.4	45.7
	6– 8 years	35	38.0	83.7
	over 8 years	15	16.3	100.0
	Total	92	100.0	

**Source: Researcher (2025)**

#### 4.4.4 Role at the Branch

Most respondents (85.9%,  $n = 79$ ) held supervisory roles. Only 14.1% ( $n = 13$ ) were branch managers. This disparity reveals a significant imbalance in role representation. Supervisors dominate the sample, while branch managers are notably underrepresented. The study initially intended to collect data from one supervisor and one branch manager per bank. In practice, it was more feasible to access supervisors who were more readily available and willing to participate. Due to their heavier workloads and limited availability, branch managers were less accessible during the data collection period. That led to a higher number of responses from supervisors. Even though there is an overwhelming proportion of supervisors, the findings still reflect insights from higher-level leadership roles since the study focused on branch managers and supervisors.

**Table 4.5: Role at the Branch**

	Frequency	Percent	Cumulative Percent
Valid Branch Manager	13	14.1	14.1
Supervisor	79	85.9	100.0
Total	92	100.0	

**Source: Researcher (2025)****4.4.5 Level of Education**

Most respondents (53.3%,  $n = 49$ ) hold undergraduate degrees. Master’s degrees follow closely at 44.6% ( $n = 41$ ). Only 2.2% ( $n = 2$ ) have PhDs. Cumulatively, 97.8% of participants possess at least an undergraduate education, reflecting a highly educated sample. While master’s-level qualifications are well-represented, doctoral credentials remain rare. The prevalence of undergraduate and master’s degrees aligns with mid-career professionals in Equity bank. However, the near-equal split between undergraduate and master’s respondents reveals balanced educational diversity. Overall, the workforce demonstrates strong academic credentials.

**Table 4.6: Level of Education**

	Frequency	Percent	Cumulative Percent
Valid Undergraduate	49	53.3	53.3
Masters	41	44.6	97.8
PhD	2	2.2	100.0
Total	92	100.0	

**Source: Researcher (2025)****4.5 Descriptive Statistics**

The findings for the four research variables are shown in this section. It outlines the key findings for each variable showing the trends in their performance.

#### 4.5.1 Product Innovation Strategy

Equity Bank Kenya's product innovation strategy demonstrates strong positive outcomes. 56.5% of participants agreed, and 33.7% strongly agreed that bold initiatives like mobile loan services improved credit accessibility, yielding a high mean of 4.2391 (SD = 0.6179). Only 9.8% remained neutral, with no disagreement, signaling broad consensus. Similarly, 88% (40.2% agree + 47.8% strongly agree) linked innovative products like mobile loans to enhanced customer satisfaction, though the higher standard deviation (0.7719) suggests slight variability in experiences. The mobile application role in customer experience saw even stronger approval with 91.3% agreeing and strongly agreeing (mean = 4.4130, SD = 0.7133), reflecting tighter alignment on its accessibility benefits. Notably, 94.5% tied product innovations like the Equity app to higher overall customer satisfaction (mean = 4.4891, SD = 0.6711), with negligible disagreement (2.2%), underscoring its effectiveness. However, while 92.4% believed innovations boosted employee performance (mean = 4.4891), the higher SD (0.7631) and 4.3% disagreement hint at mixed internal perceptions. Finally, mobile banking's impact on customer acquisition was perceived to be strong with 67.4% strongly agreeing and 28.3% agreeing (mean = 4.6304, SD = 0.5687), with no dissent and the lowest variability, affirming its role in market growth. Overall, Equity Bank's product innovation strategy is widely viewed as successful with minor divergences in employee-related impacts. The study validates the findings of Kawira (2021), Fidelia and Ogor (2022) and Tsai et al. (2020) who did studies on the effect of product innovation on performance and found a high level of agreement on good product innovation improves employee's performance, and customer satisfaction. These findings are also consistent with those of Njuguna and Kinyua (2024), who found that leveraging innovation strategies such as digital and mobile banking products enhanced

customer retention and satisfaction at Equity Bank Kenya. Similarly, Kanyi and Kihara (2022) observed that product innovation led to improved customer experience and market competitiveness among internet service providers in Nairobi. The similarity in findings suggests that introducing technologically driven products enhances service accessibility and customer satisfaction similar to the Balanced Scorecard (BSC) framework. Equity Bank’s commitment to continuous product innovation also aligns with the Schumpeterian theory of innovation, emphasizing the creation of new products as a source of competitive advantage.

**Table 4.7: Product Innovation Strategy**

	SD	D	N	A	SA	Mean	Std. Deviation
The bank has imaginative, bold and early product development like mobile loan service which has improved the accessibility of credit facilities for customers.	0%	0%	9.8%	56.5%	33.7%	4.2391	.6179
The bank has innovative products like mobile loans which have enhanced customer satisfaction.	0%	3.3%	8.7%	40.2%	47.8%	4.3261	.7719
The bank’s product innovation like the mobile app has improved customer experience by making banking services more accessible.	0%	2.2%	6.5%	39.1%	52.2%	4.4130	.7133
The bank’s product innovations like the Equity app have enhanced customer’s overall satisfaction with Equity Bank's services.	0%	2.2%	3.3%	38.0%	56.5%	4.4891	.6711
The bank’s product innovation like the Equity app has enhanced the employee’s performance.	0%	4.3%	3.3%	31.5%	60.9%	4.4891	.7631
Mobile banking has attracted new customers to Equity Bank.	0%	0%	4.3%	28.3%	67.4%	4.6304	.5687

**Source: Researcher (2025)**

Equity Bank Kenya’s product innovation strategy reveals a stark divide in perceptions.

About 39.1% (36 of 92 respondents) agreed that it is effective. However, a majority of

60.9% (56 respondents) disagreed. This signals potential gaps in execution or alignment with stakeholder needs. Among those who agreed, respondents highlighted a customer-centric and collaborative approach to identifying and prioritizing new product ideas. Customer insights emerged as a cornerstone. Many respondents emphasized customer feedback, citing phrases like “through talking with our customers,” “customer opinions,” “feedback from customers,” and “customer satisfaction from their feedbacks.”

The focus on customer insights was paired with efforts to gauge customer loyalty and satisfaction. Responses included statements like “customer satisfaction and loyalty to the new products” and “customer feedback based on their satisfaction.” Additionally, internal collaboration played a critical role. Methods such as brainstorming with employees, department meetings, employee inputs in meetings, and workshops organized by departments helped foster ideation. Respondents also stressed market-driven strategies. These included conducting market research, identifying trends, and analyzing market trends to align innovations with industry dynamics. Structured evaluation through feasibility analysis further ensured practicality. Responses highlighted this through phrases like “feasibility analysis” and “ensuring practicality before implementation.” Hybrid approaches combined both external feedback and internal teamwork. Statements such as “engaging employees and customers” and “regular meetings with employees” underscored this integration.

**Table 4.8: Level of Agreement on Good Product Innovation Strategy**

	Frequency	Percent	Cumulative Percent
Valid Yes	36	39.1	39.1
No	56	60.9	100.0
Total	92	100.0	

**Source: Researcher (2025)**

#### **4.5.2 Process Innovation Strategy**

The results of Equity Bank Kenya’s process innovation strategy indicate a strong positive reception to technological advancements in banking services. The implementation of advanced technologies such as internet banking has significantly improved service efficiency. Among respondents, 52.2% agreed with this statement and 42.4% were neutral. Just 2.2% strongly disagreed while 3.3% disagreed. The mean of 4.4457 suggests a strong consensus that these technologies have reduced service time. The 0.66900 standard deviation suggests that responses did not vary widely. Similarly, the bank’s investment in online banking has been well received. About 60.9% of respondents agreed that it has enhanced transactional efficiency and speed, while 30.4% were neutral. Just 1.1% strongly disagreed, while 7.6% disagreed. The 4.5109 mean score shows a positive perception. The 0.68732 standard deviation indicates a little degree of response variance but still indicates a strong agreement overall.

The utilization of innovative technologies such as automated customer service and online banking has helped ease the workload on employees. This, in turn, has contributed to improving employee satisfaction. A majority of 55.4% of respondents agreed with this assertion, although 38.0% were undecided. Only 3.3% strongly disagreed, and another 3.3% disagreed. A mean of 4.4565 suggests general agreement that these technologies benefit employees. The 0.71734 standard deviation shows

moderate variation in opinions. Additionally, online banking has significantly enhanced the overall customer experience. About 69.6% of respondents agreed with this, while 21.7% maintained a neutral stance. Just 2.2% of the participants disagreed strongly, whereas 6.5% disagreed. The high average score of 4.5870 supports the idea that online banking has improved service delivery. The standard deviation of 0.71333 implies a uniformity in agreement among participants.

The bank's automated customer service system received a relatively lower level of approval in reducing customer wait times. A majority of 58.7% of respondents disagreed with this assertion, while 13.0% took a neutral position. Only 23.9% agreed, and 4.3% disagreed strongly. This led to a lower mean score of 3.5652. Among the replies, the largest standard deviation was 0.90547, suggesting considerable variation in opinions. Despite this, online services have encouraged self-service, which has enhanced customer satisfaction. A majority of 63.0% of respondents agreed with this, while 30.4% remained neutral. A mean of 4.5652 was high, and the standard deviation of 0.61670 was relatively low. This reflects consistency in responses. Finally, online banking has effectively reduced customer flow to physical branches, thereby easing staff workload. A striking 75.0% of respondents agreed with the assertion while 19.6% were neutral. Only 5.4% disagreed. The exceptionally high mean of 4.6957 and the standard deviation of 0.56915 indicate substantial and steady agreement. This implies that digital banking solutions have had a positive impact on employee workload management. Overall, these results highlight the bank's ability to successfully use technology for process innovation. However, challenges remain in the effectiveness of automated customer service. This study validates the findings of Akpoviroro et al. (2019), who did a study on the impact of process innovation on organizational performance and found that respondents strongly agreed that process innovation

enhances efficiency and overall performance. These results align with findings by Kihiko et al. (2024), who established that process innovation at Equity Bank and Safaricom PLC improved service delivery and overall organizational efficiency. Likewise, Kanyi and Kihara (2022) confirmed that innovative technologies improved speed, reliability, and customer convenience among internet service providers in Nairobi. This consistency reinforces the idea within the Resource-Based View (RBV) theory that technology-driven process capabilities constitute strategic resources that improve organizational performance. The findings therefore demonstrate that process innovation optimizes efficiency and enhances customer experience and employee satisfaction vital under the BSC model.

**Table 4.9: Process Innovation Strategy**

	SD	D	N	A	SA	Mean	Std. Deviation
The bank has implemented advanced technologies like internet banking which have made services point to take less time.	0%	2.2%	3.3%	42.4%	52.2%	4.4457	.66900
The bank has invested in Online banking which has enhanced transactional efficiency and speed.	0%	1.1%	7.6%	30.4%	60.9%	4.5109	.68732
The use of innovative technologies like automated customer service and online banking has eased the workload on employees which in turn improves employee satisfaction.	0%	3.3%	3.3%	38.0%	55.4%	4.4565	.71734
The bank's online banking system has enhanced customer's overall banking experience.	0%	2.2%	6.5%	21.7%	69.6%	4.5870	.71333
The bank's Automated customer service has reduced customer's wait time which enhances their satisfaction.	0%	4.3%	58.7%	13.0%	23.9%	3.5652	.90547
The bank's online services have encouraged self-service hence enhanced customer satisfaction.	0%	0%	6.5%	30.4%	63.0%	4.5652	.61670
Online banking has reduced customer flow to the branch thus easing staff workload.	0%	0%	5.4%	19.6%	75.0%	4.6957	.56915

**Source: Researcher (2025)**

The findings show that majority of participants, 85.9% (79 out of 92), stated that there has been no recent process improvement initiative at Equity Bank Kenya. In contrast, only 14.1% (13 respondents) acknowledged such an initiative. This suggests that while some employees recognize efforts toward process improvements, the majority do not perceive any recent changes. Among those who agreed that the bank has undertaken process improvement initiatives, various methods were highlighted for employee involvement. One common approach was departmental meetings, where employees could share insights and contribute to process enhancements. Additionally, group

discussions for information sharing provided a platform for employees to exchange ideas and collaborate on solutions. The bank also engaged employees through innovation programs, encouraging them to contribute creative solutions to improve processes. Cross-department collaboration was another key method, allowing employees from many departments of the company to collaborate in identifying and implementing improvements.

Regular group meetings were mentioned as a way to facilitate discussions. Feedback and communication channels ensured that employees could voice their concerns and suggestions effectively. Some respondents specifically pointed out the role of WhatsApp groups. These groups were used for discussions and group meetings, enhancing real-time communication among employees. Furthermore, training workshops were conducted. These sessions equipped employees with the skills and knowledge necessary for process improvement. Departmental discussions and meetings were also frequently cited. They served as structured forums where employees could contribute ideas. The responses indicate that Equity Bank Kenya employs multiple engagement strategies. These efforts help involve employees in identifying process improvement opportunities. However, these initiatives may not be widely recognized across the organization.

**Table 4.10: Recent Process Improvement Initiative in Equity Bank**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	13	14.1	14.1	14.1
No	79	85.9	85.9	100.0
Total	92	100.0	100.0	

**Source: Researcher (2025)**

### 4.5.3 Market Innovation Strategy

Equity Bank Kenya's market innovation strategy shows mixed results across different initiatives. Personalized marketing campaigns are well-received, with 91.3% of customers agreeing that the bank tailors efforts to their needs. Only 4.3% were neutral or strongly disagreed, leading to a standard deviation of 0.30 and a mean of 3.00, confirming strong consensus. Targeted campaigns for new customers perform even better, with 54.3% strongly agreeing and 40.2% agreeing that the bank uses customer behavior effectively. Disagreement is minimal (4.3% D, 1.1% SD), resulting in a high mean (4.45) but a moderate deviation (0.73), suggesting slight variation in perceptions.

Customer engagement is particularly strong, with 72.8% strongly agreeing and 25.0% agreeing that marketing efforts boost interaction. The mean (4.70) is near-perfect, and the low deviation (0.55) indicates consistent positive feedback. However, loyalty programs show weaker performance. While 71.7% agree they encourage continued service use, only 17.4% strongly agree, and 9.8% remain neutral. The mean (3.43) is lower, and the higher deviation (0.79) reveals mixed opinions. Similarly, just 13.0% strongly agree that loyalty programs improve satisfaction, though 75.0% agree. The mean (3.29) and deviation (0.75) suggest this area needs improvement. In summary, Equity Bank excels in personalized and targeted marketing but must enhance its loyalty programs to boost customer satisfaction further. These results concur with Kanyi and Kihara (2022), who established that marketing innovation enhanced customer engagement and satisfaction in the ICT sector. This similarity implies that customer-oriented marketing innovations have a strong influence on non-financial performance. From the lens of Diffusion of Innovation Theory, the findings indicate that rapid adoption of marketing innovations such as digital campaigns and loyalty platforms

facilitates greater customer connection and satisfaction, leading to improved service quality and brand loyalty at Equity Bank.

**Table 4.11: Market Innovation Strategy**

	SD	D	N	A	SA	Mean	Std. Deviation
The bank conducts marketing campaigns that are personalized based on customer's banking needs and preferences.	0%	0%	4.3%	91.3%	4.3%	3.0000	.29650
The bank engages in targeted marketing campaigns to reach new customers based on customer banking behavior.	0%	4.3%	1.1%	40.2%	54.3%	4.4457	.73176
The bank's targeted marketing efforts have increased the customer's engagement with the bank's services.	0%	1.1%	1.1%	25.0%	72.8%	4.6957	.54951
The bank's loyalty programs encourage customers to continue using the bank's services.	0%	1.1%	71.7%	9.8%	17.4%	3.4348	.78872
The bank's customer loyalty programs have improved customer's overall experience and satisfaction.	0%	4.3%	75%	7.6%	13.0%	3.2935	.74918

**Source: Researcher (2025)**

The data reveals that only a small minority of respondents (9.8%, or 9 out of 92) agreed that their bank actively identifies and evaluates new market opportunities. In contrast,

the vast majority (90.2%, or 83 out of 92) did not agree. This significant disparity suggests that most respondents believe their banks are not sufficiently engaged in exploring new market opportunities. It could indicate a lack of proactive market analysis or innovation within these institutions. The high percentage of "No" responses highlight a potential gap in strategic market exploration. This gap could hinder competitiveness and growth. On the other hand, the small fraction of "Yes" respondents implies that only a few branches are actively pursuing such initiatives. These banks may have an edge in adapting to market changes and meeting customer needs.

Among those who agreed, banks used different methods to identify and evaluate new market opportunities. Some encouraged internal collaboration, bringing employees together to share insights. Others relied on feasibility studies or feasibility analysis to test new ideas before implementation. Customer feedback also played a role. Some banks conducted surveys to understand client needs. Meanwhile, others tracked market trends or performed market research to spot emerging opportunities. Leadership involvement was another key factor. A few respondents noted that company executives helped by sharing information and guiding decisions. These varied approaches show that successful banks use multiple strategies. They combine data-driven research, leadership direction, and direct customer input. This flexibility allows them to stay competitive and adapt to changing markets.

**Table 4.12: Identification and Evaluation of New Market Opportunities**

		Frequency	Percent	Cumulative Percent
Valid	Yes	9	9.8	9.8
	No	83	90.2	100.0
Total		92	100.0	

**Source: Researcher (2025)**

#### **4.5.4 Organizational Innovation Strategy**

The results indicate that Equity Bank Kenya's organizational innovation strategy focuses on decentralized decision-making and risk management. The first statement examines whether decentralized decision-making facilitates quicker responses to customer needs at the branch level. A significant 92.4% of respondents remained neutral, while 3.3% agreed and 1.1% disagreed. The low standard deviation of 0.33078 and the high mean of 3.9783 suggest a general consensus that this strategy is effective. The second statement evaluates whether the empowerment of branch managers has improved customer experience. Responses were more mixed. A majority of 78.3% were neutral, 16.3% agreed, and 3.3% participants disagreed. The standard deviation was 0.50511 and the mean score was 3.1739 indicating moderate variation in perceptions. This suggests that while some employees see improvements, many remain uncertain about the effect of managerial empowerment on customer experience.

Employee satisfaction due to branch manager empowerment received mixed responses. 3.1522 was the average score, while 0.62783 was the standard deviation. A majority of 71.7% of those surveyed stayed neutral, while 15.2% agreed and 8.7% disagreed. This suggests uncertainty about the effectiveness of this empowerment in improving employee satisfaction. Views on whether decentralized decision-making has reduced service delivery delays were more divided. About 52.2% of respondents remained neutral, while 31.5% agreed and 9.8% disagreed. The mean value was 3.3478, while the standard deviation was 0.74767. This shows greater diversity of viewpoints regarding the matter. The statement on enhanced risk management systems improving customer confidence also showed varied responses. About 41.3% remained neutral, 39.1% agreed, and 4.3% disagreed. 3.6522 was the mean, while 0.79053 was the standard deviation. That suggests that while some respondents see the benefits, a large

percentage remains unclear. Overall, the findings suggest that decentralized decision-making and risk management strategies are in place. However, their effectiveness is not universally perceived. These results highlight areas where further improvements may be needed.

**Table 4.13: Organizational Innovation Strategy**

	SD	D	N	A	SA	Mean	Std. Deviation
The bank's decentralized decision-making facilitates quicker responses to customer needs at the branch level.	0%	1.1%	3.3%	92.4%	3.3%	3.9783	.33078
The empowerment of branch managers to make decisions has improved customer's experience with Equity Bank's services.	0%	3.3%	78.3%	16.3%	2.2%	3.1739	.50511
The empowerment of branch managers to make decisions has improved employee satisfaction.	0%	8.7%	71.7%	15.2%	4.3%	3.1522	.62783
The bank's decentralized decision-making has reduced delays in service delivery.	0%	9.8%	52.2%	31.5%	6.5%	3.3478	.74767
The bank has implemented enhanced risk management systems which improve customer's confidence in bank services.	0%	4.3%	41.3%	39.1%	15.2%	3.6522	.79053

**Source: Researcher (2025)**

The data reveals that only a small minority of respondents (10.9%, or 10 out of 92) confirmed that Equity Bank had implemented new organizational methods, systems, or procedures in the past year. In contrast, the vast majority (89.1%, or 82 respondents) reported no such changes. This suggests that while innovation is happening within the bank, it may not yet be widespread. It could also indicate that these changes are not fully communicated across all levels of the organization. The low percentage of affirmative responses may mean that the changes are recent, limited to specific departments, or still in the early stages of adoption. However, those who acknowledged the changes highlighted several positive outcomes. They mentioned improved customer and employee satisfaction, increased efficiency, and business growth. These insights suggest that while innovation efforts exist, there may be a need for broader implementation and better communication.

Among those who agreed that new methods or systems were implemented, several benefits were highlighted. Some respondents noted that refinements to the online platform led to increased customer satisfaction and loyalty. Others observed that these changes contributed to an expanded customer base. Additionally, some respondents pointed out that the new systems reduced time wastage. They mentioned that these improvements streamlined operations and enhanced productivity. A few also highlighted improved employee satisfactions. This suggests that the new procedures may have positively impacted workplace morale and efficiency. These improvements indicate that Equity Bank is working to enhance both customer and employee experiences using process optimization. However, since only a fraction of respondents acknowledged these changes, there may be a need for better internal communication. The bank could also broaden the implementation of these initiatives to ensure wider recognition and adoption across the organization. This observation aligns with

Gabriella and Olannye (2020), who found that innovation management practices contributed to sustainable competitiveness in Nigerian deposit money banks. The parallel between the two contexts underscores the importance of organizational flexibility and employee empowerment in fostering superior service experiences. In line with the Resource-Based View (RBV) and Balanced Scorecard (BSC) frameworks, these findings illustrate that organizational innovation enhances non-financial performance through improved internal processes, employee satisfaction, and customer responsiveness.

**Table 4.14: New Organizational Methods, Systems, or Procedures in Equity Bank**

		Frequency	Percent	Cumulative Percent
Valid	Yes	10	10.9	10.9
	No	82	89.1	100.0
Total		92	100.0	

**Source: Researcher (2025)**

#### **4.5.5 Non-financial Performance**

The results indicate that Equity Bank Kenya’s non-financial performance has been positively influenced by various innovation strategies. Customer satisfaction due to product innovation strategies received strong agreement. About 72.8% of respondents agreed, while 23.9% remained neutral. 1.1% strongly disagreed, while just 2.2% disagreed. The low standard deviation of 0.57282 and the high mean of 4.6848 indicate strong positive perceptions with minimal variation among respondents. Similarly, market innovation strategies have contributed to notable customer growth. This is represented by a mean score of 4.0978 with a standard deviation of 0.47021. Most of those surveyed (80.4%) remained neutral on this aspect. However, 15.2% agreed, and only a small percentage (3.3%) disagreed. This indicates a generally positive but slightly less conclusive assessment.

Process innovation strategies have also played a role in customer growth. About 55.4% of respondents agreed, while 37.0% remained neutral. Only 6.5% disagreed. This produced a standard deviation of 0.67043 and a mean of 4.4674, suggesting a solid consensus. However, the effect of organizational innovation strategies on response time to customer inquiries and issues was more varied. About 48.9% of respondents remained neutral, while 31.5% agreed. A notable 19.6% disagreed. A mean of 3.8261 with a standard deviation of 0.88465 indicate a wider range of opinions. This implies that some respondents have not yet experienced notable improvements. Lastly, employee satisfaction due to organizational innovation strategies received strong agreement. About 63.0% of respondents agreed, while 32.6% remained neutral. Only a small fraction (3.3%) disagreed. A mean of 4.5761 and a standard deviation of 0.61544 resulted from this. These results show that Equity Bank Kenya's innovation strategies have positively impacted customer satisfaction, customer growth, and employee satisfaction. However, the effectiveness of some initiatives, such as response time improvements, may require further enhancement. The findings are consistent with those of AlQershi (2024), who established that strategic innovation positively affects firm performance by enhancing operational effectiveness and customer value through innovative processes and product development. Similarly, the results corroborate Njuguna and Kinyua (2024), who found that Equity Bank's adoption of innovation strategies, such as digital transformation and process re-engineering, has led to improved service delivery, customer satisfaction, and employee engagement. Therefore, this study confirms that innovation strategies play a critical role in strengthening non-financial performance outcomes within Equity Bank, in line with previous empirical evidence.

**Table 4.15: Non-financial Performance**

	SD	D	N	A	SA	Mean	Std. Deviation
Customer satisfaction has improved due to the product innovation strategies at Equity Bank Kenya.	0%	1.1%	2.2%	23.9%	72.8%	4.6848	.57282
Notable growth in the number of customers can be attributed to market innovation strategies at Equity Bank Kenya.	0%	1.1%	3.3%	80.4%	15.2%	4.0978	.47021
Customer growth has been positively influenced by process innovation strategies at Equity Bank.	0%	1.1%	6.5%	37.0%	55.4%	4.4674	.67043
Improved response time to customer inquiries and issues have resulted from organizational innovation strategies	0%		48.9%	19.6%	31.5%	3.8261	.88465
Employee satisfaction has been enhanced by organizational innovation strategies within Equity Bank Kenya.	0%	1.1%	3.3%	32.6%	63.0%	4.5761	.61544

**Source: Researcher (2025)**

#### 4.6 Inferential Statistics

This section discusses the inferential statistics starting with the correlation, regression, coefficient of determination, analysis of variance and regression coefficients.

#### 4.6.1 Correlation

The research shows varying degrees of connection between innovation approaches and non-financial performance at Equity Bank Kenya. The product innovation strategy has a negative correlation with non-financial performance (-0.078). This indicates a very weak inverse relationship. It means that changes in product innovation strategy have little effect on non-financial performance. There is a weak positive connection (0.230) between the innovation in processes and non-financial performance. This suggests that improvements in process innovation may slightly improve non-financial performance. However, the relationship is not strong. The market innovation strategy has a negative correlation (-0.138) with non-financial performance. This signifies a very weak inverse relationship. It suggests that market innovation may not significantly influence non-financial performance. The organizational innovation strategy has a correlation of 0.054 with non-financial performance. This is a very weak positive correlation. While there is some relationship, it is minimal and not statistically significant. Overall, process innovation strategy has the strongest relationship with non-financial performance, though it remains weak. The other innovation strategies exhibit very weak correlations, implying they have little to no direct impact on non-financial performance. These findings are not similar to those of AlQershi (2024), who established a strong positive relationship between strategic innovation and firm performance. Likewise, they contradict the findings of Njuguna and Kinyua (2024), who reported that innovation strategies at Equity Bank had a strong impact on performance indicators.

The weak correlations observed between innovation strategies and non-financial performance can be interpreted in light of the guiding theories of this study. According to the Balanced Scorecard Model, performance improvement should reflect across financial and non-financial dimensions. However, the weak relationships suggest that

Equity Bank’s innovation strategies may not yet be fully aligned with these perspectives. The Schumpeter’s Theory of Innovation, which posits that innovation drives superior performance through creative destruction, is partially supported because the weak links indicate limited disruptive impact. Similarly, the Diffusion of Innovation Theory implies that the adoption of innovations leads to performance gains. However, the weak correlations suggest slow adoption across the bank’s operations. Lastly, from the Resource-Based View, the findings imply that innovation resources at Equity Bank may not yet constitute a significant source of sustained competitive advantage. Therefore, these results indicate that the strength of strategic innovation influence is weaker than theoretically anticipated.

**Table 4.16: Correlations**

		Product Innovation Strategy	Process innovation strategy	Market innovation strategy	Organizational Innovation Strategy	Non- financial performa nce
Product Innovation Strategy	Pearson	1	-.013	.179	-.047	-.078
	Correlation					
	Sig. (2-tailed)		.903	.087	.657	.459
	N	92	92	92	92	92
Process innovation strategy	Pearson	-.013	1	-.010	.006	.230*
	Correlation					
	Sig. (2-tailed)	.903		.922	.958	.027
	N	92	92	92	92	92
Market innovation strategy	Pearson	.179	-.010	1	.189	-.138
	Correlation					
	Sig. (2-tailed)	.087	.922		.072	.191
	N	92	92	92	92	92
Organizational Innovation Strategy	Pearson	-.047	.006	.189	1	.054
	Correlation					
	Sig. (2-tailed)	.657	.958	.072		.610
	N	92	92	92	92	92
Non-financial performance	Pearson	-.078	.230*	-.138	.054	1
	Correlation					
	Sig. (2-tailed)	.459	.027	.191	.610	
	N	92	92	92	92	92

**Source: Researcher (2025)**

#### 4.6.2 Coefficient of Determination

The percentage of the variation of non-financial performance that can be accounted for by the strategic innovations is measured by the coefficient of determination. In this model,  $R^2$  is 0.080, meaning that only 8.0% of the variation in non-financial performance at Equity Bank is explained by these strategic innovations. The other 92% is impacted by variables not included in the model. The  $R^2$  value of 0.080 indicates that the model has weak predictive power. That implies that the strategic innovation variables explain just a small proportion of the changes in non-financial performance. This indicates the fitness of the data is poor because most of the variation is influenced by other unaccounted factors. This study contrasts the findings of Njuguna and Kinyua (2024) who found that innovation strategies and non-financial performance had a good fit to the model due to the high coefficient of determination in Equity Bank. The findings contrast with the results of the current study showing that innovation had a weak coefficient relationship with non-financial performance. who did a study on the relationship between innovation and firm performance and found that there was a weak model fitness, which aligns with the findings of this study. The study aligns with the Resource-Based View Theory by suggesting that the weak predictive power of the model may stem from innovations lacking the unique, valuable, and inimitable qualities needed to significantly enhance firm performance.

**Table 4.17: Model Summary**

Model	R	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
					F	df1	df2	
1	.282 <sup>a</sup>	.080	.28121	.080	1.881	4	87	.121

Source: Researcher (2025)

### 4.6.3 Analysis of Variance

The regression's overall significance is assessed in the table above. It does this by comparing the explained variance to the unexplained variance. In this model, the F-statistic is 1.881. This statistic measures how well the independent variables explain the variation in non-financial performance compared to random chance. A low F-statistic would indicate that the model is not effective in elaborating the dependent variable's fluctuation. Furthermore, 0.121 is the p-value (Sig.). This exceeds the 0.05 threshold of significance. Therefore, the model is statistically insignificant. The findings shows that the independent variables do not collectively have a significant effect on non-financial performance. Consequently, the model does not offer compelling proof that strategic innovation significantly influences non-financial performance at Equity Bank. The findings from the ANOVA F-test in the current study contrast with those of AlQershi (2024), Njuguna and Kinyua (2024), and Jamai et al. (2021). The current study reveal only a weak and statistically insignificant relationship between the different types of innovation strategies and non-financial performance at Equity Bank Kenya. The study also aligns with the null hypothesis of the Resource-Based View (RBV) Theory, which emphasizes that possessing resources like innovation alone does not guarantee improved performance unless they are valuable, rare, inimitable, and well-organized.

**Table 4.18: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.595	4	.149	1.881	.121 <sup>b</sup>
	Residual	6.880	87	.079		
	Total	7.475	91			

**Source: Researcher (2025)**

#### **4.6.4 Regression Coefficients**

##### **4.6.4.1 Constant (Intercept)**

The intercept of 3.740 represents the baseline non-financial performance level when all innovation strategies are set to zero. This means that if an organization does not engage in any innovation activities, its expected non-financial performance would be 3.740.

##### **4.6.4.2 Product Innovation Strategy and Non-Financial Performance**

Product innovation approach has a coefficient of -0.033. This implies that non-financial performance decline by 0.033 units for each unit rise in product innovation. This assumption holds if all other variables remain constant. At the conventional 0.05 threshold, this connection is statistically insignificant. The t-statistic is -0.440 and the p-value is 0.661. This insignificance implies that modifications in innovation in products lacks a reliable influence on non-financial performance within this model. One possible explanation is that product innovation initiatives may not have been directly aligned with enhancing customer satisfaction, customer growth, response time, and employee satisfaction, which were the measures of non-financial performance. It is also likely that the benefits of product innovation take longer to manifest and thus may not have been captured within the study timeframe. Additionally, product innovation might have focused more on feature improvements rather than aspects valued most by employees limiting its immediate effect on non-financial outcomes. The study contrasts the findings of Kawira (2021), Fidelia and Ogor (2022), Njuguna and Kinyua (2024), Kanyi and Kihara (2022), and Tsai et al. (2020), who all established a significant positive relationship between product innovation and organizational performance. Additionally, the results contrasts with the Balanced Scorecard (BSC) framework and Schumpeterian Theory of Innovation, both of which posit that innovation should drive performance.

#### **4.6.4.3 Process Innovation Strategy and Non-Financial Performance**

A significant and positive association was found between the innovation in processes and non-financial performance. The coefficient is 0.227. Accordingly, non-financial performance rises by 0.227 units for each unit rise in process innovation, considering every other aspect remain constant. The significance of this relationship is evident with the p-value of 0.030. That is less than the standard threshold of 0.05. This shows that investing in or improving process innovation is likely to yield tangible benefits in non-financial outcomes. The results show that process innovation is a vital determinant of company performance in a variety of industries. This study validates the findings of Nyamoita (2015), who did a study on the effect of process innovation on financial performance and found that a significant relationship exists. This study also validates the findings of Atalay et al. (2013), who did a study on the relationship between innovation and firm performance and found that innovation had a significant effect on performance. Similarly, this study supports the findings of Mugo (2015), who did a study on innovations and performance and found a significant positive relationship. In the same way, the study confirms the findings of Boachie-Mensah and Acquah (2015), who examined the effect of innovation types on SME performance and found a significant relationship. This study also aligns with the findings of Akpoviroro et al. (2019), Kihiko et al. (2024) and Kanyi and Kihara (2022), who studied the impact of process innovation on organizational performance and found that the relationship was significant. The study validates the findings of the Balanced Scorecard Model (BSC), Schumpeter's Theory of Innovation, and the Resource-Based View (RBV) Theory, which emphasize that process innovation can significantly enhance non-financial performance through improved internal processes, competitive advantage, and strategic resource utilization.

#### **4.6.4.4 Market Innovation Strategy and Non-Financial Performance**

The market innovation strategy has a coefficient of -0.125. Accordingly, non-financial performance declines by 0.125 units for each unit rise in market innovation, given that all aspects remain constant. Although the negative sign suggests a potential adverse effect, the connection is statistically insignificant. The p-value is 0.188 and the t-statistic is -1.326. As a result, there is inadequate proof to demonstrate the consistent influence of market innovation on non-financial performance based on this model. The results contrast the findings of Kanyi and Kihara (2022), who established that market innovation significantly improved customer engagement and satisfaction. These findings also diverge from the Diffusion of Innovation Theory, which posits that effective adoption and communication of innovative practices should lead to greater customer acceptance and improved organizational performance. The weak link suggests possible inefficiencies in market segmentation, branding, or customer outreach strategies.

#### **4.6.4.5 Organizational Innovation Strategy and Non-Financial Performance**

Organizational innovation approach has a coefficient of 0.061. Accordingly, non-financial performance rises by 0.061 units for every unit rise in organizational innovation. This impact is statistically insignificant. The p-value is 0.465 and the t-statistic is 0.734. Although the positive coefficient suggests a potential benefit, the absence of statistical significance means there is no strong or reliable connection between organizational innovation and non-financial performance in this context. The study's results contrasts with the findings of Gabriella and Olannye (2020), who reported that organizational innovation significantly enhances operational efficiency and employee satisfaction. This outcome also diverges from the expectations of both the Resource-Based View (RBV) and Balanced Scorecard (BSC) frameworks, which

argue that organizational innovation strengthens internal processes and human resource efficiency, leading to enhanced non-financial performance.

**Table 4.19: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.740	.678		5.515	.000
	Product Innovation Strategy	-.033	.076	-.046	-.440	.661
	Process innovation strategy	.227	.102	.228	2.212	.030
	Market innovation strategy	-.125	.094	-.142	-1.326	.188
	Organizational Innovation Strategy	.061	.083	.077	.734	.465

**Source: Researcher (2025)**

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

The main findings are summarized within the chapter, followed by the conclusions. It also provides practical recommendations to tackle the concerns that have been highlighted and enhance performance in the studied context. The chapter aims to suggest actionable strategies for the banking sector.

### **5.2 Summary of Findings**

The findings of the research are shown in this part and are reviewed in accordance with the different study goals.

#### **5.2.1 Product Innovation Strategy and Non-Financial Performance**

Non-financial performance and product innovation strategy were negatively correlated although not statistically significant. This means changes in product innovation does not reliably affect non-financial performance. While innovations like mobile loans and banking apps have improved accessibility and customer satisfaction, they do not directly improve non-financial performance. At Equity Bank, this suggests that introducing new products alone may not be enough to boost customer satisfaction or employee performance. Instead, other variables might play a bigger role. The results indicate that the bank should focus on optimizing product usability and customer engagement. Additionally, integrating innovation with customer service improvements could help enhance overall performance.

Equity Bank Kenya's product innovation strategy, particularly through mobile banking and the Equity app, significantly enhances customer satisfaction, accessibility, and market growth. Respondents widely agree that these innovations improve credit access and customer experience and attract new customers, positively impacting employee

performance. However, a notable divide exists, with many disagreeing on the strategy's overall effectiveness, suggesting gaps in execution or communication. These findings imply that while the bank excels in customer-centric innovations, it must address stakeholder alignment to maximize impact. The bank should enhance internal communication and leverage customer feedback to refine its approach.

### **5.2.2 Process Innovation Strategy and Non-Financial Performance**

The research revealed that innovation in processes had a beneficial and statistically significant connection with non-financial performance. This means that improving process innovation directly enhances non-financial performance. Equity Bank's investment in internet banking, online banking, and automated customer service has improved transaction efficiency. It has also reduced waiting times and eased employee workload. These results emphasize the important role of continuously improving banking processes. Enhancing processes helps to improve customer experience and employee satisfaction. For Equity Bank, this means prioritizing process innovation. Further automation, AI-driven service solutions, and self-service banking options could sustain positive performance outcomes. The results suggest that improving efficiency in service delivery is an important determinant of customer happiness and operational effectiveness.

The bank's process innovation strategy, driven by Internet and online banking, is well-received for improving service efficiency, customer satisfaction, and employee workload management. Respondents strongly agree that these technologies streamline transactions and reduce branch congestion, though automated customer service faces criticism for not reducing wait times. A majority report no recent process improvement initiatives, indicating limited visibility. This suggests the bank benefits from digital solutions but needs to improve automated systems and communication. Upgrading

technology and increasing employee engagement in process changes are recommended to sustain these gains.

### **5.2.3 Market Innovation Strategy and Non-Financial Performance**

The research revealed a negative statistically insignificant connection between market innovation strategy and non-financial performance. This shows adjustments in market innovation strategies do not meaningfully affect non-financial performance. Despite Equity Bank's targeted marketing campaigns, loyalty programs, and customer engagement efforts, these strategies do not directly affect performance. This could mean that while marketing initiatives attract customer interest, they may not necessarily lead to better customer satisfaction. For Equity Bank, this implies that marketing efforts should be integrated with service quality improvements. Ensuring long-term customer retention and satisfaction requires more than just promotions. The findings suggest that the bank should refine its marketing strategies. Aligning them with customer needs and expectations is crucial. Promotional efforts must also be matched with high-quality service delivery to drive better outcomes.

Equity Bank Kenya's market innovation strategies excel in personalized and targeted marketing, fostering high customer engagement and growth. Respondents praise campaigns tailored to customer behavior, but loyalty programs receive mixed feedback, with many neutral on their effectiveness in retaining customers. Most also note a lack of proactive exploration of new market opportunities, highlighting a strategic gap. These findings suggest strong marketing capabilities but a need for better retention strategies. The bank should revamp loyalty programs and invest in market research to enhance competitiveness.

#### **5.2.4 Organizational Innovation Strategy and Non-Financial Performance**

The research found a positive statistically insignificant connection between organizational innovation strategy and non-financial performance. This means that changes in organizational innovation strategies do not strongly impact non-financial performance. Equity Bank's decentralized decision-making, risk management improvements, and branch manager empowerment have improved service delivery and employee satisfaction. The absence of statistical significance indicates that these measures alone may not be enough to drive substantial improvements. For Equity Bank, this implies that while decentralization and employee empowerment are beneficial, they should be supported by additional strategies. Leadership training, enhanced communication, and better alignment of organizational structures with service delivery goals are crucial. The findings suggest that organizational innovation must be strategically implemented. It should work alongside other improvement initiatives to achieve stronger results in customer and employee satisfaction.

Organizational innovation strategies focusing on decentralized decision-making and risk management show mixed results. While respondents acknowledge improved employee satisfaction and some customer confidence, many remain neutral on benefits to customer experience and response times, reflecting uncertainty. Most report no new organizational methods, indicating limited adoption or awareness. While some innovations are effective, their impact is not universally felt. The bank should improve training, communication, and implementation of new systems to ensure broader recognition and effectiveness.

#### **5.3 Conclusion**

The research shows that non-financial performance was favorable and statistically significantly impacted by the process innovation strategy. Based on these findings, it

can be concluded that investing in process innovation directly enhances customer satisfaction, employee performance, and operational efficiency. Findings from the questionnaire indicate that Equity Bank should prioritize further advancements in internet banking, online banking, and automated customer service. Expanding self-service platforms is also essential. These innovations help reduce customer wait times and enhance transactional speed. They also ease employee workload and improve the overall banking experience. By continuously refining its technology-driven banking processes, Equity Bank can strengthen its competitive edge. This helped sustain improved non-financial performance over time. The descriptive findings on process innovation strategy highlight the success of online banking in improving efficiency and satisfaction, but the poor performance of automated customer service and lack of recognized recent initiatives demand action. Based on these findings, it is concluded that Equity Bank should invest in upgrading automated systems, using user feedback to reduce wait times and improve reliability, thereby addressing the significant disagreement among respondents. To increase visibility of process improvements, the bank should actively communicate initiatives through departmental meetings, innovation programs, and platforms like WhatsApp groups. Scaling successful features, such as self-service options, and fostering cross-departmental collaboration will further enhance operational efficiency and stakeholder satisfaction.

In contrast, product innovation strategies showed no association with non-financial performance that was statistically significant. This means that while these innovations do not directly improve customer satisfaction. Based on the findings, it is concluded that Equity Bank should focus on integrating product innovations with better service delivery. This includes refining product usability and strengthening customer engagement. Based on the descriptive statistics, Equity Bank Kenya should prioritize

refining its product innovation strategy to address the significant divide in stakeholder perceptions, where a majority disagreed on its overall effectiveness despite strong approval for mobile banking and the Equity app's impact on customer satisfaction, accessibility, and market growth. Based on these findings, the bank should enhance internal communication to ensure all employees and stakeholders are aligned with innovation goals, addressing the perception gap through regular updates and engagement forums. Additionally, leveraging customer feedback through surveys and focus groups will help sustain high satisfaction and loyalty. Targeted training on tools like the Equity app can reduce variability in employee performance perceptions, ensuring consistent benefits across the organization.

Marketing strategies should align with service quality improvements. Strengthening the connection between innovative banking solutions and customer-centric service approaches will help maximize the impact of these strategies. Market innovation findings underscore the strength of personalized and targeted marketing but reveal weaknesses in loyalty programs and proactive market exploration. Based on these findings, Equity Bank should revamp its loyalty programs by incorporating customer feedback and benchmarking against industry leaders to boost retention and satisfaction, addressing the high neutrality among respondents. To tackle the gap in identifying new market opportunities, the bank should increase investment in market research, feasibility studies, and customer surveys to align innovations with emerging trends. Engaging leadership to guide these strategies and expanding data-driven marketing efforts will strengthen the bank's competitive position and customer engagement.

Similarly, innovation in organizations had a statistically insignificant influence on non-financial performance. Based on these findings, this means that while decentralized

decision-making, risk management improvements, and branch manager empowerment enhance operational efficiency, they do not independently drive customer satisfaction or employee performance. Equity Bank should complement its organizational innovation efforts with leadership training and improved communication structures. Aligning organizational processes with service delivery goals is also essential. This approach will ensure that decentralized decision-making and employee empowerment lead to meaningful improvements. Ultimately, it will enhance customer experience and overall performance. The organizational innovation strategy results showed strong employee satisfaction but limited impact on customer experience and response times. Based on these findings, Equity Bank should enhance training for branch managers to ensure effective decentralized decision-making, addressing the high neutrality in customer-related outcomes. To counter the lack of awareness about new organizational methods, the bank should improve communication through regular employee forums and updates, ensuring broader adoption. Streamlining risk management systems with stakeholder feedback and scaling successful innovations will boost customer confidence and operational efficiency, aligning with the need for more consistent implementation across the organization.

## **5.4 Recommendations**

### **Contribution to Banking Industry**

The banking industry will benefit from this study by prioritizing process innovation as an important driver of non-financial performance. Banks should continuously invest in advanced banking technologies such as internet banking, online banking, automated customer service, and self-service platforms. These innovations enhance customer satisfaction and improve operational efficiency. They help reduce service delivery time and ease employee workload. To maximize the impact of process innovation, banks

should ensure seamless integration of digital banking services across multiple channels. These services should be accessible and user-friendly for all customer segments. Additionally, banks should provide continuous employee training on emerging banking technologies. This will ensure efficient service delivery. A strong focus on cybersecurity and data privacy should also accompany these technological advancements. This will increase client assurance in digital banking solutions.

### **Contribution to Regulatory Authorities**

The findings will also be beneficial to regulatory authorities. The conclusion emphasizes the need for legislators to create a legislative framework that supports process innovations in the banking sector. Regulations should promote the utilization of digital banking technologies while ensuring that innovation corresponds with the objectives of financial inclusion and consumer protection. Policymakers should develop guidelines that encourage banks to integrate digital transformation strategies with customer-centric service delivery. This will help enhance the overall banking experience. Additionally, policies should support capacity-building programs to improve digital literacy among bank customers. This will facilitate the smooth adoption of online banking services. Regulatory frameworks should also promote partnerships between fintech businesses and financial institutions. These collaborations can drive continuous innovation and improve banking accessibility, especially for underserved populations. By fostering a policy environment that balances innovation with consumer protection, policymakers can help create a more efficient, inclusive, and technologically advanced processes in the bank.

### **Contribution to Future Research**

This study offers significant value for future researchers. The findings demonstrate that process innovations substantially enhance service efficiency, customer satisfaction, and

employee workload management, as evidenced by strong respondent agreement and the regression analysis. Based on these findings and conclusions, the study contributes to the academic discourse on how technological advancements in banking streamline operations and improve stakeholder experiences. That offers a robust foundation for comparative studies in other financial institutions. Future researchers can build on this study's methodology, leveraging its detailed descriptive statistics to explore process innovation's broader applicability.

### **5.5 Suggestions for Further Studies**

Further studies have to focus on the long-term impact of process innovation on financial performance in the banking sector. Further research could examine how these innovations influence financial indicators like revenue growth, cost reduction, and profitability. A longitudinal study would help assess whether sustained investments in digital banking, automation, and process improvements lead to long-term financial success. Additionally, researchers could investigate client adoption rates in determining the efficacy of process innovations. Key factors to consider include technological literacy, accessibility, and customer trust in digital banking systems.

Further studies should examine the aspects that affect the connection between product, market, and organizational innovation strategies and bank performance. Future research could explore whether factors such as customer service quality, employee engagement, corporate culture, or regulatory policies affect these relationships. These factors may either strengthen or weaken the impact of innovation strategies. Researchers could also investigate how banks can integrate innovation strategies more effectively to achieve better performance outcomes. A comparative study between banks that successfully leverage these innovations and those that do not could offer valuable insights. Such

studies would assist in determining optimal procedures for innovation management in the banking sector.

Future research should conduct a comparative analysis across different financial institutions. This would help determine whether the effects of innovation strategies vary between commercial banks, microfinance institutions, and digital-only banks. Such a study could reveal whether traditional banks face unique challenges in implementing innovation compared to digital-first institutions. Additionally, future studies should evaluate the effects of external environmental factors on innovation effectiveness. Key factors to consider include economic conditions, competitive pressures, and evolving customer expectations. This research will offer a deeper comprehension of how banks can adapt their innovation strategies. It would also help them stay competitive in an increasingly digitalized financial landscape.

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## APPENDICES

### APPENDIX I: INTRODUCTION LETTER

FAITH KENDI

KENYATTA UNIVERSITY,

SCHOOL OF BUSINESS

P.O BOX 25641- 00100

TEL. 0711420235.

NAIROBI

Dear Respondent,

#### **RE: REQUEST FOR INVOLVEMENT IN A RESEARCH STUDY**

The aim of this letter is a respectful request for your time to participate in the study that I'm undertaking as a postgraduate student of the above-named institution pursuing MBA in Strategic Management.

The research aims to find the impact Strategic Innovation has on the non-financial performance at Equity Bank in Nairobi County. Please respond to the questions and kindly note that the details provided shall be utilized exclusively for this proposal.

The final report can be obtained from the University upon request.

Yours faithfully,

**Faith Kendi**

**MBA STUDENT, KENYATTA UNIVERSITY**



## SECTION 2: PRODUCT INNOVATION STRATEGY

Kindly tick the sections based on the degree of agreement with the statement

Strongly Disagree – **SD** Disagree -**D** Neutral – **N** Agree – **A** Strongly Agree -**SA**

	<b>Product Innovation Strategy</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	The bank has imaginative, bold and early product development like mobile loan service which has improved the accessibility of credit facilities for customers.					
2.	The bank has innovative products like mobile loans which have enhanced customer satisfaction.					
3.	The bank’s product innovation like the mobile app has improved customer experience by making banking services more accessible.					
4.	The bank’s product innovations like the Equity app have enhanced customer’s overall satisfaction with Equity Bank's services.					
5.	The bank’s product innovation like the Equity app has enhanced the employee’s performance.					
6.	Mobile banking has attracted new customers to Equity Bank.					

7. Do you think the bank has a good product innovation strategy?

Yes [ ] No [ ]

8. If yes in question 13 above how does the bank identify and prioritize new product ideas?

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**SECTION 3: PROCESS INNOVATION STRATEGY**

		SD	D	N	A	SA
1.	The bank has implemented advanced technologies like internet banking which have made services point to take less time.					
2.	The bank has invested in Online banking which has enhanced transactional efficiency and speed.					
3.	The use of innovative technologies like automated customer service and online banking has eased the workload on employees which in turn improves employee satisfaction.					
4.	The bank's online banking system has enhanced customer's overall banking experience.					
5.	The bank's Automated customer service has reduced customer's wait time which enhances their satisfaction.					
6.	The bank's online services have encouraged self-service hence enhanced customer satisfaction.					
7.	Online banking has reduced customer flow to the branch thus easing staff workload.					

9. Could you briefly describe a recent process improvement initiative that your company has undertaken?

Yes [ ] No [ ]

10. How does the bank involve employees in identifying process improvement opportunities?

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**SECTION 4: MARKET INNOVATION STRATEGY**

<b>Market innovation strategy</b>		<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
11.	The bank conducts marketing campaigns that are personalized based on customer's banking needs and preferences.					
12.	The bank engages in targeted marketing campaigns to reach new customers based on customer banking behavior.					
13.	The bank's targeted marketing efforts have increased the customer's engagement with the bank's services.					
14.	The bank's loyalty programs encourage customers to continue using the bank's services.					
15.	The bank's customer loyalty programs have improved customer's overall experience and satisfaction.					

16. Does the bank regularly identify and evaluate new market opportunities?

Yes [ ] No [ ]

17. If yes in question Number 34, explain how.

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**SECTION 5: ORGANISATIONAL INNOVATION STRATEGY**

<b>No.</b>	<b>Organizational Innovation Strategy Statement</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
18.	The bank's decentralized decision-making facilitates quicker responses to customer needs at the branch level.					
19.	The empowerment of branch managers to make decisions has improved customer's experience with Equity Bank's services.					
20.	The empowerment of branch managers to make decisions has improved employee satisfaction.					
21.	The bank's decentralized decision-making has reduced delays in service delivery.					
22.	The bank has implemented enhanced risk management systems which improve customer's confidence in bank services.					



## APPENDIX III: RESEARCH APPROVAL LETTER



KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 24<sup>th</sup> January, 2025

TO: Faith Kendi Tharamba  
C/o Business Administration Dept.

REF: D53/OL/CTY/26803/2014

**SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL**

This is to inform you that Graduate School Board at its meeting of 15<sup>th</sup> January, 2025 approved your Research Project Proposal for the M.B.A Degree Entitled, "Strategic Innovation and Non-Financial Performance at Equity Bank, Nairobi City County, Kenya."

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

**ANNBELL MWANIKI**  
**FOR: EXECUTIVE DEAN, GRADUATE SCHOOL**

c.c. Chairman, Business Administration.

Supervisors:

1. Dr. Mary Ragui  
C/o Department of Business Administration  
**Kenyatta University**

AM/ma



## APPENDIX IV: RESEARCH AUTHORIZATION LETTER



**KENYATTA UNIVERSITY  
GRADUATE SCHOOL**

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 8710901 Ext. 57530

**Our Ref: D53/OL/CTY/26803/2014**

**DATE: 24<sup>th</sup> January, 2025**

Director General,  
National Commission for Science, Technology  
and Innovation  
P.O. Box 30623-00100  
**NAIROBI**

Dear Sir/Madam,

**RE: RESEARCH AUTHORIZATION FOR FAITH KENDI THARAMBA – REG. NO. D53/OL/CTY/26803/2014**

I write to introduce **Faith Kendi Tharamba** who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the **Department of Business Administration**.

**Faith** intends to conduct research for a M.B.A Project Proposal entitled, **“Strategic Innovation and Non-Financial Performance at Equity Bank, Nairobi City County, Kenya.”**

Any assistance given will be highly appreciated.

Yours faithfully,

**PROF. ELIUD NJAGI  
EXECUTIVE DEAN, GRADUATE SCHOOL**

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*Transforming Higher Education... Enhancing Lives*  
Kenyatta University is ISO 9001:2015 Certified



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**APPENDIX V: REASERCH PERMIT (NACOSTI)**

 <p><b>REPUBLIC OF KENYA</b> National Commission for Science, Technology and Innovation</p> <p><b>Ref No: 276552</b></p>	 <p><b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b></p> <p><b>Date of Issue: 12/March/2025</b></p>
<b>RESEARCH LICENSE</b>	
	
<p><b>This is to Certify that Mr. Faith Kendi Iharamba of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: STRATEGIC INNOVATION AND NON-FINANCIAL PERFORMANCE AT EQUITY BANK, NAIROBI COUNTY, KENYA for the period ending: 12/March/2026.</b></p>	
<b>License No: NACOSTI/R/25/416839</b>	
<b>Applicant Identification Number: 276552</b>	
 <b>Director General</b> <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>	
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<b>See overleaf for conditions</b>	