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STRATEGIC INNOVATION AND PERFORMANCE OF AGRIBUSINESS COMPANIES IN NAIROBI COUNTY, KENYA

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ABSTRACT

This study sought to establish the influence of Strategic innovation on the performance of agribusiness companies in Nairobi County. The study was guided by the following Specific objectives; to establish the influence of Product Innovation on performance of agribusiness companies in Nairobi County, and to establish the influence of Marketing Innovation on the performance of agribusiness companies in Nairobi County. The theories underpinning the study were diffusion of innovation theory, and dynamic capabilities theory. The study adopted a descriptive research design to measure the influence of strategic innovations on the performance of agribusiness companies in Nairobi County. The target population was 199 agribusiness companies in Nairobi Kenya with respondents being one business unit manager per firm. The study employed purposive sampling to determine the sample size. A 10% sample size was allocated for the pilot study to assess the reliability and validity of the research instruments. The study used structured questionnaire to collect primary data and SPSS was used to analyze data. Descriptive and Inferential statistics were used to establish the relationships that exist between the variables. The correlation coefficient was used to measure the relationship between independent variables and dependent variables while the regression analysis will be used to measure the strength between the independent and dependent variables. Data was presented in the form of tables. Descriptive such as mean, frequencies, standard deviation, and percentages, were used to profile major patterns emerging from the data. The relationships between the variables were determined using inferential statistics. The correlation analysis showed that there exists a significant positive correlation between the independent variables of the study and the performance of agribusiness firms in Nairobi County. Inferential analysis showed a statistically significant relationship between strategic innovations and the performance of agribusiness firms. Based on the R–squared, the model can explain 69.3% of the changes in the dependent variable. Regression results showed that a unit increase in any independent variable will lead to an increase in the performance of agribusiness firms. The study recommends that the management of agribusiness firms invest more in research and development for continuous product development. The study further recommends that the firms should adopt more strategic innovations in line with operations and productions.

Key Words: Strategic innovation, Product Innovation, Marketing Innovation, Performance, Agribusiness Companies

Background of the study

The current business environment is dynamic, turbulent, and unpredictable. The success of a business in such an environment is dependent on its adaptability to respond to environmental change. Strategic innovation is a strategic tool that can be used to align the firm's resources and capabilities with opportunities in the external environment to enhance the survival and long-term success of the organization (Shisia et.al, 2014). Innovation is on the forefront in both emergent and advanced economies, in the global competition for talent, resources and market share. Stiff competition among existing players has left firms with no option but to find ways to attain competitive advantage through innovation. A company's competitiveness globally is determined by the ability and capability to meet the dynamic needs of customers (Peteraf, 2013). Innovation therefore serves as a medium of creating new business with exceptional control mechanisms, value addition and risk reduction. Strategic innovation is essential in improved performance amongst many firms and is reflected by increased profitability and market share growth (Palmer and Kaplan, 2017). As a result, firms that desire to remain competitive by enhancing their growth capacities and capitalizing on the available opportunities can achieve all these by embracing strategic innovation.

According to Areri, Kamau & Kipchumba (2019), Strategic innovation is grounded in the knowledge based theory of the firm. It is widely accepted that a firm's ability to innovate is tied to the pool of knowledge available within an organization. The generation of new knowledge has traditionally been connected to a firm's in-house research and development (R&D) activities. As such innovation has become central to firm strategies and policies in pursuit of firm competitiveness. Strategic Innovation takes the road less traveled, it challenges an organization to look beyond its established business boundaries and mental models and to participate in an open-minded, creative exploration of the realm of possibilities. (Palmer and Kaplan, 2017). They further stated that Strategic Innovation is a holistic, systematic approach focused on generating beyond incremental, breakthrough or discontinuous innovations. Innovation becomes strategic when it is an intentional, repeatable process that creates a significant difference in the value delivered to consumers, customers, partners, and the corporation. A Strategic Innovation initiative generates a portfolio of breakthrough business growth opportunities using a disciplined yet creative process.

Shisia et.al,(2014) argue that strategic innovation is a future-focused business development framework that identifies breakthrough growth opportunities, accelerates business decisions and creates near-term, measurable impact within the context of a longer-term vision for sustainable competitive advantage. They further argue that strategic innovation inspires cross-functional teams composed of an organization's leading change agents, guiding them to identify new revenue streams, to create breakthrough growth strategies, to define innovative new products, services, and business models, to stimulate new business relationships and to rethink current business practices. Strategic innovation challenges an organization to look beyond its established business boundaries and mental models and to participate in an open-minded, creative exploration of the realm of possibilities (Kaplan & Palmer, 2017).

Statement of the Problem.

According to the Kenya Agriculture and Research Institute, the most important contribution to the Kenyan economy is done by the agricultural sector with a significance of 33% of the GDP (Gross Domestic Product). Also, the sector provides 75% of the total country´s exports giving the population 25% of the total formal employment. (KARI, 2023).The sector contributes an additional 27% to GDP through linkages to other sectors such as manufacturing, distribution and services. The sector employs more than 40% of the total population and about 70% of the rural population. With this data, it is easy to say that the country´s economic present and future depend largely on the well-being of the Kenyan agricultural sector.

Despite the notable contributions, the firms in the sector registered some challenges. According to the Central Bank of Kenya, The agriculture firms were at a point of dragging economic growth of the country after registering negative growth in two consecutive quarters in 2022. According to the Kenya National Bureau of Statistics, the agriculture firms posted a negative growth of 0.7% in the first quarter and -2.1% in the second quarter. The negative growth was expected to continue for the rest of the year as quarter three growth was estimated to be at -1.9% whereas the annual growth was expected to be at -0.9%, lower than the -0.2% registered in 2021 (Njoka,2022). Therefore for the firms to remain competitive, there is a need to adopt strategic innovations that can ensure the sector maintains a competitive edge. Schumpeter, (2010) notes that businesses are compelled to innovate to gain or maintain a competitive advantage. He further states that a rapidly changing environment with frequent sudden changes necessitates the development of an organization's ability to innovate, emphasizing that a firm's innovation ability is one of the most important factors for attaining a competitive advantage.

Previous research on Strategic innovation studies has been carried out in Kenya where most of studies have shown that strategic innovation has been useful in different sectors. Farah, Munga, and Mbebe (2018) in their study concluded that strategic innovations contributed significantly to the performance of the other major organizations. Ayodo & Deya (2023) in their study concluded that strategic innovations contributed significantly on the performance of airlines in Kenya. Kanyigi (2018) in her research stated that strategic Innovation management practices positively affected the performance of Safaricom listed Company. Research has however not studied how strategic innovations influence the performance of agribusiness firms in Nairobi County. Similarly previous research has given little focus on how the sub variables that will be used as measurements for the independent variables of this study has been previously used to attain performance. It is on that note that this study aims to fill the contextual and conceptual gap by investigating how Strategic Innovations can be used to achieve superior performance by the agribusiness firms.

Objectives of the study

i. To establish the influence of Product Innovation on performance of agribusiness companies in Nairobi County.
ii. To establish the influence of Marketing Innovation on the performance of agribusiness companies in Nairobi County.

LITERATURE REVIEW

Theoretical Review

Diffusion of Innovation Theory

This theory was developed by Rogers (1962). It was developed to describe how an idea or product develops traction and diffuses within a certain social system over time. As a result of this diffusion, people adopt new ideas, habits, or products, as part of a social system. Roger defined innovation as an idea, practice, or object that is perceived as new by an individual or the unit of adoption. He emphasized the perception of newness, a communication channel used to diffuse innovations to the social systems, which could either be mass media or interpersonal channels. Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. (Singer, 2016).

Mohan, (2016) development, and sustainability would be attained if innovations were widely adopted. Roger in his theory, proposed four elements of diffusion of innovations i.e., Innovation, channel, system, and time. Innovation, the idea or object perceived as new by a social system, would then be spread from one system to another through a communication channel over time. Different people or groups adopted innovations at different points in time. Rogers employed a metric for innovativeness to categorize various adopter types. The five adopter groups can be assigned to a person based on their adoption time and the population's average time of adoption. The groups are innovators, early adopters, early majority, late majority, and laggards.

The proponents of this theory suggest that individuals and organizations make decisions about whether or not to adopt a new idea via interpersonal communication channels based on talks with peers or organizations that have already adopted or rejected the innovation. (Rogers, Singhal & Quinlan, 2009). By taking into account a number of attributes, such as relative advantage the degree to which an innovation is viewed as being superior to the idea it is superseding compatibility the degree to which an innovation is viewed as consistent with the existing values, past experiences, and needs of potential adopters, and complexity the degree to which an innovation is seen to be difficult to implement the innovation diffusion process attempts to reduce uncertainty about the innovation.(Dearing & Cox, 2018).Ultimately, individuals' or organizations' perception of these characteristics influence their adoption of innovations.

According to Johnson, (2022) The law of diffusion of innovation, which is an essential concept of the diffusion of innovation theory, argues that innovative concepts, goods, and behaviors spread across a community in a manner similar to how a drop of food dye diffuses through water in a glass. Innovation spreads at both the individual and societal levels. Individuals use the diffusion of innovation model process to assess the personal impacts of innovation. On a social level, innovation spreads among individuals or throughout society, growing from a small, focused user base to a sizable, all-encompassing use. When a society as a whole chooses to accept an innovation, this is referred to as a collective innovation decision.

This theory has been used over time to show innovation acceptance behaviors with its view of innovation transferring through medium over time to a social system. The theory greatly influences the choice of marketing strategies and practices that a firm uses. The five attributes of innovation impact the rate of diffusion of innovation, relative advantage, trial ability, complexity observability, and compatibility. The attributes explain how an innovation is believed to be better than the idea it is replacing, how well it aligns with the values and needs of the intended user, the risk associated with using the new concept, and how easy it is to be put into the experiment. (Laban 2019). This theory is relatable as it relates to how marketing innovation influences.

Dynamic Capabilities Theory

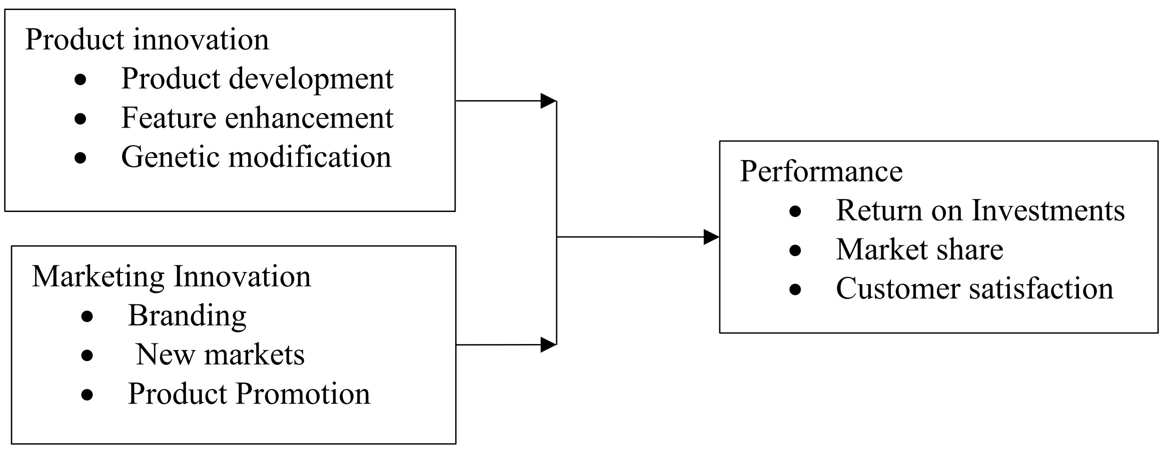
Teece, Pisano, & Shuen (1997) in the theory of dynamic capabilities argue that, a firm needs to have the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. The theory emerged as both an extension to and a reaction against the inability of the resource-based view (RBV) to interpret the development and redevelopment of resources and capabilities to address rapidly changing environments. It is considered a source of competitive advantage as it goes beyond the notion that a firm's acquisition of valuable, uncommon, unique, and non-substitutable resources will give it a sustainable competitive edge. It is concerned with how successfully and effectively an entity integrates, develops, and reconfigures internal and external competencies to withstand quickly changing settings (Helfat &Peteraf, 2009). Sapienza, et al, (2006) contend that acquiring and maintaining a firm's competitive edge is what the dynamic capabilities are all about.

Dynamic capabilities are the capacity of an entity to continuously generate, extend, or adapt their resource base to gain long-term competitive advantage. Operational capabilities are about the current organizational processes (Helfat & Peteraf, 2009). As a result, the strategy focuses on turning a short-term competitive disadvantage into a long-term competitive advantage. The theory promotes continuous market input to direct product and service enhancement through process improvements. Firms that can build and maintain a competitive advantage in the tumultuous environment will survive in this new era of globalization and internationalization, especially those that effectively utilize their dynamic capabilities. Because dynamic capacities are focused on the development of future resources, they are frequently susceptible to short-term pressures to reduce costs. (Gathungu & Mwangi 2012)

Dynamic capability is the capability of an organization to adapt adequately to changes that impact its operations. (Teece et al 2014). The current business environment is hyper-competitive and is characterized by intense and violent competition, therefore in order for businesses to beat the competition, they must continually reconfigure internal resources and capabilities for adapting a turbulent business environment. (Noah, 2015). Because of Dynamic capabilities, Organizations are able to integrate, organize, and rearrange their resources and skills in order to adjust to a swiftly changing environment. Dynamic capabilities, therefore, are processes that enable an organization to reconfigure its strategy and resources to achieve long-lasting competitive advantages and superior performance in rapidly changing environments. The theory will be relevant to the study in explaining the independent variables of Product Innovation of the study.

Conceptual framework

The conceptual framework is a collection of concepts and theories that provides the study's direction and sheds light on the relationships between the variables being studied (Mugenda, Mugenda 2003). The conceptual framework explains how the independent and dependent variables are related. Kothari (2004) defines an independent variable as a presumed cause of the changes of the dependent variable while a dependent variable is a variable that the researcher intends to explain.



Independent Variables **Dependent Variable**

Figure 2.1 *Conceptual framework*

Product Innovation

product innovation is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses; including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics (Cote, 2022). Product innovations can utilize new knowledge or technologies, or can be based on new uses or combinations of existing knowledge or technologies. The term product covers both goods and services. Product innovation is defined as the presentation of a decent or a service that is new to the market or has been altogether enhanced in connection to its attributes or features. These incorporate critical enhancements in mechanical determinations, segments and materials, joined, or ease of use among different capacities. The idea of Organizational Performance is hinged on the premise that it is a combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a dream, vision, or accomplishing a shared purpose. (Tamunomiebi & Okorie, 2019). Product development is very critical to organizational performance because the product is the cornerstone of the firm's marketing mix: every other element rests on the product. Product is not used to mean only tangible 'things', but includes services the intangibles as well as things that can be touched seen, and tasted. (Fidelia & Ogor,2022).product innovation sub-variables used in this study include product development which means designing and coming up with a new product, Feature enhancement as a way of increasing the use of the product, and value addition.

Marketing Innovation

Marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. (Purchase & Volery,2020). Marketing innovations target at addressing customer needs better, opening up new markets, or newly positioning a firm's product on the market with the intention of increasing firm's sales. Marketing innovations are strongly related to pricing strategies, product package design properties, product placement and promotion activities along the lines of four P's of marketing. Market innovation focuses on developing the mix of a target market, while determining how companies can serve the best target markets. It is also described as a breakthrough in the marketing mix. Marketing innovation is a powerful tool for the sustainability of small- to medium-sized firms because it can quickly increase a firm's market share based on its existing products and technologies. The main purpose of marketing innovation is to overcome better habits, penetrate new markets or position new company products on the market with the aim of increasing company sales. The marketing Innovation sub-variables in this study include Distribution channels utilized by agribusiness firms, exploring new markets, and how agricultural products are promoted to attract new clients

Performance

Firm performance refers to the productivity of the company in the context of the market where it operates. Firm performance can be measured in financial and non-financial indicators. Some of the financial measures to include sales growth, revenue, profit margins, return on equity, return on assets, stock prices, and liquidity ratio and capital adequacy. These indicators can also inform the evaluation of firm performance in relation to that of the competitors. (Kahuthia and Kamaku, 2018). Profitability as one of the indices used for measuring performance, means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently management can make a profit by using all the resources available in the market. Profitability is an excess of revenues over associated expenses for an activity over a period of time. This is a measure of value to show if the company is doing well or not. It is the excess of total income over total expenses during a given period of time. (Tamunomiebi & Okorie, 2019). Market share can refer to entire industries, narrow segments or a particular geographic area and also can apply to the past, present or future time periods. In this study market share will be represented by the percentage share of each firm's market against the total market share. Market share is the portion percentage of sales of a particular product or services in a given region that are controlled by a company. Market share is used to determine the strength in a sector as compared to other company in the same sector. It also allows you to accurately assess your business from year to year. (Tamunomiebi & Okorie, 2019).Customer satisfaction is the human element that will be used as a performance measurement in this study.

Empirical Review

Product Innovation and Organization Performance

Mbuli, Kabui and Kirimi (2023) studied the effects of Product Innovations on Strategy Implementation Process of Commercial Banks Listed on Nairobi Securities Exchange. The study applied descriptive research design. The independent variable product innovations was assessed by looking at new products adopted by banks such as credit cards, insurance products, new deposit accounts and mortgages while dependent variable strategy implementation process was assessed through operationalization and institutionalization of strategy. The study established the product innovations adopted by the bank were mortgages represented by 97%, credit cards (95%), new deposit accounts (90%) and insurance products (49%). It was established that few banks had embraced insurance products probably because of many insurance agencies in the market. The study concluded that product innovations have a substantial effect on strategy implementation process in commercial banks listed in NSE in Kenya The study recommended that managers at banks should consistently make an effort to invest in innovative product designs and modify the current products in order to enhance strategy implementation process.

Nakato, Ngigi and Andemariam (2021) studied how product innovation affects performance of printing SMEs in Kampala Central District. The research employed an explanatory research design and carried out a complete survey of 125 smaller sized printing entities located in the central district of Kampala. The data was collected by use of self-administered questionnaires that were given to the managers of smaller sized printing entities. The data was analyzed using SPSS software. The study revealed that introducing new products had a positive impact on the performance of smaller sized printing entities. The study recommended that printing companies should consistently make an effort to invest in innovative product designs and enhance current products in order to achieve a competition advantage.

Nadupoi, Patrick and Diana (2022) studied how product innovations affects growth of microfinance banks in Narok Town. The study utilized a cross-sectional design and a complete count of 180 individuals who work for 11 registered microfinance institutions. Both primary and secondary data were gathered, and the analysis included correlation and linear regression techniques. The findings revealed a strong connection between product innovation and the growth of microfinance institutions MFIs in Narok Town. The conclusion was that MFIs that invest more in innovative products will experience better growth. The study recommended that in order to maintain growth and stay competitive, microfinance institutions in Narok town should increase their investment in product innovation.

Omwanza and Jagongo (2019) studied the association between product innovations and the financial performance of Kenyan microfinance banks. The purpose of the study was to determine the impact of new financial products on the financial performance of Microfinance Institutions in Kenya. The research employed a descriptive survey approach. The research showed that product innovation played a key role in the performance of MFIs and helps them stay competitive in the market. As a result, it is crucial for MFIs to continuously innovate and provide new products that meet customers' demands. For microfinance institutions to thrive and increase their revenue streams, it is crucial for them to continuously engage in innovative practices. The success of MFIs heavily relies on their ability to be innovative.

Marketing Innovation and Organization Performance

Peng &Tang et,al.(2020) studied The Influence of Marketing Innovations on Firm Performance under Different Market Environments: Evidence from China. The purpose of the study was to analyze the dimensions of marketing innovations, their effects on firm performance, and how market environmental factors moderate those effects. The study analyzed literature and discovered that both market-driven and market-driving innovations significantly contribute to a firm’s performance. Moreover, their effects are significantly moderated by competition intensity and technological turbulence but not demand uncertainty.

Okundi & Muchemi (2022) analyzed Marketing Innovation Strategy and Entrepreneurial Performance of Small and Medium Enterprises in Nakuru East Town Sub-County. The study engaged a descriptive and explanatory research design that targeted 126 respondents. The study further found that there is a strong positive and significant relationship between marketing innovation strategy and the entrepreneurial performance of SMEs in Nakuru East Town Sub-County. Based on the conclusions, the study suggested and recommended that SMEs business owners should consider improving product design, introducing new distribution channels, finding new markets for their products, and changing their advertising methods. These will lead to growth in the market share, customer satisfaction, profitability and efficiency.

Chen, Huang and Chia (2017) explored the functions that marketing innovation offers to improve organizational performance because they have specialized in the marketing field of medicine. They claimed that product design or packaging, channel of communication or product placement, product promotion, product delivery and service delivery are the six functions under which marketing innovation is based on. The authors further gave examples of the six functions which simply entail opening up processes to customers, use of marketing applications and utilizing of social media. Their research then focused on marketing innovation in enterprises associated with the industry only which is limited in terms of their conclusion to such research studies. Lee et al. (2017) research tried to prove that there was positive influences and synergy between innovating marketing and performance of technology on firms that had adopted the high-tech sector.

Muhammad Sulton et al,(2022) studied The Effect of Marketing, Product, Process, and Organizational Innovations on the Marketing Performance. The study utilized quantitative research design and the technique used for data analysis was Structural Equation Modeling (SEM) which is operated using the AMOS application program. The results of this study indicated that marketing innovation, product innovation, organizational innovation, and innovation performance have a positive and significant effect on marketing performance.

METHODOLOGY

A research design is a master plan that outlines the methods and procedures for gathering and analyzing the necessary information, thus providing a framework or plan of action for the research (Zikmund et al., 2013). The study adopted a descriptive research design to measure the influence of strategic innovation and performance of agribusiness companies in Nairobi County. The target population for the study was 199 agribusiness firms in Nairobi County. The respondents were the Business – Unit management responsible for making strategic decisions giving one respondent per firm. A sampling frame is defined as a set of items from which the researcher can select a sample of the target population of interest (Beck, Bryman, & Liao, 2014). The sampling framework of the study was derived from the Business Unit managers of the 199 agribusiness firms in Nairobi County, who are in charge of making strategic decisions.

A sample size of between 10% and 30% could be deemed reliable in a study to reflect the complete population, according to Vasileiou et al. (2018). The study applied a purposive sampling technique to select the relevant personnel to participate in the study. The purposive technique was suitable because it is flexible and adequately helps in achieving the study objectives. Since the study respondents were one respondent per firm, the sample size of the study will be 199 respondents.

This study employed a structured questionnaire to collect primary data. A questionnaire, according to Saris and Gallhofer (2014), is a list of pre-written inquiries on a certain phenomenon. A pilot study is conducted to identify flaws in instruments and design and to give representative data for the selection of a probability sample (Cooper and Schindler, 2003). According to Connelly (2008), an acceptable study sample should be at least 10% of the sample size. The 19 respondents out of a sample of 199 that participated in the pilot study were not part of the final study. The clarity of the research instruments was evaluated during the pre-test. The pre-test data was analyzed and the reliability was checked using Cronbach's alpha, and the results was used to improve and strengthen the data collection instrument. To avoid bias, pilot study participants were excluded from the final study.

Primary data collected via questionnaire was entered into a spreadsheet where it was cleaned, ordered, and organized before being analyzed to produce meaningful information. Data was edited to remove inconsistencies, information was classified based on similarity, and tabulation was performed for variables under investigation. Quantitative data was analyzed using descriptive and inferential analysis techniques assisted by Statistical Packages for Social Sciences Version 29. Analysis of variance (ANOVA) testing was conducted to find out the statistical importance of regression model. The data was analyzed and presented using frequency tables and charts.

RESEARCH FINDINGS AND DISCUSSION

For the final study, 180 questionnaires were used to collect data. Of those, 133 were completely filled out and returned, yielding a 74 % response rate. Mugenda and Mugenda (2018) recommended that a 50% response rate is enough to produce viable results, 60% is good, and 70% and above is a perfect response rate.

Descriptive Statistics of Study Variable

To explain the distribution of measures of questions addressing each variable, the researcher utilized descriptive statistics in the study. The study's descriptive statistics were means and standard deviations. The researcher first formulated the items addressing each variable in the questionnaire and requested that respondents rate the statements on a scale of 1 to 5, denoting within a range of Strongly Disagree (SD) to Strongly Agree (SA).The researcher then calculated each statement's mean response and standard deviation. The overall level of agreement with all variables was calculated by averaging the averages and standard deviations.

Product Innovation

Table 1 Descriptive statistics on Product Innovation

Statements	M	SD
The company continuously introduces new products to attract more customers.	3.671	0.716
The company produces a diverse range of products to serve a larger clientele.	4.367	0.735
The organization modifies its product offerings (services) frequently to suit the needs of the customers	4.233	0.631
Genetic modification helps the company to produce more sophisticated products	4.413	0.767
The uses and features of the products are customized according to customer needs and feedback.	3.856	0.781
The firm conducts continuous research to keep improving on product features and uses.	3.752	0.719
Average	**4.049**	**0.725**

From the results, majority of the respondents agreed with the statements of product innovation that, the company continuously introduces new products to attract more customers (M=3.671,SD=0.716), that the company produces a diverse range of products to serve a larger clientele (M=4.367, SD=0.735), The organization modifies its product offerings (services) frequently to suit the needs of the customers (M=3.752, SD=0.719), Genetic modification helps the company to produce more sophisticated products (M=4.233, SD=0.631), The uses and features of the products are customized according to customer needs and feedback (M=4.413, SD=0.767), The firm conducts continuous research to keep improving on product features and uses(M=3.856, SD=0.781). All respondents on average, agreed with the statements on product innovation as shown by the average response mean of 4.049 and a standard deviation of 0.725, confirming that product Innovation is crucial for the performance of agribusiness firms. The average response mean of 4.049 and a standard deviation of 0.725 meant that the responses were closely spread towards the mean and that the majority of the respondents had consistent and similar responses. This is supported by a smaller standard deviation. The findings concur with Mbuli, Kabui, and Kirimi (2023) and Nakato, Ngigi, and Andemariam (2021), who concluded that new products that enhanced the existing products were necessary for performance and customer satisfaction

Marketing Innovation

Table 2 Descriptive statistics on Marketing Innovation

Statements	M	SD
The firm employs modern promotional strategies to enhance the demand for the products offered.	4.308	0.803
The firm engages modern branding methods to attract and maintain their customers.	4.947	0.936
The firm constantly identifies new potential markets of doing business that increase revenue to the company.	3.563	0.925
The company collaborates with retailors as a way of distribution and reaching their clients with their products in different locations.	3.500	0.803
The distribution system offered is convenient for both staff members and customers.	4.691	0.185
The company differentiates its products offerings in order to stand out from competition.	4.381	0.749
Average	**4.232**	**0.734**

From the results, majority of the respondents agreed with the statements of Marketing Innovation that, The firm employs modern promotional strategies to enhance the demand for the products offered (M= 4.308, SD=0.803), The firm engages modern branding methods to attract and maintain their customers (M= 4.974, SD=0.936), The firm constantly identifies new potential markets of doing business that increase revenue to the company (M=3.563, SD=0.925), The company collaborates with retailors as a way of distribution and reaching their clients with their products in different locations (M=3.500, SD=0.803). The distribution system offered is convenient for both staff members and customers (M=4.691, SD=0.185). The company differentiates its product offerings to stand out from the competition (M=4.381, SD=0.749). All respondents on average, agreed with the statements on marketing innovation as shown by the average response mean of 4.232 and a standard deviation of 0.734, confirming that marketing Innovation is crucial for the performance of agribusiness firms. The average response mean of 4.232 and a standard deviation of 0.734 meant that the responses were closely spread towards the mean and that the majority of the respondents had consistent and similar responses. This is supported by a smaller standard deviation.

The findings are in agreement with the findings and conclusions of Peng &Tang et al (2020), who discovered that both market-driven and market-driving innovations significantly contribute to a firm's performance. Okundi & Muchemi (2022) also in their study suggested and recommended that SMEs business owners should consider improving product design, introducing new distribution channels, finding new markets for their products, and changing their advertising methods. These will lead to growth in the market share, customer satisfaction, profitability and efficiency.

Organization performance

Table 3 Descriptive statistics on organization performance

Statements	N	Mean	SD
Efficient operations and processes contribute to cost savings and enhance satisfaction	133	4.19	769
The firm continues to achieve satisfactory returns on investments	133	3.64	1.198
The firm has experienced growth in the number of customers over the last year.	133	3.57	1.040
The firm has experienced increased customer retention rates due to customer satisfaction.	133	3.51	.994
The firm experiences an increase in market share	133	3.67	1.241
Average		**3.71**	**1.048**

The results of organization performance outlined in the table above show that respondents were in agreement with the statements that efficient operations and processes contribute to cost savings and enhances satisfaction(mean = 4.19), that the firm continues to achieve satisfactory returns on investments(mean = 3.64), that the firm has experienced growth in number of customers over the last year (mean = 3.57), that the firm has experienced increased customer retention rates due to customer satisfaction (mean = 3.51), that the firm experiences low employee turnover rates due to existing leadership(mean = 3.67). The average response mean of 3.71 and a standard deviation of 1.048 meant that the responses were closely spread towards the mean and that the majority of the respondents had consistent and similar responses.

Correlation Analysis

The correlation analysis results outlined show that there exists a positive significant correlation between independent variables and the dependent variable, i.e, there exists a positive significant correlation between strategic innovations and performance of agribusiness firms in Nairobi county. The findings presented in table 4 indicated that there is a significant positive linear relationship between product innovation (r= 0.637) and performance of agribusiness firms in Nairobi County, a significant positive linear relationship between marketing innovation (r= 0.645) and performance of agribusiness firms in Nairobi County,

All the independent variables were found to be lineally related to the dependent variable.

Table 4 Correlation Analysis

Variables	Measure	Performance	Product Innovation	Marketing Innovation
Performance	Pearson Correlation	1		
	Sig.			
Product Innovation	Pearson Correlation	0.637	1	
	Sig.	0.000		
Marketing Innovation	Pearson Correlation	0.645	0.704	1
	Sig.	0.000	0.014	

Regression Analysis

Table 5 Regression Coefficients

Coefficients	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
(Constant)	1.197	1.119		1.09	0.029
Product Innovation	0.913	.186	.895	4.806	0.000
Marketing Innovation	0.628	.268	.591	2.343	0.003
a. Dependent Variable: Performance					
b. Predictors: (Constant) Product, Marketing,					

$$Y= 1.197+ 0.193X_1 + 0.628X_2$$

The regression coefficient outlined in table 5 shows that product innovation has a positive and significant influence on organizational performance on agribusiness firms in Nairobi County.(β= 0.913,sig= 0.000<0.05).The findings suggest that a unit increase of product innovation, increases performance of agribusiness firms by0.913. The results concur with Nadupoi, Patrick and Diana (2022) and Omwanza and Jagongo (2019) who concluded that product Innovation had a positive effect on growth and financial performance of Microfinance institutions

The results also show that marketing innovation has a positive and significant influence on organizational performance on agribusiness firms in Nairobi County (β= 0.628,sig= 0.003<0.05).The findings suggest that a unit increase of marketing innovation, increases performance of agribusiness firms by 0.628. The results concur with the findings and conclusions of Peng &Tang et al (2020), who discovered that both market-driven and market-driving innovations significantly contribute to a firm's performance.

Conclusions

Based on the findings, the study concludes that product innovation positively and significantly affects performance. Elements of product innovation such as continuous research and development for new products, product modification, producing a diverse range of products and enhancing product features and uses contribute positively to the performance of agribusiness firms in Nairobi County.

From the findings of the study, the study concludes that marketing innovation is a crucial element for performance of agribusiness firms. The study concludes that modern promotional strategies, and modern branding methods are essential for differentiating the firms and the products being offered and enabling the firms to stand out from the competition.

Recommendations for the Study

From the study conclusions, the study recommends that the management of the agribusiness firms invest more in research and development to continuously produce new and diverse products that will serve a wider and a diverse market. The research should also help with enhancing features and uses of the already existing products. The study recommends that for marketing innovation, radically embracing modern promotional strategies, using branding methods that will attract the target market, continuously working to identify new potential markets, and offering distribution systems that are convenient for customers will improve the performance of the firms.

Areas for further research

Other researchers should carry out a different study with other factors that were not included in this study. From the literature review, similar studies employed a descriptive research design, other researchers should carry out the same research using a different research design. Researchers can replicate the study on different sectors in a different geographical scope.

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