

**PREDICTIVE ROLE OF INNOVATION MANAGEMENT
IN THE PERFORMANCE OF
MICRO, SMALL AND MEDIUM HOTELS IN NAIROBI,
KENYA**

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(Entrepreneurship)**

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**Predictive role of innovation management in the performance of
micro, small and medium hotels in Nairobi, Kenya**

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**A thesis submitted in partial fulfillment for the degree of Doctor of
Philosophy in Entrepreneurship in the Jomo Kenyatta University of
Agriculture and Technology**

2017

DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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This thesis has been submitted for examination with our approval as University Supervisors.

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Co-operative University of Kenya.

DEDICATION

Anthony,
Prince,
Mom and Dad.

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ACRONYMS AND ABBREVIATIONS

AL	Alliances
ANOVA	Analysis of Variance
CI	Customer Intelligence
EO	Entrepreneurial Orientation
ERSE	Economy Recovery Strategy for Employment and wealth Creation
FKE	Federation of Kenyan Employers
GDP	Gross Domestic Product
IHRA	International Hotel and Restaurant Association
IFC	International Finance Corporation
IM	Innovation Management
JKUAT	Jomo Kenyatta University of Agriculture and Technology
MIM	Market Innovation Management
MSMES	Micro, Small and Medium Enterprises
NFA	Need for Achievement
PIM	Process Innovation Management
PHD	Doctor of Philosophy
R&D	Research and Development
SMES	Small and Medium Enterprises
SIM	Supplier Innovation Management
SPSS	Statistical Package for Social Sciences

DEFINITION OF TERMS

Alliances	Collaborations between two or more business units for mutual benefits. Firms combine resources with an aim of achieving their strength and thus a competitive advantage (GSIA, 2016).
Customer Intelligence	This refers to producing insight into customers that is both smart and useful. Access to this kind of information allows companies to adapt to meet customer demands (Douglas, 2016).
Entrepreneurship	The pursuit of opportunities beyond resources employed (Eisenmann 2013).
Experimentation	This is the tendency to engage in behaviors that have the potential to be dangerous, yet at the same time provide the opportunity for positive outcome (Allah & Nakhai 2011).
Innovation Management	Innovation management can be looked at as discovering entirely new ways of achieving a company's organization and learning to find the most appropriate solution to markets, processes, supplies and finances among other areas of concern (Hamel 2006; Mayur 2013).
Market Innovation Management	The ability to adapt to consumer behavior and new technologies while maintaining a strong customer focus with the aim of creating an incredible customer experience. Giving consumers what they may not even realize they want (Hong 2015).
Micro, Small	The term micro, small and medium enterprises (MSMEs), covers

And Medium Enterprises	awide range of MSMEdefinitions with measures varying from country to countryand between the sources reporting MSME statistics. According to Kenya Revenue, in Kenya a business that employs between 1-9, 10-49, 50-99 people is considered a micro, small, and medium enterprise respectively (Small Business Banking Network 2012).
Process Innovation Management	A discipline that improves enterprises importance by driving operational excellence and business agility. It results in benefits such as quality, low costs and pricing(Espension 2017).
Supplier Innovation Management	A process in business by which an organization seeks to improve on supplier contacts and relationships for reliable sources of raw goods and services both in terms of quality and pricing (Rouse 2005; Johnson, Li, Singer &Trinh 2012).

ABSTRACT

This study looks at the predictive role of Innovation management (IM) in the performance of micro, small and medium hotels in Nairobi, Kenya. There is an increased recognition of the great role played by micro, small and medium enterprises (MSMEs) in the economic development of Kenya's economy. They impact positively on GDP, employment creation, poverty reduction and industrial development. Despite this, MSMEs in Kenya face many challenges, which have led to most of them failing to get to their fifth year of startup. Hence very few graduate into large enterprises. Some of the reasons for this massive failure are training, market saturation, and resources. It is hypothesized in this study that successful and well-managed innovations can play a key role in resolving many of the challenges faced by MSMEs. From the perspective of the hotel industry, innovation brings about better communication systems, products, processes and sources of supply hence improved firm performance. Despite this, few studies have been carried out in this area. The study adopted an exploratory research method. The target population of this study included all hotels in Kenya and focused on a list of 1003 MSME Nairobi hotels obtained from the ministry of tourism. The hotel data was cleaned through systematic random sampling to obtain a total of 334 hotels. A sample formula was then used to obtain a sample size of 100 hotels. Data collection was done by means of interviews, which targeted hoteliers. One customer questionnaire was also attached to each of the sampled hotels. Data analysis was carried out using qualitative and quantitative analysis techniques and presented through frequency and distributive tables, percentages, means and standard deviations. From the results of the study, market and process innovation management were found to have played an important role on hotel performance, in contrast to these results, however, supplier innovation management was found to have played no positive role on hotel performance. Enterprise characteristics moderating role on innovation management variables and on hotel performance was also determined using hierarchical regression analysis. It was found from the results that legal status had a moderating role only on process innovation management and hotel performance. Hotel rating had a moderating role only on market innovation management and hotel performance. It was concluded from the results of the study that various challenges such as poor branding, lack of resources and skills, hindered the performance of Nairobi hotels. Recommendations to the said challenges were collaboration of the government of Kenya and foreign owned hotels with the MSME hotels to help them grow.

CHAPTER ONE

INTRODUCTION

1.1Background

The role of innovation management cannot be disputed. Businesses large and small need to be able to innovate and be managed entrepreneurially (Guan & Ma, 2003). Alvarez and Barney (2008) and Gruver, Allen and Rigby (2009) posit that, the ever increasingly complex and turbulent global environments need increasing degrees of innovation and competitiveness to ensure survival and development. Innovation management they point out is a vaccine against market slowdowns. Despite this most small enterprises in less developed countries are stuck in traditional activities generally with low levels of productivity, poor quality products and serving small localized markets. Potential clients perceive them as lacking the ability to provide quality services. Often larger companies are selected and given business for their clout in the industry and name recognition alone (Morris et al, 2006; Ali, Ullah & Khan, 2016).

Dennis (2003) and Sawang (2009) point out that innovation adopters often assume that investments in innovation will lead to productivity improvements. However, investments in innovation do not always guarantee successful results. Scholars of innovation have often been interested in understanding the relationship between innovation and improved firm outcomes such as performance, linked with growth. In literature the term innovation is defined as the process of adding value to new ideas, resulting in new or improved ideas. Successful innovations can only be attained within an organization which has inculcated an innovative culture. This can be achieved by systematically collecting impulses/ideas that can lead to innovations from employees, ability to evaluate the possibility of the innovative idea, good teamwork, cooperation with external experts, proper rate of risk taking, employee motivation and education and the ability to finance innovations (Surani, 2013).

Though Innovation is a widely studied area, an organization's systematic ability in adapting innovations also known as innovation management is a highly understudied

area that needs to be addressed (Balan & Lindsay, 2010; CIMA, 2006). Many scholars support the contribution made by innovation on firm performance (Tisdell, 2000), however, most studies have not clearly linked innovation management to MSME hospitality performance. Also studies in this area have mostly been done in the US and Europe and scanty of information exists in developing nations (Tisdell, 2000; Sawang, 2009; Gallouj & Savana, 2009; Beige et al 2013; Thether 2005; Balan & Lindsay, 2010). This study therefore aims at filling this gap in literature.

Throughout the world, MSMEs are considered to be the background of healthy economies. In Kenya, the small business sector has both the potential and historic task of bringing millions of people from the survivalist level including the informal economy to the mainstream economy. They contribute to economic development by creating employment for the rural and urban growing labor force (Wanjohi & Mugure, 2008; Fida, 2008). Micro, small and medium enterprises comprise the largest proportion of businesses in most economies and frequently offer the greatest potential for job creation. They account for about 90% of all enterprises in many African countries and over 80% of new jobs in a given country. In Kenya the sector contributes to 18.9% of the country's GDP (IFC, 2007; Reineike, 2002). The informal sector has also created over 50% of the jobs in the economy (*Economic Survey of Kenya, 2015*). Large enterprises are resultant from seedling phase MSMEs and have been made possible through certain measures which have been introduced to make them grow.

Since independence, the Kenyan government has been committed to fighting poverty through various policies and initiatives albeit not satisfactorily. The economic recovery strategy (ERS) 2003 and the publication of Sessional paper no 2 of 2005 of development of MSMEs for wealth, employment creation and for poverty reduction are the most important government efforts to developing this sector and see it grow beyond incubation. The Kenya vision 2030 is the country's current development blue print covering the period 2008 to 2030. It aims at transforming Kenya into a newly industrialized, middle-income country providing a high quality life to all its citizens by

the year 2030. To achieve this goal, the government places great emphasis on micro and small scale enterprises in its development agenda by strengthening of MSMEs to become the key industries of tomorrow through improved productivity and innovation (Republic of Kenya, 2015).

Despite their significance and government support, past statistics show that, MSMEs face various challenges which have prevented them from realizing their full potential with three out of five businesses failing within their first few months of operations (Republic of Kenya, 2015). The international finance corporation (IFC) (2011) has identified various challenges faced by MSMEs. These include market information, access to credit and training among others. MSMEs are highly disadvantaged in comparison with their larger counterparts as they lack the resources to enable them to be continually and successfully innovative. Market saturation is a major concern for MSMEs related to lack of access to higher value markets where there are few barriers to entry. This leads to saturated markets and little room for growth.

1.2 Statement of the Problem

According to Kanter (2001) a key rationale for supporting the MSME sector is its potential to generate output, employment and income. It is especially the case when this is reflective of the growth of the sector. This growth is felt more in the early stages of the business and most enterprises do not live beyond five years of their start-up. Factors said to be attributive to this trend in growth include, access to markets, financing, and quality of the products.

Various scholars have propounded on the ability of organizations to innovate as being critical to firm growth. As a result current research no longer defends the importance of innovation but focuses instead on innovation methods and managing innovation processes, market, technology, products and sources of supply (Elmqvist et al, 2009; Balan & Lindsay 2010; Surani 2013). Despite its recognition by academics as being of increasing significance to growth, innovation management remains an underdeveloped area lacking in empirical research (Smith & Fishbacher, 2005).

Studies in MI have mostly been done in developed countries (Tisdell, 2000 & Sawang, 2009) those undertaken in developing countries have mostly looked at the manufacturing sector, and more recently at the financial sector and at larger hotel chains (Roberts & Amit, 2003). Previous literature does not sufficiently explain the relationship between innovation management practices that should be combined to ensure successful service in micro, small and medium hotels, particularly those which are located in Nairobi, Kenya. This research aims at filling this gap in literature. It looks at the predictive role of innovation management in the performance of MSME hotels in Nairobi, Kenya.

1.3 Objectives of the Study

1.3.1. General Objective

The overall objective of this study aims to explore the predictive role of innovation management in the performance of MSME hotels in Nairobi.

1.3.2. Specific Objectives of the study

1. To determine the predictive role of market innovation management on the performance of MSME hotels in Nairobi.
2. To determine the predictive role of process innovation management on the performance of MSME hotels in Nairobi.
3. To determine the predictive role of supplier innovation management on the performance of MSME hotels in Nairobi.
4. To establish the predictive moderating role of enterprise characteristics (legal status and rating status) on the relationship between innovation management and the performance of MSME hotels in Nairobi.

1.4 Research Hypothesis

H₀₁: There is no significant predictive role between market innovation management and the performance of MSME hotels in Nairobi.

H₀₂: There is no significant predictive role between process innovation management and the performance of MSME hotels in Nairobi.

Ho₃: There is no significant predictive role between supplier innovation management and the performance of MSME hotels in Nairobi.

Ho₄: There is no significant predictive moderating role by enterprise characteristics (legal status and rating status) on market innovation management and on the performance of MSME hotels in Nairobi.

1.5 Justification

Hospitality firms such as hotels are an ideal example of a market which could benefit immensely from the implementation of service innovation management. Further Justification of this study includes the following: Firstly to entrepreneurs because innovation is the specific tool through which they exploit change as an opportunity for a different product, service, method of production, process, market, source of supply or a different organization and thus they need to employ the principles of successful innovation management; secondly, the government, development partners, hotel associations and other private operators can use the results of this study to come up with programmes, projects and policies that can help boost the sector. Growth in the hotel industry will in turn mean more economic benefits for the various stakeholders such as government, entrepreneurs, Kenyans seeking employment, and customers in terms of tax revenue, profits and remuneration, awareness of/variety of goods and services respectively. Other stakeholders such as financiers and learning institutions also stand to gain from and contribute to innovative hotel success.

1.6 Scope

To limit the size of this thesis, the study has focused on Nairobi hotels. Nairobi is the second most important tourism destination in Kenya after Mombasa. The findings are thus not exclusive to Nairobi only but are hopefully applicable to other areas of the country. Within that focus there are obviously actors involved in innovation management in hotels some of whom have not received any mentioning. This thesis has also included an analysis of MSME hotels in Nairobi. They will represent case studies that hopefully help illustrate the different needs and challenges hotels face in trying to meet customer expectations.

1.7 Limitations

This study encountered several challenges: the first related to structure and boundaries: in order for the thesis not to be vague and extensive, some boundaries had to be set that have excluded some topics and factors that might be considered essential for its success. To counter this limitation the researcher opted to conduct the study in Nairobi Kenya. This is because Nairobi covers a diverse population and as afore mentioned, it is the second most important tourism destination in Kenya after Mombasa and is therefore highly representative of other areas in the country; a second issue was that a larger sample was needed to ensure proper representation. This difficulty was dealt with by using scientific methods to arrive at a representative sample size; a third issue of concern was that of reliability of facts given by hoteliers. To ensure accuracy, some of the questions were asked in the reverse to check for consistency and accuracy; a fourth limitation was that of finances, precautions were taken to ensure that accuracy of facts was achieved with the funds available. This was made possible by coming up with a manageable but highly representative sample population using scientific sampling techniques, which included an inflated sample size.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Businesses, large and small, must embrace a culture of innovativeness in today's increasingly dynamic and competitive environment (Balan & Lindsay, 2010). The hospitality industry is rapidly changing due to accelerations of information technology (Olsen & Connely, 2000). To be successful, hotels must continuously innovate and differentiate their services from competitors in order to gain a competitive edge (Cooper, 2011).

It is on the basis of this, that this chapter looks at information sought from a vast array of literature with an aim of providing appropriate dimensions and theoretical framework of innovation management (IM). This is in line with the following aspects: Theoretical framework, conceptual framework, critique of theoretical and empirical literature, gaps in literature and summary of the study.

2.2 Theoretical Framework

2.2.1 Theory of Innovation Management

The entrepreneur as an economic and a driving force for economic development was first emphasized by Joseph Alois Schumpeter an Austrian economist (1934). Schumpeter believed that innovation is an essential driver for competitiveness and economic dynamics (Block, 2016). Economic development takes place when a country's real national income increases over a period of time, wherein the role of entrepreneurship is an integral part. Schumpeter posits that entrepreneurs are a motivated intellectual class of people and the prime movers of economic development. To achieve this, entrepreneurs must be innovative. According to him innovation involves problem solving and the entrepreneur is a problem solver. Innovators must search constantly for yet further novel approaches so as to remain the envy of competitors. This way the flow of profits is held steady, thus the reason why they are forced to keep running in order to

stand still. Entrepreneurship rests on the theory of economy and society, the theory sees change as normal and indeed as healthy. Doing something differently rather than doing better what has already been done. The entrepreneur upsets and disorganizes. As Schumpeter formulated it, his task is creative destruction (Schumpeter 1934; Hamel 2006).

According to Schumpeter, while the entrepreneur swims with the stream in a circular flow which is familiar to him, he swims against the stream if he wishes to change its channel. What was formerly a help becomes a hindrance. What was familiar becomes unknown. In his book the theory of economic dynamics Schumpeter (1911), postulated that dynamic disequilibrium brought on by innovating entrepreneurs rather than equilibrium and optimization is the “norm” of a healthy economy and the central reality for economic theory and economic practice. Alvarez and Barney (2008) and Gruver, Allen and Rigby (2009) posit that, a post-colonial age with ever increasingly complex and turbulent environments needs increasing degrees of innovation and competitiveness to ensure survival and development. Innovation management they point out is a vaccine against market slowdowns.

In Schumpeter’s view, the concept of new combination leading to innovation covers five Cases: The opening of a new market which looks at a market that had not been tapped before for instance a domestic or foreign market; the introduction of a new product which signifies invention and commercialization of entirely new products or services, introduction of a new process which deals with changing the production process of products through the adoption of new technology; introduction of new sources of supply whereby suppliers of the said company help them mobilize inputs and technology transfer; and the opening of a new organization which looks at change in the structure of the organization which may include new ways of distributing products and services. The ability to continuously transform knowledge into new products, processes and systems is undertaken with an aim to benefit the firm and stakeholders (Balan & Lindsay, 2010;

Lawson & Samson, 2001).

Innovation management can create long lasting advantages and produce dramatic shifts in a company's competitive position. In the past 100 years innovation management more than any other factor has allowed companies such as apple computers, Google and Toyota to cross new performance thresh holds (Hamel, 2006; Pofeld, 2013). Hotel entrepreneurs should borrow from said companies. They should take time to diagnose and assesstheir company's innovation capabilities before initiating ideas. The consequences of not doing so will lead in approaches failing to fit in the cultural aspects of the organizations, skill level of teams and expected contribution to the company's objectives (Stratigos, 2017). This theorycovered the general hypothesis of the study i.e. the null hypothesis that there is no significant predictive role between innovation management variables and the performance of MSME hotels in Nairobi.

2.2.2 Need for Achievement Theory

David McClelland's theory on need for achievement is the most important one of the various psychological theories of entrepreneurship. In his theory, McClelland emphasized the relationship of achievement motivation or need for achievement (symbolically written as n' Ach) to economic development via entrepreneurial activities. He pointed out thatneed for achievement level is likely to translate itself into economic growth of the entrepreneurial class. Need for achievement distinguishes between high achievers and everybody else. The n'Arch psychology of high achievers demands that they seek challenges that are right at the edge of their abilities. Entrepreneurs are generally defined as very innovative individuals. If the n' achievement level is high, there will presumably be more people who behave like entrepreneurs" (Islam, 1989; Khuon, 2014).

David McClelland (1961)identified three motivators that are necessary for entrepreneurial success: a need for achievement, a need for affiliation, and a need for power (Net MBA Business Knowledge Center, 2007). Individuals who are motivated by

achievement avoid low risk situations because of the easily attainable success. They also avoid high risk projects because they view the outcome as one of chance rather than one's own effort. McClelland's theory of needs also states that individuals can be driven by personal and institutional power (Net MBA Business Knowledge Center, 2007), people who are driven by personal power want to direct others. To do this, they must be endowed with cognitive abilities that facilitate them to be highly innovative. It is believed that individuals with high need for institutional power tend to be more effective. This tends to be the case because of their motivation to pursue a unified effort toward organizational success (12 Manage, 2008). These kinds of entrepreneurs may like to be in charge and may gather customer intelligence and experiment with said information to outwit competitors.

According to McClelland, one would expect a relatively greater amount of entrepreneurship in a society if the average level of need achievement in a society is relatively high. Because having a high n' Ach encourages an individual to set challenging goals, work hard to achieve the goals and use the skills and abilities needed to accomplish them. McClelland also posited that the n' Ach level can be increased in an individual through training and by creating an appropriate culture (Islam 1989; Khuon, 2014). Societies experience high growth or decline due to one determining motivational factor need to achieve. This then becomes the engine of high economic growth. Entrepreneurs with internal locus of control believe that outcomes are highly related with what you do. Effort and not luck determines an entrepreneur's success (Khuon, 2014). This theory purports that entrepreneurs who have a high desire to achieve are more likely to be successful than those who do not. It covers the null hypothesis that there is no significant predictive moderating role by enterprise characteristics on innovation management variables and on the performance of MSME hotels in Nairobi.

2.2.3 Theories on Measures of Performance

According to Srimai, Damsaman & Bangchokdee (2011), measures of performance are the most researched in entrepreneurship. Performance measures serve different purposes.

They enable entrepreneurs to evaluate, control, budget, motivate, promote, celebrate, learn and improve different aspects in an organization. Therefore no single measure is appropriate for all the right purposes (Namada, 2017). Performance theory helps develop hypothesis and support directions of discussions.

Marchand and Raymond (2008) track changes and evolutions of the performance measures based on a four period chronological scale (before 1980; 1980-1989; 1989-1999 and 2000 to present). They state that performance models have developed from purely financial (goal approach) encompassing wider perspectives considering stakeholders and company strategic objectives.

Goal approach directs owners-managers to focus on financial measures which are quantitative in nature. These include profits, revenues, return on investments (ROI) and returns on sales.

Traditional financial indicators that are related to profitability are the most commonly used in the performance evaluation (Yalcin, Bayrakdaroglu, & Kahramans, 2012). Financial measures are objective, simple, and easy to understand and compute but in most cases they suffer from being historical and are not readily available in public domain. Further profits are subject to manipulations and interpretations. A possible way forward is to apply the non-financial measures though subjective in nature, as supplements of financial measures (Serrat, 2010). The combinations of these two measures help the owner-manager to gain a wider perspective on measuring and comparing their performance. The most commonly applied non-financial measure adapted by SMEs is number of employees (Marchand & Raymond, 2008). This theory supports the aspect that hotel entrepreneurs should have various systems of measuring the success of their organizations.

2.3 Conceptual Framework

Innovation management (IM) dimensions identified in various studies carried out around the world in recent years have been summarized as being five for IM (Balan &

Lindsay,2010). Threevariables ofIM and threecharacteristics of the moderating variable have been adopted for this study.The three independent variables of this study are market, process and supplier of IM. These influence the performance of hotels in Nairobi. Enterprise characteristics are the moderating variables (see figure 2.1).

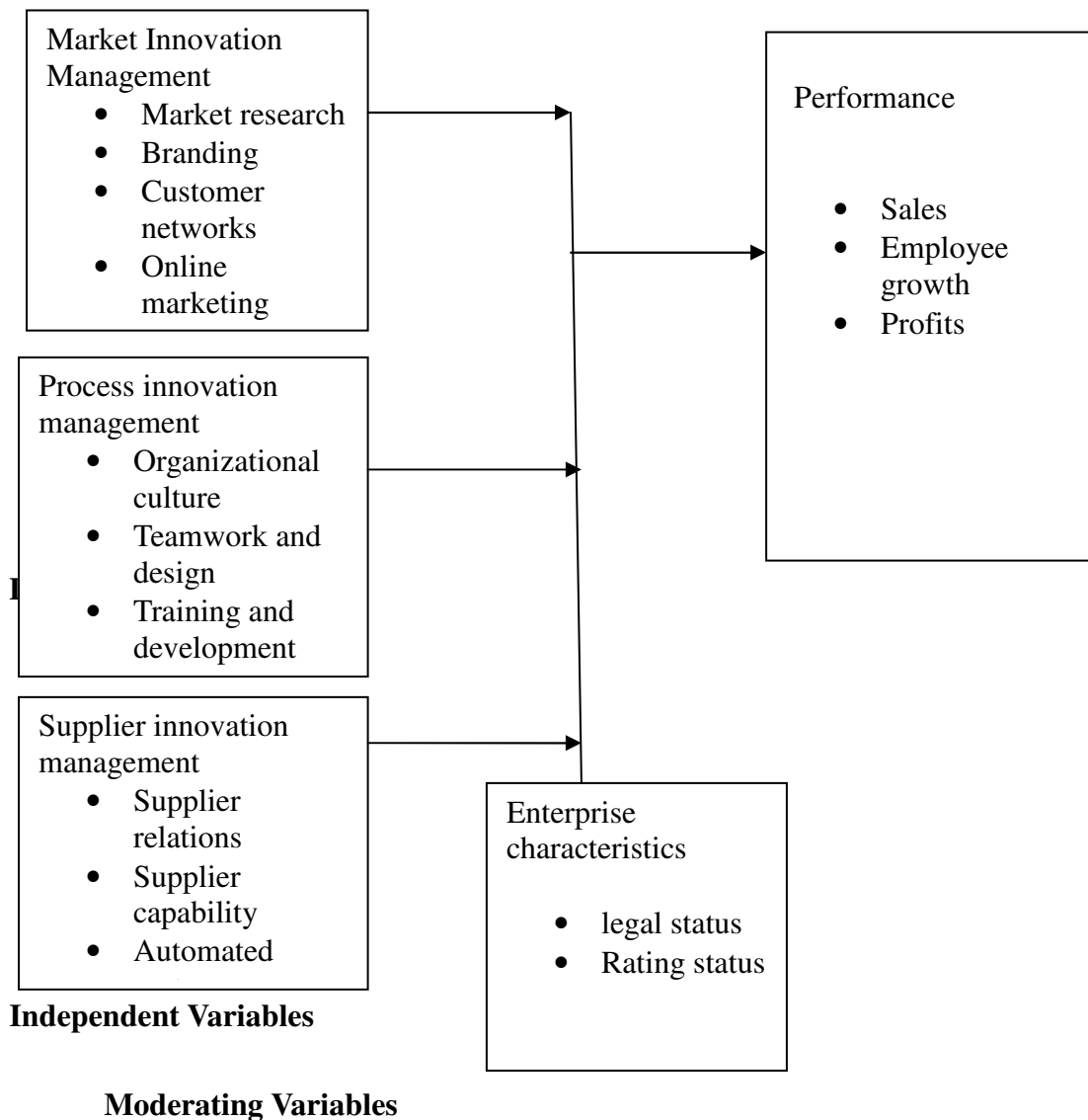


Figure 2.1: Conceptual frameworkadapted from Surani (2013); Kotler and Keller (2012); Pofeldt (2015); Rizza (2015).

2.4 Empirical Research

The linkage between innovation management and firm performance is quite evident from past and present documentation. Innovation management refers to the most appropriate solution to the problem of consistently managing a fore stated process and building an innovation culture and is regarded as a critical element for attaining business growth and differential advantage (Suramani, 2013). According to Tjosvold and Yu (2007) companies are increasingly investing in innovation because of its overall impact in performance.

Davila et al (2006) suggest that innovation continues to be the focus in companies. They, however, say that too much innovation can be harmful for a company. Durk Jager, the former CEO of Procter and Gamble (P& G) discovered the hard way that too much emphasis on innovation can lead to reduced profits for the business, company confidence and price of shares. A.G. Lafley, the CEO who replaced Jager did not stop laying emphasis suggests that different styles on innovation and has successfully moved achieved substantial gains (Macro think Institute, 2009).

From 2002 to 2014, the leading 1000 global companies have highly increased their profitability as a result of being engaged in innovation management. According to Westerski and Iglesias (2011) Toyota has a history of over 30 years of innovation management oriented towards the capture of ideas from employees (Stevanovic & Vjesnik, 2016). Bel (2010) different leadership styles are likely to have different impacts on employee involvement and commitment to innovation management. According to Artz et al (2010) and Varis and Littunnen (2010), in these times of increased levels of competition and shortened product cycles the ability of firms to generate innovations may be more important for their performance and success than ever before (Karlson & Tavassoli, 2015).

Relevance of innovation management in developing economies is sometimes questioned. This is because of the high cost and expertise that they lack and which are associated to innovations and particularly to tech innovations. Developing economies lack proper business models, government conditions and the infrastructure needed to enhance innovation management. In today's globalized and technologically advanced world, the companies or countries with obsolete technology and old ways of thinking cannot exist in a highly competitive globalized economy. Computer based technologies such as microelectronics, fibre optic, satellite communication, robotics and multimedia are critical to firm performance. On the contrary however, innovation management is a hot issue in developed economies. Japan, Switzerland and the US ranked 1, 2 and 3 respectively as the world's most innovative countries. USAs IBM, Apple Inc. and McDonalds, South Koreas Samsung, Japans Sony and Toyota have stayed at the top of dynamic industries (Ali, Ullah & Khan, 2016).

Abel (2008) gives a good example of bold innovations of Apple and the iPod, although there were 43 other players in the market, led by Sony with their Walkman, Apple managed to stage the iPod in such a way that solved many problems in the music industry. This included increased storage space, ability to legally download more music, size and fashion among other factors. Apple had a clear target market, the young people. Apples main goal is "unleashing consumers potential". Bold innovations are practically difficult to implement in terms of resources and expertise that they require. However, they are the only hope to a diminishing customer base in today's increasingly competitive global economy (Cooper, 2011). Hoteliers should be unique in their service offerings if they hope to be successful, they must be clear who their target markets are, what it is they want to achieve and communicate their slogan clearly to the consumers.

Customers are not alike in profitability; a company must therefore be aware what market segment will be most profitable to them. For instance apple Inc. the most competitive company in the world (Forbes magazine, 2017) targets the middle and upper class as

they are able to pay a little more for a better user experience. They are able to appeal to people from of all ages, demographics and industries because of their impressive tech breakthroughs (Johnson, Li, Singer, & Trinh, 2012).

Entrepreneurs in the hotel industry should strive to come up with new systems that deliver value to their customers. A good example of an organization that hoteliers can emulate is MacDonald's which has improved its systems to a point where a meal is served using the just in time method, within only 20 seconds of a customer placing an order. A computerized system allows those in the kitchen area to view the order on a screen as it is being taken and then fill in the hamburger as per the unique order of the customer. The computerized system is able to also monitor customer queues and responses, this way the outlet can identify rush hours and cushion the firm well in advance from problems that might result.

2.5 Critique of the Existing Literature Relevant to the Study

2.5.1 Market Innovation Management

Markets have become saturated and competitors are striving to survive within a market that is no longer growing. Customers are increasingly faced with situations where they do not have a preferred supply outlet. According to Cooper (2005a), the majority of institutions are lacking in bold innovations products are being produced in much the same way confirming the fact that profits are becoming leaner as firms are forced to share customers. Products presented in the market are low risk and only bring about short term profits (Cooper, 2011). Abel (2008), suggests that under such circumstances, firms have no choice but to offer bold innovations that are completely out of the norm. These will help solve customers' problems and provide them with experiences previously unknown to them. Entrepreneurs must first of all understand and then point out clearly how the new products and services stand to benefit the consumer. To be successful, innovations must be systematic and of various types i.e. Disruptive, radical and incremental; they must target specific target markets and be able to communicate the company's policies (Cooper, 2011).

Market innovation management aims at addressing needs better, Karmarker (2004) states that the most successful companies are those which are fully aware of customer preferences and develop their services in line with targeted market needs. Market innovation management has been characterized as a culture of the organization that requires customer satisfaction to be put at the core of business operations. To achieve the desired positive results an organization should focus on core activities of marketing innovation which are market research, customer relationship management, identifying customer needs, developing strategies and policies for creating delivering and communicating value (Kotler & Keller, 2012). Marketing is responsible for sales and hence the earnings of the business. To be successful it is important that an organization have clear vision and mission statements.

There is an even chance for hospitality innovation to succeed and to fail. Only practice can tell what the result will be. However, no pain no gain. Firms should always try to boldly innovate and explore because that is the way of human progress. Entrepreneurs in the hotel industry should look for and undertake disruptive innovations that make them stand out from other hotels. This way, they will be the envy of the competition and earn high profits. More recently companies have been using social media market intelligence to improve market innovation management. This has also led to improved understanding of customer unbiased needs hence improved firm performance (Grym, 2010). Entrepreneurs should make social media platforms work for them as these are cheap, easy and fast to use (Pofeldt, 2015). They must however ensure that they are run professionally in order to keep the of the image business intact. This section covers the null hypothesis that market innovation management does not play an important predictive role in the performance MSMEs.

2.5.2 Process Innovation Management

According to Birkinshaw et al (2004); Bugelman et al (2004) and Daniels (2004), in recent time's interest has been shown not only on steady process innovations but also on

discontinuous and disruptive ones. The earlier are incremental in nature while the later are radical innovations, which touch on new technology (Bessant, 2008). For process innovation management to be effective, the staff members of the various disciplines must work together as a team. This is especially evidenced by the efficiency brought about by new methods of production such as the cell method of production; whereby inter-disciplinary teams work together to prevent problems from happening, just in time; whereby products are produced only upon order and continuous improvement; whereby members meet and give suggestions on how to improve or come up with new products and services. Other considerations of the product development processes are quality, costs, time and capability of those who are involved (Surani, 2013).

Bessant et al (2006) are of the opinion that successful organizations are those that generally undertake evolutionary changes in their processes. Process innovation management aims at systematically coming up with and implementing new or significantly improved production delivery methods. These include changes in techniques, equipment and/or software with an aim of decreasing per unit costs of production, delivery, to increase quality or to produce or deliver new or significantly improved products (OECD Oslo Manual, 2005). To avoid them being too costly the designers ensure that they are without mistakes through use of lean methods of production and total quality management.

Process innovation management, also referred to as new set of practices is aimed at improving customer satisfaction; it involves both organizational and technological changes. Main drivers for design of new systems in less industrialized economies are seen more in internal drivers such as costs efficiency, competitiveness and customer satisfaction which can be solved in ways that are not so technologically driven (Segalas et al, 2010). In developed nations, however, process innovations in small firms is much more related to technological change, which includes advanced machinery and computer hardware and software, than to intangible investment in research and development. According to research, however, in order to experience positive change, a combination

of both technical and non-technical innovation is necessary.

Also processes should be dynamic and should be undertaken through collaborative teamwork interaction (Hoegl & Parboteeah, 2007). Process innovations aim at changing the production process of products and services through the adoption of new technology and innovations. According to Flowers (2007), in various studies, process innovations mostly concentrate on the supply side rather than on the demand side. If properly implemented, process innovations help in reducing mistakes made, and increase speed requiring less employees to complete the work, thus greater efficiencies and improved customer and employee satisfaction (Roberts, 2007). Hoteliers should find a way of coming up with technological systems that help them benefit from economies of scale. This can be developed gradually and be combined with the use of local systems that are unique to the needs of these hotels. This section covered the null hypothesis that there is no significant predictive role of process innovation management in MSME performance.

2.5.3 Supplier Innovation Management

Supplier innovation management refers to a process in business by which an organization seeks to improve or develop new sources of raw material and services (Rouse, 2005). One of the primary tasks of supply management is to manage suppliers. Firms that innovatively manage their supply sources have higher levels of cooperation with their suppliers, satisfaction on supplier performance, trust and mutual goals. Supplier activities that are collaborative help in building good relations which prompt the supplier to share innovative ideas with its customers. A situation of mistrust on the other hand would mean poor dealings with suppliers, who might tend to favor competitors. For its own benefit, therefore a firm should be driven to developing good supplier relations so as to maintain a competitive edge (Einhardt & Martin, 2000).

In supplier innovation management the focus of the firm is to minimize costs. Good relations with suppliers means lower pricing and quality raw materials, leading to increased performance. More capabilities are required to handle different types of supply

relationships. It is important for a firm to recognize and identify the capabilities which will generate value for the firm's suppliers (Cox,2007). To achieve these goals, a firm should engage a competent work force with the necessary expertise on supplier innovations, and also consult with experts where necessary. Hotel entrepreneurs should have relationships that are based on trust with qualified suppliers. They should involve suppliers in their projects, have access to their data analysis and be connected to them on a full time basis through automated or manual systems wherever possible for the mutual benefit of both firms (Rizza, 2015). Supplier innovation management is critical to firm performance. Hotels can borrow cues from studies as proposed in this section. This section covers the null hypothesis that there no significant predictive role by supplier innovation management in the performance of MSMEs.

2.5.4 Legal Status

According to the republic of Kenya hotels and restaurants authority cap 494 a hotel can be licensed as a sole proprietorship, partnership or limited liability company with at-least 10 shareholders. Sole proprietorships are businesses owned and conducted by one person. Partnerships are normally owned by 2-20 persons. Limited liability companies are a form of business entity and may either be private or public. A private company is usually created by persons having a common bond, e.g. family, friends, investment objective;etc. Therefore shares in it are not freely transferable outside the membership. In contrast a public company is one in which there is no restriction on the transfer of shares either within or without the existing membership. The minimum number of people required to form a public limited company is 7 and there is no statutory maximum (www.kenyalaw.org 2009).

Sole proprietorships generally don't augur very well. However most of the micro owned non employer firms have in recent years been found to be highly lucrative. For instance in the United States 30,174 non employer sole proprietorship firms earned between \$ 1 million and 2,499,999 in 2013. The businesses under scrutiny were sole proprietorships, but a small percentage belonged to the partnership and corporation categories. Based on

the said results it is clear that enterprises owned by individuals are becoming increasingly successful. The reason for this is the internet which has enabled entrepreneurs to access vast global markets quickly and cheaply (Pofeldt, 2015). The situation is not different world-wide whereby many young entrepreneurs have taken advantage of their innovative skills to start their own businesses, and have succeeded tremendously. The only thing probably lacking are managerial skills to help spiral them to the next level (Ressi, 2011). Levine and Rubinsten (2013) are of a contrary opinion and say that a company must be corporations in order for it to succeed (Acs et al, 2016).

Decker et al (2014) are of the point of view that sole owned firms are more dynamic than employing firms are and often grow to become the large enterprises of today (Stephanie & Ellie 2014). This is possibly as a result of the ease and flexibility in decision making, not having to share profits, social recognition among other factors. Employment trends have played a major role in the popularity of sole proprietorships. Some of these trends include Job insecurity, out sourcing, temporary employment, and dissatisfaction at the work place. Guile (2012) points out that development in mobile technology has majorly contributed to the increasing success and growth of sole proprietorship firms. This is because it allows firms to work virtually often with temporary projects tailor made to suit the unique needs of the consumer (Spinuzzi, 2014).

Various scholars are of the opinion that incorporated firms grow faster than unincorporated ones (Demirgüç et al, 2006). Independent firms are more flexible whereas firms affiliated with a group have access to different resources. The increased availability of resources leads to a higher probability to exploit opportunities. Diversification is highly related to group owned firms and to firm performance (Huei, 2015). On the basis of results, from said studies, hoteliers should take advantage of the benefits that accrue from being small. They should however strive to grow into large firms so as to gain access to resources, diversification and structuring that come with larger firms

2.5.5 Hotel Rating

Hotel rating can be presented in many different forms including but not limited to stars (Naravagajavana & Hu, 2008). Hotel rating systems have been criticized by some who argue that the rating criteria are overly complex and difficult for lay persons to understand and also lack a unified global system for grading hotels which may also undermine the usability of such schemes (Pascarella, 2005).

The Kenya's Hotels and Restaurants Regulations Act, 1988 established standards upon which classification of hotels are based. The regulation classifies hotels in classes denoted by stars with five being the highest and one being the lowest. The classification of hotels is carried out in the manner prescribed by the hotels and restaurants Authority published in the legal notice No. 30 of February 2001 of Hotels and Restaurants Act (Mzera, 2012). At the property level, hotels decide whether to be rated or not. Also for them to be rated they have to meet certain criteria as provided by the rating Act.

The AA star rating system is easily understood by customers and includes several categories based on range of criteria whereby the higher star rating indicates more luxury classifiers (CTO 2002; UNWTO & IHRA, 2004). Hotels can also be classified on the basis of size: small hotels: 25 rooms or less; average hotels 26-99 rooms; above average hotels: 100-299 rooms; large hotels 300 and above rooms (Shantimani, 2010). The study of these classifications will help determine whether or not being non-rated such as some of the guest houses in Kenya is a determinant of level of performance. According to (Spain et al, 2000) higher star rating is not necessarily a good indicator of hotel quality.

A research conducted by the Forbes magazine indicated that the best hotels in Kenya for the global market are the star rated ones (Forbes travel guide, 2016). This is the case mostly for the hotels that target the upper markets and not those that target the lower class category of customers. Hotels perceive rating as a pricing tool. Price variations are usually implemented when hotels gain rating status. In some instances such hotels may

even double their prices. Such changes in price are usually as a result of service and quality that they offer (Narangajavana & Hu, 2008). This is the case because emergences of online guest reviews are taken into account nowadays when classifying hotels (UNWTO, 2014).

2.5.6 Profitability

Innovation management is widely regarded as a major source of sustained competitive advantage because it leads to improvements that help firms to survive and ultimately become more profitable (Atalay, Anafarta, & Sarvan, 2013). Proponents of profitability and firm performance point out that it is unlikely that a firm can be sustained without profits being available for re-investment. Researchers have clearly spoken in favor of innovation for higher firm performance in terms of profitability and obtaining a dominant position (Kalay, & Lynn, 2015). Profitability measures a firm's past ability to generate returns thus growth. Growth can be considered in terms of net profit margins.

Despite this, there has been little agreement on the relationship between these two measures. Gilbert et al (2006) are of the opinion that there is scarce evidence between growth and profitability. There are, however, scholars who say that growth drives profitability and vice-versa. They suggest that there is a potential for a two way effect whereby profits engender growth and growth engenders future profits that allow firms to enjoy increasing returns of scale and fast mover advantages (Davidson & Fittsimmons, 2009).

According to Shane (2009) the potential benefits of entrepreneurship sparked academic political interest leading many political players to develop policies to promote entrepreneurship. Most governments in developing economies spend big amounts of money to stimulate entrepreneurship (Acs et al 2016). Henrekson and Sanaji (2014) are of the opinion that a country's proportion of GDP per capita is negative and only becomes positive in innovative and high growth entrepreneurship (Acs et al, 2016).

Proponents to this opinion, further point out that to be successful and stay in business, profitability and growth are important and necessary for a firm to survive and remain attractive to analysts and investors. Profitability is vital for a firm's long-term survival. A company's net profit is the revenue after all expenses related to the manufacturing of products and selling of products are deducted. Profits are of primacy for any company and may be the only source of capital in case it has no investors (Maverick, 2015). A growth company generates significant cash flows and earnings and tends to have very profitable reinvestment opportunities of its own retained earnings opting to put most if not all its profits back into its expanding business (Sanders 2010).

2.5.7 Sales

Sales revenue is the life blood of a business and can be increased through innovation management by involving consultants, training and coaching (Allen, 2014). The main goal of leaders in firms is to maximize revenue and that can only happen if increase in sales will always continue (Fazli, Sam, & Hoshino, 2014). There is a close relationship between research and development, sales ratio and firm performance (Holak, Parry, & Song, 2017). Daviddson and Wiklund (2000) discussed the various performance measures and suggest growth of sales as the most important one. It has been argued that sales are highly suitable indicators across different conceptualizations of the firms. Sales figures are relatively easy to obtain and reflect both short term and long term changes in the firm (Delmar et al, 2003). In order to increase sales small businesses need to present value to customers, satisfied customers graduate to become loyal customers (Wiseman, 2017), they advertise the firm to others through word of mouth, thus increasing sales and profits (Tamizhselven, 2010).

Superior financial performance can be represented by profitability and sales growth (Cho & Pucik, 2005). Demand and therefore sales, is a precursor of growth in other indicators (Delmar 2003; Cho & Pucik, 2005). Customer satisfaction increases the willingness to pay and thus the value created by the company (Barney & Clark, 2007). Researchers always assume that faster growth is desirable. This may however not be

true. It is not always true that sales leads to the growth process. Delmar et al (2003) notes that start-up and high technology firms may grow significantly before any significant sales are made. Fast growing firms have excessive strains on their resources which can lead to underperformance. It is important to maximize sustainable growth as the goal of management.

2.5.8 Employee Growth

Employment has been considered a reliable indicator of performance (Davidson & Wiklund, 2000). Many studies dealing with fast growth of firms observe the distribution of employment. This is motivated by the fact that only a few firms create majority of employment. A firm is defined as fast growing if it doubles its employment and creates at least 5 jobs within 5 years (Bluerderl & Preisendoerfer, 2000). Most MSMEs normally live to employ only up to a total of 6 employees in their life time in developing countries (Ressi, 2015). Due to high demand, firms may require more employees which may not result in significant productivity (Damijan, Kostevc, & Martija, 2011). If properly implemented innovation management can reverse this situation by inculcating an innovative culture that empowers employees through proper modes of recruitment, training and development and accommodating teamwork (Surani, 2013).

Another line of reasoning about employment based measures of growth applies for resource-based and knowledge-based views of the firms. Measuring firm growth by employment indicators reduces manipulation challenges observed with financial measures (Geroski & Mazzucato, 2002). Arguments have been offered that employment is a much more direct indicator of organizational complexity than sales, and may be preferable if the focus of interest is on managerial implications of growth (Holtz & Huber, 2009).

Obvious drawbacks of employment as a growth indicator are that this measure is affected by labor productivity increases, machine for man substitute, degree of integration and other make or buy decisions. Changes in technology may for instance

lead to changes in employment (Spiezia & Vivarelli, 2000). A firm can grow considerably in output and assets without growth in employment. Measuring performance by employment growth can be difficult though, since this measure can be affected by productivity changes, replacement of employees with capital investments and outsourcing of activities. As a result a firm can increase significantly without an increase in employment (Delmar et al, 2003).

2.6The Research Gaps

Previous literature does not sufficiently explain the relationship between innovation management practices that should be combined to ensure successful service in small hotels, particularly those which are located in developing countries (Tjosvold & Yu, 2007).Most of the small hotels face challenges that hinder them maturing into large corporations some of which have not been properly addressed. Scanty of literature exists on innovation management and firm performance especially in developing countries (Ali, Ullah & Khan 2016; Morris et al, 2006).Also, emphasis has been placed in seeking the role played by innovation in manufacturing and financialsectors ignoringthe hospitality sector, due to their heterogeneity, these sectors should be approached differently (Gallouj & Savana, 2009; Beige et al 2013; Thether 2005; Balan & Lindsay, 2010). This research therefore aims at filling this gap in literature and looks at the predictive role of innovation management in the performance of MSME hotels in Nairobi, Kenya

2.7 Summary of the Literature Reviewed

This study has looked at the predictive role of innovation management in the performance of MSME Nairobi hotels. It has also addressed the moderating role of enterprise characteristics on innovation management and on hotel performance. According to many scholars IM is an important tool in helping organizations successfully compete in their surrounding and global environment. This study has as a result critically evaluated the existing theories of innovation management, enterprise characteristics and firm performance; it has come up with a conceptual framework and

reviewed literature on mentioned independent, moderating and dependent variables. It has also in the chapters that follow, analyzed data with a view to find out the predictive role of the said IM variables, on MSME hotel performance in Nairobi

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology of this study. It describes the Research design, target and accessible population, sampling frame and sampling techniques, data collection methods, pilot study, data analysis and procedures of conducting the research and arriving at the findings

3.2 Research design

This study has adopted an exploratory research method to collect data. Exploratory research is defined as the initial research into a hypothetical or theoretical idea. This is where a researcher has high levels of uncertainty on the research subject. Most often, exploratory research lays the initial groundwork for future research (Kowalczyk, 2015). The reason for this choice of design is that not many studies have been conducted in the area of study more so in the hospitality sector indeveloping countries.

The study has thus sought to investigate further the predictive role of innovation management on the performance of micro, small and medium enterprise hotels in Nairobi County in Kenya, combining both qualitative and quantitative research designs. There is a strong suggestion within the research community that complementary research, both qualitative and quantitative should be mixed in research of many kinds (Mason et al, 2010).The researcher collected and evaluated the data from MSME hoteliers in Nairobi Kenya to produce appropriate results, which were then generalized to the hotel industry in Kenya. The use of a highly structured methodology and statistical methods ensured that generalization was effective.

3.3 Target Population

A target population refers to a defined group of individuals or objects who are known to share similar characteristics. The target Population of this study constituted of allMSME hotels in Kenya thiswas also referred to as the focus group of scientific inquiry. It is the

population on, which the researcher generalized the conclusions. The accessible population is the sub set population of the target population.(Knight, 2014).It constituted the population on which the researcher applied the conclusions and was made up of all MSME hotels in Nairobi County in Kenya

3.4 Sampling Frame.

The accessible population in this study consisted of approximately 1003MSME Nairobi hotels. These were arrived at from a list of hotels obtained from the ministry of tourism. This sampling list was cleaned up through systematic random sampling whereby every third hotel was picked to arrive at a number of 334 hotels.

3.5 Sampling Techniques and Illustrations.

A sample size with finite correction of 100 hoteliers and 100 customers ($30/100 \times 334 = 100$), was used as the accessible population. This number represents about 30% of the total number of hotels in Nairobi, which is adequate to constitute a sample in a study of this nature (Magady & Krebs, 2015).

It was expected that approximately 80% of the proportion of the hotels were committed to innovation management. To achieve 100% response rate 250 (125×2) questionnaires, ($100/80 \times 100 = 125$) were distributed to give every person within the target population through a known zero chance of selection (Mugenda & Mugenda, 2003). The results obtained can then be applied to the accessible population and be generalized to the target of this study

3.6Data collection Instruments

The researcher, choose a questionnaire as the primary tool for data collection. A questionnaire is a research instrument that gathers data over a large sample, and its objective is to translate the research objectives into specific questions and answers in order to provide the data for hypothesis testing. The researcher administered two questionnaires; the first one targeted the hoteliers, while the second questionnaire was

administered to the hotel customers in order to gauge their satisfaction level. This is because Customer satisfaction normally goes hand in hand with innovativeness and firm performance. Some items in the questionnaires were adapted from previous studies while others were developed after a thorough review of literature.

The entrepreneur's questionnaire was divided into three parts; PART A captured the name and contacts of the hotel, PART B looked at business and demographic data while PART C constituted of questions using a five Likert scale method and captured the three main objectives of the study. The customer's questionnaire constituted of two parts; PART A looked at customer's demographic data, while PART B sought hotel information in the major area of the study. The two questionnaires from each hotel were then attached together with an aim of comparing the customer and hotel entrepreneurs' results.

The study adapted a pragmatism philosophy. This philosophy advocates for the use of mixed methods, method designs and qualitative and quantitative research (Saunders, Lewis & Thornhill, 2012). Secondary and primary data were used. Secondary data mainly consisted of books, internet, journals and articles. Primary data constituted the use of a questionnaire and interviews and aimed to seek the predictive role of innovation management in the performance of MSME hotels in Nairobi Kenya.

3.7 Data Collection Procedure

Data collection was conducted after training the research assistants and pre testing the questionnaires. The researcher also took note of various ethical issues when collecting data: The First ethical issue of concern for this research was that it sought to be beneficial to the hoteliers and tried as much as possible to avoid any activity that could be harmful to them. Emphasis was laid on maintaining respect, anonymity and secrecy of the respondents and of the information that they provided. To achieve this, the researcher avoided the direct use of identity of the hoteliers and hotels in which the study was undertaken. A second ethical issue of concern was to ensure that special

precaution was provided to those respondents who were considered as vulnerable, for instance the elderly and those with low literacy skills. In such instances, the researcher read out the questionnaire and translated it in a language that they could comprehend and helped fill in the questionnaires as per the answers provided by the respondents. A final ethical issue of concern for this study was consideration of the busy work schedule of the respondents. To deal with this challenge, the researcher tried as much as possible to book appointments at the time of the respondent's convenience.

Type of Variable	Operationalization Indicators	Measurements Used
Dependent	Firm performance: Profits, Sales, and number of employees.	Three Likert point scale: increase, constant and decrease
Independent	Innovation Management: Market, process and supplier	Five point Likert scale: Strongly disagree, disagree, neutral, agree, and strongly disagree.
Moderating	Enterprise characteristics: Legal status rating status	Yes or No

3.8Pilot Test.

Pilot studies are undertaken with an aim of ensuring that the research instruments are reliable in terms of getting rid of ambiguous and sensitive questions. According to Lancaster, Dod and Williamson (2010), for accuracy of the instruments to be attained, a pilot study should constitute of at least 1% and 5% of the sample (Ruhui, 2015). The

sample size of this study being 100 would mean a pilot study of 5 questionnaires be distributed to 5 entrepreneurs and 5 to customers that are not within the current sample visiting the hotels. These were representative enough to help edit the errors found in the research instruments i.e. $5/100 \times 100 = 5$. This study however opted to have a larger pilot study sample population of 25 entrepreneurs and 25 customers from Mombasa, Kenyan hotels. The size of a pilot may range from 25- 100 subjects of the sample population (Zeisal, 2006).

The aim of the pilot test was to check the reliability of the instruments used in the study. Cronbach Alpha helped in testing the research instruments for reliability, consistency and validity (Cronbach, 1951). The questionnaires were then revised on the bases of the results of the pilot study to ensure accuracy and sensitivity of the data collection tools. This helped ensure that the burden of filling in the questionnaires was reduced for respondents who participated in the study. A total of 30 indicators were subjected to factor loadings and those items with less than 0.4 were dropped. This was done to reduce multi-collinearity whereby variables that are highly correlated can be linearly predicted from the others with a substantial degree of accuracy.

3.9 Data Presentation and Analysis

Managers need information not raw data. Data analysis helps reduce accumulated data, to a more manageable size, developing summaries, looking for patterns, and applying statistical techniques (Kothari 2007; Zeisal, 2006). Both qualitative and quantitative data analysis methods assisted in data processing, examples of qualitative techniques were; descriptive statistics showing response rates, frequency distributions, means and standard deviations of variables in the study. To capture these more vividly, tables were prepared and averages and percentages determined. Excel and SPSS were software tools that helped to more easily synthesize the data. The following three types of inferential statistics were used in the study: Pearson correlation model, multiple regression analysis and hierarchical regression model.

a. Pearson Correlation Model

Quantitative analysis contributes to precision to knowledge and can make data convincing to others (Zeisal, 2006). To test the first three hypothesis of the study Pearson Correlation Model analysis was run to establish whether there is a linear relationship between innovation management variables i.e. market, process and supplier innovation management and hotel performance. When the Correlation coefficient approaches $r = +1.00$ or greater than $r = +.80$ it means there is a strong relationship or high degree of relationship between the two variables. When the correlation coefficient approaches $r = -1.0$ or less than $r = -.50$ it means there is a strong negative relationship. If $r = \text{zero}$ it means that there is no relationship between the two variables and if $r = .60$ it means that there is a moderate relationship between the two variables (Magady & Krebs, 2015).

b. Multiple Regression Analysis

Multiple regression analysis sought to evaluate the predictive role of innovation management variables relationship between a set of independent variables and a dependent variable in this study; this refers to innovation management variables (Market (X1), process (X2) and supplier X3) and hotel performance. The multiple regression mathematical model that was used is as

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \text{ Bivariate regression analysis}$$

Whereby:

$$Y = \text{Hotel Performance}$$

$$\beta_0 = \text{Constant}$$

$$\beta_1 = \text{Régression coefficients}$$

$$X = \text{Innovation Management Dimensions of}$$

$X_1 = \text{Market Innovations}$

$X_2 = \text{Process Innovations}$

$X_3 = \text{Supplier Innovations}$

$e = \text{Error term}$

c. Hierarchical Regression Model

Hierarchical multiple regression model helped determine the predictive moderation role of enterprise characteristics (legal status and rating status) on innovation management variables (market, process and supplier) on firm performance. A moderator is a third variable (mostly one or a set of independent variable(s)) on which the main independent variable and dependent variable are dependent and cannot function without. The mathematical model for hierarchical regression model is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \dots$$
Hierarchical Regression analysis including the Moderation variables

$X_4 = \text{Legal Status}$

$X_5 = \text{Rating Status}$

The coefficient β_1 from the first equation is the total effect of variable X_i on growth without the moderating effect of hotel characteristics. β_2 is the effect of X_i on hotel performance following moderation. The moderation effect was tested by using calculating the R^2 change and testing the P-value of the change. Usually a moderating variable has a direct role on the relationship between independent and dependent (Bommae, 2016).

CHAPTER FOUR

RESEARCH FINDINGS, AND DISCUSSION

4.1 Introduction

This chapter presents interpretations and discussion of empirical findings of data collected in the course of the current study. The study objectives aimed at determining the predictive role of innovation management variables (market, process and supplier) in the performance of micro, small and medium (MSME) hotels in Nairobi. The chapter is organized into various categories which include response rate, pilot study test results, respondent and hotel characteristics, analysis, interpretation and discussion of results.

4.2 Sample Response Rate

Through a sampling formula, the study's representative sample was found to be 100. According to Kothari (2004), a higher response rate allows for generalizations to be made on the study population. To achieve this, it was estimated that approximately 80% of the Nairobi hotels were implementing innovation management thus 250 questionnaires ($100/80 \times 100 = 125 \times 2$), were distributed to ensure 100% response rate. This would ensure that all Nairobi hotels were well represented, and that the results could be relied on to draw conclusions not only in Nairobi County, but also in other counties in Kenya as well. The respondents to the questionnaires consisted of 48% managers, supervisors 21%, team leaders 18%, team players 8%, 2% cashiers and administrators 2% arriving to a total of 100 hotel participants and 100 customers randomly selected at each hotel. Reasons for the different types of respondents in the decision making categories was that, they were ones in charge of the hotels at the time of carrying out the study. Entrepreneurs had delegated them with the authority as they were either too busy or not available.

Of these respondents, 32% were answerable to entrepreneurs, 31% to managers, 10% to directors, 8% to general managers, 3% to supervisors, 2% to middle managers whilst 1% was answerable to; team leaders, middle managers, top managers and accountants. Other

than respondents in decision making positions in the 100 hotels, 100 customer respondents were also non-randomly interviewed. This helped in attaining firsthand information from those receiving the service and also in ascertaining the authenticity of information provided by hoteliers.

4.3 Pilot Study Results

Data collected from 25 pilot study questionnaires was analyzed using SPSS. Cronbach Alpha reliability statistics proved that the results from the three IM variables (constituting of ten items each) were reliable and could be administered to the respondents to attain accurate information. As observed in Table 4.1, the reliability coefficient for market innovation management (MIM) was 0.793; process innovation management (PIM): 0.729; supplier innovation management (SIM): 0.921. The acceptable Cronbach value is 0.7. (Sekeram, 2003). According to Nunnally and Bernstein (2009), Cronbach Alpha is the most commonly used method to test the reliability of the proposed constructs (Ruhui, 2015).

Table 4.1: Tests of Reliability Statistics

Innovation Management Variables	No. Items	Cronbach's
<i>Market Innovation Management</i> 10 0.793		
Focus on customer needs.		
Rarely emphasize customer needs.		
Measure commitment to customers.		
Rarely transmit information to customers.		
Check/compare/share views of various market segments.		
Decisions are based on internal politics.		
Innovative ideas are based on market research.		
Innovation is considered in communication to customers.		
Knowledge of innovations that customers reject.		
No mechanisms in place to receive customer's suggestions.		
<i>Process Innovation Management</i> 100.729		
Support individuals/teams independence.		
Best results achieved by independent teams.		
Key team players are frequently transferred.		
Rarely transmit information to customers.		
Project teams choose recruits.		
Management consultants set up new systems.		
Teams are used efficiently even cross functionally.		
Do not allocate resources to new systems development.		
Development process is dynamic		
<i>Supplier Innovation Management</i> 100.921		
Substandard suppliers.		
Suppliers with innovative capabilities.		
Supplier relationships are based on trust		
Check views of supplier's when upgrading programs.		
Decisions are based on internal politics.		
Preference of suppliers with different ventures.		
Innovative Ideas are derived from market research.		
Supplier decisions are based on customer needs.		
Suppliers know what innovations customers reject.		
Suppliers have highly advanced technology.		

4.4 Demographic Characteristics of Respondents

4.4.1 Level of experience of Hotel Respondents

As observed in Table 4.2, hotel respondents said that they had worked for a period of between 2 to 20 years, with a mean work experience of 7 years, in the Nairobi hotels under study. The standard deviation of this was low (2.74), indicating that majority of the respondents work experience was very close to the mean (7 years). Previous studies have found that prior experience has a positive effect on the survival of firms. It is an indicator that firms are familiar with, and have the exposure to tackle problems related to the industry. It is clear from this perspective, that hoteliers had the experience and could be relied on to answer the questions presented in the study.

Table 4.2: Descriptive Statistics of Level of Experience of Hotel Respondents

N	Minimum	Maximum	Mean	Std. deviation
100	2	20	6.66300	2.74379

4.4.2 Age of Customer Respondents

The minimum age of customer respondents was 18, while the maximum age was 65. A high standard deviation of (10.04) indicated that most of the respondent's ages were far from the mean age (37), and constituted a combination of both young and old. This is illustrated in Table 4.3; this information was vital information for Nairobi hotel entrepreneurs as they could use it to help facilitate them in market segmentation and positioning their markets. Market segmentation is important as it serves as a tool for measuring the size of the market, and helps make decisions on whether to diversify or discontinue a product or service line. For instance demographics segmentation method based on the age of the consumers, showed that the hoteliers either

targeted the youth, between 18 to 30 years or the elderly people, over 35 years as they were noted to have conflicting needs.

Table 4.3: Descriptive Statistics of the Age customer respondents

N	Minimum	Maximum	Mean	Std. deviation
100	18	65	36.9300	10.03957

4.4.3 Location of Customer Respondents

As seen in Figure 4.1, 30% of the customer respondents pointed out that they lived very far from the Nairobi hotels that they had visited. This gave the implication that they were either local tourists living outside Nairobi County or that they were international tourists. It can also be assumed that those who indicated that they did not come from far (19%) and those that fell within the categories of between 5km and 60km (40%) giving a total of 59% were likely to be locals residing in Nairobi and its environs. The high number of locals may be due to the fact that majority (70%) of the hotels under study fell within the micro and small categories. As indicated in an earlier section, in order to segment a market effectively, Nairobi hoteliers made use of customer demographics, which other than age, included race and culture of the market. They also used geographic segmentation methods, which helped them understand the customers' backgrounds as these helped shape their needs and wants.

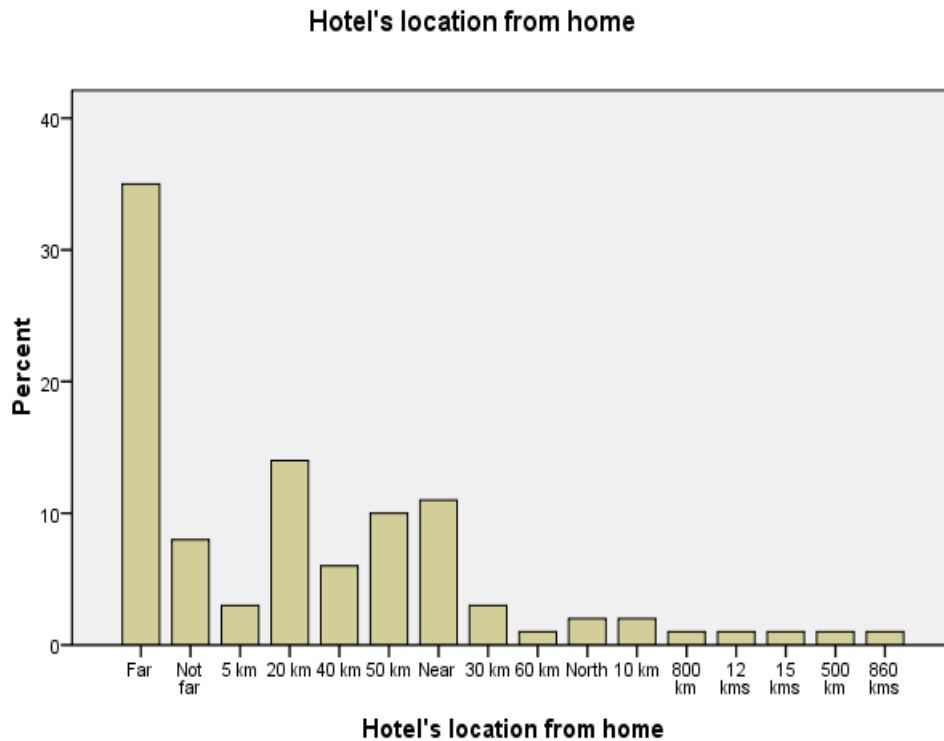


Figure 4.1: Hotel's Location from Customers Home

4.4.4 Gender of Customer Respondents

It is also important to note from the study results that, the target markets that visited the Nairobi hotels were made up of both male and female with the majority being women 52% and men being the minority 48%. This is illustrated in Table 4.4. Nairobi hotel entrepreneur's again used demographic segmentation based on gender to understand who their target customers were. This enabled them to make different market innovation decisions based on the customer's gender. Women preferences differed from those of men. For instance women naturally had a tendency of taking light beverages while men generally preferred taking heavier drinks such as beer, all other things remaining constant. Different results were however derived based on other demographic factors such as a person's culture, age religion and other non-demographic factors.

Table 4.4: Gender of Customer Respondents

Gender	Percentage
Female	52
Male	48
Total	100

4.4.5 Marital Status of Customer Respondents

The majority of customers respondents of the Nairobi hotels pointed out that they were married (57%). Those who were single constituted of 43%. This is an indicator that market innovation management campaigns implemented were developed with a focus on both the married and the single demographic categories, which constituted the target market. This is illustrated in Table 4.5. Other demographic questions entrepreneurs seemed to ask in their market innovation decisions were: had the customers visited the hotel as singles, couples, and/or couples with children? If they visited as families, what are the customer's family life cycle stages, all this information is critical for their innovation management decisions.

Table 4.5: Marital Status of Customer Respondents

Marital status	Percentage
Married	57
Single	43
Total	100

4.5.1 Core Business Activities

The core activities of the Nairobi MSME hotels were: accommodation 33%, dining 31%, bar 28%, conferencing 24% and swimming pool 4%. These are shown in Table 4.6. Other minor activities constituted of gyms, saunas, pool tables, executive saloons and gift shops among others. Diversification by the Nairobi hotels was suggestive that they were highly innovative. Previous studies point out that diversification is an indicator of innovativeness, development and competitiveness. As a business goes through the different life cycle stages, it must stay committed to improving its products and services and undertake radical innovations. This is especially the case during the established and expansion phases when the business faces stiff competition.

Table 4.6: Core Business Activities

Activities	Frequencies	Percentages
Accommodation	96	33
Dining	92	31
Bar	40	14
Take-away over the bar	40	14
Swimming Pool	12	4
Conferencing	12	4
Total	292	100

4.5.2 Innovation is listed in an Employees Job Description

Despite the importance placed on innovation management by scholars. (See literature review of the study), majority of the hotels in Nairobi, 64% had not listed innovation as

part of an employee's job description. This is observed in Table 4.7. For Nairobi hotels to be in a position to maintain a competitive advantage, it is important that they encourage an entrepreneurial culture whereby employees are given autonomy to come up with new ideas. Lack of this can either be assigned ignorance, or a lack of commitment by MSME Nairobi hotels to innovation management. It is clear from previous literature that successful firms systematically promote innovativeness among their employees. Such firms provide employees with a working culture that allows them to have some form of control in experimentation and implementation of new ideas. A good example of this is Google, which allows 30% of the employees' working time to be utilized in coming up with innovations of these, 20% is spent on improving their current projects the remaining 10 % is spent on coming up with new projects. Another example is that of Apple Inc. which has approximately 11 executives. All of whom are directly responsible for innovations which have resulted into major breakthroughs for the company (Johnson, Li, Singer & Trinh, 2012).

4.5.3 Employees Received Training

Training is aimed at giving employees knowledge, skills and attitudes to enable them to be creative and receptive to changing customer needs. As observed in Table 4.7, most of the Nairobi hotels, 63% said that they trained their employees. Some of the hotels that did not provide training pointed out that they considered it a waste of time and resources because trained employees normally used their competence as a ticket to seek greener pastures elsewhere. The hotels that trained their employees displayed a commitment to engage employees in decision making, innovation and control and hence performance.

4.5.4 Hotels have a Vision and Mission Statement

Majority of the hotels i.e. 67% said that they did not have a mission and a vision statement. This is illustrated in Table 4.7. Vision and mission statements are vital tools for every business as they help show where the owner sees the business in the future and the reason for its existence respectively. They help firms in the positioning and branding of their products/services. These enable an organization to channel its resources and decisions towards appropriate innovation/market strategies. To be successful, an

organization must be able to occupy a clear and distinct place in the minds of its customers. This must spell out what problem they are helping consumers solve or the benefits that customers will derive from using their products/services. According to past literature, if entrepreneurs are clear about the benefits or problems that they are providing or solving respectively, everything else will easily fall into place.

4.5.5 Top Management's Commitment to Innovation Management

Majority of the respondents of the Nairobi hotels (85%) pointed out that the top management was committed to innovation. As shown in Table 4.7. For innovation management to yield positive results, everybody in the entire organization and in particular the management should be highly committed to its planning, implementation and evaluation. If the owners and top managers are committed to innovation management, they will put in place goals and objectives that will help them eliminate unnecessary activities in the organization. This way they can focus on what they have mastery and pass on the value to consumers. They will also in a position to come up with formal structures and resources which are vital for the success of their innovations.

Table 4.7: Attitudes of Hotels to Innovation Management Issues

Item	Yes	No	N
Innovation is listed in an employee's job description	36	64	100
Employees received training	64	36	100
Your hotel has a vision and mission statement	33	67	100
Hotels commitment to innovation management	87	13	100

4.5.6 Types of Enterprises

The majority of the MSME Nairobi hotels were small 48%, medium 30%, and micro enterprises 22% this is can be observed in Figure 4.2. The performance of these hotels seemed to be generally profitable with a total score of 15/40 and a mean score of 11/40. Not many of the hotel performances fell around the mean some of the hotels performed a lot poorer while others experienced a lot higher performances. Another point worth noting was that 20% of the hotels in the small category performed well, thus a total of 50% of the hotels scored over 9/40. This was lower than expected as majority of the hotels (80%) claimed that they had implemented innovation management. According to most studies innovation management is highly related to firm performance. Low performance may have been due to poor implementation of IM and insecurity and travel advisories that were facing Kenya during the time frame of this study.

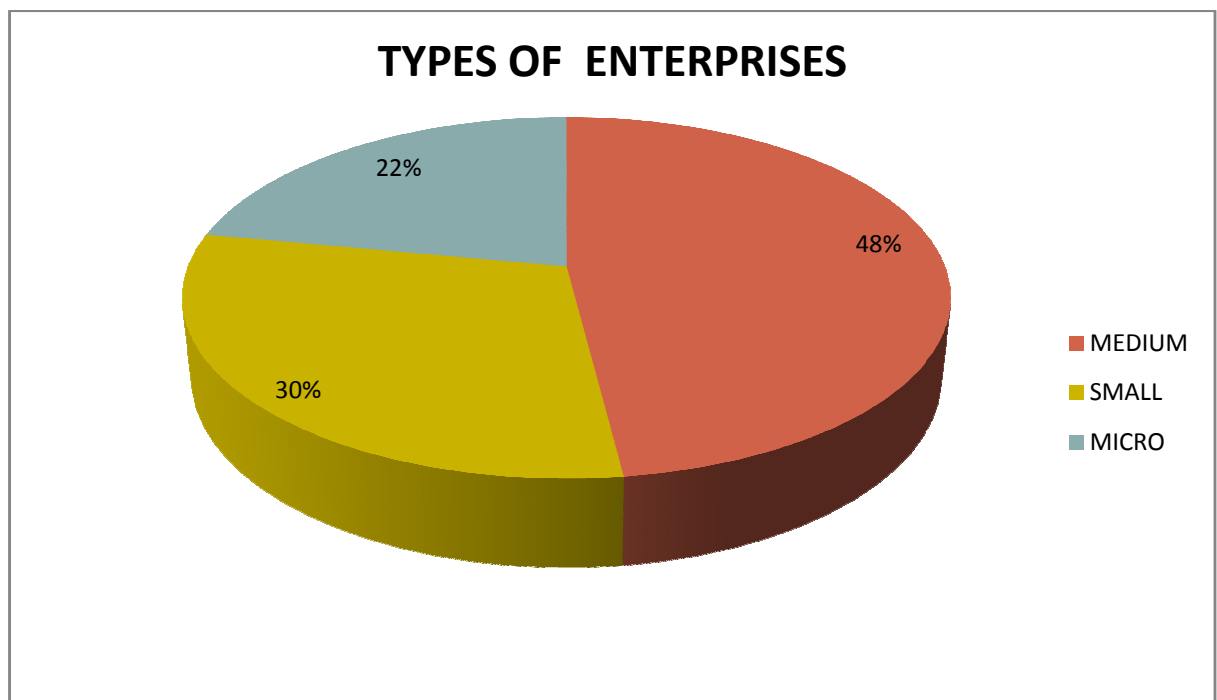


Figure 4.2: Types of enterprises

4.5.7 Legal Status

The majority of the hotels under study were sole proprietorships 53%, followed by partnerships 40%, and corporations 7%. It is also worth noting that 34% of the hotels were family owned businesses. This can be observed in Table 4.8. It was noted from the results that small proprietorships performed better than partnerships. However, it is highly advisable that hotels in the partnership category graduate and become corporations so as to fully enjoy the legal benefits that result from such an experience.

4.5.8 Age of the Hotels

Entrepreneurs of the Nairobi hotels said that they have operated their businesses for periods of between 4 to 54 years. A high standard deviation (10.88078) indicated that most hotel entrepreneurs fell very far from the mean (37) and thus had either been in the said business a lot less or a lot longer than 37 years. This can be interpreted as a good sign, many years of experience in the same trade is an indicator of specialization and hence improved skill and decision making abilities; this is if the business is growing

Table 4.8: Legal Status of the Hotels

Type of enterprise	Percentage
Sole Proprietorship	39
Partnership	53
Limited Company	7
Not for Profit	1
Total	100

4.5.9Hotel Rating

Quite a number of the hotels i.e. 80% were not star rated, while 20% were star rated. This is illustrated in Table 4.9. Of the 20% star rated hotels, 3 of them were one star's, 2 were two stars, 11 were three stars while 4 were four star hotels. Hotel rating is sometimes viewed as an indicator of high performance, this has however been met with mixed dispositions by previous studies who point out that hotels that are not rated sometimes perform better than their star rated counterparts. This was the case in this study whereby lower performances were noted by some of the star rated hotels. The reason for this may have been insecurity and travel advisories meted on Kenya during the time frame of this study fell.

Table 4.9: Hotel Rating of the MSME Nairobi Hotels

Star Ranking	Percentage
Yes	20
No	80
Total	100

4.6 The predictive Role of Innovation Management and Performance of Hotels in Nairobi

Many scholars and theorists of innovation management such as Joseph Schumpeter (1934) have pointed out that innovation management is positively linked to firm performance enterprises (Surani, 2013). Research and development and innovations are highly influential to the growth of firms. Various academicians of innovation management have shown that technological and scientific oriented factors have replaced conventional methods as key drivers of growth (Bowen et al 2010; Cincoz & Akdoguns

2011). According to Artz et al (2010) and Varis and Littunen (2010), in these times of increased levels of competition and shortened product cycles the ability of firms to generate innovations may be more important for their performance and success than ever before (Karlson & Tavassoli, 2015).

This study has therefore distinguished between assortments of innovation management variables; i.e. market, process and supplier innovation management. To prove whether hypothesis arrived at by previous studies are supported by the current study; analysis and interpretation of data on the three main study variables were carried out. It should be noted that in the sections that follow market, process and supplier innovations are used interchangeably with X1, X2 and X3 respectively.

4.7 The Predictive Role of Marketing Innovation Management and the performance of MSME Hotels in Nairobi

The predictive role of market innovation and hotel performance was measured using ten items; these were presented to respondents on a five point Likert scale. Out of these items a composite variable was created by taking the mean of the items to form the first main study variable, in this case the X1 variable. The coefficient of Cronbach alpha for the ten items was 0.979, which is considered an acceptable coefficient because it is well above the required threshold of 0.7. Table 4.10 presents the percentages of the responses, for all the ten items, majority of the hotels (over 70%), showed a sense of commitment to market innovation management. Most of the hoteliers 80% believed that satisfied customers become loyal customers over time leading to improved business performance. Fifty six percent of the hoteliers also pointed out that they measured their commitment to customers. Over 70% of the hoteliers also said that they carried out research and that they used modern technology such as the internet to communicate with consumers. Sixty nine percent also pointed out that they had platforms on, which customers could easily air their views.

These results have been supported by previous studies. For instance Pofeldt (2015) is of the opinion that micro enterprises that are owned by individuals are becoming more innovative. This is as a result of the internet, which allows entrepreneurs to reach a global market quickly and cheaply. Another Scholar who supports this point of view points out that improved firm performance has mainly been as a result of the ability of hoteliers to communicate directly to customers through the use of mobile phones.

Table 4.10: Statements on Market Innovation Management and Hotel Performance

	Percentages/100				
	SD	D	N	A	SA
1. Our integrated business goal is to satisfy the needs of our customers	7	8	5	20	60
2. We rarely embrace a culture that places emphasis on basing product changes to customer needs	54	21	7	10	8
3. We constantly measure our level of commitment to our customers.	7	10	5	22	56
4. Our firm rarely transmits information about its products or services to consumers.	56	19	5	13	7
5. We check, compare and share the different views of various segments of our market with an aim to satisfy them.	10	10	5	25	50
6. Decisions made in our organization aim at satisfying internal politics and not on satisfying our customers.	56	23	5	7	9
7. A huge number of ideas generated from market research drives innovation of our company.	10	9	6	19	56
8. Our firm does not take innovation into account or mention it in our communication with our customers	57	14	9	9	11
9. We have knowledge about innovations customers reject	11	9	10	14	56
10. We have no mechanisms through which customers can air their complaints/suggestions.	48	19	7	10	16

Key: SA= Strongly Agree N=Neutral D=Disagree A=Agree SD=Strongly Disagree

Descriptive analysis in Table 4.13 shows that many of the hoteliers supported market innovation management. Overall, they said that they agreed (4) in implementing market innovation management (5-1=4). The mean of those who were engaged in MIs was a

rounded off figure of 3, which indicates that they were neutral about market innovations with a low standard deviation of 1.53 meaning that not many of them were neutral to market innovations. Majority of them either agreed or disagreed to implement market innovation management.

A significant linear relationship exists between market innovation management and performance of hotels ($r=0.452$, $P<0.001$). A close linear relationship between market innovation and customer responses ($r=0.653$, $P<0.001$) was also observed. Hence the null hypothesis that there is no relationship between market innovation management and the performance of hotels in Nairobi was rejected. This is illustrated in Table 4.14. Many previous studies are in support of this point of view and suggest that market innovation management is highly related to organizational performance.

According to Abel (2008), to survive, firms have no choice but to offer bold innovations that are completely out of the ordinary. Bold innovations are practically difficult to implement in terms of resources and expertise that they require. However, they are the only hope to a diminishing customer base in today's increasingly competitive global economy. The marketing concept gives the service firm the ability to stay ahead of its competitors through new market offerings (Cooper, 2011; Victorino et al, 2005). Empirical research by Apple Inc. (2012) is of a contrary opinion, they point out that customers rarely know what they want. It is therefore the work of entrepreneurs to figure this out and communicate the benefits of the products that they have produced to them.

4.8 The Predictive Role of Process Innovation Management and the Performance MSME Hotels in Nairobi

In the second category of innovation management i.e. the predictive role of process innovation management and hotel performance, respondents were issued with ten items on a five point Likert scale. 1 being 'strongly disagree', 2 being 'disagree', 3 being 'neutral', 4 being 'agree' and 5 being 'strongly agree'. These items were consolidated by calculating their mean to form the X2 variable. The coefficient Cronbach alpha for

process innovations (0.855), this was well above the required threshold of 0.7. This proved that the research instruments used in collecting data were reliable.

The percentages of X2 responses by the Nairobi hotels are shown in Table 4.11. From this table, it is clear that 59% of the hotels were in support of individual and team effort. Team players were allowed to stick with a project until it was successful. Sixty eight percent of the managers said that team players played a crucial role in coming up with entrepreneurial opportunities. Also 69% of the hotels said that they involved consultants when developing new systems. Most of the responses on the items given showed an above moderate commitment by hoteliers to process innovation management. This is highly supported by other studies some of which point out that for process innovation management to be successful, entrepreneurs must change the culture of the organization so that it is supportive of the innovation management process. Effective teams, use of experts, training of employees and various other changes are necessary for the success of innovations. Processes should be dynamic and should be undertaken through collaborative teamwork interaction (Hoegl & Parboteeah 2007; Serani, 2013).

Table 4.11: Statements on Process Innovation Management and Hotel Performance

		Percentages /100				
		SD	D	N	ASA	SA
1.	We Support individual/team	10	12	20	1742	42
2.	Believe that best results occur in autonomy	9	11	26	18 36	36
3.	Team members are frequently transferred.	15	31	37	611	11
4.	The management Identify opportunities.	4	9	22	13 52	52
5.	Project teams do not recruit and selecting new team members.	7	24	24	1431	31
6.	Management consultants are involved in new systems.	18	14	8	951	51
7.	We use teams efficiently within but not cross functionally	17	25	29	920	20
8.	Our firm does not allocate resources for new systems.	47	14	9	1416	16
9.	Most people leading innovation have no passion about the idea.	53	12	11	8 14	14
10.	Our development process is systematically planned.	10	10	11	960	60

Key: SA=Strongly Agree N=Neutral D=Disagree A=AgreeSD=Strongly Disagree

Descriptive analysis in Table 4.13 shows that many of hoteliers were in support of process innovation management. Overall, they said that they agreed (4) in implementing process innovation management (5-1=4). The mean of those who engaged PIs was a rounded off figure of 3 which indicates that they were neutral about market innovations with a low standard deviation of 0.98 an indicator that not many of them were neutral to process innovations and either agreed or disagreed to the said innovations.

Pearson Correlation Model showed a significant relationship existed between process

innovations (X2) and hotel performance (YE) ($r=0.555$, $P<0.001$). A close linear relationship also existed between process innovations and customer responses ($r=0.788$, $P<0.001$). A negative null hypothesis that there is no relationship between process innovations management and performance of hotels in Nairobi was, therefore, rejected. This can be observed in Table 4.14. These results are highly supported by previous studies, which indicate that process innovation management is closely related to organizational performance. Process innovations help in reducing mistakes, and increase speed, requiring fewer employees to complete the work therefore enhancing efficiency (Roberts, 2007). According to Birkinshaw et al. (2004); Bugelman et al. (2004) and Daniels (2004), in recent time's interest has shifted from steady process innovations to discontinuous and disruptive ones (Bessant, 2008). The earlier are incremental in nature while the later are radical. Overdorf (2000) points out that if a firm is interested in experiencing growth above the industry in the short/long term, it must take both incremental and radical innovations seriously (McLaughlin et al., 2005b).

For process innovation management to be effective, entrepreneurs must adopt a culture that encourages innovation management. This is especially evidenced by the efficiency brought about by lean methods of production (Bessant 2008; Roberts 2007; OECD Oslo Manual, 2005). Process innovation management, also referred to as a new set of practices is aimed at improving customer satisfaction; it involves both organizational and technological changes (Segalas et al., 2010). For positive change, Entrepreneurs in the hotel industry must combine both technical and non-technical innovations.

4.9 The Predictive Role of Supplier Innovation Management and the Performance of MSME Hotels in Nairobi

In the third category of innovation management i.e. the predictive role of supplier innovation management and hotel performance, respondents were issued with ten statements presented on a five point Likert scale. 1 being 'strongly disagree', 2 being 'disagree', 3 being 'neutral', 4 being 'agree' and 5 being 'strongly agree'. The ten statements were merged together by calculating their mean, to form the supplier

innovation or X3 variable. The coefficient Cronbach alpha for supplier innovations (X3) was calculated and found to be 0.967; this is acceptable as it is well above the required threshold of 0.7.

The percentages of the various responses on the statements in Table 4.12 were observed. The results of the study showed that over 70% of the hotels selected suppliers according to their capabilities, had access to supplier data, measured the level of commitment of their suppliers and worked very hard not to break the trust and commitment of their suppliers. Over sixty percent of them also pointed out that they involved their suppliers in the projects that they undertook, preferred to deal with suppliers who were committed to innovation and used automated systems. From these responses to the statements, a good sense of commitment by the hotels to supplier innovation management (SIM) is noted.

Scholars are in support of the results of this study and point out those hoteliers should show a high level of trust and commitment to their suppliers in order to benefit from long term partnerships that result into mutual benefits to both parties. It is also important that hoteliers have access to supplier data analysis. This will make them conversant with the kind of inventory suppliers have, they can thus be in a position to mitigate risks, and take advantage of opportunities available. One good example is of Apple Inc. they at one time faced challenges with their key LCD screen suppliers from Korea who threatened to withdraw their services the reason was that they were not benefiting from trading with Apple (Johnson, Li, Singer & Trinh 2012).

Table 4.12: Statements on supplier innovation management and hotel performance

Percentages/100						
	SD	D	N	A	SA	
1. Our company makes use of sub-standard suppliers	65	6	11	7	11	
2. Suppliers are selected according to their capabilities.	9	7	11	10	63	
3. We constantly measure our level of commitment to our suppliers.	10	9	10	11	60	
4. Our firm does not base its relationship to suppliers on trust and commitment.	60	14	6	12	8	
5. We do check different views of various suppliers in the market before improving programs.	7	10	20	10	53	
6. Decisions made in our organization aim at satisfying internal politics and not on satisfying our customers.	60	11	9	12	8	
7. Our firm prefers suppliers who are engaged in different ventures at the same time.	6	19	22	20	23	
8. Our firm does not base its logistics on the integration of suppliers according to customer needs.	48	10	14	12	10	
9. Our firm prefers to deal with suppliers who have information about customer innovations.	54	12	14	13	7	
10. Our firm does not deal with suppliers who have highly advanced technology	58	9	8	11	14	
Key: SA= Strongly Agree N=Neutral D=Disagree A=Agree SD=Strongly Disagree						

Descriptive analysis in Table 4.13 shows that many of hoteliers were in support of supplier innovation management. Overall, they said that they agreed (4) in implementing supplier innovation management (5-1=4). The mean of those who engaged SIs was a

rounded off figure of 3 which indicates that they were neutral about supplier innovations with a low standard deviation of 1.54 an indicator that not many of them were neutral to process innovations and either agreed or disagreed to the said innovations.

Table 4.13: Descriptive Statistics on Innovation Management Variables

Item	N	Minimum	Maximum	Mean	Std. deviation
X1	100	1	5	3.447	1.53
X2	100	1	5	3.423	0.98
X3	100	1	5	2.877	1.54

Market, process and supplier innovation management

A significant relationship was found to exist between X3 and hotel performance ($r=0.515$, $P<0.001$). A close linear relationship between X3 and customer responses was also observed ($r=0.804$, $P<0.001$). A negative null hypothesis that there was no relationship between SIM and performance of MSME hotels in Nairobi was thus rejected. This can be observed in Table 4.14. This is supported by previous studies which point out that suppliers provide knowledge and technology transfer, these together with long term relationships between them and the firms that they serve are seen as key reasons to success (Lambert & Cooper, 2000). Firms that innovatively manage their supply sources have higher levels of cooperation from them (Einshardt & Martin, 2000). Supplier activities that are collaborative help in building good relations which prompt the supplier to share innovative ideas with its customers. A situation of mistrust on the other hand would translate to poor relations with suppliers. In supplier innovation management the focus of the firm is to minimize costs, lower pricing and improve quality (Cox, 2007). Suppliers provide an essential external source of knowledge and technology transfer (Lambert & Cooper, 2000).

Table 4.14: Correlation Analysis Between IM and Hotel Performance

Pearson Correlation Significance		
<i>IM variables and hotel performance(Ye)</i>		
Market innovation management (X1)	0.452**	0.000
Process innovation management (X2)	0.555**	0.000
Supplier Innovation Management (X3)	0.515**	0.000
<i>Innovations management (IM) variables and customer response (YC)</i>		
Market Innovation management (X1)	0.653**	0.000
Process innovation management (X2)	0.788**	0.000
Supplier innovation management (X3)	0.804**	0.000
Total	100	
**Correlation is significant at the 0.01 level (2- tailed)		

4.10 Growth Index of Nairobi MSME Hotels

Growth or performance indicators used for the hotels in the study were sales, employees, capital expenditure and profits. These were captured from between the periods 2010 to 2014. During the pilot study the researcher experienced difficulties in establishing these amounts in figures, due to the sensitive nature of this data, most of the respondents reacted with a lot of hostility to financial data. This was countered in the final phase of the study, by assuring the hotel respondents that an indirect approach was going to be used in collecting all data. In most cases the respondents still seemed skeptical; hence the researcher went a step further by promising the respondents utmost confidentiality of data collected. A less direct approach in which a Likert scale of three levels i.e.: Increased (2), constant (1) and decreased (3) were used to capture performance data. The

data was then computed and categorized into a decreased column and an increased column for the hotels over the years. The difference of the data in the two columns was then calculated in order to arrive at the total hotel performance (YE).

Descriptive analysis in Table 4.15, shows that the hotels experienced an overall neutral performance of 15, which was calculated from the total index maximum of 40 and a total index minimum of 25 ($40-25=15$). From the results it can be observed that overall the hotels were making profits. The mean of the said performance was found to be a rounded off figure of 11, with a high standard deviation of 11.59 meaning that not many of the hotel performances fell on or near the mean performance. Of these hotels 22, had their performance falling between the indexes of -25 to 4 (micro), 48 had their performance falling between the indexes 5 to 23 (small) and 30 hotels had their performance falling between the indexes 25 to 40 (medium). Approximately 20% percent of the hotels in the small category performed well (over 9/40) index. This means that overall 50% of the hotels achieved an above average performance. This performance was not in line with the expectations of this study, it had been estimated that approximately 80% of the Nairobi hotels had implemented innovation management. According to previous research there is an important relationship between innovation management and organizational performance.

It is however, worth noting that during the period of this study (2010-2014), Kenya, was experiencing a high degree of insecurity, followed by heavy travel advisories that were meted on the country by its most attractive tourist destinations. Though security measures were undertaken half way into the study, the travel advisories were only lifted approaching the end of the period being observed in this study. In line with this, it was also worth noting that the sales of the Nairobi hotels showed remarkable improvements when security measures were put in place and travel advisories finally lifted during the late 2012 and mid 2014 respectively. This is an indicator that despite the challenges that they faced, most of the Nairobi hotel entrepreneurs were determined and hopeful. Also,

had the study been carried out during a period of normalcy the situation would have been different, with approximately 80% of the Nairobi hotels experiencing a good performance.

Table 4.15: Descriptive Statistics on Profits made by Hotels

N	Minimum	Maximum	Mean	Std. deviation
100	25	40	6.66300	2.74379

Profits were calculated from data collected from hoteliers from a three Likert scale questionnaire on the following items: number of customers, number of sales, and number of employees, capital, and hotel expenditure. The results are illustrated in Table 4.16

Table 4. 16 : Performance of MSME hotels in Nairobi, Kenya

Percentages/100			
	Increased	Constant	Decreased
Number of customers	43%	38%	19%
Number of sales	50%	35%	15%
Number of Employees	45%	25%	30%
Hotels capital	40%	22%	38%
Hotels Expenditure	60%	10%	20%

4.11 Testing the Conceptual Model

4.11.1 Regression Analysis.

Since VIF was greater than 10, this was an indicator that some of the market, process and supplier innovation management items were highly correlated. Factor analysis was undertaken to filter out the highly correlated items and the independent variables were recomputed. The main hypothesis of the study was then tested using the multiple regression analysis process as follows: Market, process and supplier innovation management accounted for 36% goodness of fit. This indicated that the three IM variables jointly caused a 36% variation to the growth of the Nairobi hotels and that the results of the model could only be wrong by 10% standard error of the estimate. This is illustrated in Table 4.17. These results indicate that innovation management variable made a 36% contribution to hotels in Nairobi the remaining 54% was as a result of other factors. This is supported by literature which points out the linkage between innovation management and firm performance is quite evident from past and present documentation and is regarded as a critical element for attaining business growth and differential advantage (Suramani, 2013).

Table 4.17: Model Summary of Innovation Management and Hotel Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
A	.598	.358	.338	9.78924

a. Predictors: (Constant), X3, X1, X2

A significant predictive role was found to exist between market, process and supplier innovation variables and firm performance ($F=17.757$, $P<0.001$), hence we reject the null hypothesis that the model has no explanatory power. This can be observed in Table 4.18. These results are supported by previous studies. Theoretical literature clearly

suggests that innovation management plays a critical role as a key determinant of firm growth, According to Artz et al (2010) and Varis and Littunnen (2010), in these times of increased levels of competition and shortened product cycles the ability of firms to generate innovations may be more important for their performance and success than ever before (Karlson & Tavassoli, 2015).

Table 4.18: Regression Model Innovation Management

Model Summary

	Sum of Squares	df	Mean Square	F	Sig.
Regression	5110.850	3	1703.617	17.757	.000
Residual	9210.190	96	95.939		
Total	14321.040	99			

1. Regression Predictors: Market, Process and Supplier Innovation management

Ho₁: There is no significant predictive role between market innovation management and the performance of MSME hotels in Nairobi.

A significant predictive role ($t=6.28$, $P<0.001$) was found to exist between market innovation management and hotel performance. The coefficient model predicted that for a 1 unit increase in market innovationmanagement, hotel performance increased by 6.299 holding all other units (process and supplier innovation) constant. This can be observed in Table 4.19. These results are highly supported by literature, marketing is responsible for sales and hence the earnings of the business. Customers are not alike in profitability (VanRaaijet et al, 2003). To achieve the desired positive results an organization must undertake research and focus on a specific target market(Kotler

&Keller, 2012).Apple Inc. the most competitive company in the world (Forbes, 2017), targets the middle and upper class markets as they are able to pay a little more for a better user experience. They are able to appeal to people from of all ages, demographics and industries because of their impressive tech breakthroughs (Johnson, Li, Singer, & Trinh, 2012).

Markets have become saturated and competitors are striving to survive within a market that is no longer growing. According to Abel (2008), under such circumstances, firms have no choice but to offer bold market innovations that are completely out of the ordinary. These will help solve customers' problems and provide them with insane experiences previously unknown to them (Cooper, 2011). More recently companies have been using social media market intelligence to improve on market innovation management. This has also led to improved understanding of customer unbiased needs hence improved firm performance (Grym, 2010).

Ho₂: There is no significant predictive role between process innovation management and the performance of MSME hotels in Nairobi.

The second objective looked at the predictive role of process innovation management and the performance of MSME hotels in Nairobi. As illustrated in Table 4.19, there was a close relationship ($t=3.530$, $P<.001$) between the two variables. For a 1 unit increase in process innovation management, hotel performance increased by 3.530 holding all other units constant. Hence the null hypothesis that there is no significant relationship between X₂ and performance of MSME Nairobi hotels did not hold good. This study has highly been supported by various scholars of innovation management. According to Birkinshaw et al (2004); Bugelman et al (2004); and Daniels (2004), in recent time's interest has been shown not only on steady process innovations but also on discontinuous and disruptive ones (Bessant 2008 and Cooper 2011).

Bessant et al (2006) are of the opinion that successful organizations are those that generally undertake evolutionary changes in their processes. Process innovation management can be intended to decrease unit costs of production or delivery, to decrease price and increase quality or to produce or deliver new or significantly improved products (OECD Oslo Manual, 2005). If properly implemented, process innovations help in reducing mistakes, and increase speed requiring less employees to complete the work, thus greater efficiencies and improved customer and employee satisfaction (Roberts, 2007).

Ho₃: There is no significant predictive role between supplier innovation management and the performance of MSME hotels in Nairobi.

The third objective focused on the predictive role of supplier innovation management and hotel performance. It was observed from the analysis in Table 4.19 that there was a negative relationship ($t=0.590$, $P>0.001$) between supplier innovation management and hotel performance. Therefore the hypothesis that there is no significant predictive role by X₃ and the performance of MSME hotels in Nairobi holds good. These results are collaborated by previous studies. In supplier innovation management the focus of the firm is to minimize costs. Good relations with suppliers would mean lower pricing and quality raw materials, leading to increased performance (Cox, 2007). Suppliers provide an essential external source of knowledge and technology transfer. Results depend on relationships between firms and their suppliers (Lambert & Cooper, 2000).

According to Apple Inc. (2012), Apple has been known worldwide as being superior in its supply innovation management. According to the Annual Supply Chain (2010), ARM research ranked Apple top place in a list of retail and manufacturing heavy weights (Johnson, Li, Singer & Trinh 2012) Apple has been cited as the most competitive company in the world (Forbes, 2017) in terms of value. These results go to prove that

supplier innovation management goes hand in hand with performance.

Table 4.19: Regression Analysis on IM variables and Hotel Performance

Coefficients							
Model	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	11.388	.998		11.415	.000		
Process	3.540	1.003	.292	3.530	.001	1.000	1.000
Market	6.299	1.003	.519	6.282	.000	1.000	1.000
Supplier	.591	1.003	.049	0.590	.557	1.000	1.000

Performance of Nairobi hotels

4.11.2 Hierarchical Regression Analysis

Hypothesis 4: There is no significant predictive moderation role by enterprise characteristics on innovation management variables and on hotel performance.

This section looks at the moderating role by enterprise characteristics. Graphs were drawn to determine the moderating role of EC on IM variables. Models were also used to confirm the results of the graphs. Legal status and rating status were used as the dichotomies on each innovation management variable i.e. market (X1), process (X2) and supplier (X3) and on hotel performance. $X1*Z$, $X2*Z$ and $X3*Z$ interaction was created and hierarchical regression model fitted. For examining the hypothesis, legal status constituted of Z1 while rating status as Z2. Graphs give a rough idea of the moderation effect between variables. If the lines on the graph are parallel, there is no moderation effect. If the lines on the graph cross the moderation is likely to be significant. The

actual results can be confirmed using the hierarchical regression model. As shown in figure 4.3, market innovation management and legal status the curves are parallel to one another. This is an indicator that there is likely to be no moderation effect by legal status on market innovation management and on firm performance. Since the change in R^2 when the moderation variable is added as a predictor is not significant, we observe that the moderator is not a significant predictor. When the interaction term was added, there was no significant change (change in $r^2 = 0.001$, $P = 0.672$).

this implies that legal status has no significant moderation effect on the relationship between market innovation management and hotel performance. This is illustrated in Table 4.20. This is supported by various studies which suggest that firms do not have to be sole proprietorships for their market innovations to succeed. Various scholars are of the opinion that incorporated firms grow faster than unincorporated firms (Demirgüç et al, 2006). Independent firms are more flexible whereas firms affiliated with a group have access to different resources such as finances and human resources to perform better.

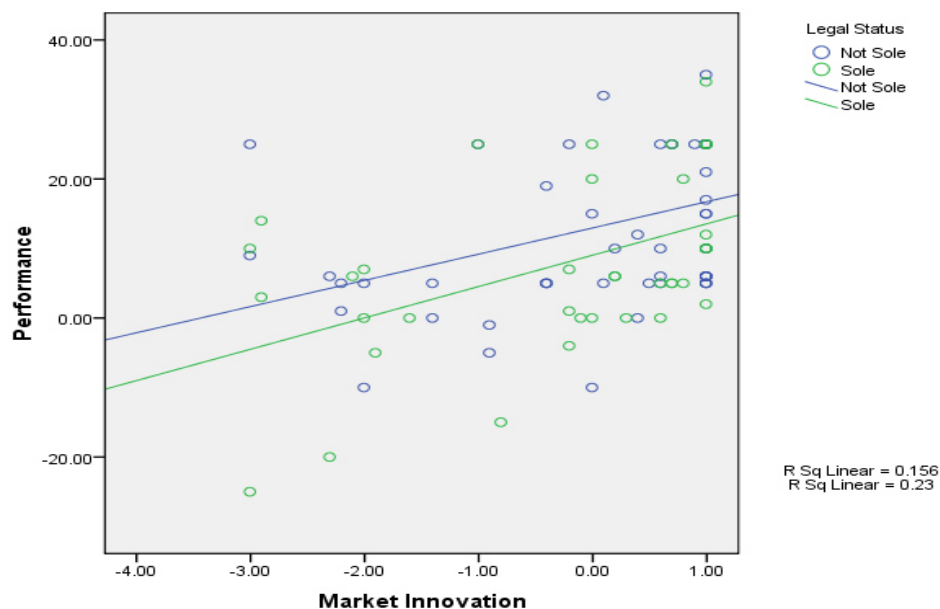


Figure 4.3: The predictive moderating role of legal status on market innovation and on the performance of Nairobi MSME hotels.

As shown in Figure 4.4, process innovation management and legal status the curves are crossed to one another. This is an indicator that there is likely to be a moderation effect by legal status on process innovation management and firm performance. Since the change in R2 when the moderation variable is added as a predictor is not significant, we observe that the moderator is not a significant predictor. However, when the interaction term was added, there was a significant change (change in R2 = 0.041, $P < 0.001$). This implies that legal status has a significant moderation effect on the relationship between process innovation management and hotel performance. This is illustrated in Table 4.20. The implication of this results is that for process innovations to be successful they must be sole-proprietorships. This has been met with mixed dispositions by scholars. For process innovation management to be effective, the staff members of the various disciplines must work together as a team. Members should meet and give suggestions on how to improve or come up with new products and services (Surani, 2013) this may not be practical in a sole proprietorship. Decker et al (2014) point out that sole owned firms are more dynamic than employing firms are and often grow to become the large enterprises of today (Stephanie & Ellie, 2014).

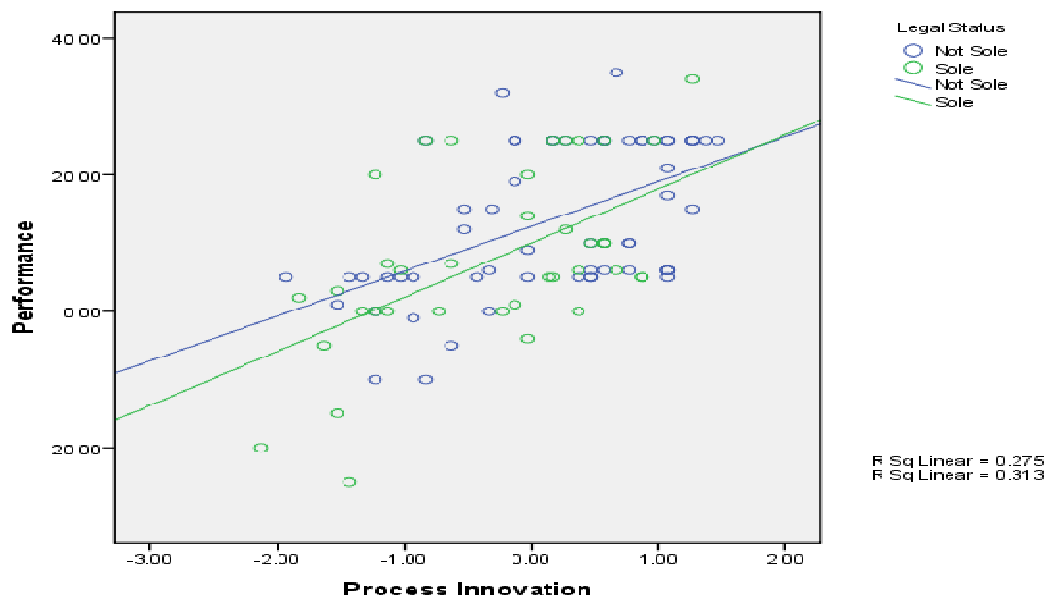


Figure 4.4: The predictive moderating role of legal status on market innovation and on the performance of Nairobi MSME hotels.

As shown in Figure 4.5, X3 and legal status, the curves are parallel to one another. This is an indicator that there is nomoderation effect by legal status on X3 management and on firm performance. Since the change in R2 when the moderation variable is added as a predictor is not significant, we observe that the moderator is not a significant predictor. When the interaction term was added, there was no significant change (change in R2 = 0.019, P = 0.094). This implies that legal status has no significant moderation effect on the relationship between supplier innovation management and hotel performance. This is illustrated in Table 4.20. The results of the study, imply that for supply innovation management to succeed, the firm in question does not have to be a sole proprietorship. This has been met with mixed reactions from scholars. Despite the fact that sole proprietorships do not have the resources necessary to run a business, modern technology has made it easier and cheaper for them to access various stakeholders. Grabher (2004) and Guile (2012) point out that developments in mobile technology have majorly contributed to the increasing success and growth of sole proprietorship firms. This is because it allows firms to work virtually often with temporary projects tailor made to suit the unique needs of the consumer (Spinuzzi, 2014).

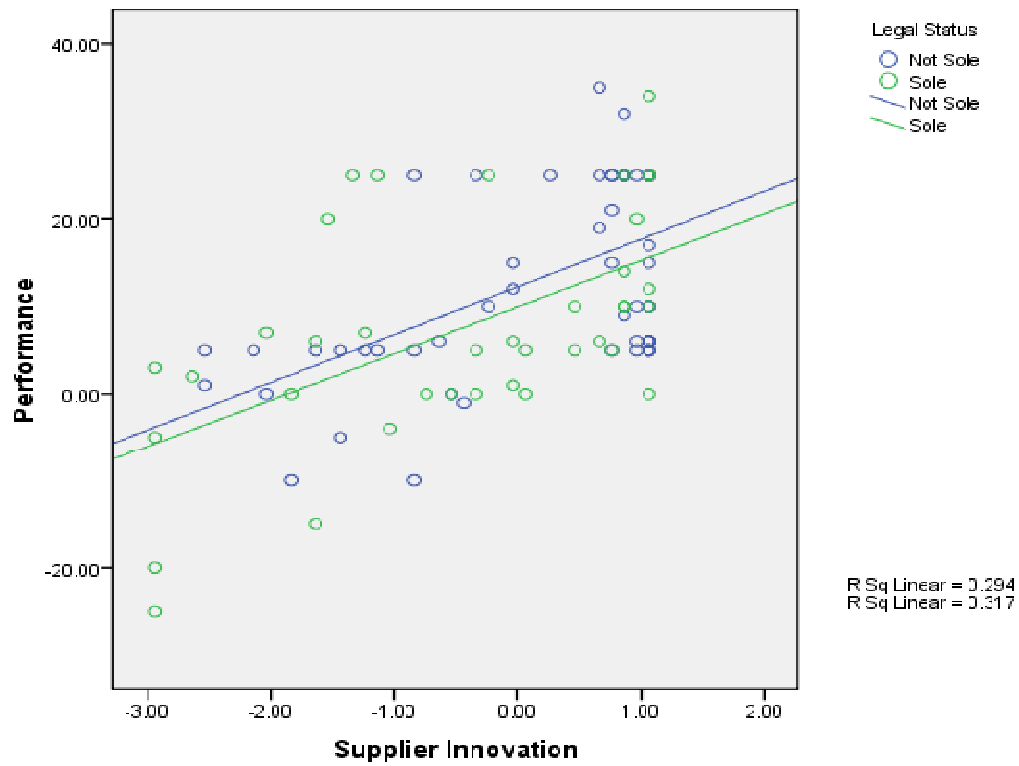


Figure 4.5: The predictive moderating role of legal status on supplier innovation management and on the performance of Nairobi MSME hotels.

As shown in Figure 4.6, market innovation management and rating status the curves are crossed to one another. This is an indicator that the moderation effect by rating status on market innovation management and on firm performance is likely to be significant. Since the change in R² when the moderation variable is added as a predictor is not significant, we observe that the moderator is not a significant predictor. However, when the interaction term was added, there was a significant change (change in R² = 0.046, P < 0.001). This implies that rating status has a significant moderation effect on the relationship between market innovation management and hotel performance. This is illustrated in table 4.20. this implies that for market innovation management to be successful the company in question must not be star rated. This has been received differently by various scholars. A research conducted by the Forbes magazine indicated

that the best hotels in Kenya for the global market are the star rated ones (Forbes travel guide, 2016). Another perspective from a different scholar is that higher star rating is not necessarily a good indicator of hotel quality (Spain et al, 2000).

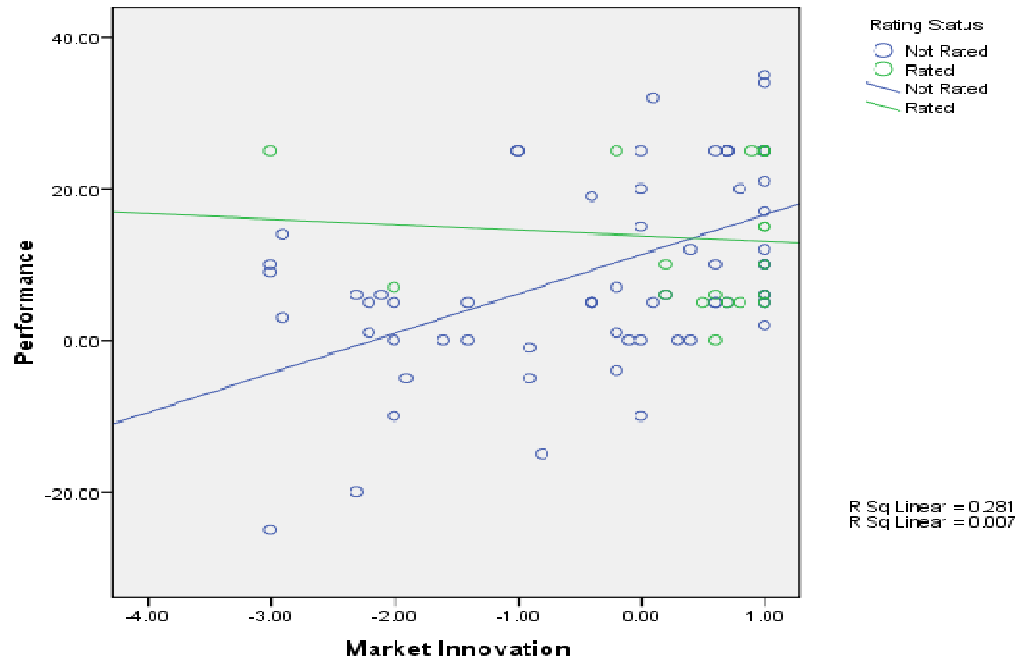


Figure 4.6: The predictive moderating role of rating status on Market innovation on the performance of Nairobi MSME hotels.

As shown in Figure 4.7, process innovation management and rating status the curves are crossed to one another. This is an indicator that there is likely to be a moderation effect by rating status on process innovation management and on firm performance. Since the change in R2 when the moderation variable is added as a predictor is not significant, we observe that the moderator is not a significant predictor. However, when the interaction term was added, there was no significant change (change in R2 = 0.002, P = 0.557). This implies that rating status has no significant moderation role on the relationship between process innovation management and hotel performance. This is illustrated in Table 4.20. This implies that for process innovation management to be successful the firm in review does not have to be non-rated. As observed earlier hotels can be successful or not despite

their star rating and the market that they serve.

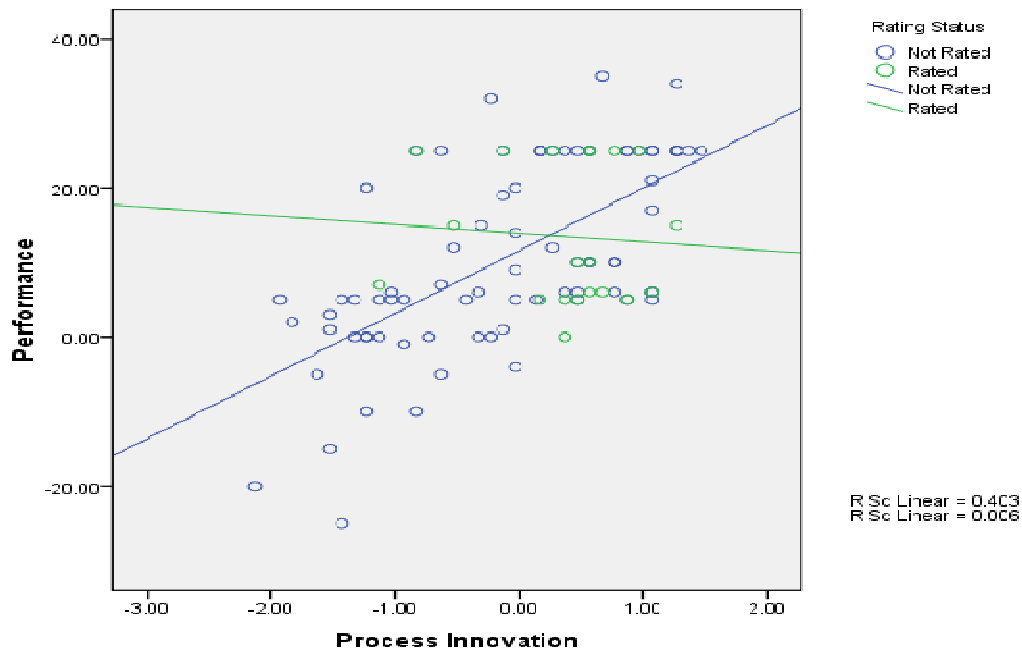


Figure 4.7: The Predictive Moderating role of rating status on process innovation management and on the performance of Nairobi MSME hotels

The predictive moderating role of rating status on supplier innovation management and MSME hotels performance of Nairobi was checked. Supplier innovation management and rating status curves are parallel to one another. This is an indicator that there is likely to be no moderation effect by rating status on supplier innovation management and on firm performance. Since the change in R^2 when the moderation variable is added as a predictor is not significant, we observe that the moderator is not a significant predictor. However, when the interaction term was added, there was no significant change (change in $R^2 = 0.002$, $P = 0.936$). This implies that rating status has no significant moderation effect on the relationship between supplier innovation management and hotel performance. This is illustrated in Table 4.20. These results imply

that for supplier innovation management to be successful the firm in review does not have to be non-rated. As observed earlier hotels can be successful or not despite their star rating and the market that they serve.

Table 4.20: Testing the Predictive Moderating Role of Enterprise Characteristics on IM Variables and MSME Hotel Performance

Model	R	R Square	R Square change	Sig. F Change
X1	.458 ^a	.210	.210	.000
X1/Z1	.485 ^b	.235	.025	.077
X1/Z1/X1*Z1	.486 ^c	.236	.001	.672
X2	.566 ^a	.320	.320	.000
X2/Z1	.566 ^b	.321	.001	.754
X2/Z1/X2*Z1	.602 ^c	.362	.041	.014
X3	.580 ^a	.336	.336	.000
X3/Z1	.582 ^b	.339	.003	.519
X3/Z1/X3*Z1	.598 ^c	.358	.019	.094
X1	.458 ^a	.210	.210	.000
X1/Z2	.458 ^b	.210	.000	.872
X1/Z2/X1*Z2	.506 ^c	.256	.046	.017
X2	.566 ^a	.320	.320	.000
X2/Z2	.575 ^b	.330	.010	.225
X2/Z2/X2*Z2	.577 ^c	.333	.002	.557
X3	.580 ^a	.336	.336	.000
X3/Z2	.587 ^b	.344	.008	.276
X3/Z2/X3*Z2	.587 ^c	.344	.000	.936

a.Predictors: (Constant), X1/X2/X3

b.Predictors: (Constant),X1/X2/X3,(legal status; rating status);

4.12 Discussion

Descriptive and inferential statistics were run to process the data. Descriptive statistics constituted of means, frequencies, percentages and standard deviations. Inferential statistics constituted of Pearson correlation analysis, multiple regression analysis and hierarchical regression analysis.

The three major variables of concern in this study were: market, process and supplier innovation management, and their relationship with hotel performance. As noted from the study, the hotels, that implemented either of the three forms of innovation management, experienced a change in performance. Pearson correlation model results showed that each of the three variables showed a significant linear relationship with hotel performance: market ($r=0.452$, $P<0.001$), process ($r=0.555$, $P<0.001$) and supplier innovations ($r=0.515$, $P<0.001$). This meant that a change in performance whether positive or negative, was noted whenever either of these three innovation management variables were implemented by the Nairobi hotels.

Multiple regression analysis results further revealed that market, process and supplier innovation management accounted for 36% variation in hotel performance. The results further showed that there was a significant relationship between these variables under study and hotel performance ($F=17.757$, $P<0.001$). It was also observed that of the three forms of innovation management, market innovation management ($t=6.282$, $P<0.001$) was the most important contributor towards hotel performance, followed by process innovation management ($t=3.530$, $P<0.001$). In contrast, however, no important relationship was found to exist between supplier innovation management and hotel performance ($t=0.590$, $P>0.05$).

As mentioned previously, the first innovation management variable under study was on the predictive role of market innovation management and hotel performance. Over 70% of the Nairobi hotels showed a sense of commitment to market innovation management.

Among the variables that were used to assess market innovation management were; ability to identify, and have good knowledge of customer needs, having goals, a corporate culture and coming up with innovations that were focused on satisfying customer needs, communication about innovations to customers through the use of technology, and the ability to measure customer satisfaction among others.

Hotels, which said that they were committed to market innovation management, fell within all three categories i.e. micro, small and medium. It was, however, observed that the hotels which had the resources to carry out research, come up with formal marketing programs, and make use of technology to help them understand customer needs performed a lot better than those that did not. Customers who visited such hotels pointed out that they were able to access information about them, make their bookings and pass back positive or negative feedback online. This is highly supported by literature (Hong 2015; Pofelt, 2015).

A good example of such hotels, was a non-star rated hotel located on Langata Road, a three and a four star hotel, both of which were located on the Central Business District and on the Thika highway respectively. These findings have been supported by previous studies. Scholars who are in support of this opinion, point out that results may be achieved quickly, slowly or not at all depending on the strength of the growth aspirations and growth enabling factors such as management capability, market opportunities and organizational resources (Blundel & Hingley, 2001; Chrisman et al 2004; Grymn, 2010).

Many of the micro and small hotels which had experienced a negative performance (5/40 and below) pointed out that they did not have the resources with which to implement more formalized marketing programs or online communication systems. They relied more on face to face communication and their clients were made up of a few repeat and new customers. Such hotels said that they were merely surviving and were hoping for the best. A good example of this was a hotel located in the Park Road area, another one

located on Accra Road and yet another one located on the Duruma Road. These results are in line with the expectations of this study and previous studies. According to Dessel (2005), Alvarez and Barney (2008), Saunders (2010) innovations are becoming important in today's world, which is becoming intensely competitive. Only those firms which are able to invent themselves again and again and thus gain new competitive advantages will be able to survive in the long run.

However, there were some random cases where some hotels which used traditional more entrepreneurial methods said that they had managed to capture a loyal local market that proved promising. Examples of these, were two hotels, one on Tom Mboya Street and another on Bujumpura Road which fitted this description. These entrepreneurs said that they were consistent and persistent in their communication to customers. They worked hard with an aim of ensuring that they understood and met the needs of their customers within their means or resource capabilities. According to them satisfied customers more often than not, found their way back and hence a lot of attention was given to understanding their needs and keeping them satisfied. This is supported by some studies, which have linked high firm growth to during the first four years and five to eight years (Kotler & Keller, 2012; Littunnen & Tohmo, 2003; Dahlavist & Davidsson, 2000).

The second variable looked at the predictive role of process innovation management and hotel performance. Quite a number of hotels (Over 60%) stated that they were committed to process innovation management. The variables that were used to measure process innovation management were; autonomy of employees, commitment to new opportunities, employee ability to recruit new members, ability to make use of experts and come up with new systems, allocation of resources for development of more efficient systems, skilled and passionate employees among others. Process innovation management appeared even more complex to implement than market innovation management. Some of the hotels that proved to be successful in this, were the more resourceful and endowed Nairobi hotels. They aimed at coming up with improved methods of production. According to them, these were initially costly to set up, but ended up in enhancing efficiency in the long run through economies of scale.

A good example of these, were two hotels, one that was located on Lenana Road and another on Bishop Road. The management pointed out that they had plans of putting up solar panels to help save on electricity and a garden from which they would grow groceries that would be used in their kitchens respectively. Scholars, however, differ in opinion about this, Coad (2009) and Surani (2013) pointed out that larger firms have higher rates of survival and may have the benefits associated with economies of scale, on the other hand, Grilches and Klette (2000) hold the opinion that the growth of a firm is determined by its innovativeness and not by its size or age.

Supporting this second point of view, also, were a number of small hotels which used economies of scale in an affordable way with an aim of attracting the local market. Food and drink were mass produced through better systems, thus decreasing the per unit costs. Also competent employees were recruited and trained with an aim of ensuring tasty meals and higher quality services. An example of such a hotel was one that was located on Tom Mboya Street. By observation it was easy to tell that customers enjoyed being in this hotel, one customer pointed out that he felt that the food was tasty and affordable and that the service was excellent.

Another almost similar example was of a hotel that was located near the Odeon Cinema whereby one customer commented that he preferred to travel all the way from up town to this down town hotel as he felt that it satisfied his needs. Yet another hotel was one that was located on the Ronald Ngara street. According to some of the customers, this hotel always seemed to be packed to capacity day and night which was an indicator that it met the needs of consumers. Many other small hotels were found to have implemented this strategy in order to succeed. It was indeed not surprising to find that process innovation management contributed the second highest to performance after market innovation management.

Due to the initial costs of setting up new processes, there were, however, quite a number

of hotels, which said that they did not undertake process innovation management. One of the hotels that was located on River Road pointed out that they were unable to make room for such investments. Another such micro hotel on Munyu Road also mentioned that it did not undertake such radical changes as these did not benefit the hotel. The manager of the said hotel pointed out for instance that, they did not train their employees as this only served to empower them to seek greener pastures else where. Another hotel on Accra Road also pointed out that any changes in the hotel processes was an eye brow raiser from customers who felt that the burden of enjoying said innovations would finally be passed on to them in the form of increased pricing. It was clear from this study results that, the success of process innovation management was mainly due to the innovativeness of the Nairobi hotels than as a result of age or size of the hotel.

The third and last variable of innovation management was on the predictive role of supplier innovation management and hotel performance. A big number of the hotels (over 70%) showed commitment to supplier innovation management. Variables that were used to measure supplier innovation management were: use of skilled and innovative suppliers, commitment and trust towards suppliers, listening to the suppliers point of view, supplier data analysis, preference for suppliers who have diverse abilities such as information about customer needs and automated systems. Many resource endowed hotels said that they were keen on whom their suppliers were, and had formal methods through which they selected them. One such hotel that said this, was located on Forest Road, another hotel of this calibre was located in the Westlands area and yet another was located on the Sheikh Karume Street. A hotel located on the Tenth Street, in particular pointed out that it felt that it was successful in innovatively managing its supplier base. According to them, suppliers had gone along way in contributing to the excellent performance of their hotel, by giving them products on credit for short term periods. They also had networked systems, which helped them communicate certain important information, such as stock replenishing to their suppliers and that they had all the data that needed about their suppliers. This helped the hotel to be proactive and make use of lean methods of production and avoid inconveniences caused by shortages,

wastage of space, and lack of proper or poor quality inventory. It also helped it to take advantage of opportunities and curb itself against risks.

A substantial number of hotels, however, one of which was located on Tom Mboya Street, another on Bujumpura Road and yet another that was located on Park Road, pointed out that the management were not keen on selecting suppliers according to their capabilities, their choice was based more on internal politics. This often led to sub standard and expensive supplies. There were also some star rated hotels that did not perform well despite implementing supplier innovation management, some of these included a three star on Taveta Road, and a one star on the CBD. There were however two cases of star rated hotels who pointed out that their performance remained constant despite implementing supplier innovation management these were both three star rated hotels there located on the CBD and on Munyu avenue. The hotels that invested in supplier innovation management generally did not experience an important contribution to their performances. These results were not in line with what was expected from the study, neither are they in line with what was arrived at in previous study results (Rizza, 2015). The reasons for this may have been; poor implementation, travel advisories that were meted on Kenya in the course of the study period, yet another reason may have been that suppliers are an external factor and the hoteliers may not have much control over their behaviour (Johnson, Li, Singer & Trinh, 2012). The entrepreneur's innovative abilities and their ability to enjoy a personal touch may have enabled them to discover new ideas and maintain long term relations with suppliers. Supplier innovation management if well executed helps reduce costs. Such Nairobi hotels are likely to focus on local customers who benefit from low pricing and quality products resulting from supplier innovation management efficiency.

The current study had hypothesized that market, process and supplier innovation management play a major predictive role in hotel performance. To test this hypothesis the multiple regression model of the form $Y_e = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ was fitted to the data. From the study results, this was translated as $Y_e = 11.388 + 6.299X_1 + 3.540X_2 + 0.591X_3$ where: X_1 =market, X_2 =process, X_3 =supplier

innovation management. The figures when interpreted meant that market innovation management contributed the most to hotel performance 6.299, followed by process innovation management 3.540. However, supplier innovation management did not contribute positively to the growth of the Nairobi hotels.

The fourth objective looked at the predictive moderating role of enterprise characteristics (EC) on innovation management variables and on hotel performance. In the first case legal status, results revealed that hotels, which engaged either of the three innovation variables when observed jointly with legal status, experienced an increase in performance. This increase was due to the additional strength contributed by the moderating variable. From these results, it was clear that sole proprietorships performed better than partnerships. There was a moderation role by legal status on the process innovation management variable and hotel performance. Legal status, had however no moderation role on the market or supplier innovation management variables and hotel performance. According to these results, this meant that it was a must for the hotels to be sole proprietorships in order for their process innovation management efforts to be successful. This was however not the case for the other two variables.

On issues that are related to legal ownership, scholars of various studies show mixed dispositions. Some point out that individual owned firms perform better than grouped owned firms; this is because of the personalized attention that they are able to provide and their flexibility in decision making thus making them more innovative. Other scholars argue differently saying that availability of resources may enhance group owned firms ability to better manage their innovations than individually owned hotels (Huei, 2015). Yet another school of thought is of the view that ownership has no effect on firm performance (La Porta et al, 2000).

In the second case; rating status and IM variables, a close relationship was observed to exist between the first two innovation management variables i.e. market and process innovation management, and hotel performance. The increase in performance was associated by the strength contributed by the moderating variable in this case, non-rated.

This meant that hotels that were not rated performed better if they implemented process and market innovation management. There was, however, no close relationship between hotel rating, supplier innovation management and hotel performance.

A moderating role was found to exist by rating status on market innovation management and hotel performance. No moderating role by rating status and on the last two IM variables (process and supplier innovation management) and hotel performance was found to exist. This when translated meant that for hotels that implemented market innovation management to succeed they had to belong to the non-rated category. It is normally assumed that star rated hotels perform better than non-rated ones (Forbes 2016, Narangajavana & Hu 2008; UNWTO, 2014). According to literature, however, this may not necessarily be the case. Some low categorized hotels have sometimes been found to perform better than their star rated counterparts with non-rated hotels sometimes offering even better innovations than rated hotels (Spain et al, 2000). According to Spain et al (2000) higher star rating is not necessarily a good indicator of hotel quality.

Of these hotels 22, had their performance falling between the indexes of -25 to 4 (micro), 48 had their performance falling between the indexes 5 to 23 (small) and 30 hotels had their performance falling between the indexes 25 to 40 (medium). Approximately 20% percent of the hotels in the small category performed well (over 9/40) index. This means that overall 50% of the hotels achieved an above average performance. The mean performance was below average (11/40), however, it is clear from the results that most of the performances fell far from the mean. From figures that were provided earlier in the study, it was observed that approximately 80% of the hotels in Nairobi pointed out that they implemented innovation management. From the performance results it can be noted that 22% of the hotels performed very poorly (-25/40 to 4/40) and are most likely in the 20% category of hotels that did not implement innovation management. However, it can also be noted that another 30% of the Nairobi hotels which belonged in the small category did not manage to break even. This may have been as a result of poor execution methods of innovation management by the said hotels as the majority of the hotels that implemented innovation management (50%)

experienced a good performance. Also as mentioned previously the poor results may have been due to insecurity, and travel advisories that were meted on Kenya in the course of this study. Had this study been undertaken during a time of normalcy about 80% of the hotels would have most probably experienced a good performance. Hence this study supports, the theory that, innovation management and hotel performance are positively related.

This study is supported by past and present documentation which suggest that there is a linkage between innovation management and firm performance (Karlson & Tavassoli 2015, Artz et al 2010; Klomp et al, 2001). Innovation management is regarded as a critical element for attaining business growth and differential advantage. Researchers have clearly spoken in favor of innovation for higher firm performance without, which it can lead to the demise of a business. Innovation management refers to seeking novel ways of doing business, looking for introduction of new and differentiated products and services with an aim to gain marketing and economic benefits such as higher profits, market-share and sustainable competitive advantage (Maverick 2015, Surani 2013; Marchese, 2009).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarized statistical analysis and interpretation of the data collected. Results of the findings were then compared with empirical and theoretical literature that are available in the area of study. Conclusions and recommendations related to the objectives and hypothesis of the study were finally arrived at.

5.2 Summary of the Findings

The study sought to look at the predictive role of innovation management in the performance of MSME hotels in Nairobi, Kenya. The study specifically explored the predictive role of market, process and supplier innovation management in MSME hotel performance. Theoretical and empirical literature showed that the three variables were key contributors to the performance of MSMEs in both developed and developing economies all over the world. However due to lack of resources and support IM has not yielded high returns in developing economies. Enterprise characteristics i.e. legal status, age and hotel rating were also taken up with an aim of determining their moderating role on innovation management variables and on firm performance. The study respondents included hotel owners and customers of MSME hotels in Nairobi. Out of a population of 334 respondents, a sample size of 100 hoteliers and 100 customers were interviewed. The stated hypothesis i.e. IM variables and EC Variables guided the structure of the findings as follows:

Objective 1: The Predictive Role of Market Innovation Management and MSME Hotel Performance in Nairobi, Kenya.

The study findings indicated that market innovation management (MIM) plays a significant role in the performance of MSME Nairobi hotels. It was clear from the study results that the majority of the hotels (over 70%), were highly committed to MIM. Market innovation management variables constituted of identification of customer needs, branding, creating an innovation that focused on customer needs. It also aimed at

communicating regularly using online technologies and measuring the level of success in meeting customer needs. From the results of the study it was found that an important relationship was found to exist between market innovation management, and hotel performance, i.e. every 1 unit increase in market innovation resulted in a 6.29 increase in hotel performance. The translation of these figures was that the Nairobi hoteliers, who implemented market innovation management, showed a higher performance compared to those that did not. This was in line with what was expected of the study.

Market innovation management plays an important role in organizational performance. It aims at addressing customer needs and hence bringing about satisfaction of the customer. The most competitive companies in the world are fully aware of customer preferences and develop products that are in line with target market needs. Most customers have no idea what they want it is up to the company in question to find this out, build products and communicate the benefits of the products to the consumers. Customers are not alike in profitability it is therefore important that a company identifies who their target customers are and brand their products accordingly. Innovation plays an important role in the marketing concept because it gives the service firm the ability to stay ahead of its competitors through new market offerings and modern communication systems.

Objective 2: The Predictive Role of Process Innovation Management in the Performance of MSME Hotels in Nairobi Kenya.

Respondents showed a moderate commitment to process innovations. This was based on their (over 60%) responses to ten statements provided on the said innovation variable. Process innovation management refers to a game plan in which firms focus on coming up with an organizational culture that encourages process innovation management. This includes teamwork, training and lean methods of production. This form of restructuring will encourage economies of scale and hence efficiency caused by a reduction in mistakes and wastes, hence enhancing productivity, customer satisfaction and company

image.

An important relationship was found to exist between process innovation management (PIM) and Nairobi hotel performance. Results indicated that the Nairobi hotels which embraced PIM, experienced significant improvements in their performance. Process innovation management made the second highest contribution to hotel performance ($t=3.530$, $P<0.001$) i.e. every 1 unit increase in process innovation resulted in a 3.530 increase in hotel performance. This meant that Nairobi hotel participants who used process innovation management showed a more remarkable performance than hotels that did not. This is in line with the hypothesis of this study. If properly implemented, process innovation management helps in increasing speed in production systems, reducing mistakes, hence greater efficiencies and improved customer and employee satisfaction, improved company image and hence performance.

Objective 3: The Predictive Role of Supplier innovation management in the Performance of MSME Hotels in Nairobi Kenya.

The study's findings indicated that supplier innovation management was related to hotel performance albeit negatively. Supplier innovation management was seen as the effort that was made by the Nairobi hotels to get suppliers who met their expectations through their capability and mutual relationships. They were also ready to let hoteliers access their data and to make use of automated or other systems to allow proper communication between the two companies. This created an enabling environment for the successful implementation of lean methods of production such as just in time, continuous improvement and cell. Results from the entrepreneur's statements on this variable revealed that (over 70%) of the hotels in Nairobi were committed to supplier innovation management. Despite this commitment, no good relationship was found to exist between supplier innovation management and performance of hotels in Nairobi. As mentioned in a previous section, market innovation management contributed the most to Nairobi hotel performance, followed by process innovation management; however in contrast, no positive contributions were found to have been made by supplier innovation management ($t=0.590$, $P>0.05$).

This meant that the Nairobi hotel participants who used supplier innovation management generally showed a lower performance in comparison to those hotels that did not. The results are not in line with what was expected from the study, neither are they supported by previous study results. Firms that innovatively manage their supply sources have higher prospects of cooperation with their suppliers; satisfaction on supplier performance leading to transfer of ideas and reduced pricing of raw materials. In supplier innovation management the focus of the firm is to minimize costs and hence efficiency this benefit is then passed on to customers in the form of reduced pricing.

The poor performance results by Nairobi hotels which focused on supplier innovation management may have been as a result of poor selection, maintenance and implementation of supplier innovation management. Also successful implementation of supplier innovation management depends on long term relationships between firms and their suppliers. Hence, for Nairobi hotels to be successful in supplier innovation management, they must have the necessary skills, tools and measurements which, must also be in line with the needs of their target consumers. Also the study took place during a period of travel advisories in Kenya; this may have impacted the hotels negatively.

Objective 4: Moderating Role of Enterprise Characteristics on Innovation Management Variables and Performance of MSME Hotels in Nairobi Kenya.

In the first case, legal status, sole proprietorships were generally found to experience a better performance than partnerships. This may be due to the entrepreneurial nature of many sole owners, and personal recognition for success of the firm. On the other hand firms that are in groups such as corporations may have more resources, which may work positively for their growth.

In the second case, although it is generally thought that rated hotels perform better due to the high standards that they are required to maintain. It was not the case in this study, whereby non star rated hotels were found to have a better performance. The reason for this may have been insecurity and travel advisories meted on Kenya by its major tourist

destinations which occurred during part of the time frame of this study. Many of the rated hotels depend on international tourists who form their main target market. Non rated hotels have sometimes been said to perform better than rated hotels as star rating is not necessarily tied to good performance.

Each of the three innovation management variables was assessed on its own, and then jointly with each of the enterprise characteristics (EC) used in the study, i.e. legal status and hotel rating. Results revealed that hotels, which engaged in market, process and supplier innovation management, showed a variation in performance. The performance variation of those hotels that engaged in market and process innovation management jointly legal status and rating status, were much higher than when they were assessed alone. The increase in variation was due to the additional strength provided by the enterprise characteristic variables. However, the same was not true of supplier innovation management when assessed jointly with the legal status and with rating status there was a decline in performance.

A moderation role was found to exist only in two cases i.e. by legal status on process innovation management and hotel performance, and by rating status on market innovation management and hotel performance. This meant that process innovation management worked positively only with hotels that were sole proprietorships. The reason for this, may have been that the said hotels have higher entrepreneurial capability and recognition of the owners efforts.

Also market innovation management was found to work well only with non-rated hotels. The reason for this may have been the personal touch which non-rated hotels are able to provide in their informal set ups. Also the aim of market innovation management is to address customer needs, which can be highly beneficial for most MSME hotels. It was thus observed that despite the fact that most EC variables had a significantly good relationship with innovation management variables and hotel performance, very few of

them had a moderating role on IM variables and on hotel performance.

5.3 Conclusions

Objective 1: There was no predictive role by market innovation management on MSME Nairobi hotel performance.

Market innovation management was found to have had a significant predictive role on MSME hotel performance. Of the three IM objectives, it ranked first in terms of its contributions. However it was clear from the results that some hotels, which said that they had implemented X1 did not perform well meaning that there must have been some restraining factors for this. On the other hand ignorance may have caused various hotels to overlook and hence not implement X1.

Objective 2 There was no significant predictive role by process innovation management on hotel performance in Nairobi.

The null hypothesis was rejected yet again, X2 contributed the second most to hotel performance of hotels after X1. It cannot, however, be ignored that many of the hotels that said that they had implemented X2 had performed poorly this may have been as a result of the ground work needed for proper implementation to take place. There were case scenarios where hoteliers pointed out that they did not see the benefits of implementing X2, worse still were those who said that it was a total waste of time and resources.

Objective 3: There was no significant predictive role by supplier innovation management on hotel performance in Nairobi.

In the third specific objective, it was found from the results that there was no significant predictive role by supplier innovation management and hotel performance. This may have been due to poor implementation of X3 by hoteliers as those who implemented yielded negative results. This is not supported by other studies as there is a generally

firm believe that supplier innovation management has been found to contribute positively to firm performance if it is well implemented.

Objective 4: There was no significant predictive moderating role by Enterprise characteristics (legal status and star rating) on MSME hotel performance in Nairobi.

Fourthly, the objective of the study suggested that a predictive moderation role existed between enterprise characteristics and on innovation variables and hotel performance. The prediction was not supported by the study results except in two out of six cases. Questions to be asked in this regard were, should hotels adopt sole ownership or be group owned to attain success; should they be star rated or not in order for them to succeed. The answer to the questions depends on the benefits that entrepreneurs are ready and able to exploit.

5.4 Recommendations

Objective 1: There was no predictive role by market innovation management on MSME Nairobi hotel performance.

The researcher recommends in the first objective i.e. market innovation management, that hoteliers should be in a position to identify and stay focused to specific target market/s for instance lower or upper class categories etcetera. This can be helpful in enabling them to properly stay focused in their promotions and in branding themselves. They can make use of specific slogans directed to the specified tastes and communicate service content in a way that will cause them to find a unique place in the minds of their consumers. Recruitment, maintenance and development of competent employees will also go a long way in helping them regenerate themselves and enhance their ability in coming up with modern technological systems.

Objective 2 There was no significant predictive role by process innovation management on hotel performance in Nairobi.

On the second objective i.e. process innovation management; the right leadership style that involves individuals and teams is paramount to process innovation management success. This will help create strong organizational cultures, teamwork, forums for training, finance, research and development and thus commercial innovation that will help improve the systems at the workplace. Further advantages of this will be methods of production in use will encourage economies of scale and hence bring about reduced costs and mistakes and hence pricing.

Objective 3: There was no significant predictive role by supplier innovation management on hotel performance in Nairobi.

As far as the third objective is concerned i.e. supplier innovation management, the researcher recommends that, MSME Nairobi hotels should select suppliers who have innovation capability, who make use of automated systems and who give them liberty to access their data. Entrepreneurs should involve suppliers in the projects that they undertake. This will bring about transparency honesty and trust and hence stronger bonds from which entrepreneurs will stand to benefit. Speedy and right inventory made possible through automated replenishing will serve to improve efficiency through lean methods of production in particular just in time, cell and continuous improvement. It will also help them mitigate risks and take advantage of opportunities that arise in the event of their collaboration.

Objective 4: There was no significant predictive moderating role by Enterprise characteristics (legal status and star rating) on MSME hotel performance in Nairobi.

The study finally recommends that MSME hotels think entrepreneurially. Sole owned hotels usually allow for an environment that is conducive to creating new ideas. Despite the advantages of the sole owned firms it is, however, still advisable for Nairobi hotels to strive to graduate into corporations or group owned firms so as to enjoy benefits that might accrue from such an experience. These may include expertise and financial resources and legal benefits. Similar patterns are likely to apply if they evolved from

non-rated to star rated categories to grant them the ability to compete in a global economy.

5.5 Suggestions for Further Research

This study concentrated mostly on market, process and supplier innovation management. Further research can be undertaken on various other types of innovation management variables such as; technological, product, new organization, new sources of finance, lobbying with the government to mention but a few. There is need for collaboration by the government of Kenya, larger hotels and Nairobi MSME hotels so that this is made practically beneficial through incubators, training, marketing and finance.

Different dimensions, growth measures and methods of data collection and analysis can also be used in future for purposes of forming comparative benchmarks. Future research can for instance be organized in such a way as to seek the opinions of employees of the Nairobi hotels. Employees are likely to be less biased than hoteliers, and hence may provide more reliable information as they hold a more neutral position on sensitive aspects affecting the hotel. Comparative studies can also be undertaken to compare the difference in performance between hotels that implemented innovation management and those that did not do so. In many cases, where comparisons are carried out in innovation, results arrived at are mostly conflicting. This will help detect authenticity of results and help map the way forward.

Also the government and academic institutions should go a step further by linking the course content, learning activities and research publications directly to MSME, hotel challenges, all will benefit from them. Academicians will get jobs, entrepreneurs will gain a wealth of resources made possible through creative minds and the government will earn revenues. The government has already come up with very good policies to guide such efforts, proper implementation and coordination of the same is, however, lacking.

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APPENDICES

APPENDIX 1: ENTREPRENEUR/ MANAGER'S QUESTIONNAIRE.

PART A

Name of your hotel: _____

Location: _____

Contact: _____

Would you like a copy of the research findings? _____

PART B(Please answer all questions)

I. Business and Personal data

1. How many years have you worked in this particular hotel? _____

2. Are you the owner/manager of this hotel?

Yes ☐ No ☐

3. If you are not the owner/manager, would you please describe the position you hold in your hotel _____

4. Reporting to what job title: _____

5. What are the areas of activity in this particular hotel? (tick wherever appropriate)

- ☐ Bar
- ☐ Dining
- ☐ Take-away separate bottle shop
- ☐ Take-away over the bar
- ☐ Accommodation
- ☐ Swimming pool

Other activities (Specify) _____

6. Is your hotel a family business?

Yes ☐ No ☐

7. What is the legal status of your hotel? Sole-proprietorship

Partnership Limited company ☐

Other (Specify) _____

8. Is your hotel rated as a star hotel? Yes ☐ o ☐
9. If so what is its classification (tick wherever appropriate).
- a. One Star
 - b. Two Star
 - c. Three Star
 - d. Four Star
 - e. Five Star
10. What is the number of years your hotel has been in operation? _____
11. Answer the following questions about your hotel's performance in the table provided:

YEAR	Number of employees?	Number of customers?	% sales growth?	Hotel's capital?	Hotel's expenditure?
2010					
2011					
2012					
2013					
2014					

II Innovation management

- i. Does your company have a:
 - a. Mission statement YesNo ☐ ☐
 - b. Vision statement Yes ☐ ☐
- ii. What are some of the different innovations that your company engages?
(Tick wherever appropriate).
 - a. Market innovations
 - b. Process innovations
 - c. Product innovations
 - d. Others?

indicate_____

iii. How does your company spot innovation opportunities? Indicate

iv. Do you have a specific segment of customers that you target (tick wherever appropriate).

a. Young

b. Adults

c. Families

d. Corporate/s

e. Others._____

v. Who is involved in the innovation process? Indicate

vi. Who do they report to? (Tick wherever appropriate).

a. Top managers

b. Middle managers

c. Operational managers

d. Others_____

vii. How do you decide on how much money is spent on an innovation?
Indicate_____

viii. Are innovations(tick wherever appropriate).

a. Radical

b. Dynamic

ix. Is innovation listed in an employee's job description? (Tick wherever appropriate).

Yes ☐

No ☐

x. Do employees receive any specific form of training

Yes ☐

No ☐

If so what kind of training?_____

xi. Do top managers play a critical role crucial in driving innovations?

(Tick wherever appropriate).

No ☐

Yes ☐

Market Innovation Management

To what extent do you agree or disagree with the following statements about managers in your hotel. 1=(SD) Strongly Disagree, 2=(D) Disagree, 3=(N)Neutral, 4=(A)Agree, 5=(SD)Strongly Agree

		SD	D	N	A	SA
1.	Our integrated business goal is to satisfy the needs of our customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	We rarely embrace a culture that places emphasis customer needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	We constantly measure our level of commitment to our customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Our firm rarely transmits information about its products or services to consumers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	We check, compare and share the different views of various segments of our market.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Decisions made in our organization aim at satisfying internal politics and not on satisfying our customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	A huge number of ideas generated from market research drives innovation of our company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Our firm does not take innovation into account or mention it in our communication with our customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	We have very good knowledge about the types of innovations that our customers will reject.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	We have no mechanisms in place to help customers give their suggestions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Process innovations Management

To what extent do you agree or disagree with the following statements about your hotel managers when dealing with individuals and/or teams. 1=(SD) Strongly Disagree, 2=(D) Disagree, 3=(N)Neutral, 4=(A)Agree, 5=(SD)Strongly Agree

		SD	D	N	A	SA
1.	Support individual/team efforts to work independently.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Believe that best results occur when individuals /teams are allowed to make independent decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Intrapreneurs and key team members are frequently transferred to other assignments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	The management teamsplay a major role in identifying opportunities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Project teams do not have any choice in recruiting and selecting new team members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Management consultants are involved in coming up with new systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	We use teams efficiently within but not cross functionally.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Our firm does not allocate resources for the development of new systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Most people leading innovation projects are appointed without prior checks on their passion about the idea.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Our development process includes a series of planned hand-offs from stage to stage.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Supplier Innovation Management

To what extent do you agree or disagree with the following statements about managers in your hotel. 1=(SD) Strongly Disagree, 2=(D) Disagree, 3=(N)Neutral, 4(A)Agree, 5=(SD)Strongly Agree

		SD	D	N	A	SA
1.	There are many internal monopolies in our firm this forces us to use standard internal service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	All suppliers are selected according to their skills, and capacity for innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	We constantly measure our level of commitment to our suppliers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Our firm does not base its relationship to suppliers on trust and commitment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	We do check different views of various suppliers in the market before coming up with improvement programs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.	Decisions made in our organization aim at satisfying internal politics.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
7.	Our firm prefers suppliers who are engaged in different ventures.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
8.	Our firm does not base its logistics on suppliers according to customer needs.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
9.	Our firm prefers to deal with suppliers who have innovative abilities.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
10.	Our firm does not deal with suppliers who have highly advanced technology	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Thank you

APPENDIX 2: CUSTOMERS QUESTIONNAIRE

PART A; Customers Data:

1. Name:_____
2. Contacts:_____
3. Gender (tick appropriate answer): Male ☐ Female ☐
4. Age:_____
5. Marital status_____

PART B; Hotel Information to be Provided by the Customer:

1. What is the hotels location from your home? _____
2. Why did you visit this hotel?_____
3. Are you satisfied with the portfolio of products and services offered by this hotel? If not:
 - a. What products/services would you like added in the hotel?

 - b. What products/services would you like removed?

 - c. What products/services would you like improved?

4. To what extent do you agree with the statement in the next page about this hotel.1= (NAA) Not At All, 2=(R)Rarely, 3=(S)Sometimes, 4=(F)Frequently, 5=(AAT)At All Times

	1	2	3	4	5
1. I have felt satisfied and valued by this hotel in the past	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I feel that the hotels technology is up to date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. In my opinion the hotel has got a good feedback system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. I believe that the hotel needs further improvements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. I feel that the hotel dealt fairly with employees who erred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dear customer, please tick the appropriate box to indicate your level of agreement or disagreement with the following statements: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree.

	SD	D	N	A	SA
a) The hotel felt clean and comfortable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) In my opinion I was seated and served promptly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) The waiter appeared friendly when taking my order.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) I feel that the menu had an excellent selection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) I noticed that the food was served hot and fresh.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) I felt that the quality of food was tasty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) I felt that courses were well coordinated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) I feel that the waiter was able to answer all my questions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i) Overall I felt that the service was excellent.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j) How I rate this hotel with others visited.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you.

APPENDIX 4: LETTER OF INTRODUCTION

I am a Doctor of Philosophy (PhD) student at The Jomo Kenyatta University of Agriculture and Technology (JKUAT). The title of my thesis is “The Predictive Role of innovation management in the Performance of Hotels in Nairobi, Kenya.” The study will aim at determining how hotel’s innovative practices can be developed and continuously undertaken with successful results in order to improve performance. Therefore your participation is very important and will be highly appreciated.

I also wish to assure you that the information provided will only be used for academic purposes and will be treated with uttermost confidentiality. Finally the report of the findings can be sent to you upon your request. My address is given here below. Thank you.

Mary Mwihaki Munene,
School of Human Resource and Development,
Jomo Kenyatta University of Agriculture and Technology
Nairobi.

APPENDIX 5

LOCATION OF THE MICRO SMALL AND MEDIUM HOTELS IN NAIROBI

