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Improving Business Growth through Marketing and Organizational Innovation in Doinyo Lessos Creameries in Eldoret, Kenya

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ABSTRACT: Entrepreneurial firms need to continuously undertake innovation seriously if they are to remain competitive. This paper examines the impact of marketing innovation and organizational innovation on business growth among Small and Medium Enterprises (SMEs) in Kenya. The paper is based on a study of Doinyo Lessos Creameries in Eldoret, Kenya. The study adopted a descriptive case study design on a sample of 169 respondents from the Creameries which is located in Uasin Gishu County. Response was received from 161 participants. Purposive sampling technique was used to identify the area of study, stratified and simple random sampling techniques were used to select the respondents from the target population. Questionnaire and interview schedule were the main instruments of data collection. Qualitative data was analyzed descriptively in form of frequency counts, percentages and measures of central tendency. It was clear that majority of the respondents concurred that new products had attracted many customers and in turn increased the sales volumes. Very few of the respondents disagreed that marketing innovation had led to improved sales. It was clear that lesser than half of the respondents agreed that Doinyo Lessos is fast to roll out new product to the market. It was further shown that more than three quarters of the respondents agreed that the company's management team members have relevant education and skills. All business units need to develop innovation policy so as to form the impetus of great thinkers within the industry. This will help to instil a desire to innovate among all the stakeholders in the dairy industry. Continuous innovation activities in any business should be sustained through R&D support, and employee motivation to ensure business growth is realized over time.

KEYWORDS: Business Growth, Marketing, Organizational Innovation, Doinyo Lessos Creameries, Eldoret, Kenya.

1 INTRODUCTION

Small and Medium Enterprises vary significantly according to different stages of economic development and economic structures [1]. Some analyses define them in terms of total revenue, while others use the number of employees as an indicator. Although the definition of SMEs is specific to each individual country and is based on size and level of economic development, there is not yet an agreed definition for SMEs. Attempts have been made to define SMEs in developing countries. Albaladejo [2] defines SMEs as firms that employ between 5 and 19 workers while medium enterprises are firms that employ between 20 and 29 workers therefore an SME is a business with a head count ranging from 5 employees to 99 employees.

GrowthFin [3] reports that SMEs are profit-driven entities whose financial needs are either too large, or too complex for microfinance, and have been excluded from mainstream financial institutions that consider the financial needs of SMEs either too small or too risky. The banks have in the last few years recognised SME trade finance requirements as a clear growth area. It is however vivid that a large number of these banks are not prepared to devote the necessary time, energy and manpower to assist SMEs structures their operations. This is solid evidence that the growth of SMEs in Kenya is highly slowed by such aspects.

1.1 SMALL AND MEDIUM SIZED BUSINESSES GROWTH INDICATORS

There is no general measurement for firm growth and scholars use various growth indicators when undertaking research [4]. The most common indicators are to measure absolute sales growth or relative employment growth during a specific period of time. Sage [5] identifies several stages in which a business must go through in its life. The first stage is where sales and marketing are focused on generating awareness and motivating the customer to try a new product or service. The second stage is growth where the customer strategies shift from new customer acquisition to “selective” demand generation. After growth the business enters a crucial stage known as the maturity stage. At this stage businesses reach a point when revenues slow down from double digit growth. If not well managed the business moves to the decline stage. Sage [5] notes that once a business has entered decline, it should be focused on diversifying or harvesting to maximize cash flow that can be used to fund new product or service offerings. If all fails to work in favour of the business rejuvenation, the business enters its final stage of existence which is exit stage. At this stage the business is forced to be closed down due to higher expenses than income as well as diminished number of customers. At this stage the business can think of innovation.

Davidsson et al. [6] identify several indicators of business growth as including; assets, market share, physical output and profits. However, these indicators are generally not commonly used such as sales and employment, since their applicability is limited. Thus, total assets value depends on industrial capital intensity and is sensitive to change over time, market share and physical output vary within different industries and are therefore difficult to compare and finally, profits are only relevant in order to measure size over a long period of time [7].

Sales and employment are two important indicators when analyzing growth of firms [7]. Employment is often used within studies since it is relatively easy to access and measure since it lies within interest for policy makers. Sales are the most common used measure or indicator of firm growth though they are affected by inflation and exchange rates. Furthermore, it can be difficult to compare sales figures in different industries. Delmar et al. [7] suggests the importance of using multiple growth indicators when studying firm growth. Davidson et al. [6] highlight the importance of using at least one indicator based on changes in turnover when studying firm growth, one alternative could be to use added value as a variable.

According to Lind [8], SMEs in developing countries are often competing in price, thus, they do not focus on adding value to products and services. Lind [8] points out the importance of added value since value creation is what makes a firm competitive and it is argued that added value is a more accurate measurement of SMEs’ competitiveness than market shares, return on investment or profit. SMEs in developing countries have generally lower productivity than developed countries and since a country´s ability to produce high level of productivity is one of the contributors towards improved living standards, added value could be seen as an important growth indicator.

Davidson et al. [6] posit that even if restricted to the change-in-amount view, growth remains a multi-faceted phenomenon due to heterogeneity in growth indicators and in the tools used to measure growth. They further treat heterogeneity in the regularity or irregularity of growth over time, and in the type of growth. Growth, they argue, consists solely of demand-driven volume expansion for existing products or is achieved through the acquisitions of business activities that were already up and running within another organization but is not an aspect of entrepreneurship.

As cited by Davidson et al. [6], the other indicators are less generally applicable and therefore not applied as frequently. The ‘market’ in market share calculations may be ambiguous; differences in market share may be irrelevant for small firms, and comparing share for firms operating in different markets may be indefensible. The value of assets varies with the capital intensity of industries and is difficult to assess where the key asset is knowledge. Physical output can hardly be compared across industries. While profits are universally relevant they reflect many other aspects of a firm apart from its size. Besides, it is perfectly possible for a large and/or growing firm to be unprofitable.

Davidson et al. [6] conclude that owner-manager’s willingness to grow is deemed to be very important. Related to this, there is strong indication that human capital factors like education and experience lead to growth only when the wish to expand is also there. A factor that is sometimes crucially important but not a universal growth recipe is the availability of external capital. In the frequent cases when the owner-manager does not see growth as a goal, or the market potential for the firm’s products is limited, increased provision of external capital is not going to change much. While there is probably an over-representation of male-run firms among the top growers, gender is largely unrelated to growth for the large majority of the firm population.

1.2 REVERSE INNOVATION

Reverse innovation [9] [10] is a new conceptualization that has been developed to explore innovation from emerging economies. This new line of research argues that innovation is less likely to come from, and is adopted in, developed countries first, but is conceived and adopted in emerging economies first to then be introduced to developed markets. It is then "exported" to the developed economies. These dynamics reverse the innovation process as intended in past literature and managerial practice. The reasons that support such an inverted process lie in the market growth of the developing countries that are supporting and leading the global economy [11].

The trend of innovation from developing countries, thus reversing the innovation process as generally intended from developed to developing economies, is partly anticipated by the concept of disruptive innovation from emerging economies. Brown and Hagel [10] define disruptive innovation as, "innovation blowback", introducing the risk of Western companies being displaced by Multi National Corporations (MNCs) from emerging economies that are going global and disrupting the markets of developed economies [12]. Brown and Hagel [10] stress the importance of learning by operating in emerging economies; serving the low income segments of these markets to gain a competitive advantage that will foster their growth on a global basis. They explain how western MNCs cannot simply adapt global products to local needs by cutting costs thanks to the local low-cost labour force. They have to reshape their business and management practices in order to gain access to these promising markets and build their future global competitive advantage on this experience [11].

1.3 Eco-Innovation

Carrillo et al. [13] define eco-innovations as "those that reduce the environmental impact caused by consumption and production activities, whether the main motivation for their development or deployment is environmental or not". They further argue that it is difficult to measure the intension or motivation of the innovation than the result of the innovation. Despite intentional problem, some definition of eco-innovation consider novelty, others focus on other forms of innovation including product, process, models and systems innovation [14].

Rennings and Zwick [15] identify forms of innovation which lower the environmental impact. Whereas engineering related studies consider eco-innovation is a technological change in production processes and products change, management and policy related studies consider a change in behaviour of individual users or organizations, strategic view consider change in the business but all these are intertwined [16].

Eco-innovation in firm reduces environmental harm while generate value for the market. In support to be green and competitive, Foxon and Andersen [17] suggest that firms should seek to enhance its green competitiveness in two ways: either by acquiring a premium price for its green reputation or product, or to reduce production costs by achieving greater resource efficiency or reducing the costs of costly emissions. According Kemp and Andersen [18], eco-innovations may be technical, organisational or marketing innovations which improve the green competitiveness of a company.

Ahmed and Kamruzzaman [19] suggest that technology push was particularly relevant for the initial stage of the innovation and market factors was for further diffusion. Although both are necessary for successful innovation, for eco-innovation another factor appear as an important issue in the academic literature. In this context, several recent studies [20] [21] [22] [23] on environmental innovation stress on regulation, policy, institutional and political effects.

According Horbach [20] and Oltra [23], the general innovation theory has been enlarged with respect to the analysis of the influence of environmental policy and institutional factors and categorizes determinants of eco-innovation in three broad categories that include, supply side, demand side and regulation and policy. Following their determinants categorization, drivers of eco-innovation could broadly be categorized as demand side, supply side, regulations and policy related drivers [19].

1.4 Statement of the Problem

Although SMEs contribute much to GDP, their growth has been hindered by several factors. Small businesses in Kenya face a number of challenges which affect their growth and profitability and hence, may in the long run exit the market [24]. These include lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure and scanty markets information [24]. Most SMEs in Kenya tend to copy existing ideas rather than develop innovative value. This leads to undifferentiated markets that compete purely on price rather than on new market value [25].

Innovation is deemed a solution to many of the challenges that hinder growth. It is believed that innovation is likely to enhance business growth. Nevertheless, it is not clear whether innovation by itself can lead to business growth in SMEs owing to the fact that these firms face various challenges. It has been reported in literature that some firms do not even get the pay offs of their innovation due to other factors that determine growth. This paper attempts to unravel the role played by market and organizational innovation in the growth of the SMEs based on a case study of Doinyo Lessos creamery in Eldoret, Kenya.

2 MATERIALS AND METHODS

This study adopted a descriptive case study design. A case study is an in-depth investigation of an individual, group or a phenomenon whose primary objective is to determine factors and relationships among the factors that have resulted in the behaviour under study [26]. A case study makes a detailed examination of a single subject, group or phenomenon placing more emphasis on full analysis of a limited number of events or condition and their interactions giving a clear insight into what is being investigated. It was therefore deemed appropriate for the study which concerned itself with examining the effect of innovation on growth of medium sized enterprises taking a case of Doinyo Lessos Creameries.

The target population comprised all employees of Doinyo Lessos Creameries, including those in management. A total of 302 employees were targeted from which the sample was drawn. The author adopted a sample design which was reliable and appropriate for this study. Being a case study, non-probability sampling was used, employing purposive sampling technique which allowed for the use of cases that had the required information with respect to the objectives of the study. In addition, stratified random sampling technique was used to select the study sample from three groups of employees that included management, processing employees and those in marketing and sales in the organization. The sample size in the study was one hundred and sixty-nine (169) respondents of the Creameries. To ensure that each stratum was represented in the sample, the author used stratified random sampling. Under stratified sampling respondents were selected from each sub group to constitute the proportion of each stratum in the sample meaning that the sizes of the sample from different stratum was kept proportional to the sizes of the strata [27].

For the study, data collection was done through the use of questionnaires prepared by the author. The author used drop and pick method to collect data from the respondents. Based on the data collection instruments, data was analysed both quantitatively and qualitatively. Open-ended questions were analysed through reporting themes and quotas that emerged. The data was analyzed and presented in frequency tables, graphs and charts to present the findings of the study. The themes emerging from secondary data were identified to augment the primary data. The quantitative measure was used to generate descriptive statistics that were presented in frequency tables, bar charts, percentages, means and standard deviation.

3 RESULTS

3.1 MARKETING INNOVATION AND BUSINESS GROWTH

3.1.1 MARKETING INNOVATION AND MAGNITUDE OF SALES

The research sought to establish whether marketing innovation had any influence on the quantity of sale of products at Doinyo Lessos Creameries. A non-significant proportion of 4(2.5%) respondents did not find marketing innovation a factor that led to increased sales and therefore business growth at Doinyo Lessos. They instead attributed the increase in product sales to other factors. However, an overwhelming proportion of 88(54.7%) and 63(39.1%) agreed and strongly agreed, respectively, that marketing innovation had led to increase in product sale at Doinyo Lessos Creameries. Only 6(3.7%) of the respondents were undecided about this item, as indicated on Figure 1 below.

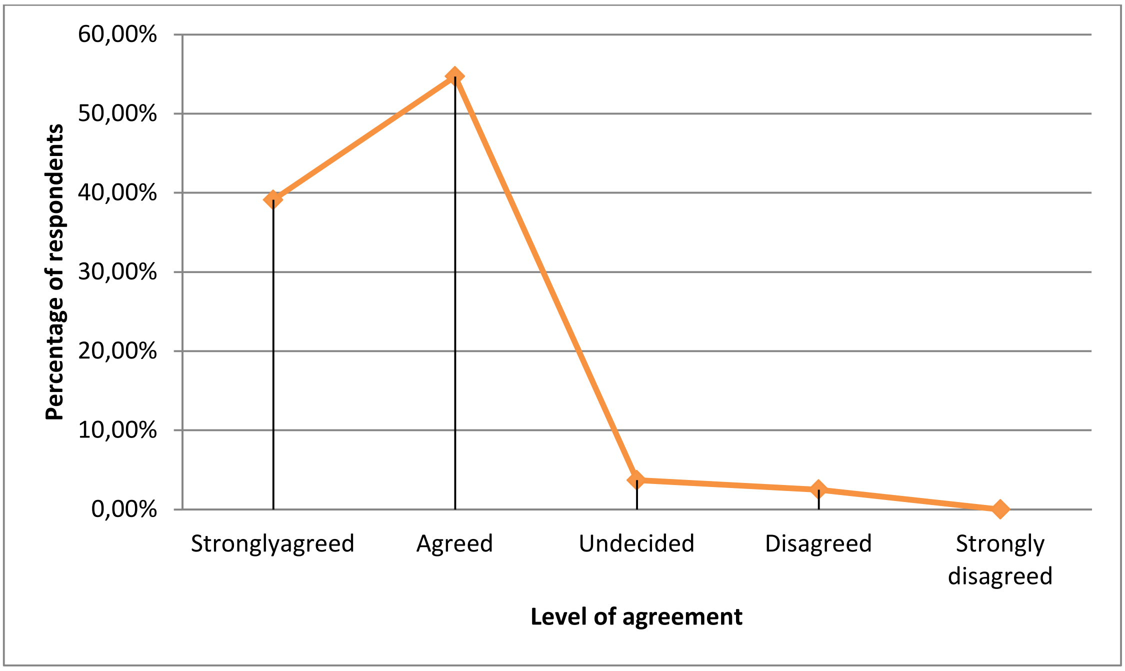

Figure 1. Respondents' perceptions of marketing innovation and magnitude of sales

Source: Field data, 2013

From the figure above, it is apparent that marketing innovation had led to increased sales at Doinyo Lessos Creameries.

3.1.2 Marketing Innovation and Products' Delivery

Data collected in the study area indicated that a majority of employee respondents were in agreement that marketing innovation had led to timely delivery of products from Doinyo Lessos Creameries to their consumers. Fifty-five (34.2%) of them strongly agreed while 90(55.9%) agreed. Only 7(4.3%) of the respondents did not have a comment on this study attribute while 9(5.6%) disagreed. There was a clear indication, however, that marketing innovation has led to timely delivery of products of Doinyo Lessos Creameries (Figure 2).

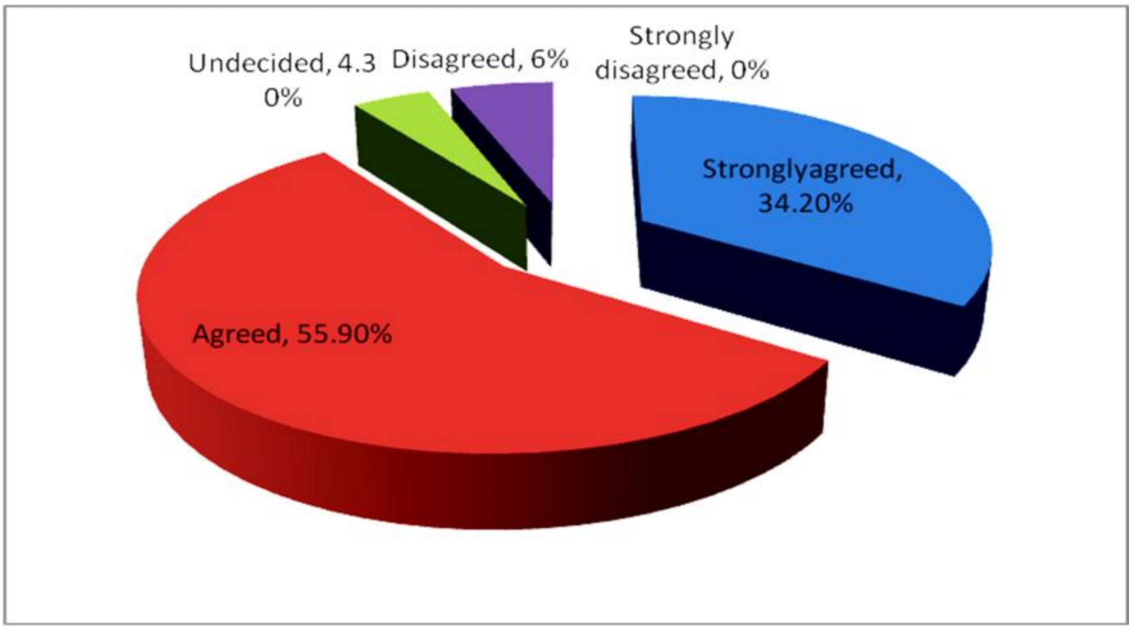

Figure 2. Respondents' perceptions oofn marketing innovation and products' delivery

Source: Field data, 2013

3.1.3 Marketing Innovation and Market Expansion

One hundred and forty-four respondents (89.5%) affirmed the fact that innovation in the marketing department at Doinyo Lessos had led to expansion of the market of the company's products. The remaining proportion of respondents was either undecided or disagreed with this study variable, as indicated on Table 1 below.

Table 1. Respondents' Perception of Marketing Innovation and Market Expansion

Level of agreement	Frequency	Percentage
Strongly agreed	94	58.4%
Agreed	50	31.1%
Undecided	10	6.2%
Disagreed	7	14.3%
Strongly disagreed	0	0%
Total	**161**	**100%**

Source: Field data, 2013

These findings could be attributed to the fact that innovation in the marketing strategy encompasses innovations in publicity strategies as well and therefore implies that the sales department is able to reach a larger consumer base.

3.1.4 Marketing Innovation and Competitive advantage

This study also sought to establish whether or not innovation in marketing gave Doinyo Lessos Creameries undue advantage over other competitors in the dairy industry. A large proportion of respondents (144), accounting for a percentage of 89.5%, were in agreement that innovation in the marketing department of Doinyo Lessos had given it a competitive advantage over other enterprises. A proportion of 10(6.2%) and 7(4.3%) was undecided and disagreed with this assertion respectively. Figure 3 illustrates these findings.

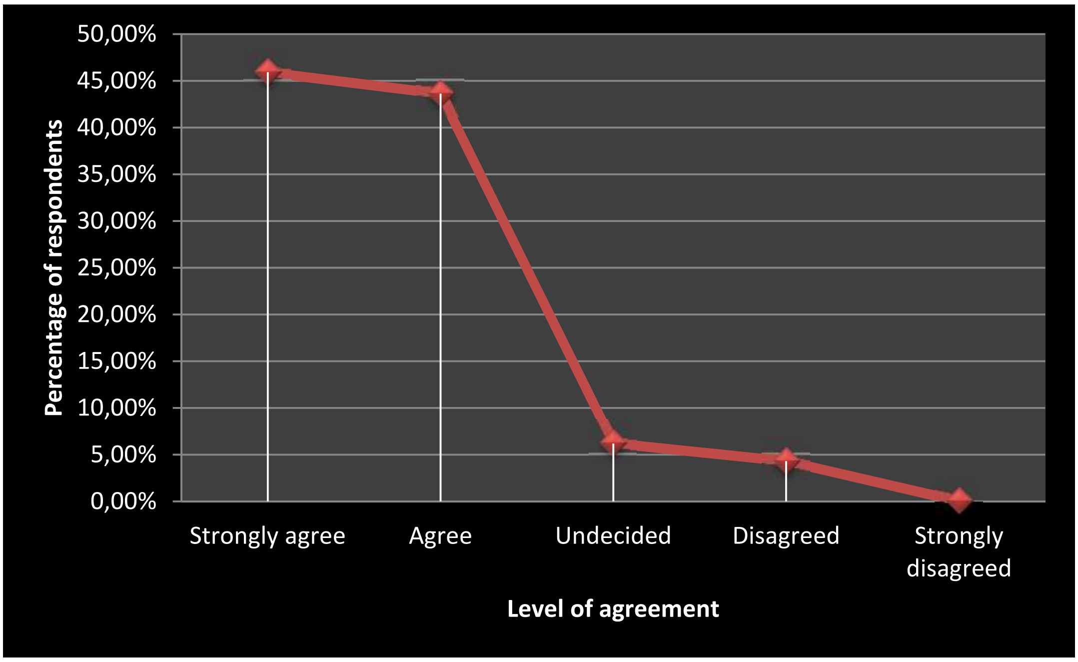

Figure 3. Respondents' perceptions of marketing innovation and competitive advantage

Source: Field data, 2013

These findings could be attributed to the fact that with marketing innovation in place, the company continually renews the design of its products thereby staying abreast with consumer needs. Besides, such new design products tend to be of superior quality than that of other producers who may not have embraced innovation. This gives it an edge over other competitor enterprises.

3.2 ORGANIZATIONAL INNOVATION AND BUSINESS GROWTH

This study also sought to establish how organizational innovation influences business growth at Doinyo Lessos Creameries. The findings were evaluated on the basis of a five-item Likert scale and presented in Table 42. The mean and standard deviation of respective responses were computed as well in order to determine the degree of variation among the employees' responses.

Table 2. Organizational Innovation on Business Growth

Factors	SA	A	U	D	S D	M	S/Dev
Doinyo Lessos is fast to roll out new products	10.6% (17)	34.2% (55)	11.2% (18)	28.6% (46)	15.5% (25)	3.04	1.296
The company management have relevant education and skills	17.4% (28)	55.3% (89)	0% (0)	15.5% (25)	11.8% (19)	2.49	1.275
The company emphasizes on customer relationships and retention	6.8% (11)	33.5% (54)	13.0% (21)	29.2% (47)	17.4 (28)	3.17	1.256
The management supports new ideas from employees	16.8% (27)	46.6% (75)	8.1% (13)	18.0% (29)	10.6% (17)	2.59	1.257
Team building is a normal training event	5.6% (9)	55.3% (89)	18.6% (30)	11.8% (19)	8.7% (14)	2.63	1.054
N=161							

Source: Field data, 2013

The findings of the study indicate that 44% of the respondents agreed that Doinyo Lessos was fast to roll out new products to the market while 43% disagreed to the assertion. It was further shown that majority (72%) of the respondents agreed that the company's management team members had relevant education and skills while 26% held to a contrary opinion. It was clear that 39% of the respondents agreed to the fact that the management of Doinyo Creameries emphasizes on customer relationships and retention.

However, 46% disagreed with this opinion and felt that the management did not emphasize on this aspect. In addition, 62% of the respondents agreed that the management of Doinyo Lessos supported new ideas from the employees while 28% held a contrary opinion. It was further shown in the results that the management of Doinyo Lessos supports team building in most training seminars or workshops. This was accounted for by 60% of the respondents in the study. It was also noted that some of the respondents, accounting for 19% of the respondents, were of a contrary opinion and believed that the management did not emphasize on team building skills. The responses on organizational effect on business growth were as further represented in Figure 4.

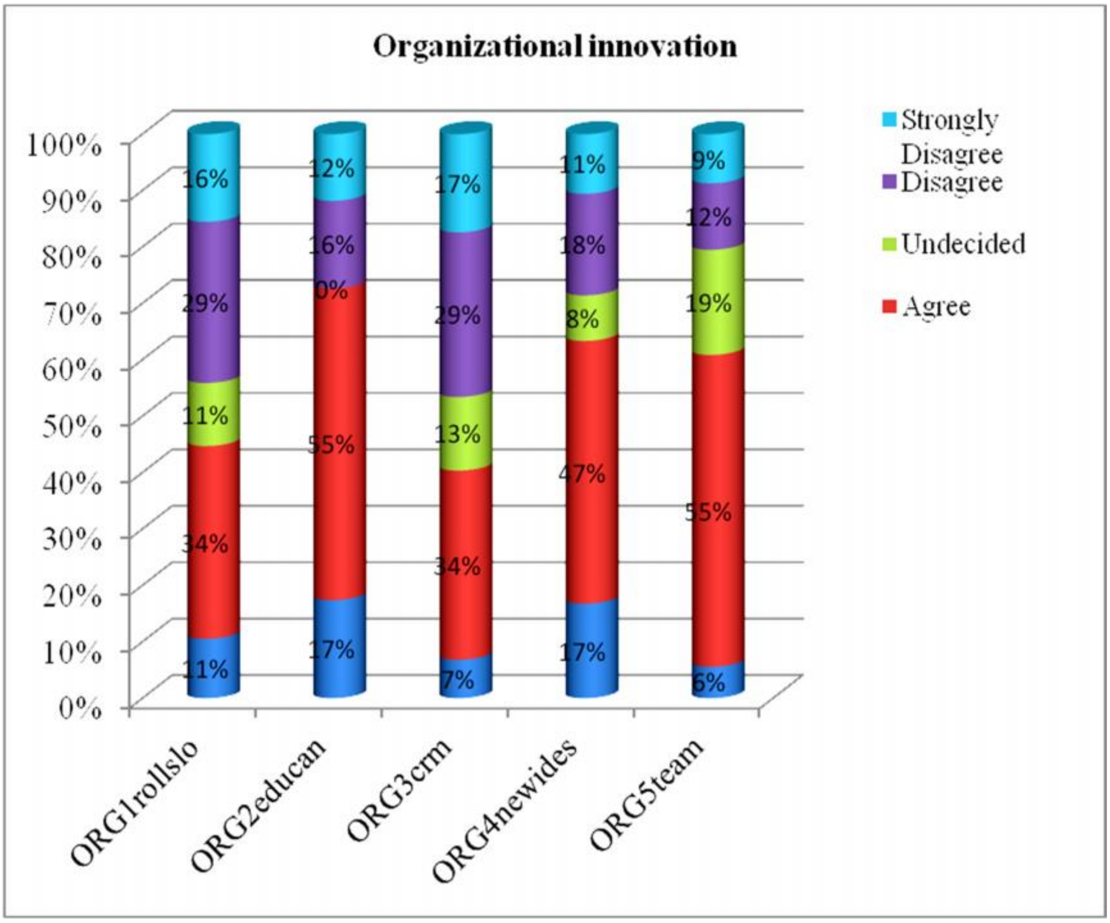

Figure 4. Respondents opinion on organizational innovation and business growth

Source: Field data, 2013

In terms of organizational innovation, Table 2 shows that the study recorded a high mean of 3.17 and a low of 2.49. Only two components of this variable had a mean above 3.00 which implied a disagreement or imprecise decision. The standard deviations recorded imply that the range of variation was not wide. The lowest standard deviation recorded was 1.05 while the highest was 1.29.

4 DISCUSSION

4.1 EFFECT OF MARKETING INNOVATION ON BUSINESS GROWTH

The study investigated the effect of marketing innovation on business growth at Doinyo Lessos Creameries. It was clear that majority of the respondents concurred that new products had attracted many customers and in turn increased the sales volumes. Very few of the respondents disagreed that marketing innovation had led to improved sales. Approximately half of the respondents agreed that marketing innovation had led to timely delivery of products and in good condition while some disagreed with the assertion. It was further shown that three-quarters of the respondents held the opinion that Doinyo Lessos had unique marketing and publicity strategy that was effective enough to enhance business growth.

The research sought to know whether or not Doinyo Lessos renews design of the products through changes such as appearance, packaging, shape and volume without changing their basic technical and functional features. The results had slightly more than half of the respondents agreeing. This finding is in agreement with Avlonitis and Salavou [28] who hold the opinion that innovation is a company's ability to introduce new products, which are also successful.

The study also sought to know how the company has dealt with the competition forces. Some of the respondents agreed that competitors were slow to copy the company product innovations while majority disagreed to this notion hence feel that competitors copy their product innovation at a fast rate. The results had more than half of the respondents agreeing that Doinyo Lessos had the ability to introduce new products to the market before competitors in most cases. Lastly the respondents were asked whether the product were superior. The results showed that only about half of the respondents agreed that the company had superior products than the competitors while almost the same number did not share the same opinion. The results showed that almost all of those with experience below 5 years agreed that the new products had attracted many customers. It was also found that almost all of those with experience between 6 years and 10 years agreed to the assertion. The results further showed that majority of the respondents with experience between 11 and 15 years agreed to the assertion while those with above 15 years were not an exception.

4.2 Effect of Organizational Innovation on Business Growth

Finally, the research investigated the effect of organizational innovation on business growth at Doinyo Lessos Creameries. It was clear that lesser than half of the respondents agreed that Doinyo Lessos is fast to roll out new product to the market. This is contrary to the notion created by Hausman [29] who argues that medium sized businesses are more flexible and have better opportunities to adapt to situations as well as accept and implement changes more quickly and faster. It was further shown that more than three quarters of the respondents agreed that the company's management team members have relevant education and skills. This finding is supported by Yap et al. [30] who say that medium sized enterprises have smaller top management teams, which mean less functional diversity in experience. It was further apparent that some of the respondents agreed that management emphasizes on customer relationships and retention.

However, there was almost an equal group who disagreed with this opinion and felt that the management did not emphasize on this aspect. There were more than half of the respondents who agreed that the management of Doinyo Lessos supports new ideas from the employees while very few held a contrary opinion. It was further shown in the results that the management of Doinyo Lessos supports team building in most training seminars or workshops. This was accounted for by more than half of the respondents in the study. It was also noted that very few of the respondents were of a contrary opinion and believed that the management did not emphasize on team building skills. It was evident that all of the management respondents agreed that team building was being trained frequently while more than half of those in the processing section agreed to the same assertion. In addition half of the respondents in the marketing and sales section agreed that team building was a commonly trained skill in the marketing and sales section.

5 CONCLUSION

From the study findings, it is clear that new products attract many customers and in turn increase the sales volumes among SMEs. Doinyo Lessos renews the design of its products through changes such as appearance, packaging, shape and volume without changing their basic technical and functional features. In addition, Doinyo Lessos has had the ability to introduce new products to the market before competitors in most cases.

More than three quarters of the respondents agreed that the company's management team members have relevant education and skills. In addition, more than half of the respondents who agreed that the management of Doinyo Lessos supports new ideas from the employees while very few held a contrary opinion. Evidently, the management of Doinyo Lessos supports team building in most training seminars or workshops.

6 RECOMMENDATIONS

All business units need to develop innovation policy so as to form the impetus of great thinkers within the industry. This will help to instil a desire to innovate among all the stakeholders in the dairy industry. In addition, continuous innovation activities in any business should be sustained through R&D support, and employee motivation to ensure business growth is realized over time. Organizations also need to adapt participative management style and team building to motivate employee to contribute and support innovation within the firm.

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