Leveraging Innovation Strategy for Firm Performance in the context of Equity Bank (K) Limited, Kenya

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ABSTRACT

As of 2021, the banking industry assets in Kenya account for forty-nine percent of the country's GDP, and this sector continues to grow with private sector gross loans. A report from Equity Bank K Limited indicates a decline in return on assets and return on equity, accompanied by an increase in operating expenses. In the global business environment, numerous internal and external factors impact the success of banks. Firms implement change management strategies to enhance their performance in response to these factors. This study aimed to investigate the relationship between change management strategies and the performance of Equity Bank K Limited. The specific objectives included determining the effects of innovation strategy on firm performance. The Leading Change Theory provided the theoretical foundation of the study. The target population consisted of 1610 managerial staff members at Equity Bank K Limited headquarters. This was senior, middle-level, and functional managers responsible for driving the bank's strategy. A questionnaire served as the research tool to collect both quantitative and qualitative data. Additionally, secondary data from published sources and open data repositories was used. Statistical software for social sciences was employed for data analysis, incorporating both descriptive and inferential statistics. Measures of dispersion, central tendencies, and frequencies were computed using Statistical Product and Service Solutions software. Content analysis was applied to qualitative data, to find recurring themes. To represent the gathered data, frequency tables along with a pie chart was presented. The correlation coefficient, R, revealed a strong association at 0.874 between the variables. Moreover, the R2 coefficient, at 0.764, suggested that 76.4% of Equity Bank's performance could be attributed to changes in independent variables. The research highlighted innovation strategy to have a positive influence on firm performance. Innovation should be integrated into the firm's culture together with processes, enabling continuous development for new products, services, and processes that can drive competitive advantage.

Keywords: Innovation, Innovation Strategy and Firm Performance

1.0. Introduction

The banking industry is a vital contributor to the growth and development of global economies. In Kenya, the banking sector's assets and deposits as a ratio of GDP underscore its significance (KBA, 2022). The sector enables investment, transactions, savings, and borrowing, fostering an environment for entrepreneurial growth and global competition (Kenourgios & Samitas, 2007). Banks operate amidst continuous changes in technology, regulations, and competition, necessitating clear change management strategies. Strategy, defined as top-level management plans aligned with the firm's vision and objectives, plays a crucial role in achieving banks' goals (Wright, Kroll, & Parnell, 1997; Zavadska, 2018). The aftermath of the 2008 Global Financial Crisis prompted technological innovations, creating a competitive parallel environment (Aisen & Franken, 2010).

Digital transformation intensifies global financial competition, compelling banks to adopt emerging technologies and innovate (Lorente & Schumkler, 2018). Economic changes in 2021 increased non-performing facilities in Europe, impacting loan loss provisions (Andrea, 2021). In Africa, the Crowding Out effect risk grows, with private sector firms underserved (Deloitte Kenya, 2021). A 2020 study by the Central Bank of Kenya revealed that innovation is a primary business strategy for Kenyan financial institutions, emphasizing product innovation for customer satisfaction. Technologies like cloud computing and data analytics have positively impacted banking operations, necessitating a shift from outdated approaches (Deloitte Kenya, 2021).

Strategic leadership is crucial in navigating the challenging banking environment, especially in the digital era (Wanyama & Nyaga, 2019). Banks in Kenya have undertaken restructuring projects, emphasizing the importance of the capital adequacy ratio (Kithinji, 2017). Strategic partnerships, exemplified by the agency banking model, enhance performance through shared costs and risks (Wanjiku, 2016). This study analyses the impact of change management strategies, particularly innovation strategy, restructuring strategy, strategic leadership, and strategic partnerships, on the performance of Equity Bank in Kenya. The banking sector's dynamic nature calls for a comprehensive understanding of these strategies to ensure stability and goal achievement.

1.1. Firm Performance

Measuring the performance of a firm is a complex task with a multidimensional perspective, involving aspects such as production, marketing, finance, profitability, and growth (Lin, 2018; Murphy, 1996). Performance can be gauged through subjective and objective indicators, with methods varying based on the firm's goals (Rosli and Sidek, 2013; Rouf, 2011). Profitability is a central focus, with indicators like ROA, ROE, and various financial metrics commonly employed (Brealey & Marcius, 2008; Perisa, Kurnoga, & Sopta, 2017).

Efficiency in service delivery is another vital performance measure, emphasizing the optimal use of resources and accessibility for customers (Kebongo, 2012; Thuku & Karanja, 2015). In the banking sector, efficiency is linked to the ability of customers to access services through various channels, including online platforms and customer service centers. Customer satisfaction plays a pivotal role as a differentiator between poor and better performance in any market (Hill, Brierley, and MacDougall, 2017).

It influences customer loyalty, which in turn impacts firm performance in the long term (Ngo, 2015). The Customer Satisfaction Index (CSI) remains a relevant tool for assessing customer satisfaction, focusing on the alignment between expected and actual customer experiences (Johnson and Fornell, 1991). The evaluation encompasses key dimensions: profitability, efficiency in service delivery, and customer satisfaction. Understanding how these strategies influence these aspects is crucial for comprehensively assessing and enhancing a firm's overall performance.

1.2. Innovation Strategy

This study centers on the innovation strategy applied by Equity Bank K Limited. Innovation strategy involves enhancing products, services, or processes to meet customer needs and improve value creation (Frame & White, 2014). The focus was on pricing, product, and marketing innovations. Product innovation caters to changing client needs, while pricing innovation aims to enhance customer satisfaction and corporate profits. Marketing innovation involves substantial modifications to pricing, advertising, and distribution strategies (Slater, Mohr, & Sengupta, 2014; Purchase & Volery, 2020). The study delves into how these specific areas of innovation strategy impact the performance of Equity Bank. It has been revealed that the strategic posture of a firm has potential favorable consequences on its envisaged outcomes (Abdi & Kinyua, 2018; Mugambi & Kinyua, 2020; Muithya, Muathe & Kinyua, 2021; Mwarenge & Kinyua, 2022).

Innovation strategy plays a pivotal role in shaping the competitive landscape of organizations, and Equity Bank K Limited has strategically employed various facets of innovation to enhance its performance. One critical dimension of innovation within the banking sector is product innovation, which involves the continuous enhancement and development of financial products and services. In response to evolving customer needs, Equity Bank has focused on creating innovative banking solutions that not only meet but exceed customer expectations. This commitment to product innovation positions the bank at the forefront of delivering cutting-edge financial services, fostering customer loyalty, and staying ahead in a dynamic market.

Equity Bank's pricing innovation represents a strategic approach to optimizing its revenue streams while ensuring customer satisfaction. By introducing innovative pricing strategies, the bank seeks to establish a win-win proposition for both the institution and its customers. This involves a careful balance between competitive pricing and value addition, creating a pricing model that not only attracts customers but also contributes to the financial success of the bank. Through this innovative pricing approach, Equity Bank aims to set itself apart in the market and strengthen its financial performance.

Moreover, the study scrutinizes the marketing innovation strategies employed by Equity Bank. Marketing innovation goes beyond conventional approaches, encompassing significant modifications in pricing, advertising, and distribution strategies. Equity Bank's commitment to marketing innovation reflects a proactive stance in adapting to market dynamics and customer preferences. By continuously refining its marketing strategies, the bank aims to not only reach a wider audience but also enhance its brand image and competitiveness. Through innovative marketing initiatives, Equity Bank positions itself as a modern and customer-centric financial institution.

In summary, Equity Bank's emphasis on innovation strategy, spanning product development, pricing models, and marketing approaches, showcases a comprehensive and forward-thinking approach. This commitment aligns with the ever-changing dynamics of the banking industry and underscores the importance of continuous innovation in maintaining a competitive edge and driving sustained success. The study delves into the nuanced impact of these innovation strategies on the overall performance and positioning of Equity Bank K Limited in the financial landscape.

2.0. Statement of the Problem

The statement of the problem identifies several key challenges and changes in the performance metrics of Equity Bank K Limited, prompting the need for a detailed investigation. Notably, the drop in key margins, such as ROA and ROE, coupled with an increase in operating expenses and NPL coverage, raises concerns about the bank's overall efficiency and financial health. Additionally, a decrease in agency transactions, despite an increase in agent outlets, and a decline in directors' remuneration further contribute to the complex performance landscape.

The external environment, characterized by dynamic uncertainties and technological risks, has also played a role in influencing the bank's performance. The impact of the Covid-19 pandemic and the associated technological challenges, as highlighted in the Deloitte Kenya report, underscores the need to understand how these external factors may affect customer satisfaction and the overall brand image of the bank.Furthermore, the study acknowledges the role of policy measures, including those related to the Covid-19 pandemic, in shaping the financial conditions and performance of financial institutions. The need to adapt to extraordinary policy measures, technological risks, and changes in customer behavior adds layers of complexity to the operational environment of Equity Bank.

Existing studies on change management strategies have explored various aspects, from capacity building and leadership to communication and monitoring, but there remains a gap in understanding how specific strategies—such as innovation, restructuring, leadership, and partnership—affect the performance of Equity Bank. While some studies have touched on these strategies individually, there is a need for a comprehensive examination of their combined impact on the bank's overall performance.In summary, the identified challenges in Equity Bank's performance, coupled with the evolving external environment and the gaps in existing research, necessitate a focused study on how change management strategies, particularly innovation, restructuring, leadership, and partnership, influence the performance outcomes of the bank.

3.0 Literature Review

3.1 Leading Change Theory

Balogun and Hope Hailey (2008) developed unique classification of strategic change by directing that change should be viewed through evaluating the degree to which change is required, and how fast is this change required. This model is strong because it recognizes the urgency for change and the issues that arise with moving targets thus requiring precise decisions. This framework guided on what was the best approach to strategize on the change disregarding the formulated approach from the initial assessment of the problem.

The classification consists of; first is evolution where transformational change is effected gradually over a long period of time through inter-related initiatives. Second is Adaption where organizational Change implemented in order to realign organizations operations but in a series of steps. Thirdly is Revolution where Transformational change is implemented within a short period of time to achieve a new paradigm. Fourthly is Reconstruction where organizational Change is implemented to realign its operations with many initiatives implemented concurrently. This model by Balogun and Hailey can prevent failure due to lack of fundamental tested framework on how to change can be managed and implemented.

Kotter (1995), came up with a ground breaking theory of leading change where the theory proposed eight step process that can help to effect change effectively. The process involves the following steps; the first one being to create pressure to effect the change. As observed by Heim and Sardar-Drenda (2020) implanting an urgency for the change results in clear work plans that are successful for firms. Step two is to build a guiding team that is in the forefront of change process. Step three and four is to create a strategic change vision and communicate it respectively. Effective communication is vital to change management strategies as echoed by Onyeneke and Abe (2021). Step five is to create enabling environment by removing any barriers.

Step six is to generate short-term gains that can be used to keep momentum. Step seven Sustain the momentum by building on the short term gains while step eight is to make change permanent by making it part of the organizational culture. This theory is instrumental in guiding implementation of strategic partnerships through building a guiding team, bringing together coalitions through influence and negotiation. Innovation strategy also aligns well with this theory as it recognises the urgency for innovation in a changing environment and also gives a guiding framework for change implementation.

3.2 Innovation Strategy and Firm Performance

Innovation is one of most studied areas in management. Balogun and Hailey (2008), identified innovation as key strategy of instituting change. Salah and Wang (1993), noted that companies that are innovative have certain key features including commitment to innovation and entrepreneurial activities and innovation, engaging in calculated risks, integration of talents and a rewarding system that strengthens entrepreneurial behaviour. Basile and Faraci (2015) opined that as knowledge economy takes centre stage across the globe, managers are now more keen on innovation and its various aspects and the relation to firm performance.

In an earlier study, Abou-Moghli, Abdalla and Muala (2012) reviewed Jordanian banks and illustrated a positive relationship between leveraged competition and innovation, through the dimensions of quality, time, flexibility and cost. The study also recommended that banks and financial institutions should back innovation in all facets of business operations. This study however focused on competitive advantage as opposed to any performance indicators for the banks that were researched on. The current study sought to expound how innovation as a strategy impacted the performance on the aspects of profitability, efficiency in service delivery and customer satisfaction. In their study on the relationship between company performance and innovation, Al-Naqbia Alshuridehb, AlHamadc, and Al (2020), found a strong correlation between the two. However, this study did not focus on a specific performance but rather on the performance as a whole and was not an empirical case study. The current study sought to identify the specific effects that innovation strategy specifically; product, pricing and marketing innovation, had on the performance of Equity Bank K Limited, and as a case study results are seen to be more practical.

In studying the outcome of innovation strategy on success achievement of Kenyan commercial banks, Kamakia (2014) emphasised on product innovation with aspects such as incremental, radical, modular and architectural innovation having a positive impact on success of the Banks. This study used cross-sectional survey research design which is difficult to establish long term trends over a period of time. Majority of Kenyan financial institutions had their business strategy focus on innovation with banks concentrating on products innovation that consider customer satisfaction. (Central Bank of Kenya, 2020). The CBK report however doesn't specify the real impact of innovation in banks on their performance especially on critical indicators of profitability and service delivery.

3.3 Conceptual Diagram

A careful review of pertinent body of literature facilitated the formulation of a conceptual model in figure 1 reflecting the proposed relationship linking innovation strategy and firm performance.

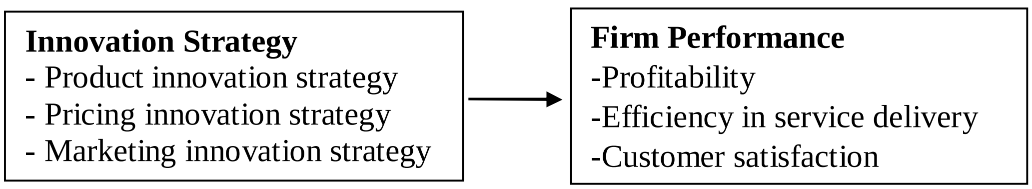

Figure 1: Conceptual Framework
Source: Author (2023)

3.4 Research Hypotheses

The research hypotheses of this study were;

***H_0*:** *Innovation strategy has no significant effect on firm performance in Equity Bank (K) Limited in Kenya, Nairobi City County*

***H_1*:** *Innovation strategy has a significant effect on firm performance in Equity Bank (K) Limited in Kenya, Nairobi City County*

4.0 Research Methodology

4.1 Research Design

Research design, according to Kothari (2004), is a theoretical and methodical examination of the methods used in a given field of study. The research design refers to the systematic procedures and methods employed in conducting a study. A descriptive research design was used in the study. This research design selection is regarded appropriate since it facilitates the examination and resolution of the particular research issues put forth in this study. Descriptive design answers the what, when, how and which questions and these are the questions that characterized this study (Saunders, Lewis & Thornhill, 2015; Kinyua, 2015; Motum & Kinyua, 2022; Nzomo, Kinyua, & Mwasiaji, 2023). The conditions that produce causal links between the indicators are explained by descriptive design. Determine the frequency (or degree) of a specific feature of a variable using cross-sectional surveys. This research design was considered suitable in determining change management strategies on performance with a focus on Equity Bank K Limited in Nairobi City County, Kenya.

4.2 Target Population

The target population, according to Cooper and Schindler (2003), is a comprehensive collection of things, occasions, or people that share traits in common and meet predetermined criteria. The managerial staff at Equity Bank K Limited's headquarters was included in the study's population. As shown in Table 1, the managerial staff members include the senior management team, middle level managers, and functional level managers.

Table 1: Study Population

Employee Strata	Number of Employees	Percentage
Senior level managers	76	5
Middle level managers	596	37
Functional level managers	938	58
Total	**1610**	**100%**

Source: Equity Bank 2022

4.3 Sample Size and Sampling Design

To choose the appropriate sample size for each group, proportional stratified random sampling was used in the study. According to Alvi (2016), stratified random sampling requires creating different and related groups, or strata, within the target population before using a simple random sample inside each stratum. The number of observations or individuals included in a study is referred to as the sample size. To choose the appropriate sample size for each group, proportionate stratified random sampling was used in this investigation.

$$\boldsymbol{N} = \frac{\boldsymbol{Z^2 - p(1-p)}}{\boldsymbol{E^2}}$$

Where E is the margin of error, which is 0.05 and Z is the Z-score for a 95% confidence level, which is approximately 1.96. The sample size being 389, then;

$$P = \frac{389}{1610},$$

P=0.2416

Table 2: Distribution of Sample Size

Management Level	N_i	P	$n_i = P*N_i$	Percent
Senior level managers	76	0.2416	18	4.63%
Middle level managers	596	0.2416	144	37.02%
Functional-level managers	938	0.2416	227	58.35%
	1610		**389**	**100%**

Source: Author (2023)

The target population used was a sample of 389 respondents, with distribution proportionate to the various management levels. The senior management team represented the smallest population of 5% to the overall sample. Middle level managers 37%, while functional managers with the largest contribution of 58%.

4.4 Research Instruments

The study used data obtained from both primary and secondary sources. The primary data collection was conducted through a questionnaire specifically designed with the identified variables that were crucial for achieving the study objectives. Nachmias and Nachmias (2014) classifies questionnaires as measurement tools that prompt respondents to provide answers to a series of questions or statements. In this study, a semi-structured questionnaire comprising a combination of close-ended and open-ended questions was used for data collection from the respondents.

4.5 Pilot study

The validity of the instrument was confirmed by the pilot study. Schindler and Cooper (2011) suggest that a pilot group typically ranges from 10 to 100 items, depending on the method being tested, although statistical selection is not mandatory. Thirty two (32) respondents being branch managers of Equity Bank K Limited were chosen for the pilot study, representing 10% of the sample size of 320. Since statistical requirements were not necessary for the pilot study, respondents were conveniently chosen.

4.6 Validity and Reliability

4.6.1 Validity

The degree to which the sample accurately depicts the total population of a study, is referred to as validity. This study used content validity to assess how accurately the information gathered using particular technologies was representative of the targeted domain. According to Mugenda and Mugenda (2012), interviewing an authority or industry specialist in the pertinent subject is a standard practise for determining content legitimacy. Expert opinion was sought and advice applied to the format and questions in the questionnaire to ensure representativeness.

All variables used in this study were subjected to construct validity determination through factor analysis. Each variable's items was subjected to factor analysis and loaded based on previous theoretical predictions. The instrument's validity was evaluated using confirmatory factor analysis (CFA), which involves using a smaller number of unobserved/latent variables (factors) to represent variability among observed variables and associated variables. By choosing the subset of variables having the strongest connections to the factor for modelling purposes, factor analysis enables the combination of variables with comparable qualities. The squared factor loading shows the percentage of variance in the initial variables that a factor explains.

4.6.2 Reliability

Measurements' uniformity is referred to as reliability. According to Shanghverzy (2003), when the same measurements are repeated over time or with different measures of the same concept, they should produce consistent findings. Utilising several similar items on a measure, assessing a varied sample of respondents, and adopting uniform testing processes are all steps in improving dependability. Reliability is often discussed in relation to the coherence of measurements developed for business concepts. In this study, a pilot study was conducted, and the respondents selected for the pilot were excluded from the final research. The reliability of the data collection instrument was tested using Cronbach's alpha.

Cronbach's alpha, which is based on internal consistency, was employed to measure data reliability. It assesses the mean of measurable items and their correlation. According to Field (2009), a Cronbach's alpha value of at least 0.70 is considered sufficient. Because of this, a .cutoff of 0.70 was used to assess the reliability of the data gathering tool. Cronbach's alpha was used to determine the overall reliability of the scales used in this study to measure the current condition and the anticipated condition.

Table 3: Cronbach Alpha

Variable	Number of Items	Cronbach's Alpha Coefficient	Comment
Innovation Strategy	6	0.85	High internal consistency, reliable scale
Firm Performance	6	0.90	High internal consistency for the overall

Source: Pilot Test Data (2023)

4.7 Data Collection Procedure

The researcher visited Equity Bank K Limited headquarters in Nairobi City as part of the data collection process. Selected respondents were given self-administered questionnaires after making meetings with them and their supervisors. A cover letter from Kenyatta University and a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI) was used to guide the study. The researcher made the questions succinct and specific, in order to clarify the study's goal to the respondents prior to data collection. The researcher also assured the participants of confidentiality which increased the response rate.

4.8 Data Analysis

The data obtained was coded, edited, and cleaned in order to be processed throughout the data analysis process. Descriptive and inferential statistics was used to analyse quantitative data. Statistical Product and Service Solutions (SPSS) was used to compute a number of statistical processes, including frequencies, measures of central tendency, and measures of dispersion. For ease of comprehension, the results were presented using graphs, tables, and charts, enabling the analysis of findings and the creation of recommendations. To make sure the regression assumptions were not broken, the researcher additionally run diagnostic tests. The empirical model was combined with multiple regression analysis to ascertain the relationship between innovation strategy and firm performance.

$$\textit{Firm Performance} = \beta_0 + \beta_1 \textit{Innovation Strategy} + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

Conclusion on the results of regression analysis was made at a level of confidence and level of significance of 95 percent and 5 percent respectively. The results of data analysis were displayed in figures as well as in tabular form.

5.0 Research Findings and Discussion

5.1 Response Rate of the Study

The research included a total of 389 respondents, with 300 completing and returning the questionnaires, producing a 77 percent response rate and 23 percent non-respondents. This margin of respondents and non-respondents was derived at using the percentage of questionnaires obtained from the field. This rate of 77% was deemed sufficient for further research analysis. The response rate findings are depicted in Figure 2.

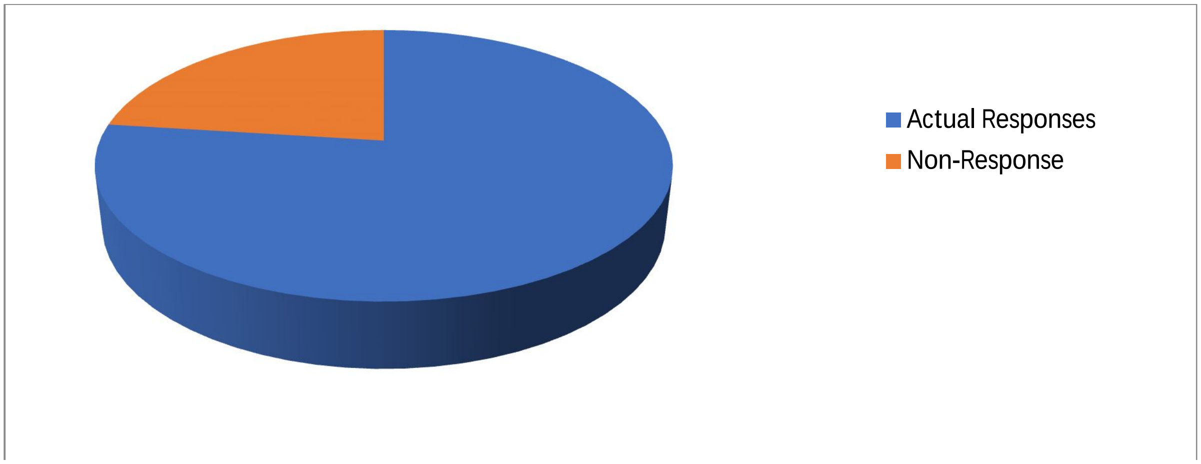

Figure 2: Analysis of Response Rate
Source: Field Data (2023)

5.2 Demographic Information of Respondents
The demographic breakdown of the study participants reveals that there were 146 females and 154 males in the sample. This gender distribution indicates a relatively balanced representation of females and males among the respondents, with a slightly higher number of males (154) compared to females (146).
Given the nature of the study, the demographics for which data was recorded included the gender of respondents, years of experience, and current position, this part gives the results of the respondent's demographics.

Table 4: Analysis of Background Information

Category	Sub-Category	Frequency	Percent
Gender	Male	154	51.30%
	Female	146	48.70%
	Total	**300**	**100.00%**
Years of Experience	Below three years	60	20.00%
	4-7 years	120	40.00%
	8-11 years	80	26.70%
	12 years and above	40	13.30%
	Total	**300**	**100.00%**
Level of Management	Senior management	10	3.30%
	Middle-level management	105	35.00%
	Functional-level management	185	61.70%
	Total	**300**	**100.00%**

Source: Research Data (2023)

The data presented in the table 2 above, provided valuable insights into the demographics and professional backgrounds of the respondents in the study. First and foremost, it was clear that there was a gender disparity among the respondents, with 51.3% being male and 48.7% being female. This suggested that there was a higher representation of males in the sample compared to females.

In terms of years of experience, the majority of respondents (40%) fell into the 4-7 years of experience category, indicating a significant presence of mid-career professionals in the study. Additionally, 20% of the respondents had less than three years of experience, while 26.7% had 8-11 years of experience. A smaller proportion, 13.3%, had 12 years and above of experience. This distribution highlighted the varying levels of professional experience among the participants.

Regarding management roles, a major portion of the respondents (61.7%) occupied the functional-level management positions, suggesting that functional managers were well-represented in the study. Senior management positions accounted for 3.3% of the respondents while 35% of the respondents were middle-level managers**.**

5.3 Descriptive Statistics for Innovation Strategy

Innovation strategies are an alternative but improved manner in carrying our tasks through value creation in products and services with the aim of satisfying customers' particular needs and in turn makes them willing to pay for these products and services. The aim of innovation strategy is to foster creativity, develop novel solutions, and drive advancements in products, processes, or services. The researcher performed the analysis of the data on responses to the statement regarding performance of Equity Bank K Ltd with the object of generating the sample mean and sample standard deviation. The results of innovation strategy are presented in Table 5..

Table 5: Descriptive Statistics for Innovation Strategy

Statements	n	Mean	St. Dev.
The bank increases quality in components of current products	300	4.21	0.52
The bank develops newness for current products	300	4.30	0.43
The bank develops new products with market trends in mind	300	4.40	0.60
The bank develops new products with components differing from current ones	300	4.31	0.48
The company develops new products to improve customer satisfaction	300	4.25	0.40
The bank's new products improve Banks' performance	300	4.22	0.47
Aggregate		**4.28**	**0.48**

Source: Field Data (2023)

In terms of increasing the quality of components in current products, respondents on average rated this strategy quite positively, with a mean score of 4.28 out of 5. This suggests that the bank's efforts to enhance the quality of existing product components have been somewhat successful, with relatively low variability in responses (St. Dev. = 0.48). Secondly, the bank's approach to developing newness for current products is perceived even more favourably, with an average score of 4.30 out of 5. This implies that customers appreciate the bank's efforts to bring innovation to their existing product offerings. The low standard deviation (St. Dev. = 0.43) suggests a relatively consistent and positive response across the surveyed population. Furthermore, the bank's strategy of developing new products with market trends in mind has received an average rating of 4.40 out of 5, indicating strong approval from respondents.

However, it is worth noting that there is a slightly higher level of variability in responses, as indicated by the standard deviation of 0.60. This suggests that while the strategy is generally well-received, there are some variations in how different respondents perceive its effectiveness. Similarly, the strategy of developing new products with components differing from current ones is viewed positively, with an average score of 4.31. Respondents appreciate the bank's innovation efforts in this regard with the standard deviation at (St. Dev. = 0.48). The company's approach to developing new products to improve customer satisfaction is well-received, with a mean score of 4.25 and low variability (St. Dev. = 0.40). This suggests that customers believe the bank's new product development aligns with their satisfaction needs. The strategy of introducing new products to enhance the bank's performance also receives positive feedback, with a mean score of 4.22. However, similar to other strategies, there is moderate variability (St. Dev. = 0.47) in how respondents perceive this approach**.**

In summary, the bank's innovation strategies are generally well-received, with customers appreciating efforts to enhance product quality, introduce newness, and align with market trends. While there is some variability in responses, the overall sentiment is positive, contributing to an aggregate score of 4.28, St. Dev = 0.48. This indicates a solid performance in innovation strategy execution with room for further fine-tuning to reduce variability and ensure consistent positive perception among customers. This is in line with the empirical findings as shown in a study by Kamakia (2014), he reviewed the success of Kenyan commercial banks, with an emphasis on innovation. The study showed positive impact on product innovation and the success of the Banks. Another study by Moghli, Abdalla and Muala (2012) illustrated a positive relationship between innovation and firm performance through leveraged competition and went ahead to recommended that banks and financial institutions employ innovation in all facets of business operations.

5.4 Firm Performance

Firm performance takes a multidimensional perspective which touches profitability, effectiveness and efficiency. Efficient and effective service delivery involves providing customers with value for money and time so that clients can achieve all the benefits from the offering by any firm. Customer satisfaction and customer centricity has now also become a key measure of the performance and effectiveness of a firm. Customer satisfaction is important to measure because it has profound effects on firms' performance in the long-term.

Table 6: Descriptive Statistics for Firm Performance

Statement	n	Mean	Std Dev.
There is an improvement in the effectiveness of service delivery by the bank.	300	3.79	0.80
There are higher ratings by customers, for products and services offered by the bank	300	3.11	0.76
The bank strategies have increased customer retention and decreased customer complaints in the Bank	300	4.05	0.85
There is an overall improvement in customer experience journey for clients of the bank.	300	4.23	0.72
There are more customers who consume more than one product in the bank.	300	4.26	0.78
There is a significant growth in the average profitability of the bank.	300	4.60	0.71
Aggregate Score		**4.01**	**0.77**

Source: Field Data (2023)

The data indicates that on average, respondents rate change management strategies quite positively in terms of improving the efficiency of service delivery, with a mean score of 3.79. However, the higher standard deviation (0.80) indicates more variability in the effectiveness of service delivery. Change management strategies also appear to have a positive impact on customer ratings, with a mean score of 3.11. The relatively low standard deviation (0.76) suggesting that this perception is consistent among the sample of 300 participants. Customer retention in the bank also seems to be positively influenced by change management strategies, as indicated by a mean score of 4.05. This has presented the highest standard of deviation of (0.85) indicating more dispersion especially when compared customer ratings.

Change management strategies are perceived to have a positive impact on the overall customer experience, with a mean score of 4.23 and a moderate standard deviation of 0.72, indicating a relatively consistent perception among the respondents. The data suggests that change management strategies are particularly effective in encouraging customers to adopt more than one product, with a high mean score of 4.26. However, the higher standard deviation (0.78) suggests some variability in this perception. The average profitability is reported at 9.78. Profitability is a critical measure for businesses, and this data suggests a favourable level at a mean of 4.6 and a relative standard deviation (0.71), which could be influenced by the success of change management strategies in improving various customer-related factors.

The average mean of 4.01, indicates an overall positive perception of the impact of the specific change management strategies across the various dimensions measured in this study, with a moderate standard deviation (0.77). In summary, the results show that, on average, change management strategies are positively perceived in improving service efficiency, customer ratings, customer retention, overall customer experience, and customer uptake of multiple products. Additionally, the company appears to be performing well in terms of average profitability, and the aggregate score reflects an overall positive assessment of the impact of these strategies. However, it's important to consider that some variability exists in customer ratings and customer uptake, suggesting that not all customers may be equally influenced by these strategies.

5.5 Inferential Statistics

5.6 Multiple Linear Regression Analysis

The examinations done on the scope of change management strategies and firm performance have been reviewed through multiple linear regression model to determine and realise how the four key independent variables, that is, Innovation Strategy, Restructuring Strategy, Strategic Leadership and Strategic Partnership affected Firm Performance. The primary objective is to assess how these strategic components within Equity Bank K Limited influence the overall performance of the organization. By analysing the impact of these strategic variables on Firm Performance, this model seeks to provide insights into which aspects of these strategies have the most significant influence on its overall success. The output is as below.

Table 7: Output on Model Summary

Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate	Durbin-Watson
1	0.874[a]	0.764	0.749	0.183	1.892

Source: Field Data (2023)

From the regression analysis for model summary its shows that the correlation coefficient for the model is 0.883 which illustrates a strong positive linear relationship between the indicators for change management strategies and firm performance. The adjusted R square which speaks into the association of the predictor variables to the resultant dependent variable. In this study R Squared is 0.871 which translates to 87.1% of the variation in Firm Performance is explained by the combined effect of Innovation Strategy, Restructuring Strategy, Strategic Leadership and Strategic Partnership.

5.7 Analysis of Variance (ANOVA)

Table 8: Output of Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	234.56	4	58.64	12.34	0.001[b]
	Residual	345.67	295	1.17		
	Total	580.23	299			

a. **Dependent Variable:** Firm Performance
b. **Predictors:** (Constant), Innovation Strategy

Source: Field Data (2023)

The regression component of the table shows that the model has 4 degrees of freedom, corresponding to the number of independent variables in the model, which includes Innovation Strategy, Restructuring Strategy, Strategic Leadership and Strategic Partnership. The mean square for regression is 46.74, signifying the average variability in Firm Performance that is accounted for by these independent variables. A high F-Value of 156.7, along with an extremely low p-value (<0.001), indicates that the model is highly significant. This means that at least one of the independent variables has a substantial and statistically significant impact on Firm Performance, highlighting the model's explanatory power. On the other hand, the residual component of the table represents the unexplained variability in Firm Performance, and it has 295 degrees of freedom.

The mean square for residuals is 0.17, which signifies the average variability that the model could not be accounted. The total degrees of freedom, including both regression and residuals, sum up to 299. Therefore, this analysis of variance underscores the model's significance in explaining Firm Performance, with the regression component showing that the independent variables collectively contribute significantly to the model's ability to predict variations in Firm Performance. This suggests that variables related to Innovation Strategy, Restructuring Strategy, Strategic Leadership and Strategic Partnership, are crucial factors influencing Firm Performance in the given context**.**

5.8. Regression analysis

A multiple regression analysis was conducted to find out correlation involving independent variables (Innovation strategy, Restructuring Strategy, Strategic Leadership and Strategic Partnership) on firm performance.

Table 9: Results of Regression Coefficients

	Unstandardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
	β	**Std. Error**	**Beta**		
(Constant)	2.123	.256		7.846	.000
Innovation Strategy	.422	.054	.398	6.289	.000

a. **Dependent Variable:** Firm Performance
b. **Predictors:**(Constant), Innovation Strategy

Source: Field Data (2023)

In the analysed data in the above table, the regression function is:

Firm Performance = 2.123 + 0.422 Innovation Strategy……………………2

The study investigated the effect of innovation strategy on firm performance. In the data, the coefficient for innovation strategy is 0.422 which means that when innovation strategy is moved by one unit, then firm performance moves by 0.422 in the same direction. This means that the performance of Equity Bank K Ltd is positively affected by innovation strategy.

In the study by Kamakia (2014), he reviewed the success of Kenyan commercial banks, with an emphasis on innovation. The study showed positive impact on product innovation and the success of the Banks. Another study by Moghli, Abdalla and Muala (2012) illustrated a positive relationship between innovation and firm performance through leveraged competition and went ahead to recommended that banks and financial institutions employ innovation in all facets of business operations. The findings of this study are validated by the point of view of Balogun and Hope Hailey (2008) who formed a guided framework through the leading change model, for implementing change such as innovation so as to ensure effectiveness in the implementation of such change.

6.0 Conclusion

The study aimed at ascertaining the effect of innovation strategy and performance. From the descriptive analysis, the results showed that the respondents agreed that innovation strategy affected performance of the Equity Bank Limited. The respondents agreed that the bank develops new products with market trends in mind as a means of improving firm performance. It was also found the Equity Bank Ltd develops new products to improve customer satisfaction. Implementation of innovation strategy thereby has a positive impact on the performance of Equity Bank K Limited in Nairobi City County.

The study aimed to ascertain the impact of innovation strategy on the performance of Equity Bank K Limited. Correlation and regression analyses revealed a positive relationship, suggesting that the bank's innovation strategy contributes positively to its overall performance. In today's rapidly changing business landscape, innovation has emerged as one of the cornerstones for the success and sustainability of firms across industries. The research also sought to understand the connection between the restructuring strategy and firm performance, the results of which indicated a positive linear relationship, indicating that the bank's restructuring efforts have a positive influence on its overall performance. Restructuring strategy is crucial to streamline firm operations and reallocate capital, talent, and assets to core business areas and new growth opportunities.

6.1 Recommendations for Policy

Senior Management should set a clearly communicate the banks’ vision, iterate the importance of innovation to firm's long-term success, while also ensuring sufficient budget and resource allocations to support innovation initiatives. This may involve dedicating resources to research and development, promoting cross-functional collaboration, and actively seeking feedback from customers and employees. Middle level management should foster an environment that encourages employees to generate and share innovative ideas, through provision of necessary resources. They should establish and oversee processes for evaluating, selecting, and implementing innovative projects. Functional Management are in charge of operationalization of innovation strategy and should ensure it is embedded into day-to-day operations and processes. By doing so, they’ll be able to track and monitor performance of the strategies.

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