



**PRODUCT INNOVATION STRATEGY AND OPERATIONAL PERFORMANCE OF KENYA BREWERIES LIMITED,  
NAIROBI CITY COUNTY, KENYA**

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**ABSTRACT**

*Product innovation product provides opportunities for enhancing operational performance in any given organization world wide. Kenya Breweries Limited which is categorized under the manufacturing industry in Kenya, has been operating in an increasingly competitive, highly regulated and dynamic market. Therefore, the company formulated strategies aimed to ensure the operational efficiency of the firm. However, despite the adopted measures, Kenya Breweries Limited still faces operational challenges which include; inflation impacting operational costs, managing overheads due to the increased number of employee requirements, adopting to modern operations due to high skills requirements, high costs of investing in green energy capital, shifting service demand requirements and diminishing returns from process enhancements. The company also is facing increasing levels of competition in the beer sector marked by illegal brewers as well as new local and international start-ups businesses. The main aim of this study therefore, was to investigate the effect of product innovation strategy on operational performance of Kenya Breweries based in Nairobi City County, Kenya. The study was anchored on porter's generic competitive theory and diffusion innovation theory. In the research design, descriptive survey was most preferred methodology for this study. Further, the unit of observation was 382 employees. Primary data was collected by use of a questionnaire. The filled in data was then coded in SPSS for analysis where tables were used to display descriptive data. On the same, frequency distributions, numbers, mean and median values and the standard deviation of scores were also used. Thereafter, linear regression analysis, was used to draw inferences about the nature of the relationship between the independent and dependent variables. The study found that product innovation, influenced Kenya Breweries Limited operational performance to a great extent. The findings presented show that a unit increase in product innovation would lead to an increase in performance of Kenya Breweries Limited. Overall, product innovation had the greatest influence on performance of Kenya Breweries Limited. The study recommended that Kenya Breweries Limited should enhance their product innovation to provision of relevant products of the highest quality in order to sustain and expand market share.*

**Key Words:** *Product Innovation Strategy, Operational Performance*

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## BACKGROUND

The international business world is constantly changing, but the chances to grow and prosper in the very competitive arena can be seized by companies willing to adopt an innovative strategy (Li and Huang, 2019). To harness competitiveness, top leadership in any industry are mandated to be creative and adopt the needed strategies to improve their firm's efficiency. In the product sector, the expense of product creation is reduced as a result of the efforts of business executives who create and execute more efficient and effective processes, which in turn leads to higher profits (Bettiga and Ciccullo, 2019). Businesses rely on innovation to ensure their continued success, expand their operations, and strengthen their market standing. The ability to adapt to market shifts is aided by adopting innovative approaches. Therefore, a combination of innovative team and adopting to the right innovation strategies, coupled with favorable internal and external environment's factors, all work in handy to create the desired advantage that comes with innovation.

Innovation strategies provide possibilities to achieve a competitive position in a certain market, and organizations may see a rise in profits in a dynamic international business environment (Li and Huang, 2019). Business executives may employ innovation to get the desired results for their companies. To lower the cost of product creation and improve profits, business executives create and put into practice more efficient and effective procedures (Bettiga and Ciccullo, 2019). The advantage brought about by innovation is the outcome of cooperation between the innovation plans of company leaders and the external environment's circumstances, as well as the fit between these two factors. Businesses may take advantage of developments in the market by implementing creative methods. Innovation is essential for a company's survival, expansion, and improvement of its competitive position since it may result in higher organizational performance. This sector in Kenya, which includes Kenya Breweries Limited (KBL), is becoming more and more

competitive, highly regulated, and dynamic. As a result, the firm has developed plans to assure its survival (KNBS, 2019). KBL has embraced strategic innovation, which is seen as a crucial prerequisite for the company's expansion and profitability. By creating a stronger market position that translates into a competitive advantage and greater performance, it aims to have a significant influence on the performance of the businesses (KMA, 2018).

Waste reduction, productivity, cycle time, environmental responsibility, and regulatory compliance are all examples of operational performance that businesses should strive for (Sharma, 2018). Tsai and Wang (2017) describe operational performance as an organization's skill at reducing management expenses, meeting bid succession times, improving the use of raw materials, and meeting delivery deadlines. Operational execution may be summed up as the act of listing the abilities and value of objects. Effectiveness refers to how well a customer's demands are satisfied, while competence measures how efficiently a firm's resources are used to satisfy a client. Effectiveness is the degree to which a customer's requirements are met, while efficiency is the economical use of a firm's resources. The appropriate measuring strategies should be established, created, and put into place in order to correctly improve accessibility and evaluate operational effectiveness. The degree of efficiency (production capacity/volume per year), profit margin, and cost of production was used in this research to evaluate operational performance. Product innovations enable businesses to expand their brands or product offerings in the market, giving them a competitive advantage; market innovations help businesses open up new markets, increasing their competitive advantage; process innovations help businesses run their operations more effectively and efficiently; and technological innovations will promote the easy flow of information and quick delivery to the intended audience (Lichten). New to market products, quality

assurance, and material innovation was the study's primary focal areas.

George and Charles Hurst, two European immigrants who began making beer in Kenya as a privately owned corporation in 1922, formed Kenya Breweries (Kariithi and Kihara, 2017). By 1938, the business had gained worldwide fame for producing high-quality beer. The EPZA Report 2005 states that in the postcolonial period of 1947, only white people drank beer in bottles. In 1934, the business changed its status to public limited company, formed Tanganyika Breweries, and then changed its name to East African Breweries Ltd. It bought a stake in the Kilimanjaro 5 Brewery in Tanzania in 1964, and a year later Guinness East Africa was founded in Kenya. The greatest public share issuance in Kenya occurred in 1972. Since 1947, it has been the only major producer of beer and barley (KIPPRA, 2019).

When it comes to producing branded alcohol in East Africa, East African Breweries Limited (EABL) is a frontrunner (KNBS, 2019). Kenya Breweries Limited, Uganda Breweries Limited, and Serengeti Breweries Limited are all subsidiaries of this corporation. Kenya Breweries' headquarters and main production facility are both located in Nairobi, making the city's suburb of Ruaraka a convenient location for the company. It specializes in the production and distribution of alcoholic and non-alcoholic beverages. Beer, liquor, RTD liquor, and ANADs (adult non-alcoholic beverages) are all part of the company's offerings. Tusker, Tusker Malt, Pilsner, White Cap, Senator, Guinness, Kenya Cane Smirnoff, Richot, V & A, Bond 7, Smirnoff Ice, and Alvaro are just some of the names under which these goods are sold. Diageo plc's Kenya Breweries Limited has become the market leader in the country's alcoholic beverage business by offering consumers a wide selection of beers, spirits, and other alcoholic beverages at a variety of pricing points. On product innovation the company needs to invest on new to market products, quality control and material innovation.

### **Statement of the Problem**

Kenya's industrial sector has been experiencing significant upheaval in recent years (KMA, 2018). As a result, many large beer manufacturers have moved or restructured their operations to serve the local market via imports from low-cost manufacturing areas like Egypt, South Africa, and India, leading to job losses (Mbogori, Gichohi, & Moguche, 2018). Kenya's beer manufacturers face a highly competitive, heavily regulated, and rapidly evolving market, necessitating strategic planning for continued success (KNBS, 2019). This includes Kenya Breweries Limited (KBL), Keroche Breweries, The Big Five Breweries, Bila Shaka, Ozzbeco Kenya, Wananchi Breweries limited, Mount Kenya Breweries. Besides, there has been a rise in the number of profit warnings issued by beer manufacturers in Kenya as a result of the difficult business climate (KIPPRA, 2019). According to data compiled by the World Bank, Kenyan beer producers have seen stagnating sales and falling earnings over the course of the previous five years as a result of the country's unsteady business climate and declining operation in their performance (OECD, 2022). Kenya Breweries Limited is not exceptional, the firm has been facing operational challenges which include managing overheads due to the increased number of employees and mostly casuals (KMA, 2018). There are increased cases of missed utility mostly the office equipment's. This has been attributed to challenge in recruiting the right staff to work with leaving the company exposed to future uncertainties in relation to growth and performance as a result of employee unproductivity and inefficiency. The company also is facing challenges of responding to competition from beer sector which has been noticed by the company's struggle to retain their customers affecting the company's cash flow.

Several studies have been carried out by authors, for instance; (Wambui and Gakenia 2018) analyzed the impact of Telkom Kenya Limited's innovation strategy on the company's bottom line. This study was a census thus posing both a contextual gap and a methodological gap. (Beyene and Wu, 2016) South

African researchers looked at how planning for innovation affected employee training and new product development. Kolagar, Reim, Parida, and Sjödin in (2021) and Su and Kunkel (2019) study evaluated factors influence operational performance in textile and cement industries respectively. Those two studies were done on different manufacturing sectors and not in the breweries. This study focuses on organizational learning and product performance which whose variables are different from the current study. The study possesses both contextual and conceptual gaps. The current study was thus timely and there was need to investigate strategic innovation on operational performance of Kenya Breweries Limited.

#### **Objective of the study**

The general objective of the study was to investigate the influence of product innovation strategy and operational performance of Kenya Breweries Limited.

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

Kenya Breweries Limited as a company would benefit greatly from this study on the use of different product strategies that would enhance its performance. Managers in entrepreneurship in large-scale as well as small and medium-sized manufacturing firms in the manufacturing sector would benefit from this research. They would learn from the research how operational performance of their businesses might be facilitated by strategic innovation. By providing feedback on the operational performance in manufacturing firms, the study would also be helpful to strategy management trainers. This would enable them to know what has been accomplished and what still needs to be done. To the community, the study might be beneficial to them as they would understand the benefits of an effective company around them in its performance as the more the company expands the more, they benefit with employment and other opportunities. The study would also be helpful to academics and researchers in the future since it would serve as a foundation for more research in the field. It would

also operate as a source of information, offering an empirical contribution to Kenya's beer production industry.

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

The goal of the research was to investigate how product innovation strategy influences Kenya Breweries Limited's operational performance. The area of focus was Ruaraka, which is located in Kenya's Nairobi County. The study used a descriptive research methodology, and the 382 managers who work at the three levels of management within functional departments were the study's target population. The study looked at the period of Fiscal 2022 i.e., July 2021 to July 2022.

### **LITERATURE REVIEW**

#### **Theoretical Review**

The main theory was porter's generic competitive theory and supported by diffusion of innovation theory.

#### **Porter's Generic Competitive Theory**

This theory was compiled by Porter in the year 1980 (Amabile, 1996). According to Porter for a company or an organization to be and to remain competitive, the strategy adopted should be tied on focus, cost leadership or differentiation. According to the theorist the firm's competitiveness and level of adoption of strategies that enhances performance will lead the organization to greater heights and will be at an advantage over their counterpart in the same sector. Thus, superiority in production results to competitive advantage. The same notion of competitiveness is reflected in nations where a framework is provided to show how they can be competitive over others in the global market place. There are however several inputs that needs to be adopted in order to the strategy to be effective according to Henseler, Ringle, and Sarstedt (2018) this includes effective infrastructure, physical and human resource, knowledge resource and capital. According to Porter, strategies and goals to be adopted depends and varies within firms globally.to meet the expectations of the stakeholders who include managers, employees, suppliers and others

then the right strategies must be adopted (Kaur and Bhatia, 2016). This should be coupled by both individual and corporate goals. On the flip side according to the theory, sector players trying and aiming to outdo each other and fair domestic rivalry results to higher adoption of strategies and a platform for competitive advantage. Ameme and Wireko.

### **Diffusion of Innovation Theory**

One of the first social science ideas, the diffusion of innovation hypothesis was created by Rogers in 1962. According to the notion, information is distributed via the media and interpersonal connections, which also shape opinion and judgment. The theory is focused on the elements that either make it more likely or less likely for people of a certain culture to accept a new concept, item, or habit. Innovation, according to Lannoo and Verhofstadt (2016), happens in four stages: invention, diffusion (communication across the social system), time, and effects. The possibility that an invention will be accepted is therefore determined by how knowledge is distributed via networks, their nature, and the roles opinion leaders play within them. The adoption of an invention is influenced by five elements, each of which is present in the five adopter groups to varying degrees. These include relative advantage (the extent to which anything new is preferred above what came before it); compatibility (compatibility of the invention with the expectations, values, and experiences of its prospective users); Complexity (the complexity of the new method or device); Triability (how much time is allowed for trial and error before a firm decision to embrace a new invention is made) and observability (the amount to which new ideas produce observable outcomes) (Obeng and Mkhize, 2017). Previous research suggests that organizations who want to be competitive and performance focused adapt to environmental changes and develop innovations, therefore this hypothesis is significant for our purposes (Rajapathirana and Hui, 2018). Thus, the theory was key to the study as it

linked the four-study variable which revolve around innovation.

### **Empirical Review**

#### **Product Innovation and Operational Performance**

Kock and Hadaya (2018) looked at how product innovation affected the textile industry's operational performance. The purpose of the research was to investigate how product innovation in Taiwan's textile sector affects Operating Performance. The research employed a descriptive survey approach. 450 Tainan Spinning managers, workers, and customers were the study's target audience. For the research, structured questionnaires were employed to gather primary data. The study's findings showed a strong and favorable correlation between product innovation and Taiwan's textile sector performance. The research also showed that effective product innovation improved operational performance in Taiwan's textile sector. The study focus was done in a textile industry while the current was done in a beer manufacturing firm. Besides Taiwan is considered a developed country and there was need to conduct a similar study in a developing county in Kenya.

Ishola and Olusoji (2020) studied the profitability of Nigerian deposit money banks to ascertain the effect of new product innovation. The study's primary goal was to assess how new product innovation affected the profitability of Nigerian deposit money institutions. Data gathered from primary and secondary sources were used to create a study that followed survey research design principles. The primary data was gathered utilizing surveys, whilst the secondary sources mostly consisted of textbooks, journals, and magazines. The research has 24 major licensed commercial/deposit money banks in Nigeria as its target population. According to the study's results, new product innovation and profitability in Nigerian deposit money banks had a favorable and substantial link. The study's findings showed that the low rate of profit maximization in banks was caused by a lack of understanding of the advantages of new product innovation. Also, the efforts of the bank's marketing research department

led to the discovery and development of new products. The study also showed that, in today's competitive environment, a bank must innovate and market its new financial products and services in order to successfully play its financial role and achieve its general objectives of profitability, growth, and increased market share. The previous research concentrated on the financial elements of performance, but this study concentrated on the degree of efficiency and the annual output capacity.

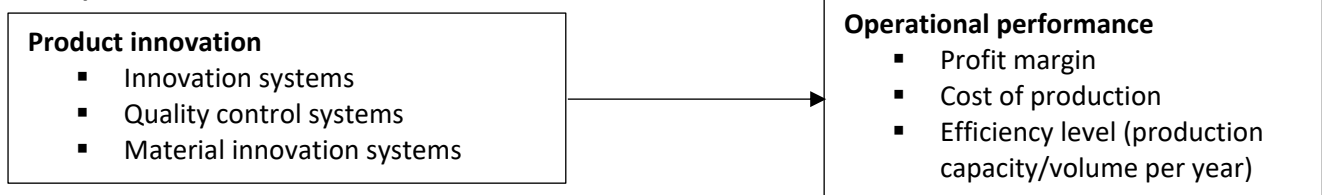
Research entitled "Influence of Strategic Innovation on Performance of Commercial Banks in Kenya: The Case of Kenya Commercial Bank in Nairobi County" was done in 2016 by Osman, Shariff, and Lajni. The study's objective was to determine the connection between Kenyan commercial banks' performance and strategic innovation. The research design used in the study was descriptive. In Nairobi County, 170 managers from 59 branches made up the study's target population. Out of a potential 170 managers at KCB branches in Nairobi County, 119 responded to the survey. The results of the research showed a strong and favorable correlation between Kenya Commercial Bank performance and new product innovation. According to the report, the capacity of commercial banks to function is significantly impacted by ongoing efforts to provide new goods and services, upgrade old systems, and introduce new software for business operations. While the present research was conducted in a manufacturing company, the previous study was conducted in a financial organization.

The 'impact of product innovation strategy on performance in Kenya's sugar sector' was researched by Karimi and Walter in 2016. The research set out to do just that by taking a hard look at how a focus on new product innovation affects the bottom line. The study used a cross-sectional survey as its research methodology. There was a total of nine enterprises in Kenya's sugar sector that were included in the research; they included both

parastatal and private firms. Results showed a favorable, statistically significant connection between product innovation strategy and business outcomes. New product development was found to have a significant predictive effect on sugar industry performance in terms of capacity utilization, while improvements to existing products had no such effect, according to the study. The study focused with only one variable which was product innovation on performance. The current study has included three extra variables which are technology innovation, process innovation and service innovation.

David (2019) assessed the Effects of Innovation Strategy on Firm Performance in Telecommunications Industry: Safaricom Kenya Limited: As the Case Study. The study's goal was to look at the connections between organizational performance and innovation in Kenya's telecommunications sector. The research focused on 2,970 employees of Safaricom (K) Limited from the customer care division in order to meet its goals. In order to offer up-to-date knowledge on innovation strategies and their impact on company performance, the study used a descriptive survey research approach. The results of the research showed a strong and favorable relationship between performance and product innovation strategy. An increase in product innovation resulted in a substantial improvement in performance, according to the t-test analysis. The research found a favorable correlation between product innovation and revenue growth. According to the findings, the product innovation approach had the most impact on Safaricom (K) Limited's performance out of all the innovation strategies examined in the research. Regression analysis was used in the present study to assess the link between the independent and dependent variables.

## Conceptual Framework



**Figure 1: Conceptual framework**

Source: Researcher (2022)

## METHODOLOGY

**Research Design:** The most effective approach for this study was a descriptive survey research design since it collected precise, relevant information on current events that were used to support the facts and conclusions that were discovered.

**Target Population:** The target for this study were the three levels of management in functional department's that is senior managers, middle managers and lower-level managers totaling to 382 who worked with Kenya Breweries Limited and based at Ruaraka.

**Sampling Frame** The study used 30% of target population of 382 employees which constituted 115 employees as a sample size.

**Sampling Technique:** stratified random sampling selection was used to ensure that each stratum was fairly represented

**Study Instruments:** A questionnaire was used for data collection in this study.

**Validity and Reliability of research instruments:** Validity and reliability tests were performed on the instrument to confirm the accuracy of the results. 12 workers, or 10% of the sample, were involved in the pre-testing of the questionnaire which was part of the study's pilot phase. To make data reliability sure

applying the Cronbach Alpha method was done. Construct, content and face validity was used to establish validity of the instrument.

**Data Analysis and Presentation:** Coding was done to facilitate the analysis of qualitative data and record quantitative data into Statistical Package for Social Sciences (SPSS). The researcher then analyzed the quantitative data using descriptive (i.e. mean scores frequencies, standard deviation, and percentages) and inferential statistics (correlation and multiple regression analysis).

## FINDINGS AND DISCUSSIONS

The results of the study were presented in line with the objectives of the study. The relevant descriptive statistics for each objective are given, followed by the specific inferential statistics. To ensure easy interpretation of the results, the data is presented using frequency distribution tables. Linear regression model was used in statistical testing. The chapter is organized into 4 main sections; the introduction, demographic information, findings for the stated objectives and interpretations.

### Response Rate

In this study, 115 questionnaires were administered to employees at Kenya Breweries Limited out of which 96 questionnaires were filled and returned. This yielded response rates shown in Table 1.

**Table 1: Response Rate**

Response Rate	Frequency	Percentage
Responded	96	83.4
Not Responded	19	16.6
<b>Total</b>	<b>115</b>	<b>100.0</b>

Source: Field Data (2023)



Table 1 showed that the employees at Kenya Breweries Limited registered a response rate of 83.4%. Based on the findings of Creswell (2014) that a response rate above 75.0% is adequate to allow for

generalization of the outcomes to the target population

**Reliability Tests**

Reliability test was as tabulated on Table 2.

**Table 2: Reliability Test**

Variable	Item	Alpha value	Recommendations
Product innovation	6	0.857	Reliable
Operational performance	6	0.798	Reliable
<b>Total (Average)</b>		<b>0.8024</b>	<b>Reliable and acceptable</b>

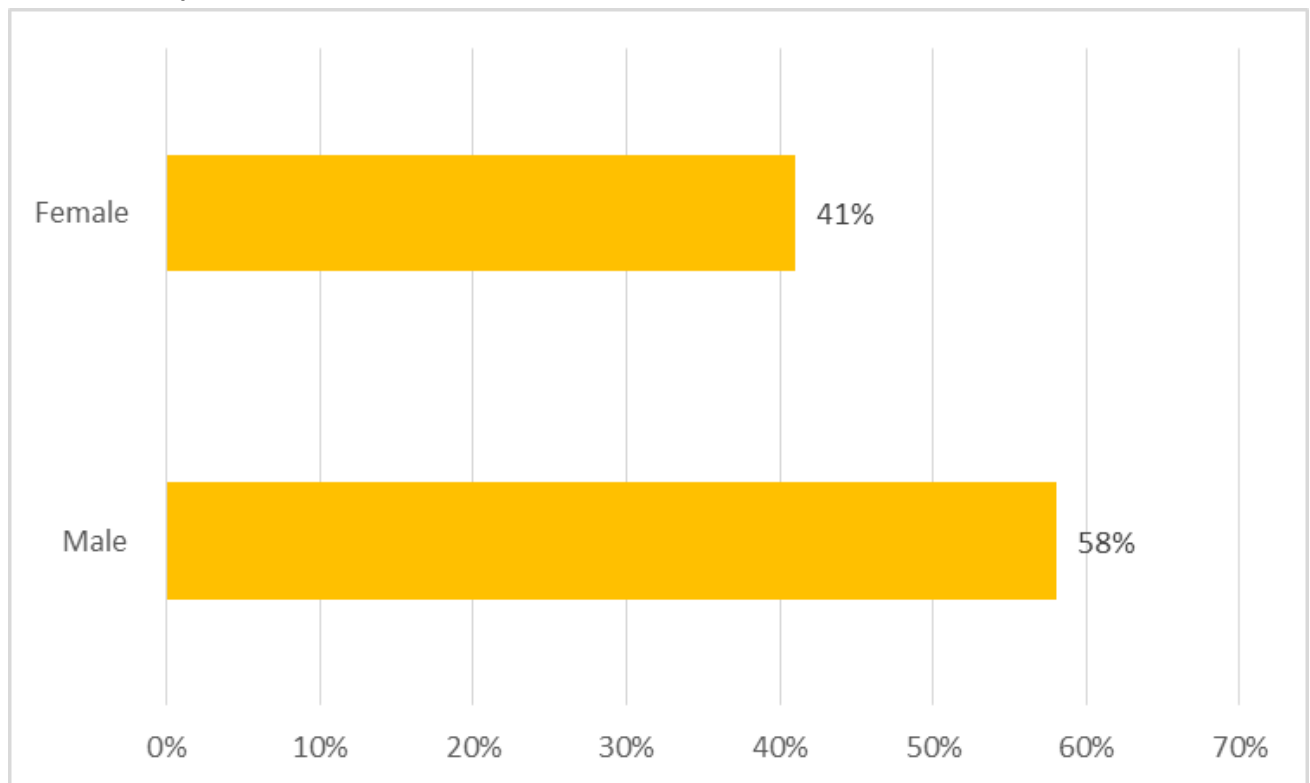
Source: Research Data (2022)

The study tested the variables using Cronbach Alpha. The coefficient product innovation strategy was 0.857 while the coefficient for operational performance was 0.798. All the variables were reliable as their coefficient were above the required minimum of 0.7. Besides the general reliability for the five variables was 0.8024 or 80% an indication that the questionnaire was generally reliable (Bryman & Bell, 2015).

**Demographic Information**

The respondents' personal information was sorted to determine their personality in relation to the study in order to determine the quality and trustworthiness of the data provided. In this regard, the researcher was curious about the respondents' gender, highest level of education, years worked at Kenya Breweries Limited and employee level of management.

**Gender of Respondents**



**Figure 2: Gender of Respondents**

On gender of respondents, 58% of the employees at Kenya Breweries Limited were male and 41% were female. This implied that although most of the respondents were male, there was adequate representation from females, therefore the researcher was not gender biased. Additionally, the researcher collected reliable information from all the respondents. The findings imply that the views expressed in these findings are gender sensitive and can be taken as representative of the opinions of both genders.

### Respondents Level of Education

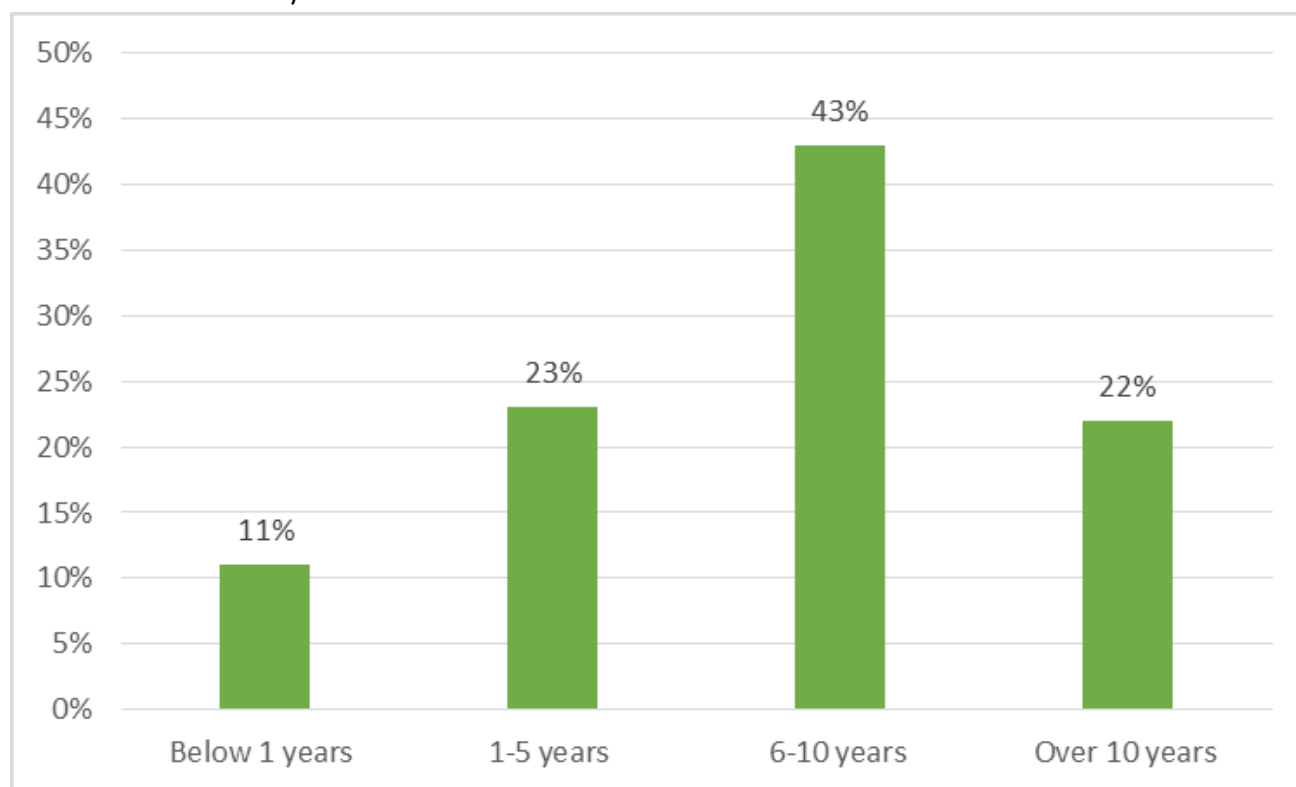
As per Table 3, 42% of the employees at Kenya Breweries Limited had a Masters as their highest

level of education, 34% had a bachelors as their highest level of education, 11% had a diploma as their highest level of education, 6% had a PhD as their highest level of education and 5% had a professional course as their highest level of education. This information reveals that the respondents had the required qualifications as employees at Kenya Breweries Limited which thus, reinforced the expectations of being competent to respond to the research questions about the strategic innovation techniques and operational performance of Kenya Breweries Limited, Kenya. It also means that they are conversant with the expectations of the researcher in getting the required information.

**Table 3: Respondents Level of Education**

	Frequency	Percent
Diploma	11	11.5
Bachelor	33	34.4
Master	41	42.7
PhD	6	6.3
Professional Course	5	5.2
<b>Total</b>	<b>96</b>	<b>100.0</b>

### Years Worked with Kenya Breweries Limited



**Figure 3: Years Worked with Kenya Breweries Limited**

The researcher also sought to find out the number of years employees had worked with Kenya Breweries Limited. 43% of the employees had worked with Kenya Breweries Limited for a period between 6 to 10 years, 23% had worked with Kenya Breweries Limited for a period between 1 to 5 years, 22% had worked with Kenya Breweries Limited for over 10 years and 11% had worked with Kenya Breweries Limited for less than 1 year. This implied that majority of the respondents had worked with Kenya

Breweries Limited long enough to comprehend the subject under study and give credible information.

#### Respondents Level of Management

Table 4 illustrates that 43% of the employees at Kenya Breweries Limited were middle managers, 39% were senior managers and 16% were lower-level managers. This means that there was adequate representation across the different level of management to provide a wholistic view of the area under study.

**Table 4: Respondents Level of Management**

	Frequency	Percent
Senior managers	38	39.6
Middle managers	42	43.8
Lower-level managers	16	16.7
<b>Total</b>	<b>96</b>	<b>100.0</b>

#### Descriptive Statistics

This section presents data aligned as per the study objective and measured in the conceptual framework as indicators. The section presents the data set central tendency and standard deviation as per the response's distribution.

#### Product Innovation

Table 5 shows that employees at Kenya Breweries Limited agreed with statements related to product innovation in regards to Kenya Breweries Limited to a great extent as shown by an average score of 3.99. The products were widely accepted to the market to a great extent (mean=4.38), quality control was done at all levels of production to a great extent (mean=4.36), the production process guaranteed quality to a great extent (mean=4.22), the market needs dictated their products to a great extent (mean=3.93), materials used for the products were regularly checked by KEBS to a great extent (mean=3.80) and materials used for their products were reviewed after every 2 years of use to a great extent as shown by a mean score of 3.28. The findings were in line with a study done by Ishola and Olusoji (2020) who studied the profitability of Nigerian deposit money banks to ascertain the effect of new product innovation. The study's primary goal

was to assess how new product innovation affected the profitability of Nigerian deposit money institutions. Data gathered from primary and secondary sources were used to create a study that followed survey research design principles. The primary data was gathered utilizing surveys, whilst the secondary sources mostly consisted of textbooks, journals, and magazines. The research has 24 major licensed commercial/deposit money banks in Nigeria as its target population. According to the study's results, new product innovation and profitability in Nigerian deposit money banks had a favorable and substantial link. The study's findings showed that the low rate of profit maximization in banks was caused by a lack of understanding of the advantages of new product innovation. Also, the efforts of the bank's marketing research department led to the discovery and development of new products. The study also showed that, in today's competitive environment, a bank must innovate and market its new financial products and services in order to successfully play its financial role and achieve its general objectives of profitability, growth, and increased market share. The previous research concentrated on the financial elements of performance, but this study concentrated on the degree of efficiency and the annual output capacity.

**Table 5: Product Innovation**

Statement	Mean	Std. Deviation
The market needs dictates our products	3.93	.645
Our products are widely accepted to the market	4.38	.998
Quality control is done at all levels of production	4.36	.697
The production process guarantees quality	4.22	.656
Materials used for our products are reviewed every 2 years of use	3.28	1.228
Materials used for our products are regularly checked by KEBS	3.80	1.062
<b>Average Mean</b>	<b>3.99</b>	<b>0.881</b>

**Operational Performance**

According to Table 6, an average mean score of 4.11 shows that respondents agreed to a great extent with statements related to operational performance in regard to Kenya Breweries Limited. Respondents had witnessed increased production capacity to a great extent (mean=4.45), volume of their products had been well accepted in the market to a great extent (mean=4.30), efficiency level had increased over the last five years to a great extent (mean=4.03), cost of production had been on the equilibrium to a great extent (mean=3.96) and the company's profit margin had been on the increase to

a great extent (mean=3.81). The findings were in line with Tsai and Wang (2017) who described operational performance as an organization's skill at reducing management expenses, meeting bid succession times, improving the use of raw materials, and meeting delivery deadlines. Operational performance may be summed up as the act of listing the abilities and value of objects. Effectiveness refers to how well a customer's demands are satisfied, while competence measures how efficiently a firm's resources are used to satisfy a client.

**Table 6: Operational Performance**

Statement	Mean	Std. Deviation
Efficiency level has increased over the last five years	4.03	.887
We have witnessed increased production capacity	4.45	.793
Volume of our products has been well accepted in the market	4.30	.682
The company's profit margin have been on the increase	3.81	.798
Cost of production has been on the equilibrium	3.96	.687
<b>Average Mean</b>	<b>4.11</b>	<b>0.769</b>

**Linear Regresión**

A linear regression analysis was performed in this study to check the effect between variables of predictors. The research used the statistical package

for social sciences to code, enter, and calculate linear regression measurements. Table 7 presented the model summary.

**Table 7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.648 <sup>a</sup>	.420	.395	.36538

a. Predictor: (Constant), Product innovation Strategy

From the findings, the independent variable was statistically significant predicting the dependent variable since adjusted R square was 0.420. This implied that 79.9% variations in operational performance of Kenya Breweries Limited, Kenya is

explained by product innovation. Other factors influencing operational performance of Kenya Breweries Limited that were not covered in this study accounted for 20.1% which form the basis for further studies.

**Table 8: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.810	1	2.202	16.497	.000 <sup>b</sup>
	Residual	12.149	91	.134		
	<b>Total</b>	<b>20.958</b>	<b>95</b>			

a. Dependent Variable: Operational Performance

b. Predictor: (Constant), Product innovation

From the ANOVA Table, p-value was .000 and F-calculated was 16.497 Since p-value was less than 0.05 and the F-calculated was greater than F-critical (2.4466), then the regression relationship was

significant in determining how product innovation influenced operational performance of Kenya Breweries Limited, Kenya.

**Table 9: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.744	.371		4.699	.000
Product innovation	.441	.094	.462	4.705	.000

a. Dependent Variable: Operational performance

The findings presented also show that a unit increase in product innovation would lead to a 0.441 increase on performance of Kenya Breweries Limited. The variable was significant since 0.000 is less than 0.05. Kock and Hadaya (2018) findings are also similar with the current study as the former findings showed a strong and favorable correlation between product innovation and Taiwan's textile sector performance. The research also showed that effective product innovation improved operational performance in Taiwan's textile sector. Overall, product innovation had the greatest influence on performance of Kenya Breweries Limited. The findings are in line with Li and Huang (2019) as well as Bettiga and Ciccullo (2019) who found that product innovation strategies provide possibilities to achieve a competitive position in a certain market, and organizations may see a rise in profits in a dynamic international business environment. Business executives may employ innovation to get the desired results for their companies. To lower the cost of product creation and improve profits, business executives create and put into practice more efficient and effective procedures.

## CONCLUSIONS AND RECOMMENDATIONS

The study also found that product innovation strategy influenced Kenya Breweries Limited operational performance to a great extent. It was also to a great extent that the products were widely accepted to the market, quality control was done at all levels of production, the production process guaranteed quality, the market needs dictated their products portfolio, materials used for the products were regularly checked by KEBS and materials used for their products were reviewed periodically

The study further found that scores that relates to operational performance in regard to Kenya Breweries Limited were rated to a great extent. The findings show that to a great extent there was evidenced increased production capacity, volume of products had been well accepted in the market, efficiency level had increased over the last five years, cost of production had been on the equilibrium and the company's profit margin had been on the increase.

The study also concluded that product innovation influenced Kenya Breweries Limited operational performance to a great extent. The study concluded

that operational performance in reference to Kenya Breweries Limited was rated to a great extent. Besides the product innovation strategy selected for this study accounted for 79.9% influence on operational performance of Kenya Breweries Limited thus having the greatest influence on performance of Kenya Breweries Limited.

The study also recommended that Kenya Breweries Limited should enhance their product innovation to provision of relevant products of the highest quality in order to sustain and expand market share. The company so far has enjoyed market share growth through new products like White Cap Crisp catering

to consumer's focus on health and sweetened products like Smirnoff Ice Guarana and Tusker Cider aimed at enticing the feminine mark.

#### **Recommendations for Further Research**

There is need to conduct another study to evaluate product innovation on operational performance of other manufacturing companies in order to compare results. There is also need to evaluate the customers' perspectives in relation to product innovation strategy influence other factors like customer satisfaction in all sectors in the Kenyan public and private companies.

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