

Assessing the Impact of Transformative Innovation Strategies on Organisational Growth in the Zimbabwean Telecoms

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Abstract: *The study main aim was to assess the impact of transformative innovation strategies on organizational growth in the Zimbabwean telecoms. The study was guided by the objectives that included determining the effects of proactive strategy on customer retention, determining the effect of active strategy on operational efficiency and to establish the relationship between passive strategy and market share. Relevant literatures were also covered in chapter two. The literature was presented by the aid of past researchers that wrote of transformative innovation strategies on organizational growth in the form of a constructive argument by the aid of authors in support and those who were against. The literatures also filled the gaps and showed the empirical evidence. The recommendations of the study were that the companies in the telecommunications sector should embark on transformational innovation strategies which help the organizations to do mass marketing, continuous innovation and increasing the operational efficiency of the organizations.*

Keywords: *– Telecommunications, Transformative innovation, Organizational Growth.*

I. INTRODUCTION

The telecommunication sector is one of the fastest growing industry that needs to device different transformative innovation strategies to remain competitive. Evidence of past researches has been conducted on transformative innovation strategies in sectors that include manufacturing, retail, education, hospitality sector and a few in the telecommunication sector. In a research conducted by Babkin, (2015) on the effect of transformative innovation strategies on profitability of the manufacturing sector of China, the study adopted the diffusion theory of transformative innovation. Descriptive research design was adopted in the study as it showed experiences in relation to transformative innovation strategies. Findings of the study showed that 68% agreed while 11% disagreed in relation to the influence of transformative innovation strategies and profitability of the manufacturing sector. Another study was conducted on the impact of transformative innovation on financial performance of the banking sector of Nigeria Dimnwobi et al (2016). The study was conducted by Uchuku and Nguni (2018) as the study aimed on addressing the relationship between transformative innovation strategies and the financial performance determinacy that included ROE, ROA and Net Profit Margin. The study utilised causal research design to test the correlation existence. The findings showed that on the Anova test and regression test that there is a positive correlation between transformative innovation and profitability as shown by 3, 7 t-tests and 0,003 probability value. A knowledge gap still exists in the telecommunication sector as the research attempts to fill the gap by looking at the impact of transformative innovation strategies adopted by telecommunication firms to foster organisation growth.

Telecommunication sector of Zimbabwe comprises of registered service providers namely Econet Wireless, Net.One, Telecel Zimbabwe and TelOne. These organizations despite their growth strategies that include improved broadband, variety of telecom product portfolio, engagement to corporate social responsibility activities and size they have different transformative innovation strategies they are using on providing services. Telecommunication sector of Zimbabwe has also adopted the transformative innovation strategies that foster organizational growth. Proactive transformative innovation strategies such as installation of fibre optic and increasing the number of network boosters and active transformative innovation strategies such as upgrading of system. These transformative innovation strategies have been put in place but failing to yield the anticipated growth of the telecommunication firms of Zimbabwe. In light of the above, Econet wireless is also implementing other passive transformative innovation strategies such diversification for instance venturing in solar installation projects, vehicle tracking, coverage maps and many more are used by the organizations to foster growth (Bara and Mudzingiri, 2016). There was a decline of revenue of 11.3% in 2014 followed by an

increase in revenue by 4.7% in 2015, followed by a further decrease in revenue to 15.6 and 13.3% in 2017 and 2018 respectively. Additionally, Telecommunication firms are experiencing decline in growth as evidenced by decrease in revenue from \$1, 6 billion in 2013 to \$700 million in 2018. Transformative innovation challenges that have been witnessed in the sector affecting organizational growth include network challenges, failure to install fibre optic in other towns and cities in Zimbabwe (POTRAZ, 2018).

1.1 Statement of the problem

Despite the telecommunications firms in Zimbabwe prioritizing the adoption of transformative innovation strategies to foster organizational growth, it feels like the firms are experiencing slow growth as anticipated. Transformative innovation strategies that include installation of fibre optic, increasing the number of network boosters and upgrading of system are experiencing decline in growth as evidenced by decrease in revenue from \$1, 6 billion in 2013 to \$700 million in 2018. In light of the study the research will look at an assessment of the impact of transformative innovation strategies on organisation growth in the Zimbabwean telecoms.

1.2 Research objectives

- ✓ To determine the effects of proactive strategy on customer retention
- ✓ To determine the effect of active strategy on operational efficiency
- ✓ To establish the relationship between passive strategy and market share

1.3 Research hypothesis

- ✓ **H₀**- proactive strategy has an impact on customer retention.
- ✓ **H₁**- proactive strategy does not have an impact on customer retention.
- ✓ **H₀**- active strategy has an effect on operational efficiency.
- ✓ **H₂**- active strategy has no effect on operational efficiency.
- ✓ **H₀**- there is a relationship between passive strategy and market share.
- ✓ **H₃**- there is no relationship between passive strategy and market share.

II. LITERATURE REVIEW

According to Ploszaj et al (2015) literature review is an important search for an analytical framework or framework that can be applied to test the hypothesis or to systematically investigate a set of problems. Literature review is a secondary source associated with many articles that have a similar goal in shaping literature review. The number of articles was cross-cultural magazines, books, conferences and electronic information sources. Therefore, literature review does not report any new experimental work, but rather an abstract completion review.

2.1 Transformation innovation

Drucker (2007) cited in Abdi (2013) refers to transformational innovation as a venture that can result in the creation of new wealth from making effective use of existing resources. Transformational innovation commences with analyzing opportunities, systematically reviewing these and exploiting these to gain maximum economic returns for organizations. Atalaya (2013) has identified seven sources of opportunity that can lead to transformational innovation. These include the enterprises own unexpected successes and failures and of its competition, incongruities (particularly in a process, for instance, production, distribution, or incongruities in customer behaviour), process needs, changes in industry and market structures, demographic changes, changes in meaning and perception and new knowledge (Kohlbacher, Herstatt and Levsen, 2015).

2.2 Organizational growth

Organizational Growth is a process through which the structure of a multigent system organization increases the number of its roles and links. Organizational growth is essentially a quantitative process (Haque, Angela, and Lu, 2016). Organisational growth can be defined in numerous ways and be achieved in several strategic forms. In general, the matter of whether and at what rate a company is growing can be highly ambiguous. A company can experience strong sales growth, but simultaneously be losing market share and experiencing financial losses. In such a case, the company's volume is rising, but that of its competitors is rising even faster. And, on the bottom line, sales growth means little when the company cannot turn a profit (Liu and Wu, 2016).

2.3 Proactive innovation strategy and customer retention

Proactive innovation anticipates changes that may occur in an industry or sector as a result of rapid technological development and it influences customer retention (Kyei and Bayoh, 2017). Keeping a telecommunication organization competitive by preparing it for those changes with innovative ideas at every level, proactive innovation is a deliberate process which regularly draws in and nurtures ideas from all stakeholders, such as customers, employees, investors and improves customer retention (Nguyen, Melewar and Chen, 2015). Proactive innovation is an important factor in economy dynamics as it is another driver for improved customer retention.

2.4 Active innovation strategy and operational efficiency

Active innovation strategies involve defending existing technologies and markets while being prepared to respond quickly once markets changes and they promote operational efficiency (Khan et al, 2018). Companies using this innovation approach also have broad sources of knowledge and have managed to improve operational efficiency (Lam et al, 2016). Companies employing these strategies focus on innovation and change, and they are willing to implement it at the first sign that the new technologies. They take active innovation and some very successful companies use this strategy, with great results on operational efficiency (Chen, 2016).

2.5 Passive innovation strategy and market share.

Companies with passive innovation strategies wait until their customers demand a change in their products or services as this influences their market share (Heidenreich, and Kraemer, 2016). Examples include automotive supply companies as they wait for their customers to demand changes to specification before implementing these. These companies are content with the way they are currently carrying out business (Heidenreich, and Kraemer, 2016). They implement change when their customers demand it. It’s not a terribly effective innovation strategy if you work with people, given the level of competition, but if you mainly cater to one or two large companies this can be the perfect strategy, as innovating without knowing what your customers desire can lead to losing these clients.

III. METHODOLOGY

The research adopted a positivism research philosophy which was deemed quantitative. The study also utilized the explanatory research design since the study aimed at determining the relationships that exists between transformative innovation strategies and organizational growth. The target population of the study constituted of 320 employees of the telecommunication organizations and was reduced to 175 making use of sample size determination model by Krejcie and Morgan. The study used an adopted closed ended questionnaire in the form of likert scale and the adopted questionnaire ensured reliability and validity of the results in the study.

IV. DATA ANALYSIS

The data collected was first edited, sorted and coded using numerical numbers and presented in form of tables. Measures of association was used to examine the relationship between the predictor and dependent variables. Content analysis was used to analyze the data which was gathered from personal interviews. STATA 11 was utilized in the study for the purpose of regression analysis.

V. FINDINGS

Table 1: Proactive innovation and Customer retention

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. reg customerretention proactinnostrat

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Source	SS	df	MS			
Model	3.27752285	1	3.27752285	Number of obs =	150	
Residual	56.9158105	148	.384566287	F(1, 148) =	8.52	
Total	60.1933333	149	.403982103	Prob > F =	0.0041	
				R-squared =	0.0544	
				Adj R-squared =	0.0481	
				Root MSE =	.62013	

customerre~n	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
proactinno~t	.1906275	.0652978	2.92	0.004	.0615911 .3196639
_cons	3.098973	.1767468	17.53	0.000	2.749699 3.448246

Source: Stata 11

The study showed that proactive innovation strategy has a significant effect with customer retention. This was asserted by an Alpha test of 2.92, probability value of 0.004 and a coefficient of 19%. This implied that a change in one unit in proactive innovation results in 19% change in customer retention. This was supported by Kyei and Bayoh, (2017) who propounded that proactive innovation affects the customer retention

at companies because the company will be able to continually come up with new innovations which retains the customers that the organization will be having.

Table 2: Active innovation and Operational efficiency

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. reg operationalefficiency activeinnstrat
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Source	SS	df	MS			
Model	3.69321943	1	3.69321943	Number of obs =	150	
Residual	56.5001139	148	.381757526	F(1, 148) =	9.67	
Total	60.1933333	149	.403982103	Prob > F =	0.0022	
				R-squared =	0.0614	
				Adj R-squared =	0.0550	
				Root MSE =	.61787	

operationalefficiency	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
activeinnstrat	.2051029	.0659421	3.11	0.002	.0747931	.3354126
_cons	3.058698	.1791394	17.07	0.000	2.704697	3.4127

Source: Stata 11

The regression analysis on the second objective showed that there was a positive correlation that exists between active innovation strategy and operational efficiency. This was evidenced by a t-test of 3.11 and a p-value of 0.002 tested at 95% significance level. Therefore these results entails that if the organization formulates and implements active innovation strategies, there is a greater likelihood of enhancing operational efficiency. Thus an improvement on active innovation strategy will also result in improvement in operational efficiency in the same direction. This was supported by Ings (2014) who conclude that due to dynamics in business process and practices it is imperative to implement innovation strategies as they help organizations to achieve competitive advantage and organizational performance overall.

Table 3: Passive innovation and Market share

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. reg marketshare passiveinnstrat
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Source	SS	df	MS			
Model	3.96210865	1	3.96210865	Number of obs =	150	
Residual	56.2312247	148	.379940707	F(1, 148) =	10.43	
Total	60.1933333	149	.403982103	Prob > F =	0.0015	
				R-squared =	0.0658	
				Adj R-squared =	0.0595	
				Root MSE =	.61639	

marketshare	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
passiveinnstrat	.2151761	.0666329	3.23	0.002	.0835013	.3468508
_cons	3.031007	.1812611	16.72	0.000	2.672812	3.389201

Source: Stata 11

The third objective showed that passive innovation is positively related to market share. This entails that when telecommunication firms improves on passive innovation by 1 unit this will simply lead to an improvement on market share by 22% coefficient. The relationship on passive and market share was shown by a 3.23 t-test that was above the estimated of 2 and above. The p-value of 0.002 showed that the study was significant at 5%. According to Heidenreich, and Kraemer, (2016) passive innovation is a technological advancement that influences the growth and improvement of market share.

VI. RECOMMENDATIONS

The study recommends that the companies in the telecommunications industry should adopt mass marketing strategy by taking advantage of various communication technologies so that they will be able to increase the reach of the customers which results in increase market share.

Companies in the telecommunication sector should continuously come up with innovative strategies and products that enables the company to gain competitive advantage and able to retain its customers.

The study also recommends that the companies in the telecommunications industry should do process innovation which enables them to consistently analyze and measure their service operations which results in increased operational efficiency.

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