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**INFLUENCE OF STRATEGIC INNOVATIONS ON SUSTAINABILITY OF PHARMACEUTICAL DISTRIBUTORS IN NAIROBI COUNTY, KENYA**

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## ABSTRACT

The study sought to establish the influence of strategic innovations and sustainability of sustainability of pharmaceutical distributors in Nairobi County, Kenya. The study was guided by the following specific objectives: - to determine the influence of Business Model innovations on sustainability pharmaceutical distributors in Nairobi County, Kenya, and to demonstrate the influence of process innovations on sustainability of pharmaceutical distributors in Nairobi County, Kenya. The study adopted a descriptive research design to measure the influence of strategic innovations on sustainability of pharmaceutical distributors in Nairobi County, Kenya, and the target population for the study was 212 pharmaceutical distributors in Nairobi County, Kenya registered by pharmacy and poisons board. The pilot study consisted of 21 pharmaceutical distributers,10% of the total population. The respondents were directors and business unit managers in all the 212 pharmaceutical distributors who were selected using purposive and stratified sampling. The study used 2 respondents per firm. The study used structured questionnaire to collect primary data and SPSS version 26 was used to analyze data. Descriptive such as mean, frequencies, standard deviation, and percentages were used to profile major patterns emerging from the data. The relationships between the variables were determined using inferential statistics. The regression analysis was used to gauge the intensity of the association between the independent and dependent variables, while the correlation coefficient was used to gauge the link between the independent and dependent variables. Data was presented in form of tables, graphs. The findings established that Strategic Innovations used by Pharmaceutical Distributors influenced sustainability. The study concluded that Strategic Innovations had a positive significant influence on Sustainability. The study recommended that Business Managers should Invest more time in strategic Innovation and, firms should align more with practices that create value, efficiency and cost reduction.

**Keywords:** Strategic Innovations, Business Model Innovation, Process Innovation, Sustainability

## Background of the study

Strategic innovation is described as a framework for future-focused business development that spots chances for breakthrough growth, moves business choices along quickly, and produces immediate, measurable results within the framework of a longer-term goal for sustainable competitive advantage. An organization is challenged by strategic innovation to look beyond its pre-existing organizational limits and mental models and to engage in an open-minded, imaginative investigation of the universe of possibilities. (Kariuki, 2014). One of the primary tools of growth strategies to enter diverse markets, expand the current market share, and provide the business with a competitive edge is strategic innovation. (Nyabakk and Jenssen, 2012). strategic innovation increases the firm's value maximization, overall productivity, and competitiveness. Organizations with strategic innovation strategies succeed by going beyond industry standards or sustaining innovations to develop specific business models, disrupting long-established rivals, and creating value for themselves, their clients, and their shareholders as a whole. (Kariuki, 2014). Strategic innovations occur when a company is able to identify a gap in the industry positioning map and decides to fill it. An organization's process of reinventing or rethinking its corporate strategy in order to spur business growth, produce value for the firm and its clients, and establish a competitive edge is known as strategic innovation. It is a methodical strategy to maximizing an innovation portfolio that aids in a business achieving transformative growth and long-term competitive advantage. (Sales, 2016).

Globally, studies have shown that firms in the hotel and wood industry practice innovation so as to gain a competitive edge. however, in the export and internationalization sector of Malaysia, only medium and large firms that had strong financial and infrastructural capabilities engaged in activities of innovation as opposed to small firms in the sector. The greater the level of innovation, the greater the level of opportunity for firms to gain a competitive edge in the market. The study also showed that the SMEs in the Food Manufacturing industry of Malaysia did not engage in innovation activities as a result the sector performed poorly in the market. (Samad, 2016). Firms adopt various metrics to measure strategic innovation performance, McKinsey consultants suggest that firms can measure innovation performance by using two methods; One is the ratio between the product-to-margin conversion statistic and how your R&D spending is translating into new-product revenues. Williamson (2018) who considers innovation an intangible asset, suggests that innovation can be measured by looking at Customer satisfaction and rates of turnover. Profits growth or net income, and Impact on the productivity of employees.

Like many other nations in the regions in Africa, Rwanda has identified innovation as a long-term strategy for ensuring strong economic growth and enterprise performance. This is based on Schumpeter's theory of creative destruction, which holds that non-innovative firms and products will be replaced by innovative ones. Manufacturing companies in Rwanda mostly engage in innovation that ensures the firms produce high-quality products at affordable prices to reach a wider market. Innovations mainly practiced involve process, product, and technological innovation (Ndemezo and Kayitana,2017). The Industrial Development Strategy of Ethiopia states that Ethiopia’s economy is largely dominated by MSMEs which have a high economic output therefore innovation in MSMEs has become a key priority issue and tool that the government has adopted to use in poverty eradication. (Ayinaddis, 2023).

In Kenya, strategic innovations have been embraced in different sectors of the economy. Kemoli (2012) revealed that there was a strong significant relationship between strategic innovations and companies listed in the Nairobi Security Exchange. Lully & Juma (2014) agreed that strategic innovation measures that were initiated by banks greatly influenced commercial banks’ continuous performance. The telco giant employed strategic Innovation management practices that led the firm to stay ahead of the competition and enjoy a broad market share. The practices that Safaricom employed included rewards and recognition of, flexible organizational culture under organizational innovation (Muthoni 2018). Mbocho, (2020) found that process, technological and social innovations had a positive impact on the manufacturing sector in Kenya.

From Kenya Pharmaceutical Sector Diagnostic report (2020) Kenya is among the three African countries that have a sizable pharmaceutical industry presence, producing to serve the local demand and export to other African countries. Kenya's pharmaceutical value chain is reported to have three main stages which include inputs production, medicines production and the third being distribution to consumers, which includes wholesale and retail. Value is evenly spread across these stages. The pharmaceutical manufacturing industry had a compound annual growth rate of 12 percent over the prior five years to 2019 where the top five manufacturing companies export between 40 percent and 85 percent of their production, mainly to other East African countries. The pharmaceutical industry in Kenya is heavily concentrated and dominated by family-run companies that specialize on the most basic forms of manufacturing. Nearly 80% of locally produced goods are made by the top 10 companies, who primarily manufacture generic products without brands.

**Statement of the problem**;

According to The World Bank, Medium enterprises play a significant role in income generation, poverty reduction and global economic development. They account for around 90% of firms and more than 50% of global employment. In emerging economies, formal MEs generate up to 40% of national income (GDP). The quantity and dynamic of MEs, as well as their market success, determine an economy's prosperity. MEs provide a source of entrepreneurial skills, innovation, and employment, as well as stimulating pricing, product design, and efficiency competition. If there are no MEs, large corporations become monopolies. MEs also assist large firms by contributing raw materials and parts and distributing their own goods. (Algan and Murat 2019). According to International Trade Centre (2019), only 27%of Kenyan Medium enterprises have managed to attain sustainability certification suggesting that sustainability awareness is still very low. Mwasiaji (2020) Medium enterprise's activities account for 70% of pollution leading to high wastage and unsustainable use of resources.

Pharmaceutical distributors are categorized as medium enterprises (EMA,2023) which operate in business environment similar to other medium enterprises, pharmaceutical distribution has had to navigate a challenging and rapidly changing environment, The sector is faced with numerous challenges such as over reliance in one region, hyper competition from the 212 pharmaceutical distributors all struggling to get a market share. As a result of the hyper competition, gaining visibility and quality traffic prove to be another challenge to the distributors amongst other challenges (sendy,2021 KAAA,2016). Porter (2011) notes that in order for a business to achieve and sustain superior performance, it has to be able to act on implementing systems that warrant competitiveness. For any business to operate successfully, it is necessary for the business to establish a match between its operations and the environment where it is operating. (Ngamau,2016).

Previous research has shown that Strategic innovations can be leveraged to achieve excellent performance in other industries, according to studies. According to Kariuki (2014), strategic innovations improved the performance of telecommunications companies in Kenya. She added that adopting superior innovation techniques for both products and processes has a favorable impact on the success of the company. Kanyigi (2018) In her research stated that strategic Innovation management practices positively affected the performance of Safaricom listed Company. The practices improved the company's relationship with its customers and minimized customer complaints. ICT firms that adopted strategic Innovations remained competitive in the market. Adoption of the strategies accounted for a 16.9% average increase in performance (Laban and Deya,2019). Empirical evidence has however not studied how strategic innovations influence the sustainability of in the pharmaceutical industry; Thus, this study had an aim of establishing how process, Technological, marketing and Business model innovations influence pharmaceutical distributors to achieve business sustainability.

**Research Objectives.**

The general objective of the study was to establish the influence of strategic innovations on sustainability pharmaceutical distributors.

i. To analyze the influence of Business model innovation on sustainability Pharmaceutical Distributors in Nairobi, Kenya.
ii. To examine the influence of Process Innovation on sustainability of Pharmaceutical Distributors in Nairobi, Kenya.

## LITERATURE REVIEW

### Theoretical reviews

#### *Dynamic Capabilities Theory*

Teece, Pisano, & Shuen (1997) According to the principle of dynamic capabilities theory, a company must be able to integrate, develop, and reconfigure internal and external competences to respond to circumstances that change quickly. The idea was both an expansion of and a response to the resource-based view's (RBV) inability to explain how resources and capabilities are developed and redeveloped to respond to quickly changing situations. It is considered a source of competitive advantage as it goes beyond the notion that a firm's acquisition of valuable, uncommon, unique, and non-substitutable resources will give it a sustainable competitive edge. It is concerned with how successfully and effectively an entity integrates, develops, and reconfigures internal and external competencies to withstand quickly changing settings (Helfat &Peteraf, 2009). Sapienza,et al, (2006)contends that acquiring and maintaining a firm’s competitive edge is what the dynamic capabilities are all about.

Dynamic capabilities are the capacity of an entity to continuously generate, extend, or adapt their resource base to gain long-term competitive advantage. Operational capabilities are about the current organizational processes (Helfat & Peteraf, 2009). As a result, the strategy focuses on turning a short-term competitive disadvantage into a long-term competitive advantage. The theory promotes continuous market input to direct product and service enhancement through process improvements. Firms that can build and maintain a competitive advantage in the tumultuous environment will survive in this new era of globalization and internationalization, especially those who effectively utilize their dynamic capabilities. Because dynamic capacities are focused on the development of future resources, they are frequently susceptible to short-term pressures to reduce costs. (Gathungu & Mwangi 2012)

Dynamic capability is the capability of an organization to adapt adequately to changes that impact its operations. (Teece et al 2014). The current business environment is hyper-competitive and is characterized by intense and violent competition, therefore in order for businesses to beat the competition, they must continually reconfigure internal resources and capabilities for adapting turbulent business environment. (Noah, 2015). Because of Dynamic capabilities, Organizations are able to integrate, organize, and rearrange their resources and skills in order to adjust to a swiftly changing environment. Dynamic capabilities, therefore, are processes that enable an organization to reconfigure its strategy and resources to achieve sustainable competitive advantages and superior performance in rapidly changing environments. The theory was relevant to the study in explaining the independent variable of process innovation and Business Model Innovation.

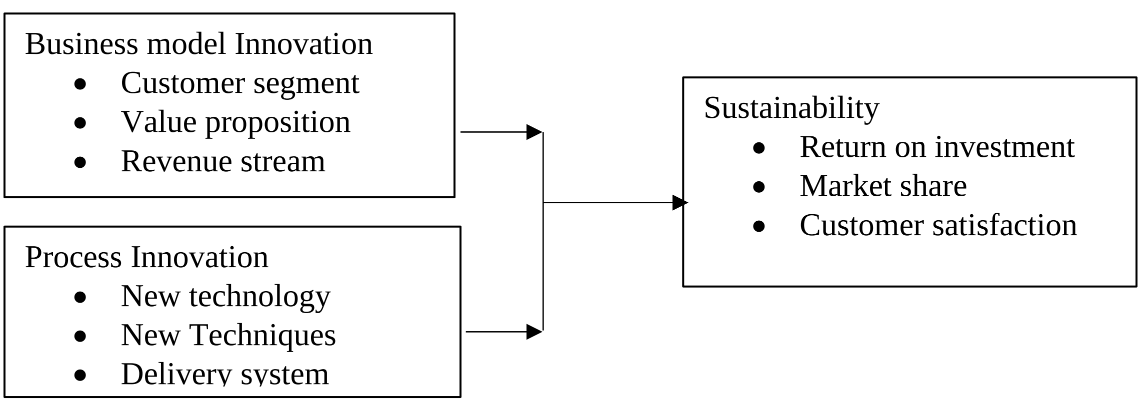
## Resource Based View Theory

Penrose (1959) provided the foundation upon which the modern understanding of the RBV exists. Penrose identified that each firm constitutes a pool of interchangeable resources, hence firm heterogeneity, and that while possession of unique resources was fundamental in attaining firm performance, which also gave rise to imperfect competition and super normal profits, mere resource possession was insufficient. Instead, Penrose found a link between resource application, revenue creation, and firm performance. Resource based view is used to aid understanding how well organizations ought to mobilize resources to enhance the capabilities that enable an organization to achieve success in their operations (Kogo & Kimencu, 2018). The theory explains that organization resources are a source of organization capabilities, where organization capability is the capacity of employees to perform some tasks or activities (Mweru & Muya, 2015).

The resource-based perspective has an intra-organizational focus and argues that performance is a result of firm-specific resources and capabilities (Barney, 1991). A firm's competitive advantage is based on the application of a variety of valued tangible or intangible resources that are at its disposal, according to the resource-based view (RBV) (Collis and Montgomery, 1995). According to the resource-based view (RBV), giving higher value to customers through innovation can help businesses become more competitive. The currently available research focuses on how an organization should strategically identify and deploy its resources to gain a long-term competitive advantage (Barney, 1986). By taking into consideration the competitiveness of their local alliances in developing markets or subsidiaries, international business theorists also describe failures and successes of businesses across borders (Luo, 2003). Resource based view is used to aid understanding how well organizations ought to mobilize resources to enhance the capabilities that enable an organization to achieve success in their operations (Kogo & Kimencu, 2018). This theory has argued that only those resources that are rare and unique have the capacity to bring competitive advantage. The theory is relevant to the study as it relates to independent variables of the study.

## Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts accompanied by a visual depiction of the major variables of the study. It is a visual representation in research that helps to illustrate the expected relationship between cause and effect. (Mulder 2017) It demonstrates the link between the independent and dependent variables. The conceptual framework following shows the relationship between sustainability as the dependent variable and the independent variables, which are: Business model innovation and process innovation.




## Business Model Innovation

In recent years, the business model phenomenon evolved from a complementary reflection of corporate strategy, in which it represents the logic of the firm to propose customer value and set up a viable revenue and cost structure for value capture to the focus of management practitioners and scholars alike. (Teece, 2010). Business models emerged as a functional and important means for companies to market innovative concepts and technology. (Chesbrough, 2010). Business models give an accurate and in-depth view of an organization and how its activities generate revenue and profits (Yunus et al., 2010).

According to Speith, Dirk, & Ricart, (2014), Business models play the role of explaining what the business does, running the activities of the business, and developing the business. It explains how a company generates profits and its target audience; it addresses the operational aspects of the business operations and company development. It discusses the operational facets of the business, how a firm generates money and its target market. including its management structure as well as its own strategic function. Business model innovation is a type of organizational innovation in which companies look for new methods to develop value propositions, create value, and capture value for consumers, suppliers, and partners. (Ramdani et al,2019). He further noted that BMI is gaining traction as a result of the rising prospects for new business models made possible by shifting customer expectations, technological advancements, and deregulation. Ramdani et al (2019). According to the dynamic capability approach, business model innovation entails making a first attempt followed by continual revision, adaptation, and fine-tuning based on learning from mistakes. (Sosna et al. 2010). BMI can occur in four stages; first, a startup where there is no previous business model and one is created, secondly, Business model transformation where the existing model is changed into another model, thirdly the innovation can take the form of business model diversification where the existing model stays in place and an additional model is created. Lastly, the Business model acquisition is where an additional BMI is identified, acquired, and integrated. (Geissdoerfer et al, 2018)

**Process Innovation**

Process innovation aims to dramatically improve the processes used in manufacturing and logistics as well as supporting operations. like acquiring, accounting, maintaining, and computing. Process innovation is making significant improvements to the hardware, software, and technology employed in the manufacturing or delivery process. Companies implement unique production and delivery techniques to increase business productivity. The current technique must be brand-new to the organization or untried by it. The business might create new procedures on its own or with the assistance of another business. Process innovation becomes an integral component of organizational methodologies for a variety of reasons, such as adopting more profitable production techniques, improving performance in a cutthroat market, seeking out a positive reputation in the eyes of clients, and as a result gaining sustainable competitive advantage. (Mbocho,2020). According to Namusonge, et al, (2016), process innovation has three dimensions: production process innovation, delivery process innovation, and support service process innovation. Ballot et al. (2015), production process innovation occurs when an organization seeks out new procedures, machinery/equipment, and technology to improve its production activities. The delivery process innovation consists of tools, techniques, and software selections that help with supply chain activities that facilitate the delivery of goods and services. Osuga, (2016) stated that the process of Innovation, therefore, involves building on the capabilities of the organization in order to create new products and services.

**Sustainability**

Alexandre (2018), Sustainability refers to conducting business in a way that does not harm the environment, the community, or society at large. It addresses the effect the business has on the environment and the society. The goal of a sustainable business is to make a positive impact in one of the key areas. She further stated that when making business decisions, sustainable enterprises take into account a wide range of environmental, economic, and social concerns. These firms keep a close eye on the impact of their operations to ensure that short-term gains do not become long-term liabilities. Business sustainability is closely related to sustainable development, which according to Brundtland report of 1987 defined sustainability as development that meets the needs of the present without compromising the ability of future generations to meet theirs. (Garcia 2022). Morioka et al (2016). sustainability is referred to as the capacity of firms to contribute to global sustainable development and all the challenges regarding economic, social, and environmental interconnections together with short, medium, and long-term aligned and conflicting demands. An article by International Business Machines (IBM)states that Sustainability refers to a business's approach to minimizing the damaging environmental effects of its operations in a certain market. Being identified as a sustainable firm can increase brand recognition and help you attract consumers who favor companies that actively engage in sustainable initiatives which will give the business a competitive advantage over other businesses.

**Empirical Review**

**Business Model Innovation and Sustainability.**

Si-Jia Xue, et al (2019) studied Business Model Innovation and Firm Performance: A Meta-Analysis in China used STATA to analyze data from a review and screening of existing Chinese and English literature. The study's main effect meta-analysis findings revealed a significant positive relationship between business model innovation and firm performance. Therefore, in a business environment that is changing quickly, business model innovation can assist organizations in maintaining a durable competitive edge and enhancing company performance. Business model innovation and firm performance have a strong positive association with the moderating values of power distance, enterprise life cycle stage, and regional development level. The report also claimed that, in order for new enterprises to prevail in the fierce market competition and boost their overall strength,

Khaddam et al, (2021) studied the effect of business model innovation on organization performance, It measured BMI in the dimensions of value creation, value proposition and value capture innovation. Confirmatory factors analysis was used to examine validity and usability of testing the hypothesis. The findings supported that all the BMI dimensions had a significant effect on company performance where value capture had the highest effect on company performance.

Salfore et al, et al, (2023) analyzed Business model innovation and firm performance: Evidence from manufacturing SMEs in Ethiopia primary data was collected using questionnaires the independent variables of value capture, value proposition and value creation, had a positive relation to the performance of manufacturing SMEs and showing a positive and significant path coefficient. Through BMI, the manufacturing SMEs were able to offer a valuable bundle of products and services, and attract and retain a large portion of their customer base.

**Process Innovation and Sustainability**

Ahawo, (2020) In order to investigate potential correlations between process innovation and performance of non-profit organizations in Kenya, the study used a cross-sectional descriptive research approach. The study's conclusions revealed a significant and favorable association between process innovation and organizational performance of the humanitarian organizations in Kenyan. Process Innovation explained 50% of organizational performance hence adopting process innovation led to a significant increase in performance.

Kowo et al, (2021) studied The Impact of Process Organizational Performance and Innovation Both primary and secondary data were obtained for the study using a descriptive research methodology. Process innovation had a considerable impact on organizational performance, according to the findings. According to Kowo et. Al (2019), process innovation is useful where rivalry is between two firms producing the same product. By giving the business advantages from the manufacturing context, such as cost effectiveness, production speed, and quality consistency, it can slow down competitors. Caraco & Crifo (2014) agreed that aside from being a source of profitability, a higher level of process innovation can also help the company's goods develop, which can lead to the creation of more innovative projects in the form of product innovation. He further stated that overcoming past challenges in an organization was dependent on the application of new processes and technologies. The innovation allows an organization to realize the full potential of resource utilization.

## RESEARCH METHODOLOGY

The study adopted a descriptive research design. A descriptive survey research design is a research design that accurately describes a characteristic associated with a subject population, estimate the proportion of a population that has these characteristics and discover associations among different variables (Creswell,2018). Descriptive studies must clearly define what they want to measure and how to measure it (Kothari,2004). The target population for the study was 212 Pharmaceutical Distributors in Nairobi County that are registered under Pharmacy and Poisons Board. The respondents were the directors and business unit managers in all the 212 Pharmaceutical Distributors, giving a total of two respondents per firm. The sample size was determined using Yamane formula. Yamane formula provides a simplified method of calculating sample sizes and also giving the sample size with known confidence level of 95%. With the use of Yamane's formula, the sample size of this study was determined to be 206 respondents from a population of 424 with a confidence level of 95%. The study used stratified purposive sampling in selecting participants from the Directors and Business unit managers of the Pharmaceutical Distributors this ensured that only targeted individuals participate in the study. The research instruments that were used in this study, were Structured questionnaires with a 5-point Likert scale to collect primary data. The questionnaire had a section that collects data on the demographic information of the respondents and a section that collects data on the variables of the study. Pilot Study-The data collection instruments were first tested by a convenient group of managers constituting 10% of the sample size i.e 21 respondents who did not take part in the final study to determine the validity, clarity and reliability of the contents of the research questionnaires. A reliability test was performed to ensure the internal consistency of the data measurement instrument. The Cronbach alpha was used to determine the instruments dependability. A Cronbach alpha of 0.7 or higher is an excellent indicator of the instrument's dependability. Construct validity of the study instrument was realized by using exploratory factor analysis whose goal is to identify the underlying relationship between the variables where an analysis of 0.5 or higher is an accepted measure of validity.

Quantitative data was analyzed using descriptive and Inferential analysis techniques assisted by Statistical Packages for Social Sciences'(SPSS). Descriptive analysis encompassed median scores, percentages, standard deviations, frequencies and mean while inferential statistics incorporated correlation and multiple regression analysis to assist in estimation of the level of relationship between the variables. Presentation of the already analyzed data was done using tables,

## RESEARCH FINDINGS AND DISCUSSIONS

For the final research, the study administered 185 questionnaires for the purpose of collecting data. From that,135 were dully filled and returned giving a response rate of 72.97%. Mugenda and Mugenda (2018) suggested that 50% response rate is adequate to give viable results,60% is good while 70% and above is very good response rate therefore 72.97% was excellent for analysis and giving reliable results for the study.

## Descriptive Statistics

### Process Innovation.

The first objective of the study was to determine the influence of Process innovation on Sustainability of Pharmaceutical Distributors in Nairobi County, Kenya. The respondents were presented with 5 items. A Likert scale was used where the responses were coded as follows: 1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5 = Strongly Agree.

Table 1. Process Innovation.

| Item | Mean | SD |
|---|---|---|
| There has been cost reduction in overall operations after introduction of new technologies | 2.10 | .103 |
| The organization continuously evaluates and enforce new systems of operation | 4.78 | .976 |
| The organization constantly improves The supply and delivery procedures | 4.66 | .884 |
| The organization has innovative support service systems that leverage on the trending technology to The customers | 4.08 | .026 |
| There has been efficiency in service delivery after introduction of a new system | 3.90 | .952 |
| **AVARAGE** | **3.90** | **.588** |

The average M=3.90; SD= 0;58 indicates that a majority of the respondents agreed with the statement that Process innovation has an influence on Sustainability of Pharmaceutical Distributors in Nairobi County, Kenya. The results showed that the respondents were in disagreement with the statement that the firms have experienced cost reduction in overall operations after introductions of new Technologies. This was supported by the low mean of 2.10 shown in table 4.6 above. The respondents moderately agreed with the statement that their firms experienced been efficiency in service delivery after introduction of a new system which was supported by a mean of 3.90 as shown in the table. The findings agree with Rosli & Sidek (2013) that process innovation has a high influence on organizational performance, implying that organizations and business that are able to adequately implement process innovation strategies are at an advantage of attaining sustainability.

### Business Model Innovations

The Second objective of the study was to determine the influence of Business Model innovation on Sustainability of Pharmaceutical Distributors in Nairobi County, Kenya. The respondents were presented with 6 items. A Likert scale was used where the responses were coded as follows: 1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5 = Strongly Agree.

Table 2 Business Model Innovation.

| Item | Mean | SD |
|---|---|---|
| The organization has multiple ways of generating Income | 3.78 | 1.389 |
| The organization has core products and service that constantly generate large revenue share | 4.17 | .938 |
| The organization is always on the look out to satisfy different customers segments | 3.85 | .805 |
| The organization is always looking to explore different new markets with different products. | 2.94 | .979 |
| The organization aligns with the needs of customer to ensure that the products and services are novel and solve a problem of the clients | 4.81 | .790 |
| The organization ensures that it collaborates with key players in the industry | 4.86 | .982 |
| AVARAGE | 4.07 | 2.45 |

The average M=4.07; SD= 2.45 indicates that a majority of the respondents agreed with the statement that Business Model innovation has an influence on Sustainability of Pharmaceutical Distributors in Nairobi County, Kenya. The responses as varied as shown by SD of 2.45. Majority of the respondents were in agreement with statements of Business Model Innovation practices, evident from the means values shown in table above. However, majority of the respondents were also in disagreement with the statement that the organization is always looking to explore different new markets with different products, this was derived from the low mean of 2.94 that was divergent from other mean values. The finding agrees with Khaddam (2021) who concluded that different dimensions of Business Model innovation had a significant effect on company performance where value capture had the highest effect on company performance.

**Sustainability**

Table 3. Sustainability

| | Mean | SD |
|---|---|---|
| The organization has achieved satisfactory return on investment as compared to industry standards | 4.73 | .824 |
| The organization has clear strategies on improving revenue. | 4.69 | .928 |
| The Organization has experienced growth in number of customers over the last year. | 4.59 | .674 |
| The organization has experienced increased customer retention rates due to customer satisfaction. | 4.63 | .542 |
| The organization continues to get positive brand recognition and reviews | 3.60 | .577 |
| AVARAGE | 4.48 | 0.709 |

**Inferential Analysis.**

The study Conducted a multivariate regression analysis so as to determine the significance of the relationship between the dependent and the independent variables.

**Model Summary**

| Model | R | R squared | Adjusted Rsquare | Standard error of the estimate |
|---|---|---|---|---|
| 1 | .832 | .693 | .673 | .1194 |

a. Dependent Variable: Sustainability b. Predictors: BMI, PI,

The table shows that there is a significant positive relationship between the dependent variables and the independent variables. The R value of 0.832 indicate that there is a perfect relationship between the dependent variables and the independent variables. The R-squared Value of 0.693 means that 69.3% of Sustainability of Pharmaceutical distributors can be explained or predicted by independent variables, Process, and Business Model Innovation.

**Analysis of Variance**

The analysis of variance was used to examine whether the regression model was a good fit for the data. The F-critical (4, 169) the F-calculated was 22.345 as shown in Table below. This shows that F-calculated was greater than the F-critical and hence linear relationship between the strategic innovations and Sustainability of pharmaceutical Distributors In Nairobi County, Kenya. In addition, the p-value was 0.000, which was less than the significance level (0.05). Therefore, the model can be considered to be a good fit for the data and hence it is appropriate in predicting the influence of the four independent variables (strategic innovations) on the dependent variable (Sustainability of pharmaceutical Distributors).

**Table 4. Analysis of Variance-ANOVA**

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 19.607 | 4 | 4.902 | 22.345 | .058[b] |
| Residual | 28.256 | 169 | .150 | | |
| Total | 47.863 | 133 | | | |

Dependent Variable: Sustainability of pharmaceutical Distributors in Nairobi County
b. Predictors: (Constant), Process innovations, Business Model Innovation

**Regression Coefficients**

Table Regression Coefficients

| *Coefficients[a]* | Unstandardized | | Standardized | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 1.197 | 1.119 | | 1.09 | 0.029 |
| PI | 0.913 | .186 | .895 | 4.806 | 0.000 |
| BMI | 0.245 | .206 | .353 | 1.189 | 0.003 |

a. Dependent Variable: Sustainability b. Predictors: (Constant), BMI, PI.

The equation established that considering all other independent variables constant at zero, Sustainability of pharmaceutical Distributors in Nairobi County will be at an index of 1.197. Also taking all other independent variables at Zero, a unit increase in process innovation leads to a 0.193 increase in Sustainability of pharmaceutical Distributors in Nairobi County. Similarly, a unit increase in Business Model innovation leads to a 0.245 increase in Sustainability of pharmaceutical Distributors in Nairobi County.

**Conclusion**

The study sought to establish the influence of strategic innovations and sustainability of sustainability of pharmaceutical distributors in Nairobi County, Kenya, Targeting two tiers of management levels. The study found significance evidence that strategic Innovations to an extent influence Sustainability of Pharmaceutical Distributors in Nairobi County. The study found Strong Positive correlation between the independent and the dependent variables. The determinant indicated that jointly the strategic Innovations accounted for 69.3% of the sustainability of Pharmaceutical Distributors. The study found significant statistical evidence from the descriptive analysis indicate the existence of process innovations on sustainability of Pharmaceutical Distributors. The Inferential statistics also showed that Process innovation had a positive significant influence. The objective influenced sustainability by 19.3% or 0.193. Also, the study found significant statistical evidence from the descriptive analysis indicate the existence of Business Model innovations on sustainability of Pharmaceutical Distributors. The Inferential statistics also showed that Business Model innovation had a positive significant influence. The objective influenced sustainability by 24.5% or 0.245.

The study concludes that Sustainability of Pharmaceutical Distributors can be improved by strategic Innovations. A well implemented innovation has the potential to increase Sustainability. All the strategic Innovations that were focused on, in the study were found to be practiced in variable measure. Majority of the firms practice Process Innovation to a greater extent.\

### Recommendations

Business Managers should Invest more time in process Innovation for the firms to be able to realize cost reductions in their operations to ensure sustainability is attained, since it was established that this part of process Innovation practice has not been achieved. The managers can also invest more new systems that can enhance efficiency in service delivery. Continuous improvement of Business Model practices such as collaboration with more stakeholders in the industry, could boost the results more. Whereas Continuous investment in Process and Technological Innovations is recommended the firms should align more with practices that create value through efficiency and cost reduction.

### Areas of Further research.

The specific objectives that were used in this study explained 69.3%, of sustainability. Further research can be done using different variable. Further Research can be carried out Using other Strategic Innovations that were not included in this study like service Innovation and Organizational Innovation. Further similar research can also be carried out in a different geographical scope to determine whether the effective factors are the same.

The respondents of the study were only from Two levels of management who may not be the best judges of their performance. Other studies should focus on a wider range of respondents within the Distributor firms. From the literature review, it is evident that not much has been done on Business Model Innovation which can be further be studied as a general study.

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