

Influence of Innovation on Business Sustainability in Petroleum Firms in Nairobi, Kenya

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Abstract

The main aim of the study was to determine the influence innovation on business sustainability in petroleum firms in Nairobi, Kenya. The study was underpinned by Michael Porter's generic competitive strategies. This study adopted a descriptive research design in its investigation. The study total population was 60 oil marketing companies in Nairobi where all the oil firms were included in the study. The primary data was collected using questionnaires. Descriptive statistics were used in the study that included the mean, standard deviation, frequencies and percentages. The data was presented in tables and explanations were done in prose. Simple linear regression was employed to determine the effect of innovation on business sustainability in petroleum firms in Nairobi, Kenya. Results indicated that innovation has a positive and significant impact on business sustainability of oil marketing companies. The study concluded that innovation is an enabler of business sustainability of oil marketing companies. Implementation of innovative and creative ideas is crucial in spearheading innovation within an organization. The study recommends adoption of improvised technology for all the processes and services of oil marketing companies. In terms of policy implication, the energy and petroleum regulatory authority and Ministry of energy and petroleum in connection with oil companies need to strengthen existing policy framework to support innovation via energy and petroleum research and development hubs.

Key words: *Innovation, tracking mechanism, business sustainability*

Introduction

Sustainability is gaining more interest among several strategic management scholars. This is despite it being a term with elusive meaning (Bansal & DesJardine, 2014). There has been no consensus on the exact definition of the term sustainability in business, for instance some scholars restrict it to matters related to environment while of different opinion use it interchangeable with social corporate responsibility (Dyllick & Muff, 2016). Development economists viewed sustainability as a continuous process of satisfying needs of current people living as much as protection of future group of people is assured or well safeguarded (Borowy, 2013).

The ability of individual firm or collectively achieve short financial goals without endangering what the future demand outline is regarded as business sustainability. Institutions have put forward definition of this term and one of the most adopted position is by World Commission on Environment and Development (2015) that viewed this concept as a scenario where business are faced with challenges regarding adequacy of resources and look for alternative means to dispose natural resources and ensure continuity in regenerative health within the globe in a manner that is seen as fair and equitable, this is geared towards fair wealth creation and leave behind a fair share to future generations.

Business sustainability has continually evolved like many other aspects of social life. According to Duque-Grisales, & Aguilera-Caracuel, (2021), the concept of business sustainability has reengineered itself over time from focusing on limited scope to now where it focuses on a wider scope, initially all efforts were directed at environmental aspect but over time this has shifted to more multifaceted system that considers all matters of governance especially the economic and social aspect. Rodgers (2015) alludes that investors utilize information of business sustainability performance to look beyond current financial performance to make investment and business decisions. The creation of sustainable business environment requires paradigm shifts on how businesses operate.

In particular, businesses bear responsibility for many of social and environmental challenges. Every business has strategic management model that is geared to sustain their activities (Zott, & Amit, 2010). Rapid change of business environment has resulted many businesses adopting different business models. Businesses have embraced new models by integrating them with the existing ones to remain competitive in the market thus embracing innovative strategies that give them afloat (Volberda, et al., 2018). One of the strategy adopted by business to enhance its sustainability is embracing tenets and principles of innovation.

Several researchers have focused on creation of technological innovations. However, De Martino et al., (2012) observed that half of the innovations in business are non-technological. The non-technological innovations are entirely related to management of business. Innovation in business introduces new thoughts, creative ideas and unique solutions that have overarching consequences and sustainability of business through upgrading technology and improving the way business is done (Von Stamm, 2008). Pisano (2015) opined that innovation is the only practical remedy to problems affecting business currently that shift how business are done. Business innovation tend to satisfy customer needs that are proving sophisticated over time and market demands.

Globally, oil and gas business has undergone several innovations. One of the most notable innovation touched on the technological aspect of innovation. With the paradigm shift in the oil and gas market, most of the companies have moved to implement the clean energy strategy to mitigate climate change risks (Daneeva, *et al.*, 2020). Others have formulated framework that include decarbonization and measures that are environmentally aimed at innovating business for future use. When all these strategies are implemented then consumption and demand for gas will significantly reduce. The increased pressure on oil and gas companies on economic, social and environment is threatening their sustainability. These transformations are happening in many parts of the world since regulations are tightening, consumers are becoming uncertain, and oil and gas business should change strategy for them to remain in business.

Regionally, oil and gas companies have adopted several strategies to reinvent their business. According to Price Waters Coopers report (2020) oil market in African countries are different and unique in their own way for instance oil market in Tanzania is so different from the Nigerian market. The oil and gas industry in Africa has also registered declining performance and this has manifested large lay some layoffs threatening their sustainability. Oil sector in Nigeria has been under pressure to evolve and fit the needs of the market. Working procedures have changes recently and more emphasis are put on application of innovative knowledge to enhance sustainability of

business (Ovbagbedia, 2015). Demand of innovative solutions has engineered the reform of the sector through embracing technology and other innovative ways.

In Kenya, for instance the oil marketing structure is oligopolistic in nature fully guided by government. There is little competition among the oil marketers in Kenya because government control pricing strategy. The lack of reasonable competition and more control of pricing by government has seen many of the oil marketers not innovating themselves. Literature indicated that less than 20 percent of oil marketers have initiated the process of selling clean energy thus justifying the fact that many of the oil marketers have not embraced both technological and non-technological innovation (Majimbo & Namusonge, 2020).

The reluctance of oil marketers to innovate themselves has far reaching implications given the ever-growing debate on mitigating climate change. The desire to innovate business operations by oil companies by refocusing on environment, social and governance becomes an alternate to remain competitive. The continuous adoption of similar strategy by Kenyan oil firms without reconfiguring might be detrimental to their existence. The oil marketers are likely to lose market competitiveness if they do not introduce innovative means and ways. One of the critical factors that can sustain business in market is adopting innovative strategies.

Few studies have been conducted on the relationship between innovation and business sustainability. Clauss, et al. (2019) argued that innovation has positive effect on firm performance but did not delineate the particular innovative practices presenting conceptual gap. The study also focused at general firms contrasting the current study that narrows to oil marketing firm presenting contextual gap. In another study, Masson (2020) observed that innovation enable business to innovate and seize growth opportunities, revitalize customer base and network to unexploited markets thus creating more profitable business opportunities. However, the study relied solely on literature-based review to make inference about the impact of innovation on business sustainability. The proposed study sought to expand this score by doing in-depth literature review and proceeding to quantitatively ascertain the effect of innovation on business sustainability with particular focus on oil marketing companies presenting both methodological and contextual gaps. Furthermore, Zahran and Nambisan (2012), Reeves and Deimler (2012) indicated that innovation practices provides disruptive competitive advantage that is essential for business to thrive in a difficult environment where rules and strategies change from time to time so quickly. Nonetheless, the studies did not proceed to establish the actual impact of innovation on business sustainability an indication of conceptual gap. Clauss, et al. (2019) indicated that innovation has positive effect on firm performance, but the effect has to be anchored on business model innovation for it to work an indication of empirical gap. Locally, a study by Majimbo and Namusonge (2020) indicated that strategic innovation influenced the performance of oil marketing firms in Nairobi City County, Kenya. However, the study did not interrogate the need for business sustainability through business innovation an indication of conceptual gap. It is against this that the proposed study sought to determine the influence of innovation on business sustainability in Kenya with particular focus on petroleum firms.

Empirical Review

The section examined recent studies to conceptualize variables and identify research gaps that can be solved by this research. The conceptualization of variables using recent studies explored relationship of variables and summarize them in framework know as conceptual framework.

Business Sustainability

The concept of business sustainability has different meanings depending on context that is being defined or studied which is seen as a collective responsibility by several organizations to have a feasible definition. Sambhanthan, Potdar and Chang (2017) defined business sustainability as the process of persuading organization goals, objectives and operational sustenance anchored on social, economic and environmental aspects. According to Mahajan and Bose (2018), managing of an organization involve looking into three key perspectives that include economic, social and environmental that deserve proper management. Similarly, Chungyalpa (2019) defined business sustainability as the ability of the organization to undertake their mandate anchored on three dimensions of economics, environment, and society. It is evident from the scholarly definitions that business is process of undertaking organization objectives and goals by considering its three different aspects that include economic, environmental, and social.

Hart, and Milstein, (2003) proposed a framework guiding business sustainability where creation of stakeholders' value was seen as strategy of addressing sustainability challenges. The framework had four major components that include preventing pollution, clean technology, product stewardship and base of pyramid. This eventually resulted to the actualization of corporate social responsibility that heavily involved in tackling environmental and social issues (Porter, and Kramer, 2006). Businesses are supposed to conceptualize new ideas on exploring markets and producing new products, reorganization of various value chain processes for environmental and economic prosperity.

Several studies have viewed business sustainability as strategic thinking inclined towards long term unlike short term (Davis, 1991; Elkington, 1994; McWilliams & Siegal, 2000; Mill, 2006; Hess & Warren, 2008; Porter & Kramer, 2019; Gupta, 2017). It is now imperative to argue that leaders with business sustainability mindset will not only focus on financial performance but also appreciate the need of being environmental consciousness thus breathing paradigm shift. There are three critical areas where business sustainability revolves around; resources optimization through recycling, reuse and reduce, ensuring brand value is safeguarded by involving stakeholders in all process starting from laying down framework to enhancing market niche by sales.

The current competitive market environment require business to be integrated with the society that is driven by innovation and inequity by companies across the sector. This paradigm shift create challenge to business leaders to apply knowledge and research finding to solve problems (Bratianu, *et al.*, 2020). The future generations are likely to face problems that implicates the sustainability of business and shape of business landscape. The society expectations on various businesses have shifted towards environmental and social. On the other hand, the stakeholders expect business to be self-reliant and offering practical solution to the societal problems (Chmielewski, *et al.*, 2020). The change outside should not overtake change inside the organization because that will mean that the business will not survive.

Scholars have been debating on the importance of business sustainability. Chungyalpa, (2019) opined that sustainable business practices require collaborative effort of all