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STRATEGY FORMULATION PROCESS AND INNOVATION PERFORMANCE NEXUS

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Abstract: *The purpose of this study is to examine the link between strategy formulation process and innovation performance indicators in microfinance banks in Nigeria (MFBs). 100 employees of leading microfinance banks were randomly selected for this study. 80 questionnaires were returned but only 76 were found usable for the analysis. Regression analysis technique was used in examining the nature of the relationships of the variables and for hypotheses testing. The authors used exploratory factor analysis and Cronbach's alpha to test for the validity and reliability of the questionnaires. The results show that strategy formulation process has a positive effect on process innovation performance, product innovation performance and marketing innovation performance. Thus, all the three hypotheses tested were supported. The authors, therefore, concludes that a systematic strategy formulation process is necessary for firms to achieve and sustain process innovation performance, product innovation performance and marketing innovation performance. This study proposed suggestion for further studies.*

Keywords: *Customer satisfaction, strategy formulation, Customer loyalty, innovation performance*

1. Introduction

Strategic management research focuses on creating and sustaining superior performance. A well-articulated strategy is extremely important for firms to achieve competitive advantage. There is a growing interest in the study of the relationship between innovation and strategic management. Recently, innovation has become one of the promising areas of study in terms of explaining competitive differences between firms. The problem of

limited resources has made it important for firms to constantly make strategic decisions that will help them achieve and sustain competitive advantage. David, (2011) pointed out that strategy formulation decisions commit an organisation to specific resources, products, technologies and markets over an extended period of time. Strategy formulation process enables a firm to match internal resources with opportunities and risks in its external environment. Furthermore, environmental dynamism and competitiveness pose a serious challenge for managers responsible for formulating strategies in firms. Studies focusing on developing integrative frameworks of strategy-making processes

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are well documented in the literature (Andrews 1971; Rumelt, 1984; Mintzberg, 1987; Chandler 1962; Porter, 1996). Many authors have examined the connection between the dimensions of strategy formulation and performance; mission (Gharleghi, et al., 2011; Desmidt, et al., 2011; Bartkus & Glassman, 2008), vision (Mutetei et al., 2016; Kantabutra & Avery, 2011; Odita & Bello, 2015; Abu Bakar & Zainol 2015); environmental scanning (Odongo et al., 2016; Sandada, 2014; Kumar, 2015; Aremu & Oyinloye, 2014). Microfinance banks (MFBs) supports economic growth and development in Nigeria. Individuals and small business in Nigeria benefit from microcredit made available by MFBs. Akangbe et al. (2012), notes that financial empowerment of rural areas is important for achieving sustainable economic growth and development. Arguably, large numbers of business in Nigeria are small and medium enterprises (SMEs). MFBs provide services to these small businesses to support their growth. To remain competitive, MFBs must articulate mission, long term objectives and evaluate their strength, weakness, opportunities, and the threats in the dynamic and challenging Nigerian business environment. Nwachukwu et al. (2017a), suggest that managers of MFBs should implement policies that enhance performance and create value for various stakeholders. Developing effective strategies can make MFBs achieve sustainable innovation performance. Odongo et al. (2016) suggest that other variables associated with the strategy formulation and performance relationship should be examined in future studies. The authors contend that the relationship between strategic formulation and performance is complex and needs to be examined by considering all possible related performance variables or factors. Mataradzija et al. (2013) assert that innovation drives firm development and competitiveness in today's knowledge-driven economy. Recent studies use innovation performance, rather than

productivity, as performance measures in studies of international knowledge spill overs (Branstetter, 2006; MacGarvie, 2006; Salomon & Shaver, 2005), strategic human resource management relationship with innovation performance (Laursen & Foss, 2003; Zehir et al, 2016). Very few studies have examined the connection between strategy formulation process and innovation performance. Some authors have explored management practices in microfinance banks in the Nigerian context. For instance, veritable tool for reducing poverty and unemployment in developing economies (Onoyere, 2014); assessment of MFBs using European foundation for quality management excellence model (EFQM) (Nwachukwu et al., 2017b); MFBs and development of small and medium enterprises (SMEs) (Suberu et al., 2011); financial inclusion and the growth of MFBs (Nwankwo & Ogbodo, 2017); human resource practices and employee satisfaction (Nwachukwu & Chladkova, 2017). However, no study though has examined the subject in the Nigeria context. In the light of these arguments, this study attempt to contribute to a better understanding in this area of research by introducing innovation performance as a measure of performance. The aim of this study is to expand the current literature base on the strategy formulation process and innovation performance nexus in MFBs in Nigeria. In specific terms, this study evaluates the relationship between strategy formulation and product, process and marketing dimensions of innovation performance in microfinance banks in Nigeria.

2. Review of literature

2.1. Theoretical framework

In the light of Resource-Based Theory (RBT), successful strategy formulation process can deliver superior innovation performance. Prior studies have used RBT in explaining the competitive value of

innovation strategies in relation to business performance (Terziovski, 2010; Cheng et al., 2014; Wang, 2014). The theory focuses on firm internal resources, and capabilities, to explain the profit and value of the organisation (Wernerfelt, 1984; Barney, 1991; Grant, 1991; Peteraf, 1993). The RBT of the firm states that differences in performance happen when a firm possess valuable resources that others do not have (Wernerfelt, 1984). With the development of the RBT in strategic management (Barney, 1991; Wernerfelt, 1984), the focus is on identifying valuable resources that can help firms to achieve sustainable competitive advantage and superior financial returns. A bundle of well-managed resources, give firms the potential to create economic value. Firm resources such as assets, capabilities, firm attributes, information, organisational processes, knowledge, etc. which a firm controls enables the firm to develop and execute strategies that improve its operations (Barney, 1991). Dynamic capability is a firm capacity to renew its competences to cope with changing business environment (Teece et al., 1997). Wilden et al. (2013) assert that firms should align internal structures with their capabilities and the external environment. A firm is able to sense, seize and shape opportunities by building dynamic capability, develop and reconfigure its resource base (Teece, 2007; Helfat 2007) in developing and delivering new products and services. Authors, use resource-based theory (RBT) as theoretical lens to explore the link between strategy formulation process and firm innovation performance instead of general firm performance. In terms of performance, the effective use of resources during strategy formulation may increase the firm's capacity to create new products, services, process and expand both existing and new markets. This could lead to increase in sales volume and thus contribute to performance by helping the firm to appropriate value linked to competitive advantage from innovative activities. Therefore, both internal and external

resources are important factors of organisational strategy and performance (Barney, 1991). Santos & Brito (2012) assert that stakeholder theory offers a comprehensive approach to measuring performance which helps to differentiate between performance antecedents and outcomes. Freeman (1984) defined stakeholder as any individual or group that may affect the achievement of the organisation goals or that is affected by the process of searching for these objectives. According to Evan and Freeman (1993), the purpose of a firm is to serve as a vehicle to coordinate the interests of the stakeholders. Firms develop effective strategies to improve their innovation performance and thus meet and exceed the expectations of various stakeholders.

2.2. Strategy formulation process

Strategy formulation process involves the collection of data and continuous exchange of information. The most difficult part of strategy formulation process is the creation of a strategic identity and the execution of strategic analysis. Formulating effective strategy is key to improving firm performance. According to Pearce II and Robinson (2011) strategy formulation guides executive in defining the business their firm is in, the ends it seeks, and the means it will use to accomplish those ends. Firms develop strategies to address issues that relates to delivering quality products and services. Arguably, it is important for firms to effectively use their resources and technology to deliver innovative products and services to their customers as this will enable them to achieve and sustain competitive advantage. Van Gelderen et al. (2000) contend that strategy formulation process and strategic plan are both important for firms to achieve competitive advantage. Strategy formulation involves reviewing key objectives and strategies of the organisation, identifying available alternatives, evaluating the alternatives and deciding on the most

appropriate alternative (Wheelen & Hunger, 2008). Authors contend that strategy formulation is the responsibilities of employees at the corporate, business and the functional levels of management in an organisation. In their study of microfinance institutions (MFIs) in Nairobi Kenya, Odongo et al. (2016) found a positive correlation between strategy formulation phase and performance of MFIs. Similarly, Woldie et al. (2012) argue that an effective strategy formulation mechanism could enhance performance. Arguably, strategy formulation is important for firms to achieve superior performance and remain competitive. Thus, a systematic strategy formulation process can enable firms develop strategies that are aligned to their goals and aspirations. The strategy formulation process and strategic plan are necessary for firms to achieve competitive advantage. Grant (1991) propose a resource-based approach to strategy formulation which involves firm's identifying and understanding their internal resources, capabilities, strengths and weaknesses relative to that of their competitors. Thus, strategies are formulated to achieve and sustain competitive advantage. Arguably the strategy formulated based on firm's internal resources and capabilities can enhance firm's profitability. Katsvamutima and Jeevananda (2014), examined the relationship between strategy formulation and implementation in Zimbabwe's food manufacturing industry. The results show that strategy formulation and implementation enhances profitability, efficiency and is a source of competitive advantage in dynamic environments. In the same spirit, Aremu and Oyinloye (2014), using t-test and multiple regression techniques investigated the relationship between strategic management and firms' performance in Nigerian banking industry. The results show a positive correlation between strategy formulation and organisational performance. In the same direction, Auka and Langat (2016), study the effect of strategic planning on the

performance of medium-sized enterprises in Nakuru Town using strategy formulation as one of the indicators of strategic planning. The results show a weak positive relationship between strategy formulation and firm performance. They add that strategy formulation significantly influence the performance of medium size enterprises. Evidence from the literature suggests that strategy formulation exerts influence on firm performance.

2.3. The concept of innovation

The last ten years have witnessed rapid social, political and technological change. During this period, different authors have attempted to define the concept of innovation. Innovation is the implementation of a new or significantly improved product (goods or services), or a process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations (OECD, 2005). According to Pitelis (2009), innovation is a persuasive way firm create value and competitive advantage. Robert & Tucker (2008) contends that innovation involves generating ideas and bringing them to life. Technological facilities, trained workforce and management support for innovation are important drivers of innovative activities. Innovation is a comprehensive approach to renewing and enlarging firm's range of products, services and markets by adopting new methods or modifying existing methods. It involves a radical change in terms of speeding up idea generation, and developing new products, services and industrial processes. Williams (1999) focuses on the characteristics of innovation that contribute positively to the creation of new products, systems or processes. Some authors argue that innovation is an output of learning and knowledge creation processes that are important for firms to sustain competitive advantage in the current era of globalisation (e.g. Dohse, 2007; Asheim & Coenen, 2005;

Tödting & Tripl, 2005; Waxell & Malmberg, 2007). The rate at which firms develop new products, services have an impact on firm performance and long-term survival (Banbury & Mitchell, 1995; Damanpour, 1991). Introducing new products, services and processes, can make firms more efficient and adapt to changing market demands. Product innovation refers to what is produced, delivered, and consumed. On the other hand, process innovation focus on how it is produced, delivered and consumed (Bessant and Tidd 2007; Trott 2012). Prajogo (2016) argues that product and process innovation relates to the specific organisation strategy that firms adapt to respond to market demand and opportunities by leveraging on organisational capability and competence. Managers are faced with making strategic choices between using new knowledge or technology to develop new products or pursuing higher return by using more efficient production system. This problem emanates from the choice between product and process innovation which is due to the competitive environment where firms operate (Filipini & Martini, 2010). Product innovation has received attention more than other dimensions of innovation in the literature because it is considered as more visible to customers and has a potential of creating new markets, especially in manufacturing sectors. Arguably, product innovation offers customers with a lot of values in term of its newness and novelty among other benefits. New products could increase sales because they have a better performance (e.g.reliability or durability), better features (e.g.integrated facilities), others (including esthetic) compared to the existing products offered by competitors in the market (Xin et al., 2010). Product innovation gives firms competitive advantage because customers can see the values relatively clear which could encourage them to buy a product. Firms are required to develop strategies that differentiate its products and process, from

that of competitors (Mehrdad, et al., 2011). Kok and Beimans (2009) argue that product innovation is necessary for creating superior customer values and supports the overall firm performance. Process innovation is an important source of competitive and strategic advantages for firms because they are often hidden. Process innovation are internally within organisations which make them difficult to be imitated by competitors (Maine et al., 2012). Prajogo (2016) contends that firm that focus on process innovations may not be aggressive in developing new products to the markets, rather they may compete in established (mature) markets where the primary focus of the strategies is to make and deliver products (which could be similar to competitors) to customers in higher values, such as faster, more flexible or cheaper (Klingenberg et al., 2013). Furthermore, firms can use process innovations (in the form of new process technology) as strategic tactics to increase entry barriers for competitors; hence, protecting the firms' markets advantage (Porter, 1985). Firms can use marketing innovation to meet customer needs, develop new markets, or position a firm's product in the market, with the aim of improving the firm's competitive advantage. Zuñiga-Collazos and Castillo-Palacio (2016) suggest that innovative marketing strategies can improve customer satisfaction and the image of company's products and services. Arguably, firms can use marketing innovation activities to satisfy new, existing markets (customers) and to enhance the image of company's products and services. The activities of firms and the industry they operate in determine their level of engagement in marketing innovation. Arguably, firms in the service sector are more likely to engage in marketing innovation than those in the manufacturing. Wang (2015) pointed out that three main streams of marketing innovation studies are found in the literature. The first stream discusses marketing innovation as a source of competitive advantages. The second

focussed on the relationships between marketing innovations and the other innovation dimensions. The third stream tries to give insights on the characteristics of firms that use marketing innovations. Marketing insight (Linoff, 2004; Roberts & Eisenhardt, 2003) and marketing imagination (Andrews & Smith, 1996) are two important antecedents that enable a firm effectively develop, foster and implement marketing innovation. These internal antecedents are difficult for firms to change because they are highly embedded in the firm, requiring substantial effort and time to modify. Altering marketing insight and marketing imagination may require the firm to change its corporate structure, top management, or mix of corporate capital. Authors argue that innovation is extremely necessary to improve performance in a highly dynamic and competitive business environment. Firms require innovation strategies to cope with changing customers demand and expectations. Namusonge (2016) examine the role of innovation on the performance of firms quoted on the Nigerian Stock Exchange. The results indicate that innovation has a negative relationship with both returns on assets and returns on equity. The development and implementation of new ideas that have a commercial potential influence organisational performance positively (Laursen & Salter, 2006). Firms invest a lot of money to product and process innovation which has a positive contribution on organisational performance (Kumar & Nti 1998; Stocka et al., 2001). Different authors conceptualise product innovation performance in various ways. Zakic et al. (2008), for instance, posit that product innovation performance is the market success of newly introduced products. Menguc and Auh (2010) argue that innovation performance measures the level of customer satisfaction and overall project performance of the innovation process. Thus, marketing innovation focus on adopting new marketing methods and effective use of marketing resources and capabilities.

According to OECD (2005), marketing innovations include changes in product design and packaging, promotion and placement and in methods for pricing goods and services.

2.4. Strategy formulation process and innovation performance

Prior studies on the interrelationship between strategy process (Formulation and implementation) and product innovation performance show a significant positive correlation between the two variables (See e.g. Ulwick, 2005; Acar & Acar, 2012). In the same direction, Zhang et al. (2009) found that both the formulation and implementation processes through their influence on type of information needed, the source of information and the interplay among difference pieces of information are positively correlated to innovation performance of organisations. A well formulated and implemented strategy facilitates information flow and reduces the cost of new product development. Arguably, a well-articulated strategy can contribute to innovation performance by increasing the rate of new product development and increase customer satisfaction. In the study of the impact of national culture on the product innovation performance in Ethiopian manufacturing firms. Beyene et al. (2016) found that formulation and implementation process of innovation strategy are positively correlated to the project and commercial performance of the innovation process. According to Lendel and Varmus (2011), Innovation strategies give guide on how to improve the innovative potential of the firm. Previous studies suggest that innovation strategy has an impact on firm innovation performance indicators (e.g., Kalay & Lynn, 2015; Bessant & Tidd, 2007; Verhees & Meulenber, 2004). Thus, innovation performance can be understood as the ability to transform innovation inputs into outputs which result to innovation market success. Innovation performance is mostly evaluated

on the basis of user perception (Bessant & Tidd, 2007). In the light of limited literature on the subject, authors propose that firm strategy formulation process will be positively related to innovation performance dimensions (product, process and marketing).

2.5. Conceptual model

The model in Figure 1, represents the proposed model for the measurement of relationships between the innovation performance dimensions (product, process and marketing innovation performance) and strategy formulation process.

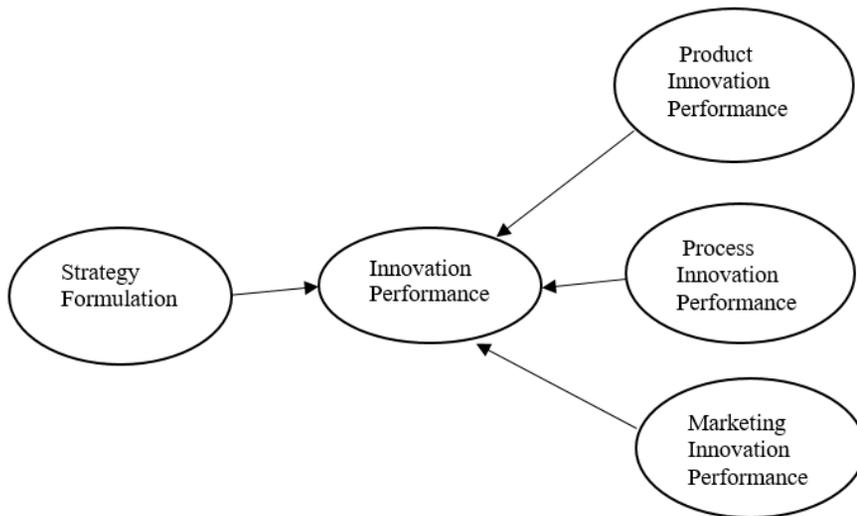


Figure 1. Strategy Formulation Process-Innovation Performance link model

2.6. Hypotheses

- H1:** Strategy formulation process is positively related to process innovation performance.
- H2:** Strategy formulation process is positively associated with product innovation performance.
- H3:** Strategy formulation process is positively related to marketing innovation performance.

3. Methods

The authors used a survey and correlational research approach in this study. We conducted validity and reliability tests on measures adapted from literature.

3.1. Research questions

- 1) Is strategy formulation process positively related to process innovation performance?
- 2) What is the relationship between strategy formulation process and product innovation performance?
- 3) Is there a positive relationship between strategy formulation process and marketing innovation performance?

3.2. Instrument

Innovation performance is measured as a multidimensional construct. The variables were subjectively evaluated by authors. For product innovation performance, authors measure the optimum value created in terms of new materials, new components, new

technologies, and new features which are embedded in the new products. We used two items to assess product innovation performance. Process innovation performance measures positive contributions in terms of the degree of improvements in reliability and efficiency in the service process, use of information to optimise decision-making process and the use of advanced technologies to support firm strategy. Three items were used to assess process innovation performance. For marketing innovation performance, authors measure the market success of a new product related to its effect on the level of customer loyalty and customer satisfaction. Five items were used to assess marketing innovation performance. For strategy formulation process, the European foundation for quality management (EFQM) excellence model self-assessment questionnaire was adapted and modified to suit the purpose of this study. We used four items to assess strategy formulation process. Five points Likert scale ranging from 1 "strongly disagree" to 5 "strongly agree" was used to collect data for all the variables.

3.3. Sample and procedure

A web-based survey was combined with sending emails to individuals to participate in the study. Andrews et al. (2003) argue that web-based surveys are better than to email surveys, but when combined with email is a good means for inviting individuals to participate in web-based surveys. The esurvey creator software was used to collect data from respondents between January 2017 and April 2017. 100 employees of leading microfinance banks were randomly selected for this study. 80 questionnaires were returned accounting for 80% response rate. A response rate of 50% is adequate for data analysis and drawing conclusions (Mugenda & Mugenda, 2009; Bryman & Bell, 2015). Our response rate of 80% is well above the recommended rate, thus adequate for data

analysis and drawing conclusions. Out of the 80 questionnaires that were returned only 76 were found usable for the analysis. The MFBs were selected based on their financial performance.

3.4. Statistical analysis

SPSS 17 (statistical package for the social sciences software) statistical software is employed in the analyses conducted. Regression and Pearson correlation matrix could reveal the strength of association and relationship among the variables. Regression analyses technique was used in examining the nature of the relationships of particular variables and for hypotheses testing. KMO and Bartlett's test and Cronbach's alpha were used for testing the validity and reliability of the constructs.

4. Results

The author conducted an exploratory factor analysis (EFA) using principal component analysis with varimax rotation to see if the observed variables loaded together as expected, were adequately correlated, and met criteria of reliability. Kaiser-Meyer-Olkin and Bartlett's tests are widely used in making decision about the sample adequacy. Thus, that is the reason why these two tests were used in this study. The KMO and Bartlett's test of sampling adequacy was significant (KMO; 0.802) and the communalities for each variable were high. This means that the chosen variables were adequately correlated for a factor analysis. Hair et al. (2010) suggest that factor loadings of at least 0.5 is considered adequate. We dropped questions 3 and 5 in strategy formulation measurement because of low factor loading. Other variables are distributed under the proposed factor structure. The final four factor model is presented in Table 1 below.

Table 1. Factor analysis

		Factor Loading			
Constructs	Items	1	2	3	4
Strategic Formulation	STFOR1	.640			
	STFOR2	.710			
	STFOR4	.722			
	STFOR6	.630			
Process Innovation Performance	PROINNO1		.687		
	PROINNO2		.687		
	PROINNO3		.611		
Product Innovation Performance	PRODINNO1			.724	
	PRODINNO2			.538	
Marketing Innovation Performance	MKTINNO1				.869
	MKTINNO2				.856
	MKTINNO3				.647
	MKTINNO4				.770
	MKTINNO5				.791
Eigen Values		5.932	2.272	1.445	1.085
Variance explained %		37.077	14.199	9.029	6.779

Source: authors own study

Notes: (i) Principal Component Analysis with Varimax Rotation

(ii) KMO =0.802, Bartlett Test; p<0.001

(iii) Total Variance Explained (%); 67.08

This model had a total variance explained of 67.08%, with all extracted factors having eigenvalues above 1.0. The Cronbach’s alphas for the extracted factors are shown in table 2 below. The alphas for process innovation performance (.705) and marketing innovation performance (.922)

were above 0.70. strategy formulation (.687) and product innovation performance (.677) are very close to the acceptable limit of 0.70. The overall alpha for the 13 items is 0.853. This show that factors are reliable and internally consistent (Field, 2009).

Table 2. Reliability test

Constructs	1	2	3	4
Strategy formulation	.687			
Process innovation Performance		.705		
Product innovation performance			.677	
Marketing innovation performance				.922

Note: Cronbach’s alpha= 0.853 for all the 13 items.

Source: authors own study.

Durbin-Watson tests results are presented in table 3. The results show that the Durbin - Watson values fall within the acceptable

range (1 less than or equal to 3) recommended by Field (2009). This means that there is no autocorrelation in the model.

Table 3. Durbin-Watson tests

	Strategy formulation	
Process innovation Performance		2.058
Product innovation Performance		2.323
Marketing innovation performance		2.159
Innovation Performance		2.216

Source: authors own study

Table 4. Strategy formulation and Innovation performance regression results

Model	R	R ²	Adjusted R ²	Std.Error of the Estimate	F	Sig.
1	.431 ^a	.186	.174	.50429	16.424	.000 ^a

Source: authors own study

The regression result of the model combining all three dimensions of innovation performance as a single performance indicator is presented in tables 4. The R² = .186 show that strategy formulation process account for 18.6% variation in innovation performance when

measured as a unidimensional construct. The model is statistically significant at 5% because the p-value of .000^a is less than the significance level of 0.05 (r = .431 at p-value < .05). Strategy formulation process has positive effect on innovation performance.

Table 5. Descriptive and regression results

	Mean	SD	β	p-value	R ²
Strategy formulation	4.2568	.53681			
Process innovation Performance	4.2838	.53687	.505*	.000*	.225
Product innovation performance	4.2973	.52289	.395*	.000*	.156
Marketing innovation performance	3.6351	.95909	.376*	.000*	.141
* p < 0.05.		Source: author own study.			
a. Predictors: (Constant), strategyformulation					
b. Dependent Variables: process innovation performance, product innovation performance, marketing innovation performance					

The results presented in table 5, R² = (.225) indicate that strategy formulation process accounts for 22.5% of the variation in process innovation performance. Strategy formulation process R² = (.156) account for 15.6% of the variation in product innovation performance. Similarly, strategy formulation process R² = (.141) account 14,1% of the variation in marketing innovation

performance. Regression analysis was used to test the three hypotheses in this study. The results show that strategy formulation process has a positive effect on process innovation performance (β= 0.505 at p < 0.05). This finding support **H1**, that strategy formulation is positively related to process innovation performance. In the same direction, strategy formulation process has a

positive effect on product innovation performance ($\beta = 0.395$ at $p < 0.05$). This finding support **H2**, strategy formulation process is positively associated with product performance innovation. Similarly, the result indicates that strategy formulation process has a positive effect on marketing innovation performance. This finding support **H3**, strategy formulation process is positively related to marketing innovation performance.

5. Discussion

This study examined the link between strategy formulation process and innovation performance. All the three hypotheses are statistically significant at 5% level of significance. We conclude with 95% confidence that strategy formulation process has explanatory power on product, process and marketing innovation performances. This results is consistent with the findings of (Ulwick, 2005; Acar & Acar, 2012) strategy process (formulation and implementation) and product innovation performance shows a significant positive correlation between the two variables. Similarly, this result is in consonance with the work of Zhang et al. (2009) that both the formulation and implementation processes are positively correlated to innovation performance of organisations. The results show that strategy formulation process has the strongest effect on process innovation. The results show that strategy formulation process is a good predictor of innovation performance. MFBs strategic formulation process is linked to the improvements of reliability and efficiency in the service process. At the strategy formulation stage firms should take into consideration how the product/service will be developed, delivered and used. In the service industry, especially banking sector technology play a very important role in the innovation process. The strategy formulation process of MFBs is designed to use advanced technologies in sharing information to optimise decision-making process. Thus, online banking services

(internet banking, electronic payments) is becoming a differentiating factor for banks globally. Similarly, in formulating strategy, MFBs develop strategies that create optimum value by producing products and services that meet the expectations of various stakeholders. To achieve product performance innovation, firms must continuously use new materials, new components, new technologies and new features in developing new products. Furthermore, achieving and sustaining customer loyalty and customer satisfaction should be considered at the strategy formulation stage. A firm strategy should be aligned to marketing innovation performance by ensuring that new product meet customers' expectations. Providing easy to use, assessable and convenient products/services through marketing innovation could improve customer loyalty and satisfaction. A strategy formulation process that supports innovative marketing strategies can create competitive advantage for firms by enhancing customer satisfaction and the image of company's products and services. Customer loyalty and customer satisfaction are extremely important for firm survival and growth. Authors infer from the results of this study that MFBs in Nigeria adopt a systematic strategy formulation process that is aligned with innovation performance indicators (process, product and marketing). The study suggests that there is a link between strategy formulation process and innovation performance dimensions (process, products and marketing).

6. Conclusions

In this dynamic and complex business environment, firms that want to deliver superior innovation performance (process, product and marketing) must adopt a systematic approach to strategy formulation. Firms must have the capability to coordinates and manage complexities during the process of formulating their strategies. Firms need to develop strategies to achieve

and sustain competitive advantage. A strategy that supports and promotes innovation is necessary for survival of firms. The strategy formulation process is an important phase in the strategic management process. Formulating effective strategy can make firms to achieve innovation performance. A well-articulated strategy enables firms to deliver business value. Strategy formulation process involves the use of environmental scans and market analyses to identify problems based on core business goals. Firms should focus on strategy formulation process to improve their innovation performance. The strategy development process should link the organisation's mission and business goals to innovation performance. The results show that strategy formulation process has a positive effect on innovation performance dimensions (process, product and marketing). The authors, therefore, concludes that a systematic strategy formulation process is necessary for firms to achieve and sustain process innovation performance, product innovation performance and marketing innovation performance.

6.1. Study contribution

This study contributes to the industry and to the field of strategy and innovation management by providing a better understanding of how strategy formulation process affect innovation performance indicators (process, product and marketing). Through the theoretical lens of the resource-based theory, this study underscores the importance of strategy formulation process in enhancing innovation performance. This study adds to the limited research on strategy and innovation performance relationship especially in the emerging markets, by exploring the link between strategy formulation process and innovation performance indicators. To the best of the authors knowledge, this is the first of such attempt. This study will enable

policymakers, business executives, and managers develop a systematic strategy formulation process that links strategies to innovation performance. The insight from this study can also help managers formulate strategies that are aligned to firm's innovation performance. The empirical results suggest that managers and executives should give attention to strategy formulation process, if firms are to achieve superior innovation performance. This study is relevant for making strategic decisions in MFBs, other companies and public sector in Nigeria and other countries.

6.2. Limitations and future research

The limitations of this study are identified so that the findings can be interpreted correctly within the context of the study. The limitation of the study covers areas such as sample and data. This study used a sample of 76 employees from selected microfinance banks in Nigeria for the analysis conducted. Thus, one reason the researcher may not be able to generalise the results to all the MFBs within the country. This study used cross sectional data, care should be taken when reporting cause and effect between variables in cross sectional studies. Despite the limitation described above, the applicability of this study adds to the literature as it relates to the strategy process and innovation performance research from both theoretical and practical point of view. The authors believe that these results provide interesting basis for further debate and empirical study. This study could be further developed by including more dimensions of innovation performance like organisational innovation performance, service innovation performance among others. Environmental dynamism and competitiveness can be introduced as moderating variables in the relationship between strategy formulation process and innovation performance. Longitudinal study could improve the finding of the study by capturing changes in strategy formulation process and innovation

performance overtime. The sample size could also be increased as this could give a better representation of MFBs in Nigeria. Further study could be extended to other sectors of the economy like insurance,

manufacturing and oil and gas in Nigeria and other countries.

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