

Innovation Competency and the Performance of Women-Owned Small and Medium Enterprises in Kenya

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ABSTRACT: Innovation competency is widely recognized as a critical driver of enterprise competitiveness, sustainability, and growth, particularly among women-owned small and medium enterprises. This study analyzed the level of innovation competency and its influence on the performance of women-owned SMEs in Kenya. The study was anchored on Joseph Schumpeter's Theory of Innovation and adopted an explanatory sequential mixed-methods research design. Quantitative data were collected from 242 women entrepreneurs using structured questionnaires, while qualitative data were obtained through interviews and focus group discussions. Quantitative data were analyzed using descriptive statistics, Pearson correlation, and simple linear regression, whereas qualitative data were analyzed thematically. The findings revealed a high level of innovation competency (Mean = 3.87). Innovation competency exhibited a strong positive and statistically significant relationship with enterprise performance ($r = 0.639$, $p < 0.001$). Regression analysis further established that innovation competency had a positive and significant influence on enterprise performance ($\beta = 0.639$, $p < 0.001$), explaining 40.8% of the variation in enterprise performance ($R^2 = 0.408$). Qualitative findings identified financial constraints, limited technical knowledge, and market penetration challenges as the major barriers to innovation. The study concludes that innovation competency is a significant predictor of enterprise performance among women-owned SMEs in Kenya. It recommends strengthening innovation support programs, improving access to finance, and enhancing entrepreneurial capacity development to promote innovation-driven enterprise growth.

KEYWORDS: Innovation competency, enterprise performance, women-owned small and medium enterprises, Kenya

1 INTRODUCTION

Innovation has become a fundamental driver of competitiveness, enterprise growth, and sustainability in contemporary business environments. For women-owned small and medium enterprises (SMEs), innovation provides opportunities to develop new products and services, improve operational efficiency, expand market reach, and respond effectively to changing customer needs (Mari et al., 2024; Benjo & Mwasijaji, 2023). Innovation competency, which encompasses the ability to generate, adopt, and implement innovative ideas, products, processes, and technologies, is increasingly recognized as a critical entrepreneurial capability for enhancing enterprise performance (Bernadó & Bratzke, 2024; Adomako et al., 2021).

Women-owned SMEs make a significant contribution to economic development through employment creation, income generation, poverty reduction, and inclusive economic growth. In Kenya, women entrepreneurs play an important role in supporting household livelihoods and national development, particularly through micro and small enterprises. Despite this contribution, many women-owned enterprises continue to experience challenges related to limited business growth, inadequate access to finance, constrained market opportunities, and low levels of innovation, which hinder their long-term competitiveness and sustainability (Cardella et al., 2020; Kimutai & Gakobo, 2022).

Empirical evidence indicates that enterprises with strong innovation capabilities are better positioned to exploit emerging opportunities, respond to dynamic market conditions, and achieve superior business performance. Innovation has been associated with increased productivity, improved profitability, enhanced customer satisfaction, and sustained competitive advantage among small and medium enterprises (Adomako et al., 2021; Mari et al., 2024). Furthermore, competency-based entrepreneurial learning enables women entrepreneurs to overcome business barriers, strengthen innovation capabilities, and improve enterprise performance (Somià, 2025).

Against this background, this study analyzed the level of innovation competency and its influence on the performance of women-owned small and medium enterprises in Kenya. The findings contribute to entrepreneurship literature and provide evidence to

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inform policies and programmes aimed at strengthening innovation-driven women entrepreneurship and improving the performance of women-owned enterprises.

2 STATEMENT OF THE PROBLEM

Women-owned small and medium enterprises (SMEs) make a significant contribution to Kenya's economy through employment creation, income generation, and poverty reduction. Despite this contribution, many women-owned enterprises continue to experience low business growth, limited competitiveness, and high failure rates. Financial constraints, inadequate technological capabilities, limited market access, and weak innovation systems continue to hinder their ability to sustain growth and improve enterprise performance (Cardella et al., 2020; Kimutai & Gakobo, 2022).

Innovation competency has increasingly been recognized as a critical determinant of enterprise competitiveness and sustainability. Enterprises that continuously introduce new products and services, invest in research and development, and adopt innovative business practices are more likely to improve productivity, customer satisfaction, and overall business performance (Adomako et al., 2021; Mari et al., 2024). However, many women-owned enterprises in Kenya face challenges in implementing innovation because of limited financial resources, inadequate technical knowledge, and constrained market opportunities (Benjo & Mwasiaji, 2023).

Although previous studies have examined the relationship between innovation and enterprise performance in different contexts (Adomako et al., 2021; Kimutai & Gakobo, 2022; Benjo & Mwasiaji, 2023; Mari et al., 2024; Somià, 2025), limited empirical evidence exists on how innovation competency influences the performance of women-owned small and medium enterprises in Kenya. This study therefore sought to analyze the level of innovation competency and its influence on the performance of women-owned small and medium enterprises in Kenya.

3 GENERAL OBJECTIVE

To analyze the level of innovation competency and its influence on the performance of women-owned small and medium enterprises in Kenya.

4 RESEARCH HYPOTHESIS

H₀: Innovation competency has no significant influence on the performance of women-owned small and medium enterprises in Kenya.

5 LITERATURE REVIEW

5.1 Theoretical Framework - Joseph Schumpeter's Theory of Innovation

This study was anchored on Joseph Schumpeter's Theory of Innovation (Schumpeter, 1934), which posits that innovation is the primary driver of entrepreneurship, competitive advantage, and economic development. According to the theory, entrepreneurs stimulate economic growth by introducing new products, production processes, markets, and organizational methods that transform existing industries through a process of creative destruction. Innovation therefore enables enterprises to differentiate themselves, improve productivity, and achieve sustainable competitive advantage.

The theory is particularly relevant to women-owned small and medium enterprises because innovation competency enables entrepreneurs to identify business opportunities, respond to changing market demands, improve products and services, and enhance enterprise performance. Although the theory has been criticized for placing greater emphasis on innovation than on other entrepreneurial capabilities such as managerial competence and risk management, it remains one of the most influential theoretical frameworks for explaining enterprise growth through innovation.

5.2 Conceptual Framework

The conceptual framework illustrates the hypothesized relationship between innovation competency and the performance of women-owned small and medium enterprises in Kenya. Innovation competency is conceptualized as the ability of entrepreneurs to generate, adopt, and implement innovative ideas, products, services, and business processes that enhance enterprise competitiveness and sustainability. It is expected that enterprises with higher levels of innovation competency are more likely to achieve superior business performance through improved efficiency, customer satisfaction, market expansion, and profitability. The framework therefore proposes that innovation competency positively influences the performance of women-owned small and medium enterprises.

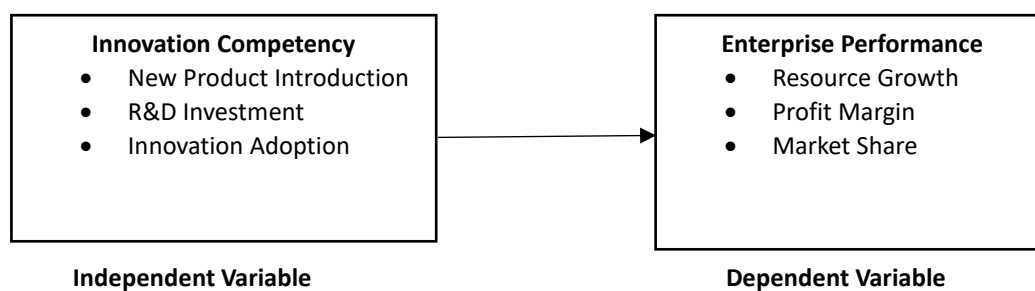


Figure 1 Conceptual Framework

5.3 Empirical Review

Empirical evidence consistently demonstrates that innovation competency is a significant determinant of enterprise performance. Kimutai and Gakobo (2022) established that entrepreneurial competencies significantly influence the performance of women-owned micro and small agribusiness enterprises in Kenya by enhancing business growth, competitiveness, and sustainability. Similarly, Benjo and Mwasiaji (2023) found that innovation practices, including product innovation, process innovation, and management innovation, positively influence the performance of women-owned small and medium enterprises in Kenya.

Recent studies further indicate that innovation enables enterprises to strengthen competitiveness and improve organizational performance. Adomako et al. (2021) reported that research and development intensity and knowledge creation processes significantly enhance new product performance, while Mari et al. (2024) concluded that innovation is central to the competitiveness, growth, and sustainability of women-owned enterprises. Furthermore, Somià (2025) established that competency-based entrepreneurial learning enables women entrepreneurs to overcome business barriers, strengthen innovation capabilities, and improve enterprise performance.

Despite growing evidence on the importance of innovation, limited empirical studies have specifically examined the influence of innovation competency on the performance of women-owned small and medium enterprises in Kenya. This study therefore sought to address this knowledge gap by examining how innovation competency influences enterprise performance within the Kenyan context.

6 METHODOLOGY

The study adopted an explanatory sequential mixed-methods research design anchored on the pragmatist research philosophy. Quantitative data were collected using structured questionnaires administered to women entrepreneurs operating women-owned small and medium enterprises, while qualitative data were obtained through interviews and focus group discussions to provide deeper insights into the quantitative findings. The target population comprised women-owned enterprises that had benefited from the Women Enterprise Fund, and respondents were selected using proportionate stratified random sampling.

Quantitative data were analyzed using descriptive statistics, Pearson correlation analysis, and simple linear regression to determine the influence of innovation competency on enterprise performance. Qualitative data were analyzed thematically to complement and enrich the interpretation of the quantitative findings. The reliability and validity of the measurement scales were established using Cronbach's alpha, expert review, and exploratory factor analysis before the main data analysis.

7 RESULTS

7.1 Instrument Reliability and Validity

The reliability of the innovation competency construct was assessed using Cronbach's alpha. The construct recorded a Cronbach's alpha coefficient of 0.703, which exceeded the recommended minimum threshold of 0.70, indicating acceptable internal consistency. Construct validity was assessed using Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity. The innovation competency construct recorded a KMO value of 0.74, while Bartlett's Test of Sphericity was statistically significant, $\chi^2 = 189.30$, $p < 0.001$. These results confirmed that the data were suitable for factor analysis and that the measurement items were appropriate for assessing innovation competency.

7.2 Qualitative Findings on Innovation Competency

The qualitative findings revealed that women-owned SMEs in Kenya adopted various innovative practices. The main practices included introducing new products or services and investing in research and development activities. Respondents indicated that innovation was undertaken quarterly, biannually, or annually, suggesting that innovation was treated as a recurring business

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activity rather than an occasional practice. Research and development activities included investment in technology, market research, process improvement, and product development.

The findings further revealed that women entrepreneurs faced several challenges in implementing innovation. These challenges were grouped into three main themes: financial constraints, limited knowledge, and market penetration challenges. Financial constraints included limited financing, high marketing costs, and difficulties in sourcing sustainable materials at competitive prices. Limited knowledge involved inadequate information on innovation, product development, technology use, and client acquisition. Market penetration challenges included limited market information and low customer awareness. These findings indicate that although women entrepreneurs value innovation, their ability to implement it effectively is constrained by financial, knowledge, and market-access barriers.

7.3 Descriptive Statistics for Innovation Competency

Table 1 presents the descriptive statistics for innovation competency among women-owned SMEs in Kenya. The results show that innovation competency was rated highly, with an aggregate mean score of 3.87 and a standard deviation of 0.36. Innovation adoption recorded the highest mean score ($M = 4.20$, $SD = 0.49$), followed by new product introduction ($M = 3.77$, $SD = 0.47$) and research and development investment ($M = 3.65$, $SD = 0.44$). These findings indicate that women entrepreneurs actively adopt innovative practices, introduce new products or services, and invest in research and development, although R&D investment remains relatively lower than innovation adoption.

Table 1 Descriptive Statistics for Innovation Competency

Innovation Competency Dimension	Mean	SD
New product introduction	3.77	0.47
Research and development investment	3.65	0.44
Innovation adoption	4.20	0.49
Aggregate Mean	3.87	0.36

Note. SD = Standard deviation.

7.4 Correlation Analysis

Table 2 presents the Pearson correlation results for innovation competency and enterprise performance. The results show a strong, positive, and statistically significant relationship between innovation competency and enterprise performance ($r = 0.639$, $p < 0.001$). This implies that higher levels of innovation competency are associated with improved performance among women-owned SMEs in Kenya.

Table 2 Correlation between Innovation Competency and Enterprise Performance

Variable	1	2
1. Enterprise Performance	1	
2. Innovation Competency	0.639**	1

Note. r = Pearson correlation coefficient. ** $p < .01$ (2-tailed).

7.5 Regression Analysis

Tables 3 and 4 present the regression results for the effect of innovation competency on enterprise performance.

Table 3 Regression Model Summary

R	R ²	Adjusted R ²	F	p-value
0.639	0.408	0.407	165.346	<0.001

Table 4 Regression Coefficients

Predictor	B	SE	β	t	p-value
Constant	1.376	0.198	—	6.950	<0.001
Innovation Competency	0.655	0.051	0.639	12.872	<0.001

The regression results indicate that innovation competency has a positive and statistically significant influence on enterprise performance among women-owned SMEs in Kenya ($\beta = 0.639$, $p < 0.001$). The unstandardized coefficient shows that a one-unit

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increase in innovation competency leads to a 0.655-unit increase in enterprise performance. The model explained 40.8% of the variation in enterprise performance ($R^2 = 0.408$). Therefore, the null hypothesis that there is no significant relationship between the level of innovation and the performance of women-owned SMEs in Kenya was rejected.

The findings support Schumpeter's Theory of Innovation, which argues that innovation enables entrepreneurs to create new products, services, processes, and market opportunities. The results are consistent with previous studies, which found that innovation competency improves competitiveness, market responsiveness, and enterprise performance among SMEs and women-owned enterprises (Adomako et al., 2021; Kimutai & Gakobo, 2022; Benjo & Mwasiagi, 2023; Mari et al., 2024). The qualitative findings further confirm that innovation contributes to performance but is constrained by limited financing, inadequate technical knowledge, and market penetration challenges, consistent with the observations of Somià (2025) that women entrepreneurs require competency development and supportive ecosystems to overcome barriers and strengthen enterprise performance.

8 CONCLUSION AND RECOMMENDATION

8.1 Conclusion

The study concludes that innovation competency has a positive and statistically significant influence on the performance of women-owned small and medium enterprises in Kenya. The findings indicate that innovation practices such as product and service improvement, process refinement, innovation adoption, and research and development contribute to improved enterprise performance. However, the qualitative findings show that the full benefits of innovation are constrained by limited financing, inadequate technical knowledge, and market penetration challenges.

8.2 Recommendation

The study recommends that government agencies, financial institutions, and enterprise development stakeholders strengthen innovation support mechanisms for women-owned SMEs. This should include improved access to innovation financing, entrepreneurial training, digital skills development, research and development support, and market access facilitation. These measures would enable women entrepreneurs to implement innovation more systematically and translate innovation competency into sustained enterprise growth and competitiveness.

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