The Effect of Innovation on Competitive Advantage: A Study on Anbessa Shoes S.C. and Sheba leather P.L.C., Ethiopia

A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)

BY:

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JIMMA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

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CERTIFICATE

This is to certify that the research entitled, ‘‘*The Effect of Innovation on Competitive Advantage: A Study on Anbessa Shoes S.C. & Sheba Leather Industry Plc., Ethiopia, 2021*’’which is done by Miss Tsion Berhanu under our close advisory. Therefore, we declare that the student has fulfilled the requirement and part of this work hasn’t been submitted to any university or institution for award any degree or diploma and hereby, she can submit the paper to Department of Management, College of Business and Economics, Jimma University.

Name of Main Advisor	Signature	Date
…….	……	…….
Name of Co-Advisor	Signature	Date
…….	……	…….

DECLARATION

I, Tsion Berhanu, declare that the work entitled as ‘‘The *Effect of Innovation on Competitive Advantage : A Study on Anbessa Shoes S.C. & Sheba Leather Industry Plc., Ethiopia, 2021*’’is my own research paper and original work with all sources used in it have been fully acknowledged. The material hasn’t been used anywhere or hasn’t been submitted as any form in any university or higher education institution either for earning degree or other purposes.

Name of Researcher	Signature	Date
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Abstract

Innovation is broadly seen as a crucial component of competitiveness, embedded in the organizational structures, processes, products and market within a firm. The main objective of this paper is to investigate the effect of innovation on competitive advantage in Anbessa Shoes S.C. & Sheba Leather Industry plc, Ethiopia. This study employed mixed approach of research leaning more towards quantitative methods. And stratified random sampling methods were utilized. 198 managers and workers from two companies are source of primary data for this study. Closed ended questionnaires were distributed for 198 managers and workers and 176 were collected from managers and workers of the two industries. In addition, in-depth interview was employed as qualitative data generator of this study. SPSS v26 was used with major tools of analysis such as descriptive and inferential statistical techniques for data analysis. In descriptive statistics, frequencies, percentages, mean scores, standard deviations were used. Moreover, inferential statistics tools Pearson's correlation and regression analysis were used to assess both relationships between independent variables and effects of innovations on competitive advantage. The findings show that all innovation dimensions: product, process, marketing and organizational innovations have above mid-point Likert scale. Generally, scores in all innovation dimensions were found to be strongly correlated with competitive advantage individually and based on the regression analysis 55.8% of the competitive advantage can be explained by innovation dimensions jointly. Thus, it has been concluded that, innovation has positive significant effect on Anbessa Shoes S.C.'s & Sheba Leather Industry plc.'s competitive advantage. Finally, the researcher recommends Anbessa Shoes S.C. & Sheba Leather Industry plc to evaluate and strengthen their organizations' stance on embracing new and existing innovations of all kinds i.e. product, process, marketing and organizational ones. In addition, working on their market innovation in particular gives them greater edge in their competitive advantage.

Key words: competitive advantage, marketing innovation, organizational innovation, product innovation, and process innovation.

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Table of Contents

List of Figures

List of Tables

ABBREVIATION & ACRONYMS

ANOVA	Analysis of Variance
CBE	Commercial Bank of Ethiopia
DE	Degree of freedom
DOI	Diffusion of Innovation Theory
ELIA	Ethiopian Leather Industries Association
GDP	Gross Domestic Product
GRM	Global Reference
OECD	Organization for Economic Cooperation and Development
PLC	Public Limited Company
RBV	Model Resource-Based View
SC	Share Company
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
VIF	Variance Inflation Factors
R&D	Research and development

CHAPTER ONE

INTRODUCTION

This chapter aims to lay groundwork for the reason and aim of forethought impactful results through conducting a study around the topic: The effect of innovation on competitive advantage. Firstly, it discusses about the background of the study which is briefly discussing about the previous and current studies on the topic regarding the effect of innovation on the competitive advantage with the present knowledge and trend about the topic and gaps seen in the studies. It also contains the general and specific objectives, and statement of the problem, which pinpoints about the unaddressed research gaps or area to be filled and the relevance of conducting the study on above topic. In addition, hypothesis and significance of study have been included to address arguments favouring for impact and study's forethought usefulness in different areas respectively. This chapter has also a part discussing about scope of study which delimits the areas and variables' dimension to be included in the study. It ends with detailing about limitations and organization of the study.

1.1 Background of the Study

Innovation is a fundamental requirement for survival and growth of today's business environments and many organizations consider innovation to be a critical variable between life and death (Karlsson & Tavassoli, 2015). Innovation could be recognized as a key success factor in this increasingly competitive complex environment. The act of innovating can provide a firm with the capability to capture a substantial level of market share or create an entirely new market opportunity that enables a firm to reap supernormal profits. These types of strategies are slowly responded by the competitors which make the company more resilient and triumphant (Karanja G., 2014).

Competition among firms is getting harder day by day due to many organizational and environmental reasons such as globalization, deregulation, increasing global and domestic competition, and new technologies (Yilmaz, 2008). Therefore, there has to be ways for one organization to overcome competition from one or more rivals in acquiring market or customers. Rate of attractiveness that an organization offers in comparison to its rivals in the market from the viewpoint of the customer is crucial for one organization and it is known as

‘competitive advantage’ (Abdulhamid, 2007). A firm can get ahead of others which are competitive advantage through different ways. One of predominant ways of gaining competitive advantage is innovation (Ho.C, 2011).

innovation is one of the fundamental instruments of growth strategies to enter new markets, to increase the existing market share (Nybakk & Jenssen, 2012). It also deals with idea of restructuring the firm’s business ideas and concepts through changing the market, competencies and business system of the firm, so it makes innovation wholly correlated concept with the development of the firm (MolinaCastillo & Munuera-Alema, 2009). Generally speaking, it provides the company with a competitive edge (Nybakk & Jenssen, 2012).

Different researchers and authors studied on the areas of innovation and competitive advantage to establish the association between them in different business setups around the world at different timeline. Alberto et al., (2013) conducting research on relationship between innovation and competitiveness in small and mediums enterprises in San Luis Potosi, Mexico concluded that relationship is positive. Adegoke et al., (2007) carried out study on the impact of different types of innovations on the performance in SMEs in UK. The finding showed there is direct impact of innovations on the performance of the enterprises. Accordingly, a recent study by Terziovski, (2010) which investigates the relationship between innovation and competitive advantage of wooden furniture manufacturing in Indonesia found that innovation had a positive effect on firm competitive advantage.

On other hand, there are also many studies done regarding the topic in different countries of Africa. Njogu, (2012) conducted a research on the effect of innovation on the financial performance of small and medium enterprises in Nairobi County, Kenya. The study established that there was a significant and positive relationship between product innovation, process innovation and market innovation on financial performance of manufacturing SMEs. Mensah, (2015) conducted a research on effect of innovation types on the performance of small and medium enterprises’ in Ghana and the result demonstrates that product, process and marketing innovations has positive impact on SMEs’ performance, but product innovation has the most considerable effect size.

In our country, studies conducted to establish the association between innovation and competitive advantages are limited. Among them, one which was done in the area of Commercial Bank of Ethiopia by Mesfin Milkias, (2020) on the Effects of Managing Strategic Innovation and Technology on Competitive Advantage and his findings revealed that strategic innovation, technology management and innovation had significant effect and positive influence on competitive advantage.

As it is tried to be expounded above, many researches have been conducted regarding the topic to be studied in many parts of the world and it has been done in various manufacturing and services sectors. And most of them showed the positive effect of using innovation on competitive advantage. The same holds true regarding ones done in Ethiopia but number of studies are scanty and case areas are also limited especially in manufacturing sectors like beverage industries, small and medium enterprises, leather industries. These are leading economic hubs in Ethiopia unlike other countries these manufacturing sectors are focus of the studies. Manufacturing sector plays a great contribution to the country's annual GDP particularly in a country who is aspiring to be transformed to Middle Income country by revolutionizing her industrial or manufacturing capability. One of major strategy to achieve these ambitions is to support by up-to-date knowledge and continuous studies to lead the advancement and its sectors growth efficiency. Studies have to be done focusing on major economic sectors.

Ethiopia has many growing manufacturing sectors which can possibility shoulder its growth in future like leather sectors. The leather sector is one of the leading manufacturing sectors for Ethiopia. Currently, Ethiopia is exporting mainly finished leather followed by growing shoe exports. Other leather items including gloves, bags and small leather articles have a large potential for exponential growth (PEDL Research Note: The Role of Foreign Investment in Ethiopia's Leather Value Chain", 2013). Moreover, Ethiopia has a cattle population of more than 53 million, sheep and goat population of 25.5 and 24.1 million, respectively. This makes Ethiopia the 9th from the world and 1st from Africa the in its cattle population which enable the country to have a strong raw material base for the leather industry. And Ethiopia is also known for supply of quality skin and hides, and sheepskins which has worldwide reputation in terms of quality, thickness, flexibility, strength and clean inner surface (Grumiller & Raza, 2019).

As discussed above there are limited ranges of studies regarding how much innovation influences competitive advantage of manufacturing sector in our country. Without such

studies it is impossible to understand how innovative efforts put on manufacturing sector ahead of others in world of competition to encourage its significance in life of manufacturing sector or country in general especially in areas where a country is hopeful about its fast growing mega-sectors as a case of leather industry in Ethiopia. Although this area-Leather sector is one of highly inviting area for researchers for its dynamicity and fruit bearing area, there is barely wide empirical study conducted on leather industries in our country.

To sum up, wide knowledge gap is evidenced by presence of large number yet inadequate researches regarding the topic: Effect of innovation on competitive advantage on leather industries and, scanty studies conducted in our country related to the topic. And this research aspires to fill those gaps and to be used as a reference for other anticipated studies to be done in the future.

1.2 Statement of the Problem

Competition is universal i.e. it exists in every aspect of business divisions, and in different services and manufacturing sectors. It has been there all the time and, in every region, and part of the world. For success and survival, from small to large companies and organizations around the world, it needs a way to get ahead of their rivals or competitors. Innovation is one possible strategy for firms to face tight competition (Tohidi & Jabbari, 2012). And in current world, innovation is no more a luxury, but a necessity (Kariuki, 2017).

One of the major innovations that organization and companies have utilized around the world and in our country in business world is innovations like product, process, marketing and organizational innovations. These innovations are believed to create superior performance on the organization that adopts it (Karlsson & Tavassoli, 2015). It occurs when a company identifies gaps in the industry positioning map, decides to fill them, and the gaps grow to become the new mass market (Alqershi, 2020). Through innovation competitiveness has grown around the globe in different business industries (Al-najjar et al., 2017). Innovation is considered to be very important in a turbulent environment to achieve a competitive advantage both in the manufacturing and service sectors (Zartha & Escobar, 2016).

Researches were conducted in different areas on the topic to give more foundation on understanding how innovation affects firm's competitive advantage. Study which was done

regarding the impact of innovation on performance and its findings confirmed that product and process innovation influenced firm performance significantly (Rosli & Sidek, 2013). According to (Camison, C. & Lopez, 2010) product innovation was rated to a great extent having the positive financial performance according to the organization's objectives though study mainly focused on the effects of financial innovation on competitive advantage. Mungla, (2018) conducted similar research and one of his conclusions was product, process, and marketing innovation brings about its own unique competitive advantage.

All above studies shows, they included one or two dimensions of study while overlooking them. As for many companies, they tend to integrate and employ knowingly or unknowingly various innovations. As a result, if a study involved only some of innovations that a company uses, it just only leads to overlooking the involved dimension of innovation and creating a gap of how well they go hand in hand to influence one's company competitive capability. Each innovation has its own distinctive features and ways in advancing ones organization's competitive advantage (Mesfin Milkias, 2020) So, this research is eager to fill this above-mentioned-knowledge gap of how well integrated components of innovations work hand in hand in influencing the competitive advantage.

Mungla, (2018) conducted study on innovation and sustainable competitive advantage in Kenya on East African Breweries limited based on three key innovation dimensions: product, market and process innovation. The study concluded that competitive advantage of organizations is greatly influenced by the three types of innovations. Muthoni, (2017) conducted study on Effect of Innovation on Competitive Advantage in Fast Moving Consumer Goods on a Case of PZ Cussons East Africa Ltd used three dimensions of innovation: product, process and marketing, and study found that all three dimensions of innovation showed significant positive impact on competitive advantage in the studies area.

These above studies and other similar studies which were done to widen the scope of engaged dimensions to investigate the influence on the competitive advantage. They used widely product, process and market innovations. On other hand, they failed to widen enough to include others mainly organizational innovation which is one of main types of innovations. And even some researcher uses this dimension the results contradicted with each other. Ndesaulwa & Kikula (2016) found that no significant and positive link exists between organisational innovation and firm performance. Sattari (2013) and Anafarta (2011) found

that organisational innovation has no significant impact on a firm's competitive advantage. Mbizi (3013) and F.Oke (2015) found that organizational innovation has positive and significant effect on firms competitive advantage .Organizational innovation is essential for performance of the firm (Weerawardena & Mavondo, 2011). Therefore, integrating organizational innovation with other dimensions is crucial to understand the bird's eye view of innovations influence on the competitive advantage rather than taking worm's eye view by considering fewer dimensions. Other reason for doing this research regarding raised issue is to clear this contradiction among studies.

Coming to studies done in Ethiopia, there only few studies regarding the topic in manufacturing sector, but there is a number of studies done in service sector. One of them is Mesfin Milkias, (2020) study on the Effect of Managing Strategic Innovation on Competitive Advantage in the Case of Ethiopian commercial banks used firm size as moderating variable of the study and findings revealed that strategic innovation, technology management and innovation had significant effect and positive influence on competitive advantage. The researcher focused on banking system, which is service sector in Ethiopia. On other hand, this research is on the leather sector, which is in manufacturing arm of business, which is greatly different from service industries like banking and it has few similar empirical studies in manufacturing sector. As far as this research is concerned, it is one of the few researches in the manufacturing sector in general and pioneering work in leather sector. So it is set to be filling the gap in the concerned case area.

1.3 Research Questions

The main questions expected to be addressed by the study are:

1) What is the effect of product innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.?
2) What is the effect of process innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.?
3) What is the effect of market innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.?
4) What is the effect of organizational innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.?

1.4 Objective of the Study

1.4.1 General Objective

The main objective of the study is to investigate the effect of innovation on competitive advantage in Anbessa Shoes S.C. & Sheba Leather Industry Plc.

1.4.2 Specific Objectives

Based on the above general objective, the following are specific objectives this study intended to achieve:

- To examine the effect of product innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.
- To examine the effect of process innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.
- To examine effect of market innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.
- To examine effect of organizational innovation on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.

1.5 Research Hypothesis

This study has the following alternative hypotheses,

- *Ha1: Product innovation has statistically positive significant effect of on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.*
- *Ha2: Process innovation has statistically positive significant effect on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.*
- *Ha3: Market innovation has statistically positive significant effect on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.*
- *Ha4: Organizational innovation has statistically positive significant effect on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc.*

1.6 Significance of the Study

This research upon completion, it has set to achieve multiple objectives from small realizable objectives to very large and ambitious goals. As a result, these were determination as reasons for doing this research to realize those goals.

One of the reasons for this research was that studies which have been done on the effect innovation on competitive advantage were extensive worldwide but few in our country. And even those done regarding the topic in Ethiopia were more focused on service sector. As a result, this research has aimed to investigate effect of innovation on manufacturing counterparts' competitive advantage and filling the gap of knowledge by establishing significance of association in the area. And it is hoped that this research will be pivotal in providing reference material and icebreaking study to the area. Scholars in the field of business innovation get a pioneering view on the concept and it adds to the existing pool of knowledge. The outcomes of this study contribute to the discipline of business innovation as a tool for market competition.

It is hope that results will be ground-breaking in making leather industries best serve themselves as a company, especially study included- Anbessa Shoes S.C. & Sheba Leather Industry PLC. With help of outcome of the research, understanding the next step of action to be taken, winning at market competition with innovative marks will be easier than ever and making Anbessa Shoes S.C. & Sheba Leather Industry PLC and other leather industries at large stronger and more successful. Additionally, the outcomes of this study can significantly influence the policy of governments as recent up-to-date knowledge to formulate newer guidelines. With understanding of significance of innovations role in making country's leather industries tougher competitor in domestic and international market, government can make policies which encourage investment and easier market access for them.

To summarize, this research upon completion expected to benefit multilaterally. It sets to fill research gaps identified regarding the topic in general and in manufacturing sector in particular, also in providing pioneering work on the area regarding knowledge, in extolling innovation's role in economy of leather companies and a nation at large, in raising issue of innovation as a tool to win at competition proudly in range of markets for leathery in particular and for other companies in general.

1.7 Scope of the Study

As already expounded in previous sections, the study has made its objective to investigate the effect of innovation on competitive advantage on manufacturing industries. Out of those, it focused on leather and leather product industry. Still the study design didn't include all leather manufacturing and related industries in Ethiopia. Rather it was limited only to two of well-known Ethiopian leather manufacturing industries: Anbessa Shoes S.C. & Sheba Leather Industry PLC to assess effect of innovation on their competitive advantage. Within the mentioned companies there are lots of departments. Study engaged only selected departments and their respective managers and workers. Respondents of the study were managers and workers who were sampled from those selected departments for the questionnaire and in-depth interview.

This study didn't involve all arms of innovations particularly technological innovation, and other related concepts like information technology, technology capability and technology push and disruptive innovation, and architectural innovation are also not included. Rather this study made an emphasis on product innovation, process innovation, marketing innovation and organizational innovations as its independent variables and competitive advantage as dependent variable.

This research used stratified random sampling as methodology of determining the sample size, and mixed approach both qualitative and quantitative method. Data were collected by using close-ended questionnaire and in-depth interview. The study was analysed by using descriptive and inferential statistical techniques correlation analysis and multiple linear regression.

1.8 Limitation of the Study

The study has faced the following limitations:

- The study's aim was to investigate the effect of types of innovations i.e. product, process, marketing and organizational innovations on the competitive advantage in two leather industries. The factors which can affect competitive advantage significantly aren't extensive. Even variables from other arms of innovations other than mentioned are significant and this study fails to include and investigate their effect on dependent variable.

- And as much as this study is concerned, it has made its aim to investigate the bases of the study on industries with access to both domestic and international markets. It has excluded small leather companies which are local and their access to market is limited to domestic only. And with such companies, the extent of the effect of each independent variable on dependent variables could significantly differ from one which was set in this study. And this is also one identified limitation of this study which can be resolved by future studies in the area.

1.9 Organization of the Study

In addressing the research objectives, this thesis is structured into the following chapters. Chapter one focuses on laying the background of the study and statement of the problem on which it hangs the idea of why the study is necessary and its usefulness in significance of the study. It also contains research questions, objectives, research hypothesis and scope of the study. Chapter two starts with brief introduction and then continues to discuss about basic concepts and definitions. It also discusses about theoretical bases of the study and empirical literature review. And it ends with diagrammatic representation of core concept relationship between variables of study. Chapter three is about research design and methods and starts with short introduction and discussing about research approach and designs to be utilized during study. And data sources and collection methods elaborated followed by sampling design with techniques in use and set sample. It also talks about methods data analysis, reliability and validity and ethical concerns that need to be addressed. Chapter four contains research findings, analysis and this part presents the cream of what has been done after data has been collected and put into tools which generate meaningful interpretations. Finally, chapter five presents of conclusions, recommendations and future research suggestion.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction

The chapter begins with a discussion of concepts, definitions and types of innovations and components of competitive advantage. In addition, the theoretical review part of the chapter deals with different theories related with the study. Empirical review of the literature discusses studies which have been forwarded by previous researchers which are related to the effect of innovation on competitive advantage. Finally, the chapter comes up with conceptual model (framework) depicting the relationship between variables under the study.

2.2 Concept and Definition of Competitive Advantage

Companies in this world operate in uncertain, very dynamic and competitive environment. They compete in "niche" that are so small but so important. Companies are trying to achieve competitive advantage in order to help them obtain a better and a stable position in the market place. The best way for companies to achieve a competitive advantage is through different innovation (Gerguri et al. , 2013). Competition in the business world is obvious, for that, every effort is required to always know, understand what is happening in the market, what customer wants; and understands the changes in market and different business environment to compete with others. For that reason, an attempt to understand what and how to manage a variety of resources owned to win the competition and create competitive advantage must always be created (Srivastava, M., Franklin, A., & Martinette, 2013).

Competition issues first entered the literature when Adam Smith published his well-known book entitled The Wealth of Nations. Until the late 1980s, there was no theoretical framework for the analysis, retention, and improvement of competition for a country or an industry, and thus, economic analyses were made for competition using various criteria (Sigalas & Pekka 2013). Ansoff in 1965 is the first scholar who attempts to define competitive advantage as the isolated characteristics or particular properties of individual product markets which give a firm a strong competitive position (Sigalas & Pekka, 2013). Throughout the 1980s, strategy books compiled by Michael Porter were very popular in the field of competitive analysis. These books included Competitive Strategy, The Competitive Advantage of Nations, and

Competitive Advantage, all of which were pressed by The Free Press in 1980, 1985 and 1989; respectively (Tangkit K., 2016).

Many scholars have engaged into research and discussion on firm competitive advantage. This discussion and research have generated a large volume of intellectual output and provided abundant definitions and statements regarding competitive advantage. In an attempt to classify all definitions of competitive advantage by the most important contributors in the field of strategic management, Sigalas & Pekka (2013) have identified two streams concerning competitive advantage's conceptual demarcation. The first stream defines competitive advantage in terms of performance, which is high relative profitability, above average returns, superior financial performance, benefit-cost gap, economic profit and cross-sectional differential in the spread between product market demand and marginal cost. The second stream defines competitive advantage in terms of its sources or determinants for instant particular properties of individual product markets, cost leadership, differentiation, locations, technologies, product features, and a set of characteristic firm resources and capabilities.

Abdulhamid, (2007) defined competitive advantage as the rate of attractiveness that an organization offers in comparison to its rivals in the market from the viewpoint of the customer. Saaty, T., & Vargas, (2010) opined that competitive advantage is derived from dimensions of each organization that enable the organization to differentiate itself in terms of its offering when compared with its rivals. Competition advantage is like when every space is valuable and profitable and a company fills those spaces ahead of others, in larger extent, at faster pace and with lasting gravity of dominance in that spaces. It is being rivals' blind spot and benefiting from it largely. And that is also evidenced by strategy of having arms of business all over (Chatzoglou & Chatzoudes, 2018).

The success of an organization in the process of gaining competitive advantage lies not only in generating value through different valuable resources that are difficult to replace and imitate, but is linked to an additional work the one is innovation carried out by the company to make the competitive advantages become sustainable over period (Alegre, 2013). A competitive advantage is sustainable if the company is able to keep developments provided they fulfill with the condition inimitable and irreplaceable, supported by what some authors is innovation itself, to understand it as a sustainable competitive advantage for companies

working in function to integrate something new no longer used by the competition. In order to attain the competitive advantage in the organizations, the measurements including Cost Leadership, Superior Customer Service, and Focused Differentiation are to be considered by the companies to compete with the market demand (Aktharsha, 2013).

Hosseni ,Soltani & Mehdizadeh, (2018) concluded that competitive advantage is directly related to the expected customer values, values offered by the firm versus those offered by competitors which determines the scope and conditions necessary for competitive advantage. In different industries, some organizations, regardless of profit have superior performance as a result of owning unique factors such as skill and capital, which aid an organization in gaining a competitive advantage over rival firms. Grounded in the theory of competitive advantage, competitive consists of two key elements, specifically low-cost advantage and differentiation advantage as the crucial components in achieving superior (Hana, 2013).

The higher competitiveness level comparing with the competitors is given by price, product quality, post-selling services quality, the enterprise‘s capability to adapt the offer to the market demand and technical progress. In Michael Porter‘s vision, the firm competitive advantage means to create a distinct product or to assure a reduced cost or service that is clearly different through its quality by the competition‘s offer (Bagchi-Sen, 2001).

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage).Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel human resources (C.Ho, 2011).

2.3 Types of Innovations

Innovations represent an activity of creating a new product or service, new technologic process, new organization, or enhancement of existing product or service, existing technologic process and existing organization. According to the given definition, if we analyse its separate elements, we can say that we classify: innovations in production development or enhancement of a specific product; innovations in services offering new or

improving of existing services; innovations in process combining inputs in the process of production of specific products or services and finding of new ways of organizing; and innovations in management creating new ways of organizing business resources (Ramadani, 2011).

An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations Innovation activities vary greatly in their nature from firm to firm. Some firms engage in well-defined innovation projects, such as the development and introduction of a new product, whereas others primarily make continuous improvements to their products, processes and operations. Both types of firms can be innovative: an innovation can consist of the implementation of a single significant change, or of a series of smaller incremental changes that together constitute a significant change (Oslo Manual, 2005).

The importance and definition of innovations can be explained from several aspects. From the aspect of customers, innovation means products with better quality and better services, which together mean a better way of life. From the aspect of firm, innovation means realization of great profit, sustainable growth and development. From employees perspective innovation is more interesting job and new, which requires more mental faculty, which results in higher salaries. From the aspect of whole economy, innovation represents a bigger productivity and prosperity for all (Ramadani, 2011).

Oslo Manual which is the international basis of guidelines for defining and assessing innovation activities as well as for compilation and use of related data, has been taken as the fundamental reference source to describe, identify and classify innovations at firm level (OECD/Eurostat,2018). In the manual four different innovation types are introduced. These are product innovation, process innovation, marketing innovation and organizational innovation. It is necessary to recognize the different types of innovation with their different features. Each type needs specific responses from a firm in order to achieve successful innovation (OECD/Eurostat,2018).

2.3.1 Product Innovation

The term “product” is used to cover both services and goods. Product innovations include both the introduction of new goods and services and major improvements in the functional or

user characteristics of existing goods and services (Wessel et al., 2019). Product innovation can be defined as the changes made in an organization's production line, introduction of new products in the market or use of new and better materials in the production process (Wong, 2014). It is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses; including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics (Oslo Manual, 2005).

Product improvement can involve inventive development or new idea execution focused on enhancing features and functionalities of an already existing product in order to enhance its quality (Norskov,Chrysochou &Milenkova, 2015). Improvement of an old product as product innovation focuses on deriving change in a product in order to make it better and more effective in its functionality so that it fulfils consumer requirements and thus be more appealing. The main purpose of innovation according to the OECD Oslo Manual, is focused on enhancing an organizational performance by attaining a competitive advantage or staying competitive through shifting the demand curve of the organization products that may involve among other things product quality improvement (OECD/Eurostat, 2018).

Product innovations can utilise new knowledge or technologies, or can be based on new uses or combinations of existing knowledge or technologies (Wessel & Odermatt, 2019). It is an instrument used by firms to attain a long-term edge against their competition in acquiring market share in their respective industries. The increased market share is a reflection of the sustainable competitive advantage created by the innovated product and this protects the organizations market share from products created and launched by rival companies (Jagdev, 2002). Product innovation will involve the following; technical design of the products features, research and development and eventually marketing of the new product through commercial activities (Alegre 2013).

Product innovation is also associated with new developments in activities carried out by firms to deliver the core product while making it more attractive to consumers (Acquah & Mensah, S., 2015). In business perspective product innovation include a new products invention, quality improvements and technical specification given to a product, or the addition of new materials, components or valuable functions into an existing product. Product innovation is the introduction of a new good; one which consumers are not yet familiar with, such a good has new/improved quality (Schumpeter, 1934). Schumpeter underscores the role of product

innovation in spurring organizational growth. On product innovation, Schumpeter further argues that competition resulting from new products far outweigh marginal variations in the price of existing products.

The competitive position of a firm greatly depends on the firm's ability to innovate its portfolio of products and introduce them to the market (Wong, 2014). Product innovation is one of the main sources of competitive advantage to the firm (Camison & Lopez, 2010). It is generally a strategy one uses to increase new customers or hold its customers with satisfying their taste by bringing new product or adding new feature or making better or fashioning to its customer's need. Companies mainly seek to achieve a sustainable competitive advantage against their rivals through the creation of new products (Wong, 2014). The innovation products vary in their degree of newness in the market in which they are introduced. These range from marginally new, which are modifications of older versions of a product, to the extremely new which are disruptive and can create a whole new market (Chesbrough, 2006).

Stawicki, (2010) states that product innovation is a mechanism organizations use to head off competitors who are as well bringing fresh products to the market, to grow market share or to obviate the need to compete on price alone, and grow the total market. Product innovation helps an organization to compete in the market sector, through creation of a new product that can be powerful over the existing market product. (Kanagal, 2015) observed that product innovation is necessary for a business to deal with competitive pressures, changing tastes and preferences, short product life cycles, technological advancement, wavering demand patterns, and particular needs of consumers.

Product innovation is exploration and it is endless task for survival. It is a gate for scientific discoveries and innovative ways of doing things. It involves whole arrays of tactics which includes engaging a lot of new methods to get new product or so. That is one of the reasons that this study made its objective to investigate its effect of product innovation on competitive advantage. And it is known in many studies that one of determinants of competitive advantage by far.

2.3.2 Process innovation

A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software in ancillary support activities, such as purchasing, accounting, computing and maintenance. The implementation of new or significantly improved information and communication

technology (ICT) is a process innovation if it is intended to improve the efficiency and/or quality of an ancillary support activity. Process innovations can be intended to decrease unit costs of production or delivery, to produce or deliver new or significantly improved products, to increase quality of products (OECD Oslo Manual, 2005).

Process innovation is about changes in technology and science with the aim of coming up with a superior product or service that will compete favorable in the market (Epetimehin, 2011). For process innovation to be effective the organization has to include the knowledge available in the organization, the knowledge that the organization has gained through the learning process and finally the need of the customers in the market (Birkinshaw, J., Hamel, G. and Mol, 2008).The new method must be at least new to the organization and organization had never implemented it before. The firm can develop new process either by itself or with the help of another firm (Perks, H., Cooper, R. and Jones, 2005).

Companies seek out process innovations, which act as a corner stone for product improvement, and enabling companies enhance their efficiency and performance against rivals. Customers have become highly sophisticated in their tastes and tend to want their products on time. Companies have realized that in order for them to keep up with the evolving demands of customers they must be competitive in order to prevent their market share from being snatched by their competition (Wong, 2014). In order to survive companies constantly explore the methods, tools and facilities, which can aid them in acquiring a sustainable competitive edge (Porter, 1979).

Process innovation helps an organization cut the cost in production and distribution and also improve quality features (Günday, Ulusoy & Alpkan,2011). For an organization seeking competitive advantage in the market, can therefore take upon process innovation that will help in cutting the cost of the product while improving its quality. This can offer the product in the market at an efficient price for both the organization and the consumer which can lead to a sustained customer relation that will contribute to competitive advantage. Organizations gain cost advantage over their competitors in the market through process innovation, it allows them a higher mark-up at the contemporary market prices or, liable to elasticity of demand, the application of low prices and higher mark-up than its competitors to achieve market share and increase earnings (OECD, Oslo manual 2005).

Process and marketing innovations can involve new methods of moving information or goods, but their purposes differ. Process innovations involve production and delivery methods and other ancillary support activities aimed at decreasing unit costs or increasing product quality, while marketing innovations aim at increasing sales volumes or market share, the latter through changes in product positioning or reputation. Borderline cases can arise for marketing innovations that involve the introduction of new sales channels. And also innovations that involve the introduction of a new sales channel additionally include the implementation of new logistics methods. If these innovations are aimed both at increasing sales and reducing unit distribution costs, they should be considered both process and marketing innovations (OECD/Eurostat, 2018).

A starting point for distinguishing process and organizational innovations is the type of activity: process innovations deal mainly with the implementation of new equipment, software and specific techniques or procedures, while organizational innovations deal primarily with people and the organization of work. Guidelines for distinguishing the two in borderline cases are as follows: if the innovation involves new or significantly improved production or supply methods that are intended to decrease unit costs or increase product Quality, it is a process innovation. And if the innovation involves the first use of new organizational methods in the firm's business practices, workplace organization or external relations, it is an organizational innovation (OECD Oslo manual, 2005).

Distinguishing between process and organizational innovations is perhaps the most frequent borderline case for innovation since both types of innovation attempt among other things to decrease costs through new and more efficient concepts of production, delivery and internal organization. Many innovations thus contain aspects of both process and organizational innovations. The introduction of new processes may also involve the first use of new organizational methods such as group working. Organizational innovations such as the first introduction of a total quality management system may involve significant improvements in production methods, such as new production logistic systems, to avoid certain types of flaws or new and more efficient information systems based on new software and new ICT equipment (OECD/Eurostat, 2018).

2.3.3 Marketing innovation

In today's turbulent business environment, there is need for new ideas that can completely change any aspect of the value chain. Market innovation is defined as the implementation of new marketing methods, which involve changes in design of the product and packaging, changes in promotion of the product and placement, and as well changes in methods for pricing goods and services (OECD Oslo manual, 2005).

According to the Oslo Manual, marketing innovation can also be in product placement entailing the introduction of new sales channels such as contracting systems, of direct selling or exclusive retailing, and of product licensing, product placement innovation can also be in the application of new ideas for product presentation. Another marketing innovation strategy is through the application of new ideas for endorsing an organization's products in the market (OECD/Eurostat, 2005). Marketing innovation are the following major aims to opening up new markets, better addressing customer needs, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales (Wessel et al., 2019). Market innovation in an organization is reliant on the organization strategies on new markets practices, sustaining marketing, increasing marketing size, focusing on consumers and market competition, and taking up innovative technology (Wang, 2015). It involves substantial changes in the design of the product as part of new marketing idea that would not affect the product functionality but only its looks (OECD/Eurostat, 2005).

Karlsson & Tavassoli, (2015) referred to market aim is to better meet customer's needs, to open up new markets, or to give the firm's products a new position in the market with the intention to increase sales incomes. Market innovation is strongly related to pricing strategies, product offers, design properties, product placements and promotion activities. Marketing innovation is a constant process that is concerned with the improvements of a company learning process and carrying out new and current marketing activities and practices that are greater compared to old ones (Pasar et al., 2017). Tinoco, (2010) defined marketing innovation as the creation and application of fresh ideas in creating, communicating, and delivering value to consumers and for managing consumer relations in a manner that profits the company.

Common marketing innovation strategies include; market pricing strategies, product offers, design properties, product placements strategies and promotion activities. Its strategies

involve the implementation of new marketing methods and models that would significantly change the product design or packaging, product placement or pricing (Karlsson & Tavassoli, 2015). New marketing methods in product placement mainly involve the introduction of new sales channels. Sales channels here refer to the methods used to sell services and goods to customers, and not logistics methods (storing and handling of products, transport) which deal mainly with efficiency. Marketing innovations include significant changes in product design that are part of a new marketing concept. Product design changes here refer to changes in product form and or user characteristics or appearances that do not alter the product's functional (Dwyer et al., 2009).

Marketing innovations include new methods in product promotion involve the use of new concepts for promoting a firm's goods and services. For instance the first use of a significantly different media or technique such as product placement in movies or television programmes, or the use of celebrity endorsements is a marketing innovation. Another one is branding, such as the development and introduction of a fundamentally new brand symbol (as distinguished from a regular update of the brand's appearance) which is intended to position the firm's product on a new market or give the product a new image (Goksoy et al., 2013).

The unique feature of a marketing innovation compared to other changes in a firm's marketing instruments is the application of a marketing method not previously used by the firm. It must be part of a new marketing strategy or concept that represents a significant departure from the firm's existing marketing methods. The new marketing method can either adopt from other firms or organizations or be developed by the innovating firm. New marketing methods can be implemented for both new and existing products (Wessel & Odermatt, 2019).

Seasonal, regular and other routine changes in marketing instruments are generally not marketing innovations. For such changes to be marketing innovations, they must contain marketing methods not previously used by the firm. a significant change in a product's design or packaging that is based on a marketing concept that has already been used by the firm for other products is not a marketing innovation, nor is the use of existing marketing methods to target a new geographical market or a new market segment (OECD/Eurostat, 2018).

2.3.4 Organizational innovation

An organizational innovation is the use of a new organizational method in the firm's business practices, external relations or workplace organization. Organizational innovations have a potential to increase firm competitive advantage by reducing transaction costs and administrative, refining workplace satisfaction (and thus labor productivity), gaining access to non-tradable assets (such as non-codified external knowledge) or reducing costs of supplies (OECD Oslo Manual, 2005).

Organizational innovation refers to the adoption or creation of new management practices, ideas or organizational forms. There are three theories for organizational innovation namely organizational design theory, organizational learning and organizational change. Organizational innovations deal primarily with people and the organization of work, thus being often called structural organizational innovations. They consist of changing responsibilities, accountability, command lines, and information flows as well as the number of hierarchical levels or the divisional structure of functions (Muhamad & Ebrahim, 2014).

Organizational innovation can be further differentiated along inter-organizational and intra-organizational types. While intra-organizational innovations occur within an organization or company, inter-organizational innovations include new procedures beyond a company's boundaries or organizational structures. These comprise new organizational structures in an organization's environment, such as research and development cooperation with customers, just-in-time processes with suppliers or customers or supply chain management practices with suppliers (Mesfin Milkias, 2020).

The unique features of an organizational innovation compared to other organizational modifications in a firm is the application of an organizational method (in business practices, external relations or workplace organization) that has not been used before in the firm and is the result of strategic decisions taken by management (Wessel et al., 2019). Organizational innovation will encompass both changes in technology and anticipation in changes in the environment. These particular changes in the organization especially in manufacturing and other work processes will lead to the success of a firm and also boost its competitiveness (Tidd & Bessant, 2015). It also lead to an improvement in efficiency, improve the exchange of information, boost the firm‘s ability to learn and create new ideas and ultimately take advantage of new technologies (Chavez, 2011).

Organizational innovation is directly linked to the increase a firm's capability to adapt to an ever changing environment and also drives technological innovation (Ganter, 2013). Organizational structure impacts positively on the ability of the organization to learn create new ideas as well as knowledge and technological innovation (Günday et al. 2011). According to Liao & Wu (2010) organizational innovation is an output that is important to firms. It acts a medium of value creation and indicates the interaction of various practices within the organization (Armbruster et al, 2008).

Organisational innovations in business practices contain the implementation of new methods for organising procedures and routines for the conduct of work. These include, the implementation of new practices to improve learning and knowledge sharing within the firm. Innovations in workplace organisation involve the implementation of new methods for distributing responsibilities and decision making among employees for the division of work within and between firm activities (and organisational units), as well as new concepts for the structuring of activities, such as the integration of different business activities. New organisational methods in a firm's external relations involve the implementation of new ways of organising relations with other firms or public institutions, such as the establishment of new types of collaborations with customers or research organisations, the subcontracting or outsourcing for the first time of business activities in production , and new methods of integration with suppliers, procuring, distribution, recruiting and ancillary services (OECD Oslo manual, 2005).

Changes in business practices, external relations or workplace organisation that are grounded on organisational methods already in use in the firm are not organisational innovations. Nor is the formulation of managerial strategies in itself an innovation. However, organisational changes that are applied in response to a new managerial strategy are an innovation if they represent the first use of a new organisational method in business practices, external relations or workplace organisation. The acquisition of, or mergers with, other firms are not considered organisational innovations, even if a firm acquires or merges with other firms for the first time. Acquisitions and mergers may involve organisational innovations, however, if the firm adopts or develops new organisation methods in the course of the acquisition or merger (OECD/Eurostat, 2018).

2.4 Theoretical Bases

2.4.1 Diffusion of Innovation Theory

The Diffusion of Innovation Theory was first discussed historically in 1903 by the French sociologist Gabriel Tarde who plotted the original S-shaped diffusion curve. Followed by Ryan, (1943) introduced the adopter categories that were later used in the current theory popularized by Everett Rogers. The diffusion of innovation refers to the process that occurs as people adopt a new idea, product, practice, philosophy, and so on. Rogers, (1995) mapped out this process, stressing that in most cases, an initial few are open to the new idea and adopt its use. As these early innovators 'spread the word' more and more people become open to it which leads to the development of a critical mass. Over time, the innovative idea or product becomes diffused amongst the population until a saturation point is achieved. Rogers distinguished five categories of adopters of an innovation: innovators, early adopters, early majority, late majority, and laggards.

Diffusion can be defined as the intake and usage of the new concepts and innovations by the members of society. There is a time lag in adapting to these new innovations as some regard less of their goodness, the target individuals or parties may take long to adopt them. Diffusion of innovation may be a subject of resistance in cases whereby the target is not readily in position to adopt the new change. Diffusion of Innovation (DOI) Theory explains individual's objective to embrace technology as a modality to perform a traditional activity. Embracing new ideas, culture, or else product does not occur concurrently in social system; however, it is a practice where certain persons stay more appropriate to embrace the innovation than others (Mesfin Milkias, 2020).

The Diffusion of Innovation Theory (DOI) approach has its primary focus on how potential adopters perceive an innovation in terms of relative advantage/disadvantage; hence some of the factors of the DOI approach help form a framework of innovativeness, complexity, compatibility and relative advantage. Furthermore, firms that intensely use a particular technology are often prime candidates for early adoption of the next generation of that technology. The diffusion of innovations approach in this study is important to understanding the dynamics at play in relation to adoption and use of innovations. There are discourses focusing on adoption by organizations and also by individuals. These two types of adoption both play a role when investigating the diffusion and adoption of innovations. The Diffusion

of Innovation theory is important theory that can serve information technologists, administrators, change agents, and nursing informatics experts. The theory also benefits the targets of change, since respect and consideration for all involved stakeholders are intertwined with robust strategies for implementing innovative change. The theory fits nursing informatics well, and provides a scaffold for planning informatics related innovations (Tabitha wanjiku, 2012).

2.4.2 Schumpeter Theory of Innovation

Joseph Alois Schumpeter is regarded as one of the greatest economists of the first half of the twentieth century he develop Schumpeter Theory (1934). He identified three stages of the process: invention, innovation and diffusion. For Schumpeter, invention is the first demonstration of an idea; innovation is the first commercial application of an invention in the market; and diffusion is the spreading of the technology or process throughout the market. Typically, the diffusion process is represented by an S-shaped curve, in which the take-up of an innovative process or technology starts slowly with the focus on market positioning, then gathers momentum achieving rapid diffusion, before slowing down as saturation level is reached, with the focus shifting to cost reductions and incremental improvements (Schumpeter, 1934).

Schumpeter said that anyone pursuing profits must innovate. That will cause the different employment of economic system's existing supplies of productive means. Schumpeter believed that innovation is considered as an essential driver of competitiveness and economic dynamics. He also believed that innovation is the center of economic change causing gales of "creative destruction", which a term is created by Schumpeter in Capitalism, Socialism and Democracy. According to Schumpeter innovation is a "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one". According to Schumpeter, entrepreneurs can use innovation for greater profits. The large amount of profits will set in imitators who shall ultimately reduce the level of supernormal profits in the industry. According to Schumpeter (1934) entrepreneurs play an important role in coming up with completely new ideas that are novel, untried and untested. The role of innovation in an organization has been indicated by various scholars. Schumpeter's assertions have been supported by Porter (1979) that innovation is vital for a country's long-run economic growth and competitive advantage.

Schumpeter's assertions have been supported by Porter (1979) that innovation is vital for a country's long-run economic growth and competitive advantage. Porter, (1979) says that to compete effectively in international markets, a nation's businesses must continuously innovate and enhance their competitive advantages. Innovation and enhancing come from sustained investment in physical as well as intangible assets. Schumpeter believes that bigger firms require short-run permissible guard that could offer sufficient short-run market control to generate an inducement to devote resources to R&D. Further, Schumpeter argues that in the absence of the desired firms' protection, bigger firms are not probable to devote resources to innovative activities, and hence, technological change becomes subtle. Schumpeter maintains further that only sizeable firms can stimulate technological change since small firms could be inept of "optimal" expenditures for R&D (Schumpeter, 1934).

2.4.3 Porter Theory of Competitive Advantage

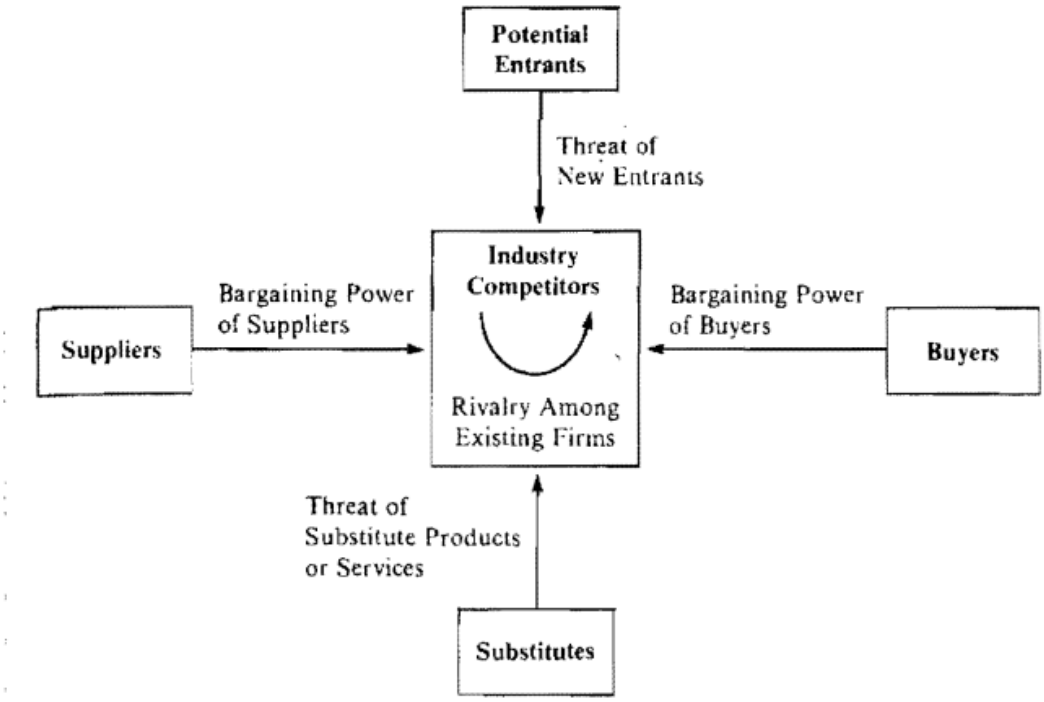
This theory was formulated by Porter (1979). According to this theory, the ever changing and dynamic business environment triggers competitive responses among organization. Competition emanates from the environment surrounding the business. The industry structure will determine the rules of the game and therefore the adequate strategy to undertake in response to this force of competition. The theory suggests that there are five forces within the industry that an organization operates that determines competitive position of the firm (Porter, 1979). These forces include barriers to new entrants, rivalry among other firms, bargaining power of suppliers of the business, bargaining power of customers/buyers and the threats of substitute products. The level and nature of success (profit margin) will be determined by firms in the industry (Porter, 1979). Kiragu, (2014) used this theory to assess the challenges that Kenyan insurance companies in their pursuit for competitiveness. (Mesfin Milkias, 2020) applied this theory to determine how firms can effectively differentiate their products and gain competitive advantage.

Camison, (2014) relied on this theory to assess how firms can use technology to remain innovative and thus gain competitive edge ahead of its rivals in the market. This theory can help an organization to get itself in a favorable competitive position with in the market. The theory is relevant to the study because it shows how an organization could gain competitive advantage in its industry. Although is understood that innovation in a firm would guide the competitive positioning of the firm in its industry.

Competitive advantage is a theory that seeks to address some of the criticisms of comparative advantage. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter (1979) emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the nation that cheap labor is ubiquitous and natural resources are not necessary for a good economy. Competitive advantage is essential for satisfied customers who will receive higher value in delivered products for higher income what the owners request from management and such requirements can be fulfilled with organization of production, higher application and as low as possible production costs (Bulankulama & Khatibi, 2014). Lee & Yoo, (2019) suggested that the resources that are scarce and valuable at the same time can create competitive advantage, and if these resources are also difficult to duplicate, substitute and hard to deliver, they can sustain the advantage. Competitive advantage happens when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as inexpensive power or high grade ores, or skilled personnel human resources and access to highly train.

Porter's Theory of Competitive Advantage stated that there are five forces within the industry that an organization operates which determines competitive position. This force include barriers to new entrants, rivalry among existing firms, bargaining power of suppliers of the business, bargaining power of customers/buyers and the threats of substitute products as showed in below figure.

Figure 2.1 Michael Porter's Theory of Competitive Advantage



Source: http://www.brs-inc.com/porter.asp

2.5 Empirical Literature

Various studies have been conducted regarding effect of innovation on competitive advantage and related subjects at different times with varied scopes and employed variables in different regions of the world.

Edcien et al., (2007) conducted the study on the effects of innovation types on firm performance. The objective of this paper was to explore the effects of the organizational, process, product, and marketing innovations on the different aspects of firm performance, including innovative, production, market, and financial performances, based on an empirical study covering 184 manufacturing firms in Turkey. A questionnaire was developed and a survey was conducted in a period of 7 months. The survey included 311 individual questions designed to assess firm's business strategy, innovativeness efforts, competitive priorities, market and technology strategy, market conditions and corporate performance. The results revealed the positive effects of innovations on firm performance in manufacturing industries.

Oke et al., (2007) conducted study on Innovation types and performance UK SMEs The objective of this study is to explore the types of innovation that are predominant in UK SMEs, whether they are predominantly radical or incremental, and to investigate the impact of these innovations on performance. A web-based survey instrument was used to administer survey questionnaires to a sample of UK SMEs in manufacturing, engineering, electronics, and information technology and telecommunications industries. The response rate was 13.8 per cent. Relevant statistical analytical techniques including regression analysis was used. It is found that the SMEs tend to focus more on incremental than radical innovations and that this focus is related to growth in sales turnover, it also found Product & process Innovation had positive impact on performance.

Tabitha Njogu, (2012) conduct research on the effect of innovation on the financial performance of small and medium enterprises in Nairobi County, Kenya the main purpose of the study was to investigate the effect of innovations on the financial performance of small and medium enterprises in Nairobi County, Kenya. The researcher used stratified random sampling, to obtain a sample size of 180 registered manufacturing small and medium enterprises within Nairobi County. The study established that there is a significant relationship between product innovation, service innovation, process innovation and market innovation on financial performance of manufacturing in Nairobi County .The study recommends that manufacturing small medium enterprise have introduced more innovative products and services, also developed and implemented new business methods and services which have improved productions and delivery of services.

Alam, (2013) reviewed the existing literature available on firm innovation capabilities and its influence on performance in business, marketing and financial performance. After reviewing 19 main journals of innovation capabilities, the researcher has found that firm innovation capabilities have greater influence on business performance, marketing performance and ultimately influence on financial performance. The finding indict that organisations which implement such innovative culture, remains ahead of their competitors because this innovations ultimately affects other variables such as business performance, marketing performance and overall all effectiveness. This will help organisations to grow in a bigger scale. Recommends that to get a greater impact on the firm's overall performance, the organisations have to implement effective innovation culture in the organisation.

Alberto et al., (2013) conducted research on Innovation and Competitiveness in SMEs in in San Luis Potosi, Mexico. By selecting 65 SMEs sample in the city of San Luis Potosi,

Mexico. The research model focuses a quantitative paradigm to measure the competitiveness and innovation by using product and process as independent variables. The results show, that there is a direct relationship between innovation activities and competitiveness.

Merono-cerdan, (2013) in Spain study on Understanding the drivers of organizational innovations involve the implementation of significant changes in business practices, the workplace organization, and external relations. The main objectives pursued are related to improved knowledge sharing and innovation skills. The article reports an analysis of organizational innovations' objectives and adoption in 240 Spanish healthcare businesses. Statistical tests find a dynamic behaviour in healthcare organizations with 40.8% having developed an organizational innovation in the period from 2007 to 2009. Results also reveal a close relationship between organizational, product and process innovations. Specifically, healthcare companies developing new organizational methods to improve innovation skills and knowledge sharing.

Rosli & Sidek, (2013) conducted research on the Impact of Innovation on the Performance of Small and Medium Manufacturing Enterprises in Malaysia. A total of 284 samples were collected from SMEs in the food and beverage, textiles and clothing and wood-based sub-industries throughout Malaysia. The data were analysed using a hierarchical regression analysis. The findings confirmed the product innovation and process innovation influenced firm performance significantly, where the impact of the former was stronger than the latter. The findings also inform SMEs and policy makers focused in product innovation because it is critical factor in today's entrepreneurial activities.

Muhamad & Ebrahim, (2014) conducted research on the Influence of Innovation towards Manufacturing Sustainability Performance in Malaysia. A total of 600 manufacturing firms encompassing various industries were randomly selected as a sample in this study. A cross-sectional survey was utilized to collect data from the sample. In this study, Pearson correlation and multiple regression analysis were adopted to test the hypothesis. The study found that innovation performance is positively associated with all specified indicators of sustainability.

Edan, (2015) conducted a research on effect of innovation types on the performance of small and medium enterprises' in Ghana. This study develops a holistic conceptual model to examine how innovation types impact the various dimensions of SMEs' performance in the Cape Coast Metropolis of Ghana. The study builds on the dynamic capabilities theory and

employs a quantitative research approach through a survey questionnaire and used simple random and convenience sampling techniques to select 307 respondents for the analysis. Structural Equation Model Partial Least Square was used to test the hypotheses formulated. The result demonstrates that all the four types of innovation: product, process, organisation and marketing positively impact SMEs' performance.

Mahmutaj, (2015) conducted a research on the impact of innovation in Small and Medium Enterprises performance in Kosovo. The objective of this study is to explore the impact of innovation activities in the Small and Medium Enterprises growth. Research use secondary data from Small and Medium Enterprises in Kosovo. The main findings indicate that process has a strong positive impact on the competitive advantage. The researcher recommends analysing the profile of entrepreneurship and Small and Medium Enterprises there is a need for innovation development, which will help Small and Medium Enterprises to achieve growth. In the near future, each Small and Medium Enterprises should develop different types of innovations to create customer value and to be competitive in the market.

Karlsson & Tavassoli, (2015) conducted a research on the effect of various innovation strategies of firms on their future performance, captured by labour productivity. Using five waves of the Community innovation survey in Sweden the study distinguish between sixteen innovation strategies, which compose of Schumpeterian four types of innovations, i.e. process, product, marketing, and organizational (simple innovation strategies) plus various combinations of these four types (complex innovation strategies). The main findings indicate that those firms that choose and afford to have a complex innovation strategy are better off in terms of their future productivity in compare with both those firms that choose not to innovative and those firms that choose simple innovation strategies. Moreover, not all types of complex innovation strategies affect the future productivity significantly; rather, there are only few of them. This imposes a purposeful choice of innovation strategy for firms.

Aziz & Samad, (2016) conduct research on Innovation and Competitive Advantage: Moderating Effects of Firm Age in Foods Manufacturing small and medium enterprises' in Malaysia. By using correlational nature of research, the researchers adopted a random sampling technique in Malaysian foods manufacturing small and medium enterprises'. Mailed structured questionnaires were employed for the collected 220 foods manufacturing small and medium enterprises' SMEs. Both descriptive and inferential statistics were used to answer the objectives and hypotheses of the study. Finding of the study revealed that innovation has a strong positive impact on the competitive advantage, in which innovation

contributes 73.5 per cent variance in competitive advantage. The study also found the moderating effect of firm age on the influence of innovation on competitive advantage.

Parenti et al., (2017) conducted the study on the effects of innovation on firm performance in Turkey. The population was based on manufacturing firms which were members of Istanbul Chamber of Industry which had 12500 members. The sample of this study was 197 firms. The questionnaire was sent to general managers of these firms by e-mail. Finding reviled that innovation has significant effect on firm performance. It concluded that the innovation strategy of Turkish manufacturing firms leads them to improve their financial performance. Also, the innovation strategy leads these firms to improve their customer performance, internal business processes performance and learning and growth performance.

Puspaningrum, (2017) conducted a research on effect of market orientation and innovation on competitive advantage. The purpose the study is to identify competitive advantages of small and medium Enterprises. Population of this research is the entrepreneurs and managers of small and medium Enterprises in Pakis sub district Malang and Bangil subdistrict Pasuruan with a sample of 90 respondents. Analysis of the data in this study is done by using multiple regressions. The results showed that the market orientation and innovation have a significant effect on competitive advantage.

Ramadani et al., (2018) conducted a research on Product innovation and firm performance in transition economies. The research is among the first to use product-only innovation to measure the impact of innovation on firms' performance. Findings indicate that product innovation has a positive impact on firm performance in transition economies, complemented by significant impact of specific control variables such as size, total labour cost, and capital of the firm. Whereas age and competition from the informal sector, have a negative and significant effect on performance.

Goedhuys & Veugelers, (2018) conducted a research on Innovation strategies, process and product innovations and growth by using World Bank Investment Climate Survey data from Brazilian manufacturing firms. The paper identifies innovation strategies of firms and their effect on successful process and product innovations. The study found innovative strategies contribute significantly to being able to introduce new innovations. Both process and product innovation has a significant and positive effect on growth of manufacturing firms.

Sewang et al., (2018) carried out research on effects of innovations on SMEs using the balanced approach. The research was conducted in Australia and Thai SMEs. The balanced

approach utilized both financial and non-financial metrics to capture full potential benefits of implementing innovations. The research was conducted on 144 SMEs in both countries. The effects of innovations were determined using the following metrics customer satisfaction, sales revenue and growth, return on investment, product/service quality and profit margin. The research was conducted using a questionnaire that was sent to all managers. The finding reviled that innovation has significant effect on SMEs performance and competitive advantage.

2.6. Conclusion on Empirical Review and Gaps

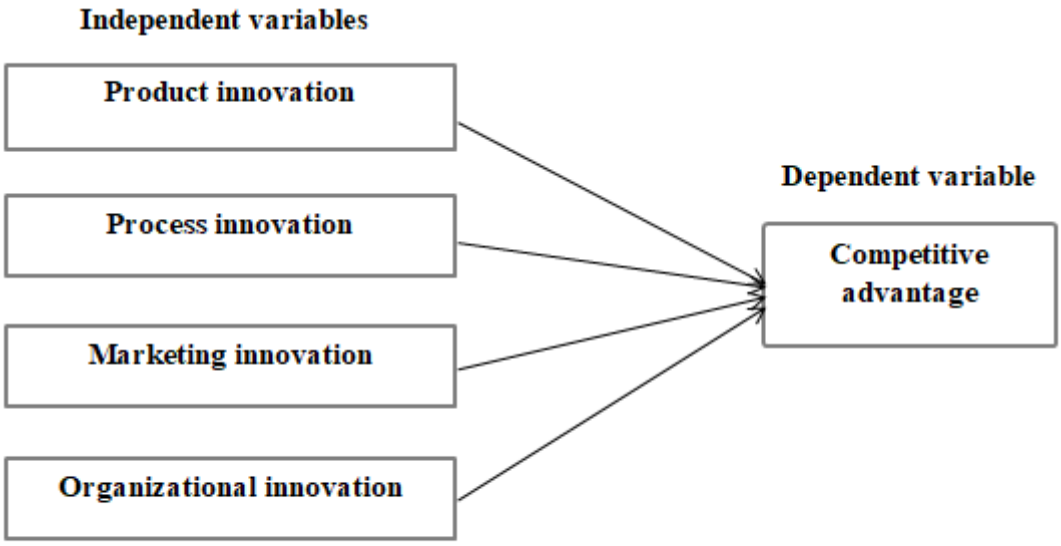
The review depicts that there are many researches which tried to establish how significant innovation is in general and are specific types of innovations are important for an organization's overall success. They have covered wide ranges from small enterprise to large multinational corporations. And it has been done at different time and studies are increasingly conducted as their importance's are being valued because it holds key to survival of many firms or businesses. They many of them are agreeably say that innovation has significantly positive influence on organizations' success whether measures in financial, firm's performance, competitive advantage or other parameters are used. And it has been shown that innovations combined have more influence. Unfortunately, many studies haven't focused on how combination of all innovation types to the work. And studies are mainly abroad which requires an attention to find out our country's firms' stance on innovation to use for competition and what their strength of association looks like. Furthermore, it is objective of this study to focus on area of manufacturing sector unlike few studies done in Ethiopia focusing on service ones. Additionally, most of the study use questionnaire as a means of data collection but this study used both questionnaire and in-depth interview to know the effect and relationship between independent and dependent variables.

2.7. Conceptual Framework of the Study

The conceptual framework is developed based on the essence of study to be undertaken. And it shows how the dependent variable is related to the independent variables: relationship of innovation and competitive advantage i.e. how one is hypothesized to affect the other's outcome positively. Based on the below conceptualized framework, it is hypothesized that all four dimensions of innovation: product, process, marketing and organizational innovations have positive effect on the study's dependent variable - competitive advantage. The conceptual framework in Figure 2.2 consists; the Independent variables: innovation and

comprising of Product innovation, Process innovation, marketing innovation and organizational innovation and Dependent variable: competitive advantage.

Figure 2.2 Conceptual Framework



Source: Author's Representation from Literature review (2021)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter focuses on the methodology that has been used to carry out this research study and details the research design, population, sampling design, sampling techniques, sample size, preparation of data collection instruments and the research procedures that has been put into use.

3.1 Research Design

Descriptive research is used to describe characteristics of a population or phenomenon being studied. Therefore, descriptive design is appropriate in describing the characteristics of Anbessa Shoes SC's and Sheba Leather Plc's entity and their population, and ascertaining the status and features of innovation forms. Explanatory research answers why, how and what questions regarding inquiries set in research questions and details with unanswered aspects of. It aims to answer the question why some variables have an effect on other variables. In this research, it is set to find out the effect of innovation (independent variable) on the competitive advantage (dependent variable) in case of two Ethiopian Leather companies. So using explanatory research design is paramount in establishing the association and its strength between the two variables of study. As a result, this study used both descriptive and explanatory research designs.

3.2 Research Approach

The study used mixed type which employs both quantitative and qualitative research methods. In quantitative research where data of phenomenon or population are expressed in collection of facts and figures, standard close-ended questionnaires were prepared to assess independent variables separately and their association with dependent variable at hand. On other hand, in-depth interview questions have been prepared to fit the purpose the research as the tool of qualitative research method. Both methods were hardwired to investigate the association between innovation dimensions and the competitive advantage of the companies.

3.3 Source and Type of Data

In this research, the source of data was both primary and secondary. Primary data collection was done from selected department workers and managers from all 41 departments of Anbessa Shoes S.C. & Sheba Leather Industry Plc. and, secondary data was obtained from managers' office of each concerned department and office of Human Resource Management. As per this research is explanatory and descriptive research, Likert-scale adapted questionnaire was employed as a tool of data collection. Data which were collected from Anbessa Shoes S.C. & Sheba Leather Industry Plc. using self-administered questionnaires which were hand delivered and hand-collected. It also used in-depth interviews as its data collection tool.

3.4 Sampling Design

A sample design is framework which provides the basis for establishing selection criterion for target population with structured and formal plan and methodology for selecting sample out of it for the study. This part contains target population and sample size as discussed below.

3.4.1 Target Population

The target population is a crucial for one's study because it is target for a research as final result is set to be generalized on from its subset sample population. On other hand, study population is subset of target population from which sample has been taken for study.

The target population of this study is leather and leather products companies in Ethiopia. There are more than 200 including newly licenced and under construction leather and leather products industries according to information obtained from Ethiopian Leather Industries Association, (2021). ELIA classifies them as domestic and international marketers. This study focuses on those industries with both domestic and international market access as an inclusion criterion from the target population. And since study also requires formal and detailed documentation of their works and staffs, firm age of less than 5 years has been introduced as an exclusion criterion. Accordingly, companies fulfilling inclusion criteria and above bar of exclusion criteria are 12 in number according to the sources. And they are listed below as follows:

1. Pittards Products Manufacturing S.C
2. Moder Zege Leather Products Industry PLC
3. Batu Tannery PLC
4. Ethio-Leather Industry PLC
5. Sheba Leather Industry PLC
6. Kabana Leather PLC
7. Shir Shir Ethiopian Leather Products
8. Elelan Leather
9. Anbessa Shoe S.C
10. Lucy Star Leather and Leather Products PLC
11. St Mary's Leather Products PLC
12. Tibeb Leather Works

Out of these 12 leather and leather products companies, using purposive sampling method, two companies have been selected for this study. These two are: Anbessa Shoes S.C and Sheba Leather Industry PLC.

This study used population of managers and workers at innovation-linked departments of two sampled leather and leather products industries i.e. Anbessa Shoes S.C. & Sheba Leather Industry Plc. Departments were sorted from others depending on their linkage and use to this study plan. These kinds of departments were 23 and 18 in number in Anbessa Shoes S.C. & Sheba Leather Industry Plc. respectively making total number of departments under the study 41. And their respective managers, unlike other employees, are chosen because they are responsible for all organizational hierarchies and administrative activities, introduction of new products, ideas and ways of doing tasks in the industries, orchestrating promotion and pricing strategies with market orientation. In addition, these managers have major role in leading success of leather industries by managing periodical and annual profits and companies' present and future market share at domestic and international level. And workers from key departments are selected to make it well rounded and workers from place where all innovations possibly play a role directly or indirectly have been included in the study.

Therefore, selecting managers from all over the companies' hierarchy makes it practical as the study focuses also on organizational innovation which plays a role in the structure of the companies. And selecting workers from offices of Sales (Export and Local), Productions (Planning, Assembly and Store), Process (Process development, Purchasing,), Marketing

(Marketing, Shipping Promoting/Advertising department) and as it helps in research representativeness.

Table 3.1 Managers' and workers' number in selected departments from Anbessa Shoes S.C and Sheba Leather PLC

No	Departments	Sheba Leather PLC Study Population(N)	Anbessa Shoes S.C Study Population (N)	Total
1	Administrative office	2	2	4
2	Kaizen office and others***	16	20	36
3	Sales	17	18	35
4	Marketing Division	10	14	24
5	Product Division	7	12	19
6	Process Division	10	23	33
7*	Workers from selected office			
	Sales	35	43	78
	Productions	32	38	70
	Process	17	25	42
	Marketing	28	22	50
	Total	174	217	391

Sources: Anbessa Shoes S. C's and Sheba Leather PLC's Human resource office

All personnel from number 1-6 are managers in mentioned department or designated division from respective companies. And number 7 is workers from designated offices. Selected offices are the following: Sales (Local and Export Sales), Process Division (Process Development Office, Research and Development Department, Purchasing Department, Training and safety, Quality Assurance Department and Planning Department), Product Division (Product development sector, Production Department, Assembly and Store Department and Maintenance Department) and marketing division (Marketing Department, Shipping Department, Promotion/Advertising Department and Customer service). And three asterisk (***) means finance department, human resources office, security, and general service department and MIS and ICT office.

3.4.2 Sampling Size

A sample size is a portion of the study population which is sufficiently representative of the population for which research is going to be generalized on. In order for estimating the characteristics of a large population, an appropriate sample size has to be selected. This makes adequate number of sample size a very determinant factor establishing association in the study genuinely.

There are two companies sampled for this study with total of 41 departments. There are total of 89 and 62 managers at Anbessa Shoes S.C. & Sheba Leather Industry Plc.in their respective departments. And workers from selected departments are 128 and 112 at Anbessa Shoes S.C. & Sheba Leather Industry Plc. Respectively. So, this makes total study population is 391(=N) managers and workers from both companies. By using the formula which was developed by (Yamane, 1967) and confidence interval of 95% i.e. margin error of 0.05, sample of size (n) was determined as follows:

$$n = \frac{N}{(1+ N\times e^2)}$$

Where N = population size,

n = sample size,

e = margin of error

By using this formula and given N=391 and *e*= 0.05 the sample size (n) would be

$$n = \frac{391}{(1+ (391\times (0.05)^2)}$$

= 198 (The study's sample size)

To make sampling from each stratum (department/office) proportional, number per each department has to be computed as follows using the below formula and h representing each department/office

$$nh = (\frac{n}{N})Nh$$

Where

nh is the sample size for department h

Nh is the population size for department h

N is total population size

n is total sample size

n/N is constant number for all departments/offices and is equal to 198/391= 0.5

Table 3.2 Sample and Its Proportional Distributions among Departments of Each Company

	Department/Office	Sheba Leather PLC			Anbessa Shoes S.C		
		Study Population (N)	Sample Size(n)	% of N	Study Population (N)	Sample Size(n)	% of N
1	Administrative office	2	2	1.01%	2	2	1.01%
2	Kaizen office and others***	16	9	4.54%	20	10	5.05%
3	Sales	17	9	4.54%	18	9	4.54%
4	Marketing Division	10	5	4.54%	14	7	3.53%
5	Product Division	7	3	1.51%	12	6	3.02%
6	Process Division	10	4	2.02%	23	11	5.55%
7	Workers from selected office Sales Productions process Marketing	35 32 17 28	18 16 8 14	9.09% 8.08% 4.04% 7.07%	43 38 25 22	22 19 12 11	11.1% 9.59% 6.06% 5.55%
	Total	174	89	45%	217	109	55%

Sources: Anbessa Shoes S. C's and Sheba Leather PLC's Human resource office

All personnel from number 1-6 are managers in mentioned department or designated division from respective companies. And number 7 is workers from designated offices. Selected offices are the following: Sales (Local and Export Sales), Process Division (Process Development Office, Research and Development Department, Purchasing Department, Training and safety, Quality Assurance Department and Planning Department), Product Division (Product development sector, Production Department, Assembly and Store Department and Maintenance Department) and marketing division (Marketing Department, Shipping Department, Promotion/Advertising Department and Customer service). And three

asterisk (***) means finance department, human resources office, security, and general service department and MIS and ICT office.

3.5. Sampling Technique

Out of sampling techniques which avoids selection bias and supports representativeness of final result for target population for this research was probability sampling specifically stratified random sampling. The study employed stratified random sampling by considering each of 41 departments/offices and categories as strata from which respective managers and workers were sampled randomly. This ensured managers and workers were represented in the designed sample appropriately and with proportionate allocations for each department/office to make the sample more representative of leather industries and easier to generalize final result for target populations.

3.6 Method of Data Analysis

After questionnaires was handed and collected and it was checked for its consistency, completeness, missing and other errors and prepared data entry template before entering in to analysing tool that was Statistical Package for Social Science i.e. SPSS v26. Data were analysed using descriptive statistics such as frequency, percentage, mean and standard deviation and using inferential statistics such as correlation and multiple linear regressions to find out the strength of association between study's dependent variable i.e. competitive advantage and independent variables i.e. product, process, marketing and organizational innovations and additionally relationship among independent variables.

3.7 Empirical Model

An empirical model was used to test the relationship between the independent variables and dependent variables. Correlation was applied to know the relationship between innovations: product, process, marketing, and organizational innovations among themselves, and with dependent variable i.e. competitive advantage. Furthermore, for this study, multiple linear regression models were employed as it allows simultaneous investigation on the effect of two or more variables. Competitive advantage, dependent variable represented by (Y) while independent variable (X) represented by innovations (product, process, marketing, and organizational innovations).

The Mathematical Model of multiple regressions below can be used to determine the quantitative relationship between the variables:

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$

Where

Y = dependent Variable,

α = regression constant

β = regression coefficients

X1 = product innovation

X2 = process innovation

X3 = marketing innovation

X4 = organizational innovation

ε = error term

Assumption Tests

Before application of multiple regression model and analysis, it is mandatory to test the data with an assumption tests to see if data is fit for model. The assumption tests that were used in this study were normality test, linearity test, multicollinearity tests and Heteroscedasticity. And the data has had no problem when tested with above test hence data was fit for the model and analysis was carried on with multiple linear regressions.

3.8 Reliability and Validity

3.8.1 Validity of the Study

Validity is the extent to which a measure what it is supposed to measure and how well the concept is defined. Standardized questionnaire questions were formulated carefully and rewritten after consulting with advisors and other experts of the field. And it is precision in measuring the true values of features and relationship of variables under consideration in this study is accurate.

3.8.2 Reliability Test

Reliability is the extent to which a measure can yield the same results if measurement is done twice or more to same object. Simply it is a measure of reproducibility if measurement is repeated with same object and it also measurement of internal consistency of the variables. The reliability can be tested ideally using test-retest. However, in this study the reliability of the questionnaire was tested by using the Cronbach's alpha coefficient. Cronbach's by Robert

& Peterson, (1994) is perhaps the most widely used reliability coefficient. Nunnally, (1976) found that a scale of 0.7 that was widely accepted as consistent and reliable in social science research.

35 questionnaires were distributed and collected, and finally subjected to analysis in SPSS to test for reliability in terms of Cronbach's Alpha. Cronbach's Alpha coefficient is an indicator internal consistency of scale and a value of above 0.70 shows reasonable cut-off value to show a measurement is reliable. Therefore, as it can be seen in following table 3.3, Cronbach's Alpha coefficient for all independent variables i.e. product, process, marketing, and organizational innovations and dependent variable- the competitive advantage is above 0.70 which indicates the questionnaire is reasonably reliable.

Table 3.3 Reliability testing: Cronbach's Alpha

Dimension	No of Items	Cronbach's Alpha
Product innovation	7	0.794
Process innovation	7	0.771
Marketing innovation	7	0.764
Organizational innovation	7	0.805
Competitive advantage	10	0.821

Source: Researcher Survey, 2021

3.9 Ethical Consideration

In this completed research, ethical issues were handled cautiously and with sense of sensitivity to issue. First step taken to address the matter was submitting formal letter to the companies which were involved in study, then asking for permission. They were reassured for the confidentiality of any information given during inquiry, and that it would be used only for academic purposes.

As per respondents, all principles of general ethics were applied starting by keeping confidentiality of their identity, responses and their added remarks during inquiry. And that was reassured by making questionnaire to be filled anonymously and no way to trace and making respondents' security was priority and out-most seriously considered thing, too. It was accomplished with remarkable success regarding keeping research in line with ethical principles. And the same principles have been put into use for those who engaged in the interview.

CHAPTER FOUR

RESULTS & DISCUSSIONS

This chapter contains parts which start with results showing demography of sample population regarding age, sex, educational level, organizational distribution and work experience. And it further continues depicting descriptive statistics of each variable with respective interpretation and discussions about results of analysis. Then it goes to a part where correlation results between variables are displayed and its interpretations are discussed. Before heading to final stage of analysis or multiple linear regressions, different tools of assumption tests are done and their results with clarifications are discussed one after the other. And chapter ends with discussions about multiple linear regression analysis of the data and its results.

The data were collected using questionnaires which were distributed to 198 workers and managers from selected departments of Anbessa Shoes S.C. & Sheba Leather Industry PLC. Nine of respondents hadn't returned the questionnaire and thirteen questionnaires weren't complete to be used as a response in the study. Therefore, 176 questionnaires which were complete were collected with about 88.8% response rate. This high rate of response can be attributed to the fact that questionnaires were hand-delivered and respondents were given ample time to fill and return, and data collectors were trained to act accurately in following respondents' complete response and proper return of paper. In addition to questionnaires, in-depth interview was done with managers of major department. These collected data were analysed using tools presented below with their respective interpretations.

4.1 Demographic characteristics of respondents

The first part of the questioner were demographic characteristics of the respondents to know the general information about the respondents which is described by using descriptive statistics as means to provide background to the study before further analysis can be carried out. This was done through presentation of percentages, frequencies, means, and standard deviation by means of tables and graphs. To clearly understand the respondents of the study, the researcher collected general information. These included gender, age, educational level, work experience and organization (Anbessa shoes S.C and Sheba leather industry PLC.) of respondents.

Gender and Age Distribution

Table 4.1 Gender and Age Distribution

Age/Gender	Male		Female		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
20-30	17	9.7	15	8.6	32	18.2
31-40	29	16.5	46	26.1	75	42.6
41-50	35	19.9	21	11.9	56	31.8
above 50	10	5.7	3	1.7	13	7.4
Total	91	51.7	85	48.3	176	100

Source: Researcher Survey, 2021

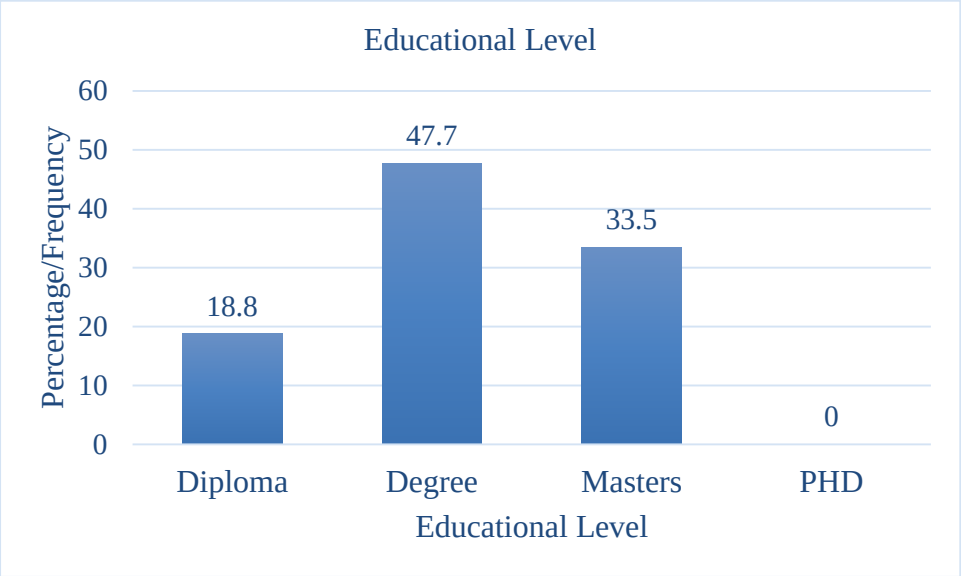
As we can see from Table 4.1 above of all the participants of the research are 176 and from the respondents 91 (51.7%) are male and 85(48.3%) are female. These organizations have virtually even gender distribution.

The second general information sought was age of respondents' distribution. According to the above table, there are 5 age categories. Out of total of 176 (100%) respondents, 75 (42.6%) are between 31-40 years old, 56 (31%) are between 41-50 years old, 13(7.4%) of the respondent are >50 years old and 32 (18.2%) are between 20-30 years old. From this it can be understood that, employees currently working in Anbessa Shoes S.C. and Sheba Leather plc. Belong to productive and active age professionals i.e. 60.8% (108) are between ages of 20-40. Furthermore, table also depicts number of men and women in each age group.

Educational Level

Figure 4.1 shows the educational level of employees on which majority of employees 47.7% are degree holder, 33.5% master's degree holders and 18.8% diploma holders. There were no respondents who had PHD and above. This finding indicates that respondents of the study were generally literate and thus could effectively read and interpret the questionnaires. Being highly educated, it can be inferred that respondents were knowledgeable enough to answer questions in the required manner.

Figure 4.1 Educational Levels of Respondents



Source: Researcher Survey, 2021

Organizational distribution

As shown in table 4.2 below, 104 (59.0%) of the respondent are Anbessa shoes S.C. employees and 72 (40.0%) of the respondents are Sheba leather industry PLC employees. This shows majority of respondents are Anbessa shoes S.C.

Table 4.2 Organizational Distribution

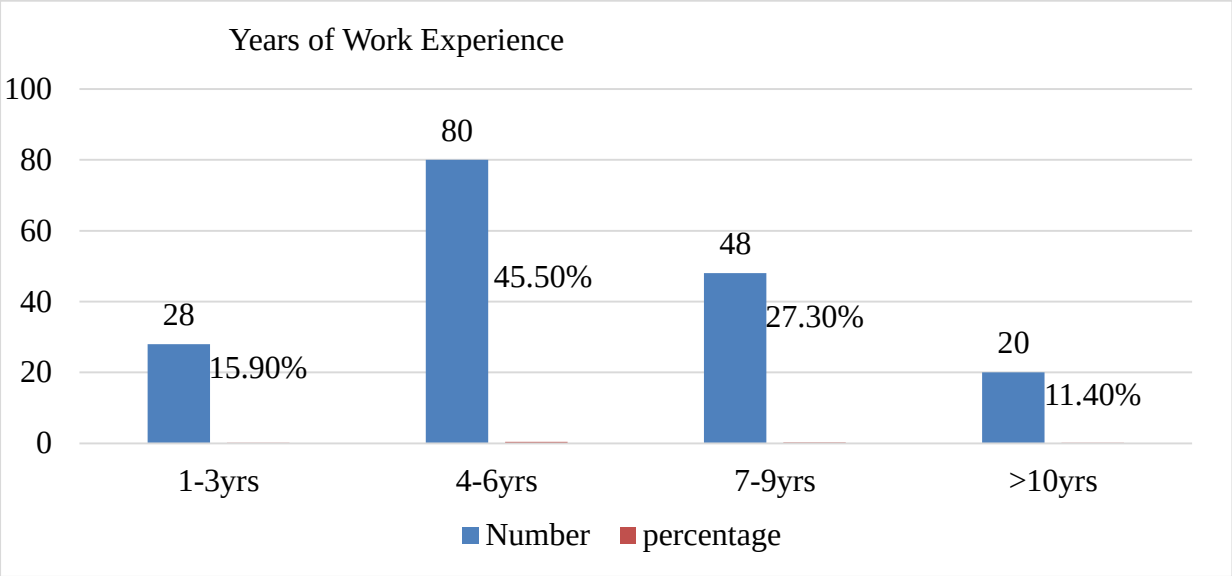
Organization	Frequency	Per. (%)
Anbessa shoes S.C.	104	59.1
Sheba leather industry PLC.	72	40.9
Total	176	100.0

Source: Researcher's Survey, 2021

Experience distribution

From the respondents of the study, 80 (45.5%) of them have 4-6 years' experience, 20 (11.4%) have above 10 years' experience, 28 (15.9%) have 1-3 years' experience and 48 (27.3%) have 7-9 years' experience. Thus, the respondents had worked in company for a relatively long period of time hence they were knowledgeable to understand questions' intension and to give relatively accurate information. This clearly can be seen from Figure 4.2 below.

Figure 4.2 Years of Work Experience



Source: Researcher's Survey, 2021

4.2 Descriptive Statistics for Innovation and Competitive Advantage

The descriptive statistics was used to examine the mean and standard deviation information which are not apparent in the raw data. It was needed to determine the effect of innovation on the competitive advantage. Tables below contain descriptive data (mean and standard deviations) for each innovation dimension and competitive advantage. Mean score range for five-scale Likert's response, Mean response from 1.00 up to 1.80 indicates that the response is 'Strongly disagree', from 1.81 up to 2.60 indicates the response 'Disagree', from 2.61 up to 3.40 indicates that the response is 'neither disagree nor agree', mean score range from 3.41 to 4.20 indicates response 'Agree' and finally range from 4.21 up to 5.00 indicates 'strongly agree' (Al-Sayaad et al., 2006).

Table 4.3 Product Innovation Descriptive Statistics Result

Product innovation	Mean	St. Deviation
Improving the quality of the products is one of the key objectives of the organization.	3.84	.791
Product innovation is part of the organization's vision and mission statements.	3.91	.692
The organization develops new products with components and materials totally differing from the current ones.	3.95	.809
In the organization products are redesigned from time to time to enable they stay ahead of the competition.	4.10	.924
The organization products are considered unique from other organizations.	4.07	.745
Product innovation increases the market share of the organization	3.86	.682
New products have been introduced in the business in the last two years	4.06	.537

Source: Researcher's Survey Data, 2021

As stated on table 4.3, on average (Mean=3.84) respondents agreed that Improving the quality of the products is one of the key objectives of the organization. Study revealed that (M=3.91) responded product innovation is part of the organization's vision and mission statements and organizations develop new products with components and materials totally differing from the current ones (M=3.95).statement in detail shows that: organization products are redesigned from time to time to enable us stay ahead of the competition (M=4.10) and the organization products are considered unique from other organizations (M=4.07). In comparison with competitors, company has introduced more innovative products during two years (M=4.06), Product innovation increases the market share of the organization (M=3.86). Statements were also supported by low value of standard deviation showing that there was convergence in views expressed by respondents. From the above response we can conclude the organization has highly engaged on product innovation and most of them agreed with product innovation were one component in their organization with average response (3.97) and SD lower than one. This shows that their competitive advantage will be increased because the company engaged on the product innovation highly as indicated in mean result of the respondents.

Table 4.4 Process Innovation Descriptive Statistics Result

Process innovation	Mean	Std. Deviation
Process innovation is one of the main objectives of our organization	3.55	1.079
The organization adopts new ways of doing things from time to time.	3.41	.934
The organizations use the newest technology in the production process to remain competitive.	3.98	.959
The organization decreasing variable cost components in manufacturing processes, techniques and machinery.	3.30	.970
The organization determining and eliminating non value adding activities in production processes.	3.52	1.082
The organization determining and eliminating non value adding activities in delivery related processes.	4.07	.745
The company have improved our production process in the past two year.	3.54	.868

Source: Researcher's Survey Data, 2021

From table 4.4 Respondents were asked to give opinions on process innovation as a means for competitive advantage. From given statements on average (M=3.55), process innovation is one of the main objectives of our organization with (SD=1.079). The organization adopt new ways of doing things from time to time (M=3.41) by following organization use the newest technology in the production process to remain competitive (3.98) with standard deviation 0.934 and 0.959 respectively. Followed by organization decreasing variable cost components in manufacturing processes, techniques and machinery (M=3.30) with (SD=0.970). The organization determining and eliminating non value adding activities in production processes (M=3.52) and organization determining and eliminating non value adding activities in delivery related processes (M=4.07) with standard deviation 0.932 and 0.745 respectively. The final statement for process innovation is the organization has improved their production process in the past two year (M=3.54) and SD of 0.868. Average response for process innovation shows they agree with idea that process innovation was integral part of their activity with (M=3.611) this show the company's high involvement in process innovation. It is helpful to the organization to become more competitive in an industry.

Table 4.5 Marketing Innovation Descriptive Statistics Result

Marketing innovation	Mean	Std. Deviation
The organization competitiveness has increased greatly since the introduction of market innovation.	3.94	.954
Customer satisfaction is part of our market innovation strategy.	3.96	.831
The organizations have changed its marketing techniques in the past two year.	4.33	.877
The organization has invested in market research in order to drive market innovation.	3.99	.828
The organization renews the product pricing techniques employed for the pricing of our products.	3.92	.845
The organization Renewing the product promotion techniques.	3.90	.942
Market innovation strategy has helped the organization to achieve its strategic goals	3.95	.912

Source: Researcher's Survey Data, 2021

As shown in Table 4.5, marketing innovation was measured by given statements to know effect on dependent variable, competitive advantage. Accordingly, high rating was obtained for the organization has invested in market research in order to drive market innovation (M=3.99) and Customer satisfaction is part of our market innovation (M=3.96) by following standard deviation 0.828 and 0.831 respectively. Market innovation strategy has helped the organization to achieve its strategic goals (M=3.95) and the company competitiveness has increased greatly since the introduction of market innovation (M=3.94) with standard deviation 0.912 and 0.954 respectively. Statements that the organizations have changed their marketing techniques in the past two year (M=4.33) and organization renewing the product promotion techniques (M=3.90) with standard deviation of 0.877 and 0.942 and also on the statement the company renewing the product pricing techniques employed for the pricing of their product found (M=3.92) with standard deviation 0.845. High rating from respondents corresponds to strength of the market innovation techniques were employed in companies. From all respondents the marketing innovation questions are above Agree this shows that marketing Innovation is one approach in the organization to get high competitive advantage in the industry from the descriptive statistics result of marketing innovation we see that it's high effect on competitive advantage.

Table 4.6 Organizational Innovation Descriptive Statistics Result

Organizational innovation	Mean	Std. Deviation
Company's Organizational culture is open to new ideas	3.54	1.146
The organizational leadership which actively seeks innovative ideas	3.30	.970
The company renewing the organization structure to facilitate teamwork.	3.59	1.097
The organization renewing the organization structure to facilitate coordination between different functions	3.97	.925
The organization renewing the organizational structure to facilitate strategic partnerships and long-term business collaborations.	3.49	.733
Improving managerial routines in the firm is seen as part of innovation strategy	3.91	.993
The organization renewing the routines, procedures and processes employed to execute firm activities in innovative manner.	3.76	.938

Source: Researcher's Survey Data, 2021

As shown in Table 4.6, organizational innovation was measured by given statements to know effect on dependent variable, competitive advantage. Company's Organizational culture is open to new ideas and the organizational leadership which actively seeks innovative ideas has (M=3.54) and (M=3.30) with standard deviation of 1.146 and 0.970 respectively. The company renewing the organization structure to facilitate teamwork (M=3.59) and the organization renewing the organization structure to facilitate coordination between different functions (M=3.97) with standard deviation of 1.097 and 0.925. The organization renewing the organizational structure to facilitate strategic partnerships and long-term business collaborations (M=3.49) and improving managerial routines in the firm is seen as part of innovation strategy (M=3.91) and the organization renewing the routines, procedures and processes employed to execute firm activities in innovative manner (M=3.76) with standard deviation of 0.733, 0.993 and 0.938 respectively. Therefore, high rating from average respondents is in line with how well organization innovation has been implemented in the company. Additionally the result indicates above agree which implicate that organizational innovation has an effect on competitive advantage.

Table 4.7 Competitive Advantage Descriptive Statistics Result

Competitive advantage	Mean	Std. Deviation
The demand for our company products keeps on increasing due to our innovations.	3.92	.803
The profit of the organization has consistently increased over two years.	3.86	.824
The organization used product innovation to be competitive in the market	3.78	.945
Productivity of the organization improved in the last two years.	3.77	.910
The organization has maintained a superior market position because of innovation.	3.75	.793
The organization trains workers to be more productivity.	3.73	.787
The organization's innovation activities have enhanced its overall efficiency.	3.66	.739
The organization is more often the trend setter which has resulted in the expansion of its customer base.	3.62	.955
The organization innovative strategies are harder for our rivals to imitation therefore sustainable.	3.61	.943
The organization has improved working process to increases its productivity.	3.60	.856

Source: Researcher's Survey Data, 2021

From table 4.7 Respondents were asked to give opinions on competitive advantage of their company. The high mean score is 3.92 which is the demand for our company products keep on increasing due to our innovations and the profit of the organization has consistently increased over two years (M=86) with standard deviation of 0.803 and 0.824 respectively. The organization requires outside help to sustain its competitive advantage (M=3.78) and Productivity of the organization improved in the last two years (M=3.77) with standard deviation of 0.945 and 0.910 respectively. The organization has maintained a superior market position because of innovation (M=3.75) with standard deviation of 0.793. The organization trains workers to be more productivity (M=3.73) and the organization's innovation activities have enhanced its overall efficiency (M=3.66) with standard deviation of 0.787 and 0.739. The organization is more often the trend setter which has resulted in the expansion of its customer base (M=3.62) and the organization innovative strategies are harder for our rivals to imitation therefore sustainable (M=3.61) with standard deviation of 0.955 and 0.943

respectively. The lower mean score is 3.60 The organization has improved working process to increases its productivity with standard deviation 0.856.the over all mean score is 3.60 and above which implicate the respondents agree on the question which is raised under the competitive advantage. Respondents were agreed on the questioners that indicate the competitive advantage of the organizations by pointers of profit and market share.

4.3 Interview Analysis

Analysis of responses collected by in-depth interviews from interviewee i.e. top managers of major departments was done. Five top managers were engaged in the interview. And interviewees stressed that product innovation is one of the major types of innovation that is used. From the interview it can be understood in Anbessa Shoes S.C. & Sheba Leather Industry Plc one of the strategies that they apply in different ways is improving quality of product and adding new materials and components. Additionally, they enhance valuable functions and quality into an existing product. This show in these organizations' product innovation is used widely. They all agreed on the so far work in improving their product innovation is far from enough to be more competitive in an industry and they set a plan on their organization as to be more and more effective in product innovation by creating different attractive fashion by adding some valuable functions to existing product like shoes, bags and leather coats and others. They all come to an agreement that introducing these changes, adding features to existing products, and the likes are immeasurably important for their companies' competitive edge and even to the level it determines their survival agreeing with (Jimenez, 2011).

All interviewees gave big sure for importance of inclusion of process innovation which was explained to them something to do with innovative ways of doing in shortening time to do and series of stages of process to follow. From the interview the result shows the two leather industries used process innovation by changing different ancillary activities like purchasing, accounting and maintenance in this organization but they consider that process innovation is simply as a part organizational but not as part of innovation. Furthermore, the managers also mentioned that process innovation is supportive for employees by creating easy way for work and removing redundant activities in production process which make the production process cost and time to be decrease. From the interview it can be understood that they use process innovation but they didn't understand as one part of innovation and summary of an interview

also signifies use of process innovation, though unknowingly, is paramount for their companies' profitability.

From the interview, managers came to agreement that marketing innovation has its own part in their organization by focusing on packaging, promotions and introduction of new sales channels to improve their customer base but most of interviewees mentioned some problem with this regard. Their wide and easily accessible market is domestic one. But since our country's customers need lower price they focused mainly on forging. And this hindrance is costing them the international market presence. And most managers are hopeful as they all have seen boost in their customers buying capacity for their quality and standardized internationally marketable products. Another one is organizational innovation which involves change in business practices. Most of managers vouched that since there is need of implementation of new methods for organising routines and procedures for the conduct of work in their organization, they need implementation of new methods for distributing responsibilities and decision making among employees for the division of work within and between firms. But mangers mentioned that it is difficult to participate all the workers in decision making but they involve major department managers in making work decisions. Additionally, they mentioned managers' effort on workers socialization to improve the participation within the organization. All managers believe that it is one of prospects that can be used to move their companies forward.

They all agreed that their company in general and their departments were introducing new ideas and things in the last two years. Most of them pointed out that these new changes were on all front and the climate of business in domestic and international markets forced them to adapt and assimilate them. They all entirely agreed on inevitability of adopting these changes especially in areas like markets both at domestic and international arena and introduction of new products with easier and affordable costs of processing for inputs or different products. And most of them also stressed how much organizational structure simplicity and improved channel of communications-enabling-framework can make former things efficient and effective. To put simply, all stressed interconnection of product, process, marketing and organizational innovations, whether used purposely or non-purposely, these were paramount and focusing more on marketing segment of it makes the company to gain more on its rivals or have the lead in the leather industry market.

4.4 Correlation Analysis

Correlation refers to synonym for association or the relationship between variables and it measures the degree to which two sets of data are related. A correlation analysis was performed to determine if there were any relationships between the independent variables (product, process, marketing and organizational innovations) and the dependent variable (competitive advantage). The Pearson correlation coefficient is a statistic that indicates the degree to which two variables are related to one another. The sign of a correlation coefficient (+ or -) indicates the direction of the relationship between -1.00 and +1.00. When the correlation is 1 or-1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between variables (Airasian & Mills, 2006).

According to Somekh & Lewin (2005) the criterion for evaluating the magnitude of a correlation was as follows: If the correlation coefficient (r) 0.01 - 0.29 the strength of relationship is weak, when correlation coefficient (r) 0.30 - 0.49 the relationship is medium/moderate and when the correlation coefficient (r) 0.50 - 1.0, the strength of relationship is strong. The negative sign indicates that as the score of one variable increase, the score of the other variable decreases. The Pearson correlation coefficient (r) of zero or if it is very close to zero, it shows as there is no relationship/very weak relationship between variables. So, the correlation results of this study are analyzed based on the above correlation coefficient standards.

4.4.1 The Relationship among Innovations Dimensions

There is relationship among the innovation dimensions (product, process, marketing and organizational innovations). As shown in table 4.8, product innovation has relationship with the other 3 independent variables, process, marketing and organizational innovations with r = 0.546, 0.563 and 0.578 respectively. When their relationship compared, the relationship between product innovation with Process innovation 0.546 and with market innovation 0.563 and also with organizational innovation 0.578 has strong relationship. On the other hand, process innovation has relationship with market innovation and organizational innovation r=0.628 and 0.678 respectively. Here also when we compare the relationship, relationship between market innovation and organizational innovation is strong association. Finally, organizational innovation has strong association with market innovation r=0.700. Therefore, all the independent variables have positive strong relationships.

Table 4.8 Correlations Among Independent Variables

Correlations

	1	2	3	4
1.Product innovation	1			
2.Process innovation	.546**	1		
3.Market innovation	.563**	.628**	1	
4.Organizational innovation	.578**	.678**	.700**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Correlation is significant at 0.05

Source: Researcher's Survey Data, 2021

4.4.2 The Relationship between overall innovation and competitive advantage

Based on the results of the correlation analysis in table 4.9 below, the relationship between overall innovation dimension (product, process, marketing and organizational innovations) and competitive advantage was strong with r = 0.574, 0.705, 0.676, and 0.707 respectively. Which is in between 0.5 - 1.0 value and categorized in the strong relationship.

The correlation result shows that product innovation has strongly and positively related with competitive advantage with r=0.574. This implies that it is worth to investing a firm's resources and capabilities in product innovation to be more competitive. This finding is consistence with finding of Hult et al., (2004) product innovation offers a potential protection to a firm from market threats and competitors. Bayus et al., (2003) found product innovation had strong relation with organizational performance. Espallardo & Ballester, (2009) confirmed strong impact of product innovation on competitive advantage. Similarly with Varis, M. & Littunen, (2010) and Alegre et al., (2006) found product innovation were strongly related to firm competitive advantage.

The outcome of the study revealed that process innovation has strong and positive correlation with competitive advantage r=0.705. This indicates enhancing process innovation by cut the cost of production, decrease delivery cost and improve quality of products this all led to get more competitive advantage in a market. This finding is aligned with Varis, M. & Littunen (2010) found that process innovation is strongly related with firm competitive advantage. Anderson et al., (2009) found strong relationship between new process technology and firm

performance. Recent evidence by Ar,I.M. & Baki, (2011) reconfirmed the strong and positive relationship between process innovation and firm competitive advantage.

The finding shows that marketing innovation has strong and positive association with competitive advantage with r=0.676. This reveals that adoption and implementation of marketing innovation by the organizations in the areas of product design or packaging, product placement, product promotion or pricing has a strong and positive impact on their competitive advantage. This finding is consistence with Sandvik & Sandvik (2003) discovered that market innovation has a strong effect on sales growth of a firm. Johne & Davies (2000), market innovation would enhance sales through the increasing demand for products. Similarly, Otero-Neira et al., (2009) and Varis, M. & Littunen, (2010) founds evidence that market innovation strongly correlated with competitive advantage.

The correlation result disclosed organizational innovation has strong and positive correlation with competitive advantage with r=0.707. This was revealed that organizational innovation enables them to increase their competitive advantage by reducing administrative costs or transaction costs, improving workplace satisfaction and also by reducing costs of supplies. This finding is consistence with Mbizi, (2013) found that organisational innovation has a strong influence on firm performance and F. Oke, (2015) found that organizational innovation has a strong and positive effect on competitive advantage.

Table 4.9 Correlation among Dependent and Each Independent Variable

Correlations

Innovation Dimensions	1	2	3	4	5
1. Product Innovation	1				
2.Process Innovation	.546**	1			
3.Marketing Innovation	.563**	.628**	1		
4.Organizational Innovation	.578**	.678**	.700**	1	
5. Competitive Advantage	.574**	.705**	.676**	.707**	1

**. Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at 0.05

Source: Researcher's Survey Data, 2021

4.5 Regression Analysis

Multiple regression analysis was conducted to find out the effect of innovation on competitive advantage. It gives more detailed analysis as it enabled the examination of the influence of each of the independent variables (product, process, marketing and organizational innovation) on dependent variables (competitive advantage) by controlling all other factors. It also allowed the researcher to determine the combined effect of the independent variables on the dependent one. Multiple linear regression analysis is a well-known statistical technique which fits a relationship between one dependent and more than one independent variable. Accordingly, model summary, an analysis of variance (ANOVA) and regression coefficient for the dependent variables were showed on the model but before conduction multiple regression some major test were conducted in order to ensure the relevance of data analysis.

4.5.1 Assumption Tests

Testing assumption of multiple linear regression analysis models is very important before running regression analysis. Some tests were conducted in order to ensure the relevance of data analysis as follows:

4.5.1.1 Statistical Test of Normality

Normality assumption is used to determine whether a data set is well modelled by a normal distribution or not and also to indicate underlying random variable is to be normally distributed (Gujarati, 2003). The researcher was used statistics methods by Skewness and kurtosis to test the normality of the data. The Skewness and kurtosis measure should be as close to zero as possible, in SPSS. In reality, however, data are often skewed and kurtic. A small departure from zero is therefore no problem, as long as the measures are not too large compare to their standard error. As consequence, we must divide the measure by its standard error, and we need to do this by hand, using calculator. This will give us the z-value, which should be somewhere between -1.96 and +1.96.

Table 4.10 Statistical Test of Normality

independent variables	Descriptive						Shapiro-wilk test Sign. Value
	Skewness	S.E	z-value	Kurtosis	S.E	z-value	
Product innovation	0.018	.183	0.098	-.586	.364	-1.610	0.202
Process innovation	0.001	.183	0.005	-.620	.364	-1.703	0.170
Marketing innovation	0.074	.183	0.404	-.412	.364	-1.131	0.501
Organizational innovation	0.097	.183	0.514	-.375	.364	-1.030	0.519

Source: Researcher's Survey Data, 2021

Based Table 4.10 the Skewness and kurtosis z-value of product innovation is- 0.586 and -1.60, process innovation is -0.620 and -1.703, market innovation is -0.412 and -1.131, organizational innovation is -0.375 and -1.303 respectively. The z-value all independent variables are between -1.96 and +1.96. Therefore, we can conclude that the data of the study are normally distributed.

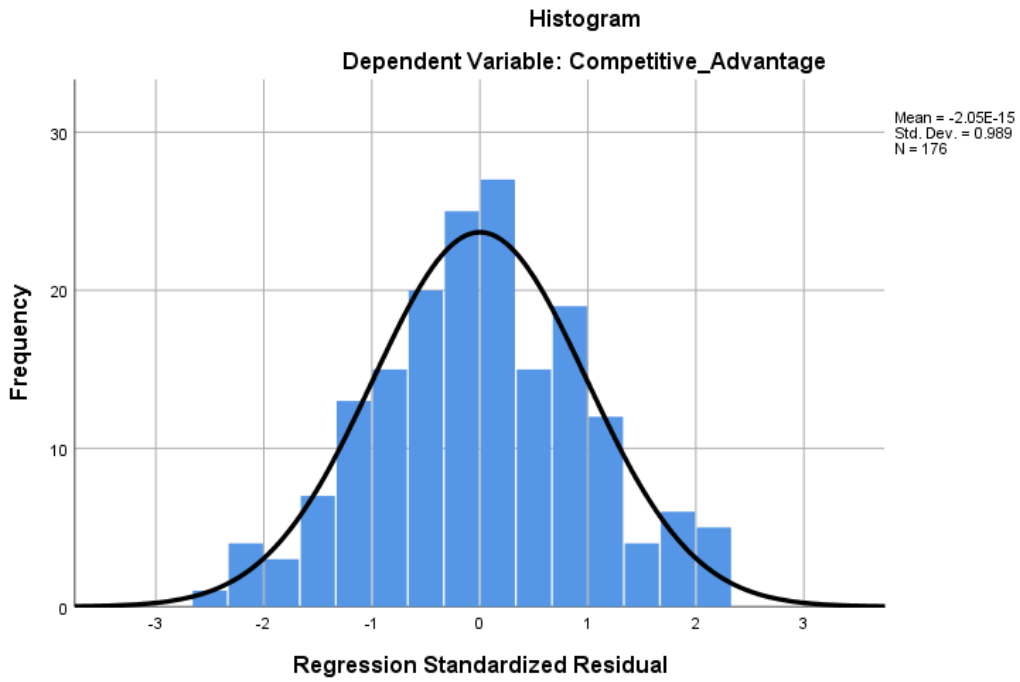
The Shapiro-wilk test is a test of normality in one frequents statistics. It was published in 1965 by Samuel Sanford Shapiro and martin wilk. The Shapiro wilk test is a way to tell if random sample comes from a normal distribution. The test gives us a w-value; small values ($p< 0.05$) indicate our sample is not normally distributed. The data is normally distributed if p- values is greater than 0.05 (google.com, 2014).

Product innovation has Shapiro-wilk test p-value of 0.202, process innovation has p-value of 0.170, market innovation has p-value of 0.501 and organizational innovation has p-value of 0.519. According to Samuel Sanford Shapiro and Martin wilk (1965) the smaller value of w ($p < 0.05$) indicates the sample was not normally distributed. On the other hand, the Shapiro-wilk test p-value of the independent variables of the study are all greater than 0.05. Therefore, we can conclude that the data of the study are normally distributed.

4.5.1.2 Graphical Test of Normality

The researcher also used histogram method for testing the normality of the data. Histogram is bell shaped which lead to infer that the residuals (disturbance or errors) are normally distributed. If the residuals are normally distributed about its mean of zero, the shape of histogram should be a bell-shaped and regression standardized residual plotted between -3.3 and 3.3. As shown on figure 4.3 below, the residuals or disturbance in the data were normally distributed among the variables additionally the regression standardized residual plotted is between -3.3 and 3.3 from all the data achieves the graphical test of normality.

Figure 4.3 The Regression Model Assumption of Normality in the Study

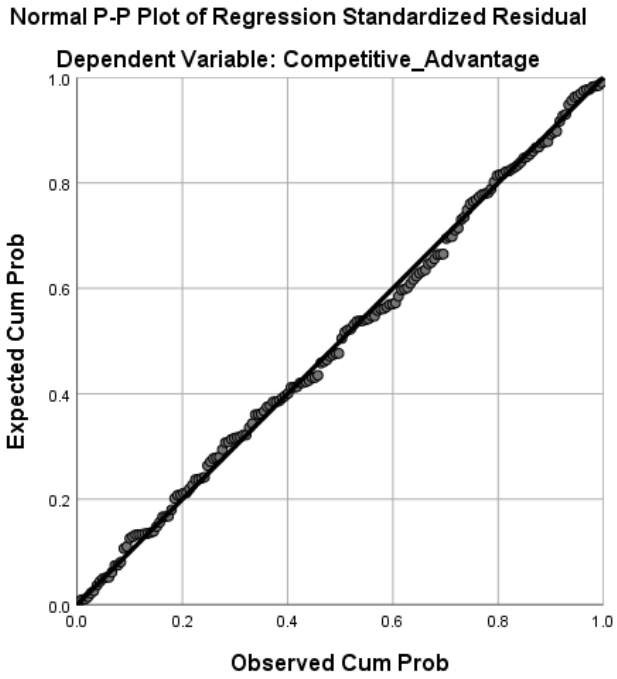


Source: Researcher's Survey Data, 2021

4.5.1.3 Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables and it used to check whether all the estimates of regression including regression coefficients, standard errors and tests of statistical significance are biased or not. To check the linearity assumption in multiple linear regressions the normal P-P plot was used, the plot shows all observed values somewhat spread along the straight diagonal line. In case of linearity, the residuals should have a straight-line relationship with predicted dependent variable scores.

Figure 4.4 The Regression Model Assumption of Linearity in the Study



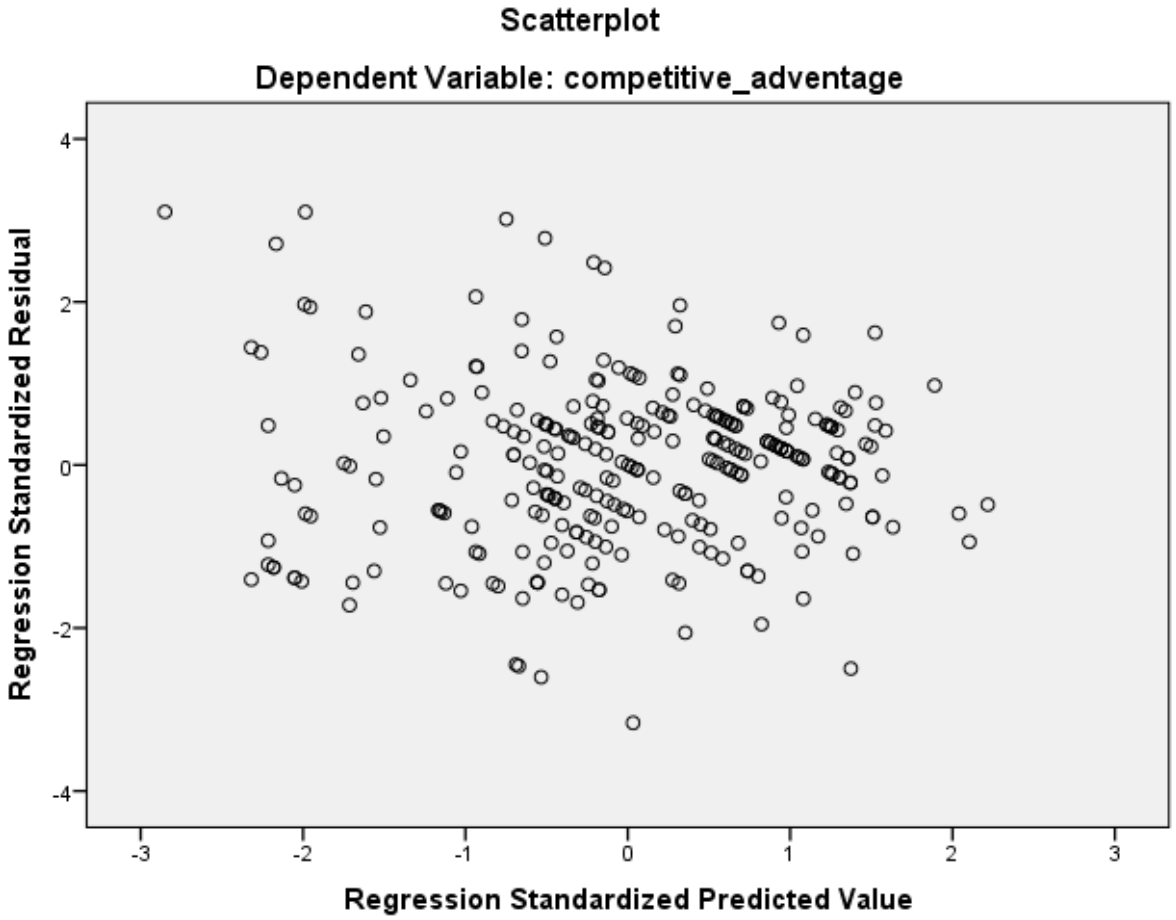
Source: Researcher's Survey Data, 2021

As shown on figure 4.4 above, the change in the dependent variable is more of related to the change in the Independent Variables furthermore the estimates of regression including regression coefficients, standard errors and tests of statistical significance are not biased. Therefore, there is no linearity problem on the data for this study and observed values follow at straight line.

4.5.1.4 Heteroscedasticity Test

Heteroscedasticity is the equality or violation of the residuals for every set of values for independent variable. Heteroscedasticity problem exist when scatter plot is greater than 3.3 and less than -3.3. Therefore, as it was indicated in figure 4.5 below the data did not violate Heteroscedasticity assumption.

Figure 5.5 Scatterplot for Heteroscedasticity



Source: Researcher's Survey Data, 2021

4.5.1.5 Multicollinearity Tests

According to Gujarati,(2003) Multicollinearity tests helps identify the high correlation between explanatory variables and to avoid double effect of independent variable from the model. When independent variables are Multicollinearity there is overlap or sharing of predictive power. Predictor variable should be strongly related to dependent variable but not strongly related to each other the reason that this may lead to the contradictory effect.

Multicollinearity can be checked by correlation matrix and Variance Inflation Factors (VIF). A correlation matrix is used to ensure the correlation between independent variables (Explanatory variables) and dependent variable to identify the problem of Multicollinearity. As stated by Field (2009) the Variance Inflation Factors (VIF) of the linear regression indicated the degree that the variances in the regression estimates are increased due to Multicollinearity and VIF values higher than 10.0 shows as there is Multicollinearity problem. On the other hands, as stated by Pallant & Bailey (2005)Tolerance is a statistical

tool which indicates how much the variability of independent variable is not explained by the other independent variable in the model and is calculated using the formula 1- R2 for each variable. If the value is very small (less 0.1), it shows the multiple correlation with other variable is high.

The Collinearity statistics shows Variance Inflation Factors (VIFs) ranged from 1.492 to 1.992 and tolerance values ranged from 0.504 to 0.670 as described in Table 4.11. So, it can be concluded as there is no Multicollinearity problem among the independent variables in the model based on the correlation matrix result.

Table 4.11 Collinearity Statistics

Coefficients[a]

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Product innovation	.670	1.492
Process innovation	.502	1.992
Marketing innovation	.543	1.841
Organizational innovation	.504	1.984

a. Dependent Variable: Competitive Advantage

b. Predictors: (Product, Process, Marketing and Organizational Innovations) and dependent variable, competitive advantage.

Source: Researcher's Survey Data, 2021

Thus, from an examination of the information presented in all the four tests (linearity, normality, Heteroscedasticity and Multicollinearity tests) the researcher concludes that there is no data problem that would lead to say the assumptions of multiple regressions have been violated.

4.6 Multiple Linear Regression Analysis

Multiple regression analysis is a form of general linear modeling and is an appropriate statistical technique when examining the relationship between a single dependent variable and several independent variables (predictors). Upon the end of the correlation analysis and different model tests (linearity, normality, Heteroscedasticity and Multicollinearity) regression analysis was used to find any relationship between the independent variables (innovations dimension: product, process, marketing and organizational innovations) and the dependent variable (competitive advantage).

Table 4.12 Model Summary

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.757[a]	.558	.542	.41617

a. Predictors: Product, Process, Marketing and Organizational Innovations

b. Dependent Variable: Competitive Advantage

Source: Researcher's Survey Data, 2021

Table 4.12 above shows, the R value obtained by regression was .757 which implies that the correlation between the all innovation dimensions and dependent variable, competitive advantage is .757 that is means there is strong positive significant relationship between innovations and competitive advantage. And the R square value was .558 which means that 55.8% variations in competitive advantage have been explained by the innovation dimensions cooperatively and 44.2% was due to other unexplained factors in this study.

Table 4.13 The Analysis of Variance (ANOVA)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	79.440	4	15.888	54.269	.000[b]
	Residual	62.659	117	.239		
	Total	142.099	121			

a. Dependent Variable: Competitive Advantage

b. Predictors: Product, Process, Marketing and Organizational Innovations

Source: Researcher's Survey Data, 2021

The analysis of variance (ANOVA) tells us whether the overall results of a model are significantly good degree prediction of the outcome variable. The regression Sum of squares is the difference between Total Sum of Squares and Residual Sum squares (Total Sum of Squares - Residual =142.099- 62.659= 79.440). Here, each sum squares (i.e., Regression, residual and Total under the source column) has a corresponding degrees of freedom (DF) associated with it. Total degree of freedom is n-1(DF=122-1=121), one less than the number of observations. The regression degree of freedom for the above table is (4), which is the number of independent variables (product, process, marketing and organizational innovations). The residual sum of squares (residual for left over) is sometimes known in the literatures as Error Sum of Squares is that part still cannot be accounted for after the

regression model is fitted. It has 117 degrees of freedom (=121-4) for this research paper. The mean squares are the sum of squares divided by the corresponding degrees of freedom.

F-ratio is a measure of how much the model has improved the prediction of the dependent variable (competitive Advantage) compared to the level of in accuracy of the model (Field,2009). In general, the above ANOVA (table 4.13) shows a strong relationship between the dependent and independent variables of the study with F-statistic or F- ratio of 54.269 for the overall analysis, and is worth-mentioning that the F- value is highly significant (as p=.000).

Table 4.14 Multiple Regression Coefficients

Coefficients [a]

Model	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
	B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
(Constant)	1.224	.377		3.252	.001	.481	1.968
Product innovation	.150	.070	.155	2.149	.033	.012	.288
Process innovation	.140	.068	.153	2.075	.039	.007	.274
Marketing innovation	.168	.072	.166	2.327	.021	.025	.310
Organizational innovation	.162	.072	.164	2.257	.025	.020	.304

a. Dependent Variable: Competitive Advantage

b. Predictors: Product, Process, Market and Organizational Innovations

Source: Researcher's Survey Data, 2021

The Beta Coefficient (β) result shows the strength of the effect of each individual independent variable to the dependent variable (competitive advantage) as shown in table 4.14 above.

The Mathematical Model of multiple regressions below can be used to determine the quantitative relationship between the variables:

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$

Y = competitive advantage,

α = 1.2 (constant)

$\beta 1x1$ = 0.150 (product innovation)

$\beta 2x2$ = 0.140(process innovation)

$\beta 3x3$ = 0.168(marketing innovation)

$\beta 4x4$ = 0.162(organization innovation)

ε= error term

Reliability coefficient = 95%

The model's prediction outline is as follows:

Competitive advantage = 1.2+ 0.150+ 0.140+0.168+0.162

Based on the table 4.14 above, the Beta value (β) of product innovation is 0.150 which means that as product innovation increase by 1 percent, the competitive coefficient will increase by 15% keeping the other factors constant. Similarly, the Beta value (β) of process innovation is 0.140 which implies that as process innovation increase by 1 percent, the competitive advantage will increase by 14% assuming the other variable is held constant. Also the beta value (β) of marketing innovation is 0.168 that means when market innovation increase by 1 percent competitive advantage will increase by 16.8% in addition the beta value (β) of organizational innovation is 0.162 which indicates as level of organizational innovation increase by 1 percent competitive advantage will increase by 16.2% keeping other factors constant.

Generally, based on the regression coefficient (β) results, innovations (independent variables) included under this study have positive effect on competitive advantage (dependent variable) prediction keeping other factors constant. The beta value in the above coefficient table tells in what degree each independent variable affects the outcome if the effects of all other predictors are held constant. Each of the beta values has an associated standard error indicating to what extent these values would vary across different samples, and these standard errors are used to determine whether beta value differ significantly from zero.

As shown above, product innovation has got t-value of 2.149 and sig of 0.033 which is less than 0.05. Therefore, it is imperative from this, that regression model is paramount in predicting the effect of product innovation on the competitive advantage i.e. product innovation is crucial inputs in competitive advantage. Moreover, it has positive and

statistically significant effect on the competitive advantage. In the hypothesis of this study, *Ha1: Product innovation has statistically positive significant effect on Anbessa Shoes S. C's & Sheba Leather Industry PLC's competitive advantage* is accepted. This finding is consistent with Abazi-Alili, et al., (2017) and Gërguri-Rashiti et al.,(2017), who found a positive impact of product innovation on firm performance. Two other studies conducted in Bulgaria and Russia by Stoevsky (2005) and Roud, (2007) respectively also showed a positive relationship between product innovation and firm-competitive advantage. To sum up, since product innovation has $p=0.033(p<0.05)$ from regression analysis and the effect relationship with competitive advantage is positive, the hypothesis of this test i.e. *Ha1* is accepted.

The next variable under consideration was process innovation. Its regression analysis with competitive advantage shows t- value 2.075 and sig value of 0.039(<0.05). For this study one of hypotheses was *Ha2, process innovation has significant positive significant effect on Anbessa Shoes S. C's & Sheba Leather Industry PLC's competitive advantage*. This hypothesis has been accepted because the regression result of process innovation shows p value of 0.039 i.e. less than 0.05 and it has statistically significant positive effect on the dependent variable of study i.e. the competitive advantage. Ying Liao, (2015) supports the findings and he opined that innovation enhances the efficiency and the productivity of production activities, increases quality and reduces unit cost of production. Similarly, Jimenez and Valle (2011) found process innovation positive affect on firm competitive advantage.

The other dimension is market innovation which hast t-value of 2.327 and sig value of $0.021(p<0.05)$ from regression analysis as shown above. This means changing promotion, packaging and other sales design has significant effect on firm competitive advantage. For this reason, market innovation has statistically significant positive effect in predicting the competitive advantage of companies under study. The results is in line with the observations of Sawang (2011) and Wagner (2005) who found the marketing innovation has significant effect on enhancing the capability of their production design and their supply chain operations which is literally an organization's asset. All above-mentioned indicate that *Ha3, market innovation has statistically positive significant effect on competitive advantage on Anbessa Shoes S.C. & Sheba Leather Industry Plc*., is accepted.

The last variable is organizational innovation. Its regression analysis with competitive advantage shows that it has t-value of 2.257 and Sig. value of 0.025($p<0.05$). This shows positive significant effect of organizational innovation in predicting the competitive advantage. This finding is in line with conclusion of papers done by Weihong et al.,(2008) and Chang and Lee (2008). According to their findings, innovative spirit in the organizational culture and group-oriented teamwork has positive impact competitive advantage. A study set with proponent hypothesis, *Ha4, organizational innovation has statistically positive significant effect on Anbessa Shoes S. C's & Sheba Leather Industry PLC's competitive advantage* is accepted. Therefore, all four of study's hypotheses are accepted.

To sum up, multiple regression analysis of types of innovations and competitive advantage has p value of (<0.05). This brings us to the observation that how strong innovations are affecting the competitive advantage positively and statistically significant. This is a profound result and it agrees with other previously undertaken researches in different areas and at different times as described in literature reviews in establishing effect of innovations on competitive advantage. For instance, (Gerguri et al., 2013) indicate that product innovation has a positive impact on firm performance in transition economies. (Enayati et al., 2014) indicate that process innovation has a strong and positive impact on the competitive advantage. (Puspaningrum, 2017) results showed that the market orientation and innovation have a significant effect on competitive advantage. (Edan, 2015) demonstrates that all the four types of innovation: product, process, organisation and marketing positively and strong impact on competitive advantage.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter has three parts: conclusions, recommendations and recommendation for future study. Conclusion part is concerned with summarizing findings into meaningful and practical conclusions in relation to very purpose of this paper using evidences in previous chapter. It winds up with generating recommendation ideas depending on the final inferences made supported by evidence of findings. It discusses how conclusions can be extrapolate on target population and what milestones the paper serves and directions for challenges and limitations to be solved by coming paper regarding the topic.

5.1 Conclusions

The main objective of the study was to investigate the effect of innovation on competitive advantage in Anbessa Shoes S.C. & Sheba Leather Industry Plc. To realize this objective, questionnaires were distributed for 198 managers and employees from selected departments. The demographic results implicate organizations have nearly even gender distribution and most of the employees currently working in this organization belong to productive and active age professionals. In addition, the findings indicate that respondents of the study were generally literate. The respondents had worked in company far a relatively long period of time hence they were knowledgeable to understand questions' intension and to give relatively accurate information.

The descriptive statistics shows that each innovation dimensions and competitive advantage by using mean and standard deviation and the finding revealed that Anbessa Shoes S.C. & Sheba Leather Industry Plc has highly engaged on product innovation and most of them agreed with product innovation is one of main component of innovation at their disposal in their organization. Average response for process innovation shows they agree with idea that process innovation was integral part of their activity in addition high rating from respondents corresponds to strength of the marketing innovation techniques were employed in companies. The last dimension is organizational innovation with high rating from average respondents which is in line with how well organization innovation has been implemented in the company. All innovation (independent) variables product, process, marketing and

organizational innovations are above the midpoint of Likert scale (on the positive side of the row). This implies that product, process, marketing and organizational innovations support competitive advantage of Anbessa Shoes S.C. & Sheba Leather Industry Plc.

From the interview analysis conclude that all managers agreed on the use these types of innovation in their respective company. They were all striving on improving and assimilating all innovations. However, it was understood that the managers don't clearly recognize the values indebted to one innovation and the difference of process innovation from others and they simply see it as organization part. On other hand, interview finding signifies the two companies' use of process innovation, though unknowingly, and use of other types is paramount for their respective organization's profitability. Finally, in the interview pointed out the inevitability of improvement in use and adoption of all innovation types to become more and more competitive in the industry by increasing market share as well as profitability.

The results of correlation analysis indicated that all the independent variables: (product, process, marketing and organizational innovations) has a strong and positive correlation with competitive advantage. Product innovation has strong relationship with competitive advantage. This implies that it is worth investing a firm's resources and capability as it has strong impact on competitive advantage. The correlation result shows process innovation as one predictor of competitive advantage. with indicates process innovation helping them to cut the cost of production, decrease delivery cost and improve quality of products and also other types of innovation, market innovation has the correlation with competitive advantage this pits adoption and implementation of marketing innovation by the organizations in the areas of product design or packaging, product placement, product promotion and improved distribution channel is having a strong correlation with their competitive advantage. Additionally organizational innovation has strong relationship with competitive advantage. This disclosed that organizational innovation enables them to increase competitive advantage by reducing administrative costs or transaction costs, improving workplace satisfaction and reducing costs of supplies.

Based on the regression results more than half variations in competitive advantage have been explained by the innovation dimensions and the rest was due to other unexplained factors in this study. The Analysis of Variance (ANOVA) results of the regression between dimensions of innovation and competitive advantage show the p-value less than 0.05 it indicates

innovation was highly significant in predicting competitive advantage. Therefore it evidenced to conclude all innovation dimensions product, process, market and organizational innovations has positive effect and statistically significant with the competitive advantage. this all revealed improving newness in production and process of doing works in an organization and also refining the new marketing activities additionally work on organizational innovation to decrease production cost all has a statistically positive significant effect on competitive advantage of on Anbessa Shoes S. C's & Sheba Leather Industry PLC's.

5.2 Recommendations

Based on the finding presented production and process innovations have role on improving company's competitive advantage For this reason, it is recommended that owners and managers of Anbessa Shoes S.C. & Sheba Leather Industry Plc. should develop newness for current products by establishing different innovative departments and also focus how to enhance employee creativity and terrain them on innovative ideas. Additionally, determining as well as eliminating non value adding activities in delivery related process of their products and enhance employees on new or significantly improved methods for the creation and also create knowhow for employees to decrease the production process by refining equipment and software in ancillary support activities, such as purchasing, accounting, computing and maintenance. This all is intended to improve the efficiency and quality of an ancillary support activity and cut the cost in production and process and also improve quality features. These are landmarks that make the companies to get higher and higher competitive advantage.

The finding also indicate that marketing innovation has positive and significant effect on competitive advantage this can be achieved in Anbessa Shoes S.C. & Sheba Leather Industry Plc. by renewing the design of current and new products through changes in area such as appearance, packaging, shape and volume without changing their basic technical and functional features. By using different product promotion like media or technique and the use of celebrity endorsements as one of tools in marketing innovation which leads the company to increase their customer bases. Additionally, development and introduction of a fundamentally new brand symbol with aforementioned techniques and all aid to upgrade the customer base and direct the companies to get sustainable competitive advantage.

Organizational innovation has positive and significant effect on improving company's competitive advantage. For this reason, Anbessa Shoes S.C.'s & Sheba Leather Industry Plc.'s owners /managers' works on the improvement of workplace which involve implementation of new methods for distributing responsibilities and decision making among employees for the division of work within and between firm. And to increase organizational innovation companies have focused on changing or improving business practices which leads to new methods for organising routines and procedures for the conduct of work. The managers also work on external relations involve the implementation of new ways of organising relations with other firms or public institutions, such as the establishment of new types of collaborations with research organisations or customers, new methods of integration with suppliers, and the outsourcing or subcontracting for business activities in production, procuring ,and distribution. As per two companies, they have invested appreciable amount of effort yet inadequate in above-mentioned areas and it has bear fruits in their organization's smooth run and profitability.

Since all of innovations' arms are positively and significantly influence the competitive advantage of involved leather industries, it is advisable for managers to evaluate and strengthen their organizations' stance on embracing new and existing innovations of all kinds i.e. product, process, marketing and organizational ones. In addition, working on their market innovation in particular gives them bigger edge in their competitive advantage than other innovations especially when organizational innovation is empowered simultaneously because the two have synergistic effect. To put it simply, product, process, marketing and organizational innovations all of them are very critical in determining the leather industries competitive advantage and remaining in business afloat but in case of limited resource and time, focusing on the marketing innovation is more helpful.

So, finding of this study also recommends leather industries to be awakened to see innovations they have at hand and how well it can relate to their competitive advantage at the domestic and international markets. Managers/owners have to make ways how to best use not some or half but all of innovations which are all showing green light in boosting one's competitive advantage.

5.3 Recommendation for future study

This study concluded that product , process, marketing and organizational innovations are separately and collectively have significant positive effect on competitive advantage of leather industry in domestic and international markets. Considering other types of innovations apart from aforementioned ones also influences competitive advantage of companies. Companies usually use varied innovations ranging from one mentioned to other types like technological innovations and others to be studied. Additionally, the researcher suggests, since this study is cross sectional but time longitudinal research design can be used by future researches to examine the cause and effect relationship between innovation and competitive advantage.

As mentioned at the beginning of the paper, this paper made its focus to investigate effect of innovations on competitive advantage of leather industries with an access to both international and domestic markets. Therefore, this paper with limitation in expounding about the relative significance of each innovations relative to one another and to competitive advantage in local companies with an exclusive domestic market access, it opens a way for future paper to specifically deal in generating knowledge regarding this gap and in addition to adding to, strengthening, and updating exiting studies.

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APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

Dear Respondents, this questionnaire was developed to conduct a research under The Effect of Innovations on Competitive Advantage in Case of Anbessa Shoes S.C. & Sheba Leather Industry Plc., Ethiopia, 2021. The research is sponsored by Jimma University. The response you provided is essential in achieving the objective of the research. I can assure you that the response will be used only for academic purpose and will not be disclosed to third party. Hence, don't hesitate to respond to each question included in the questionnaire. If you have any query, you can reach me through the following addresses.

Email: tsionbranu2018@gmail.com Phone. 09-25-69-49 72

Thank you in advance!

SECTION A: PERSONAL INFORMATION

Kindly indicate the extent of your agreement by ticking "√ "appropriately

1. Your organization

Anbessa Shoes S.C. ☐ Sheba Leather Industry Plc. ☐

2. Age

20-30 ☐ 31-40 ☐ 41-50 ☐ Above 50 ☐

3. Sex

Male ☐ Female ☐

4. Educational level

Diploma ☐ Degree ☐ Masters ☐ PhD and above ☐

5. Your work experience at the company

1-3 ☐ 4-6 years ☐ 7-9 years ☐ 10 years and above ☐

SECTION B; Research Questionnaire

The following questions related to innovations and competitive advantage. Hence, read carefully and respond to each question. Put "√" Mark in the portion that best indicates your opinion to each question. Where 5 Indicates "Strongly agree" 4 Indicates "Agree" 3 Indicate "Neutral" 2 indicates Disagree and 1 indicates "strongly disagree".

1. PRODUCT INNOVATION

Code	Statements	5	4	3	2	1
1PR	Improving the quality of the products is one of the key objectives of the organization.					
2PR	Product innovation is part of the organization's vision and Mission statements.					
3PR	The organization develops new products with components and materials totally differing from the current ones.					
4PR	In the organization products are redesigned from time to time to enable us to stay ahead of the competition.					
5PR	The organization products are considered unique from other organizations.					
6PR	Product innovation increases the market share of the organization					
7PR	New products have been introduced in the business in the last two years.					

2. PROCESS INNOVATION

Code	Statements	5	4	3	2	1
1PO	Process innovation is one of the main objectives of our organization.					
2PO	The organization adopts new ways of doing things from time to time.					
3PO	The organization use newest technology in the production process to remain competitive.					
4PO	The organization decreasing variable cost components in manufacturing processes, techniques and machinery.					
5PO	The organization Determining and eliminating non value adding activities in production processes.					
6PO	The organization determining and eliminating non value adding activities in delivery related processes.					
7PO	The organization has improved our production process in the past two year.					

3. MARKETING INNOVATIONS

Code	Statements	5	4	3	2	1
1MA	The company competitiveness has increased greatly since the introduction of market innovation					
2MA	Customer satisfaction is part of our market innovation strategy					
3MA	The organizations have changed our marketing techniques in the past one year.					
4MA	The organization has invested in market research in order to drive market innovation.					
5MA	The organization Renewing the product pricing techniques employed for the pricing of our products.					
6MA	The organization renewing the product promotion techniques.					
7MA	Market innovation strategy has helped the organization to achieve its strategic goals					

4. ORGANIZATIONAL INNOVATIONS

Code	Statements	5	4	3	2	1
1OR	Company's Organizational culture is open to new ideas					
2OR	The organizational leadership which actively seeks innovative ideas					
3OR	The organization renewing the organization structure to facilitate teamwork.					
4OR	The company renewing the organization structure to facilitate coordination between different functions					
5OR	The company renewing the organizational structure to facilitate partnerships and long-term business collaborations.					
6OR	Improving managerial routines in the firm is seen as part of innovation.					
7OR	The company renewing the routines, procedures and processes employed to execute firm activities in innovative manner.					

5. COMPETITIVE ADVANTAGE

Code	Statements	5	4	3	2	1
1CO	The organization have maintained a superior market position because of innovations					
2CO	The profit of the our organization has consistently increased over two years					
3CO	The organization used product innovation to be competitive in the market					
4CO	The demand for our company products keeps on increasing due to our innovations.					
5CO	The organization's innovation activity has enhanced its overall efficiency.					
6CO	Productivity of the organization improved in the last two years.					
7CO	Our organization is more often the trend setter which has resulted in the expansion of its customer base.					
8CO	The company has improved working process to increases its productivity.					
9CO	Our innovative strategies are harder for our rivals to imitation therefore sustainable.					
10CO	Productivity of the organization improved in the last two years					

APPENDIX II: IN-DEPTH INTERVIEW QUESTIONS

1. What new things and changes you as a manager and as an organization have added or changed in this company in the last two years?
2. Out of these new things and changes, which one is predominant and done widely? Are these changes associated with innovation type?
3. What is the significance of these changes or adoption of all innovation type in your company?
4. If your company is having the lead or gaining on other competitors, do you think that is associated with what you have introduced as changes and new things?