Effect Of Strategic Management Practices On Performance Of Coffee Cooperative Societies In Nyanza Region, Kenya: Moderating Role Of Stakeholders' Orientation

Mainya Robert Nyabaro

MBA (Kisii University), Bcom (Kisii University)

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Dr. James Muya, PhD Sign……..... Date…….....
Senior Lecturer,
Department of Business Administration
School of Business and Economics
Kisii University

Prof. Christopher Ngacho, PhD Sign……..... Date…….....
Associate Professor,
Department of Management Science
School of Business and Economics
Kisii University

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Signed……. Email: cngacho@yahoo.com Tel: 0722811548 Date……...
(Supervisor 2) **Prof. Christopher Ngacho, PhD**

DEDICATION

This PhD thesis is dedicated to my beloved wife Joyce and all my children, Metabel, Ziprose, Dr. Obed, Pamela, Lilian, and Joan. I hope this study will be a source of inspiration.

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ABSTRACT

Attainment of organizational competitive advantage and persistent enhancement of sustainable organizational performance has been the central focus of many organizations. A number of cooperative societies suffer common strategic management problems associated with low level of strategic innovation, weak strategic leadership, poor product diversification strategies, and low quality management. The general objective of the study was to determine the effect of strategic management practices on performance of coffee cooperative societies in Nyanza region, Kenya as moderated by stakeholders' orientation. The study was guided by the following specific objectives, to; determine the effect of product diversification on performance of coffee cooperative societies in Nyanza region, find out the effect of strategic innovation on performance of coffee cooperative societies in Nyanza region, establish the effect of quality management on performance of coffee cooperative societies in Nyanza region, determine the effect of strategic leadership on performance of coffee cooperative societies in Nyanza region, and establish the moderating role of stakeholders' orientation on the effect of strategic management practices on performance of coffee cooperative societies in Nyanza region. The study was anchored on the stakeholders', agency and resource based theories. The study was guided by positivism research philosophy. An explanatory survey research design was used to assess the effect of strategic management practices on performance of coffee cooperative societies. The target population was 1239 respondents comprising of the top management personnel in both coffee cooperatives societies and departments of cooperatives and agriculture. Nasiuma formula (2000) was used to determine a sample size of 394 respondents. Questionnaires were used to collect primary data. To ensure face and construct validities the questionnaires were subjected to experts and supervisors scrutiny. A content validity index (CVI) of 0.93 confirmed content validity. Crobanch alpha coefficient of 0.816 was calculated using split-half method to confirm the reliability of the questionnaires. Descriptive statistics (percentages, mean and standard deviation) were used to analyze data while inferential statistics (regression) were used to establish the relationship between variables. Pearson product moment was used to measure strength of relationships between variables. The statistical package for social sciences (SPSS) (version 25) aided in data analysis. Data was presented using frequency tables, figures and graphs. The research findings indicated that strategic management practices had a strong positive and significant relationship with performance of coffee cooperative societies. It was also established that stakeholders' orientation significantly moderates the relationship between strategic management practices and performance of coffee cooperative societies in Nyanza region. The study concluded that product diversification, strategic innovation, quality management and strategic leadership enhance performance of coffee cooperatives. The study recommended that coffee cooperative societies should allocate more funds for strategic innovation. In addition, the management needs to come up with the best innovative methods so as to keep in line with the changing market demands and needs.

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LIST OF ABBREVIATIONS AND ACRONYMS

AGM	**:**	Annual General Meeting
AFA	**:**	Agricultural and Food Authority
AMOS	**:**	Analysis of Moment Structures
C.A.K	**:**	Cooperative Alliance of Kenya
C.D.R.I	**:**	Cooperative Development Research & Innovation.
C.R.I	**:**	Coffee Research Institute
C.S.R	**:**	Corporate Social Responsibility
C.V.I	**:**	Content Validity Index
G.C.F.C.U	**:**	Gusii Coffee Farmers' Cooperative Union
I.C.A	**:**	International Cooperative Alliance
I.C.R.G	**:**	International Cooperative Research Group
I.C.O	**:**	International Coffee Organization
I.C.R	**:**	International Coffee Review
K.P.C.U	**:**	Kenya Planters Cooperative Union
M.F.Is	**:**	Micro Financial Institutions
N.C.E	**:**	Nairobi Coffee Exchange
O.E.C.D	**:**	Organization for Economic Cooperative and Development
Q.M	**:**	Quality Management
R.B.V	**:**	Resource Based View
S.M.Es	**:**	Small and Medium Enterprises
ROE	**:**	Return on Equity

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Management of public organizations has become more complex and difficult as a number of organizations begin to come under pressure to perform. To handle such complexities, strategic management has grown into a topical issue over recent decades, as scholars and practitioners alike begin to apply business management techniques into public sector environment. These techniques have not only been brought into play to enhance capacities and standards within organizations, but also to help them offer better services to the public by embracing practices used by business sectors (Ruth, 2013). Lawal *et al.,* (2017) found evidence that adoption of strategic management techniques improved the performance and relative standing of organization that are with different societal and political issues. Adoption of sound strategic management practices in terms of organizational structure, resource allocation, corporate culture, leadership, managing conflict and resistance to change leads to high organizational performance.

Public sector organizations have increasingly recognized the need to develop and deploy performance measurement systems in order to remain high performance organizations. These organizations are facing tough challenges to cope with dynamic stakeholder demands; hence, there is a need for organizations to become more responsive to be able to satisfy increasingly sophisticated stakeholder needs, while accessing up-to-date and accurate performance information on its business (Kennerly & Neely, 2013). Organizations have begun to realize that the objective of competitive advantage is not achievable purely through continuous technical improvements of their physical products; rather, it requires a deeper understanding of the needs, expectations, and perceived value scales of their stakeholders (Endang, 2018).

Performance measurement in the practical and theoretical spheres has attracted growing attention in recent years. Beyond the boundaries of the strategic management literature, several fields have contributed to the development of current organizational performance knowledge. However, most of these fields have been studied in isolation, which has resulted in fragmented and disparate findings about performance (Jean-François, 2017). The use and development of a performance measurement framework is founded in the belief that an organization can identify a causal relationship between certain actions and

an end result; and by adjusting causal action, it can improve performance (Vera-Munoz *et al.*, 2007). The process of performance measurement is one that not only reflects the change in performance over time, but also measures progress toward a desired goal.

In this time of globalization and increasingly competitive environment, measuring and improving performance has become critical to business success. The inadequacy of performance measurement framework and the introduction of non-financial measures have triggered a considerable amount of research, to the extent that it has been described as a revolution (Neely, 1999). The existence of many performance frameworks have led organizations to come up with their own frameworks, thus missing on important performance aspects measured by other frameworks.

Economists and both social and management scientists have attempted to explain why some firms thrive and others fail. Many explanations have been offered over the decades. Economists have opined that factors such as capital, technology and other inputs account for the differences between flourishing and failed firms. These organizations are facing tough challenges to cope with dynamic stakeholder demands; hence, there is a need for organizations to become more responsive to be able to satisfy increasingly sophisticated stakeholder needs, while accessing up-to-date and accurate performance information on its business (Kennerly & Neely, 2013). Organizations have begun to realize that the objective of competitive advantage is not achievable purely through continuous technical improvements of their physical products; rather, it requires a deeper understanding of the needs, expectations, and perceived value scales of their stakeholders (Endang, 2018).The business of the 21st century irrespective of its size has become part of the global business community affecting and being affected by social change, events and pressures from around the world. This is because the business environment is changing, dynamic, turbulent, discontinuous and highly competitive. In this period, the relationship between business and society has changed radically (Bloom & Van Reenen, 2007).

Globalization has made business system to have undergone a number of changes in recent years. These changes are accompanied by growth both in size and magnitude. To cope with these changes, modern management techniques are used in contemporary business environment. One of such techniques is strategic management. Over the last decade many organizations have been experiencing increased pressure to become more

performance oriented (Elina *et al.,* 2016). A number of reasons, including the increased competition for funds, financial constraints, and more demanding stakeholders, have forced organizations to reconsider evaluating their existing programs and developing new strategic orientations (Teece, 2014).

Ujumwa (2016) asserted that while economists have typically attributed growth in aggregate economic activity to the introduction of technology, the decision to apply new equipment and other factors of production in a systematic way is a management function. He further stated that "micro-level studies at firms and even plants have consistently shown that most improvements in operating efficiency are attributable to the small, steady benefits of day-to-day management intervention, not to dramatic technological innovations or capital investments". However, a major barrier to explaining the differences between thriving and unsuccessful companies has been the absence of high-quality data that measure in a consistent way the relationship between management practices and economic performance (Bloom & Van Reenen, 2007).

Chandler (1977) concluded that companies that had successfully adopted strategic management practices had succeeded with improvements in their profit reports as well as increase in their customer base and great increase in the market share. Otieno (2015) concluded that organizations perceive strategic practices as very important to the future of their success and performance. However, studies linking strategic management to improved organizational performance are still inconclusive and require further research (Greenley, 1986). The competitive business environment has resulted into complexity and sophistication of business decision-making which requires forward oriented strategic management practices. Key drivers of this change have been globalization of trade, increased size and influence of corporate organizations, the repositioning of government and the rise in the strategic importance of stakeholder's relationships, knowledge, and brand reputation (Olanipekun, 2014).

Strategic management practices enable organizations to avoid mismatch with the environment, provide links between organizations and their environments and must be consistent with the goals, values, external environment, resources, organizational structures and systems (Ansoff & McDonnell, 1990). Cesnovar (2006) in his study noted that the link between business strategies and organizational performance has been a

subject of growing interest in the field of strategic management. Despite this trend, there has been little attention given to a comparative analysis of this linkage. The attainment of organizational competitive advantage position and the persistent enhancement of sustainable organizational performance is the central focus of many organizations that strive to outweigh their competitors (International Cooperative Research Group, 2017).

A central theme of strategic management perspective is that an organization achieves sustained success only if it has a timely strategic game plan, revises its strategies according to changes in the environment and the organization's situation, and implements its strategies with proficiency. The key drivers of this change have been globalization of trade, increased size and influence of corporate organizations, the repositioning of government and the rise in the strategic importance of stakeholder's relationships, knowledge, and brand reputation (Olanipekun, 2014). Key drivers of this change have been globalization of trade, increased size and influence of corporate organizations, the repositioning of government and the rise in the strategic importance of stakeholder's relationships, knowledge, and brand reputation (Olanipekun, 2014).

The business environment in which organizations operate is constantly changing with different factors influencing the organizations. This is because organizations are open systems that operate in environment that carries with it a myriad of challenges and uncertainties. For them to deliver efficiently, they must learn to appreciate the present challenges and cope with the increasingly competitive environment which calls on firms to rethink their strategies (Pearson & Robinson, 2007). These challenges have compelled organizations to adopt and accept new strategic management thinking in order to realize the ever changing stakeholder demands (Coffee Research Institute, 2018).

The question as to why an organization should carry out strategic management practices needs to be viewed by understanding the benefits strategic management gives to an organization. Strategic management provides a framework for controlling managerial activities, allocating better resources, supporting objectives and decisions and enhancing performance. Its contribution to the growth and organizational performance has been discussed by many scholars. The use of strategic management practices enables firms to define their strategies which provide a central purpose and direction to its activities to

people who work in the firms and often to the outside world (International Coffee Organization, 2014).

According to Chandler (1977), strategic management practices help organizations to; adapt to the organizations the environment and thus its long term survival, make it possible for organizations to assess the environment and estimate future, create the opportunity for a self-assessment for the organization, enable organizations to have a direction towards a common goal as a whole within the organization and also consistency, lead organizational activities to a certain direction and form a framework for plans, increase management performance and minimize the risks to take decisions that will be regretted. Generally, strategic management practices can improve efficiency in various organizations (Bakar *et al.,* 2011).

Product diversification is one of the strategies that have been used by several organizations across the globe to enhance their business performance. These strategies allow firms to venture in business lines which operate in several economic markets. As a strategy, it seeks to increase profits through increase in sales volume (Cheboi, 2017). Various management scholars have sought to find out the correlation between product diversification and organizational performance; the findings have given mixed results. Some posted positive relationships, others negative relationships while others non-linear relationships. Some findings strongly found that organizations that diversify into related areas are more profitable than others (Ramanujam & Varadarajan, 2005).

According to Raduan *et al.,* (2019), organizations diversify to create positive spill-overs because the value of resources in one organization is affected by investment in another. Various firms may adopt different diversification strategies with the aim of improving their performance. Product diversification involves the addition of new product lines to existing products. It is the development of a firm beyond the present product and market but still contains the broad confines of the industry value chain.

Arasa & K'Obonyo (2012) defined product diversification as a strategy that involves businesses whose value chains possess competitively valuable cross-business value chain strategic fits. Strategic fits exist whenever value chain activities of different organizations are similar as to present advantages for the diversifying organizations

(Marangu *et al.*, 2015). Many factors play a role between product diversification and firm performances, the nature of the relationship notwithstanding. Firstly, this relationship is different from one industry to another. Secondly, the relationship between diversification and performances varies across different organizations. Finally, the investment models pertinent to diversification strategies may alter the relationship between diversification and performances.

In today's global and dynamic competitive environment, product innovation is becoming more and more relevant, mainly as a result of three major trends: intense international competition, fragmented and demanding markets, and diverse and rapidly changing technologies (Clarkson, 2005). Jones *et al.,* (2014) cited Calantone, Vickery & Droge, (1995) who argued that firms that offer products that are adapted to the needs and want of target customers and that market them faster and more efficiently than their competitors are in a better position to create a sustainable competitive advantage.

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Buchner et al., (2017) argues that small organizations such as cooperatives have the ability to innovate more easily and faster than large organizations due to the flat managerial structure. Managers do not have an intricate check and balance reporting systems and can easily adapt to new changes. Introduction of performance measurement metrics should therefore serve organizations in arriving at sound business decisions that will fuel the ability to innovate and also produce processes that can aid the organization’s efficiency and effectiveness (Broadbent & Weill, 1998). Various management scholars have sought to find out the correlation between product diversification and organizational performance; the findings have given mixed results.

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Innovation is hypothesized as one possible mechanism by which organizations can gain a competitive advantage in the marketplace through unique organizational resources (Barney, 2011). The critical role of innovation in the development of a company and its contribution on the economic growth of firms has been widely documented. According to Abernathy & Utterback (2005), the primary role of strategic innovation is to ensure the survival of the entity, as well as the business ecosystem, which in turn is based on achieving sustainable financial performance. Innovation provides organizations with a means of adapting to the changing environment and often is critical for firm survival. Additionally, the relationship between organization level variables and performance are also mediated by innovation. Organizational capabilities provide organizations with the inputs required for innovation that in turn can provide the organization with superior performance (Kariuki, 2016).

Anastasov & Mateev (2011) stressed the fact that encouraging firms to innovate will lead to a better economic performance of firms in terms of market and financial performance. Thus, policies that promote innovation may help fostering growth and competitiveness among business, specific regions and in the economy at large (Gunday et al., 2018). However, some studies have shown that the relationship between innovation and organization performance is not so direct, which is influenced by the impact of competitive environment. Another practice that has gained prominence in the recent past in organization is the quality management. From an academic point of view, quality management has been adopted by firms keen on leveraging their overall performance. Thus key decision makers within a given organization should incline their operational tendencies towards quality management practices for enhanced performance (Monirei, 2016).

Based on empirical evidence, McCollum (2004) demonstrates that world class organizations such as General Electric and Motorola have attributed their performance to having one of the best quality management programs in the world. The two companies are noted to have implemented the Six-Sigma quality program. In the initiative, the level

of defect is reduced to approximately 3.4 parts per million (Mohanty, 2008). This can only be achieved when every employee in the organization is trained on quality issues (McCollum, 2004). Motorola in the long run was able to win the prestigious Malcom Baldridge National Quality Award in 1988. In both companies, quality is considered as a critical factor that leads to the increased sales and market share thus good performance.

Quality gurus all recognize the importance of measurement to track progress and ensure quality improvement according to an accepted plan. They emphasize the use of local measures for evaluating performance because of the ease with which a standard can be established. To measure quality, all areas of an organization and its environment must be addressed. A performance measurement framework must contribute to and be integrated with other management objectives. By integrating quality with dimensions of organizational performance, a framework to foster their performance has to be developed.

The pioneers in quality management, such as Deming, Juran, Cosby and Feigenbaum, highlighted the importance of the quality philosophy as an essential competitive weapon for the transformation of an organization. Kaynak (2003) noted that the quality management road to productivity is the shortest and most effective route to higher productivity and performance. Pantera (2010), also affirmed as quality, not quantity is the key to productivity. Other similar studies such as Hart & Hart (2011), Sumanth & Arora (2012) agreed that quality management incorporates productivity since only through quality improvement can productivity be enhanced and the route to increased productivity is by increasing quality (Odeny, 2016). Butts (2016) described poor quality management as a vampire-like creature which takes bite after bite out of productivity.

Both global and national forces are driving change within and across individual business organizations. These changes have served to put the issue of quality management firmly on the agendas of these organizations. Despite the progress that has been made through research and debate, there is still no universal consensus on how best to manage quality within organizations. One of the key reasons for this is the recognition that quality is a complex and multi-faceted construct, particularly in business environments (Harvey & Knight, 1996; Cheng & Tam, 1997). As a result, the measurement and management of quality has created a number of challenges. This, in turn, has led to the adoption of a

variety of quality management practices within different organizations many of which draw upon existing industry models (Kiprotich, 2014).

The relationship between quality management and an organizational performance has been abundantly examined. However, while some studies suggested a significant impact (Yasin *et al.,* 2004; Besterfield *et al.,* 2003; Douglas & Judge, (2001), other studies did not suggest any (Brah *et al.,* 2002; Sohal & Terziovski, 2000). Soltani *et al.,* (2005) claimed that the majority of UK organizations have not gained any tangible results from quality management as a practice (Kiprorich, 2014).

Ireland & Hitt (2009) conceptualized strategic leadership as a set of unique capabilities of anticipating, envisioning, maintaining flexibility, thinking in a strategic way, and empowering employees to generate innovative ideas that lead to high performance. House & Aditya (1997) saw it as an activity that is directed towards giving purpose to organizations. Boal & Hooijberg (2001) viewed it as the ability to create and maintain absorptive and adaptive capacities and the ability to discern environmental opportunities through their managerial wisdom. However, Rowe & Nejad (2009) thought it as an activity of communicating the shared values and a clear vision to employees, and the ability to make decisions with minimum organizational controls.

Shoemaker & Krupp (2015) argue that strategic leadership is not only concerned with the possession of unique abilities that allows for the absorption and learning of new information and ideas, but having the adaptive capacity to appropriately respond to the dynamism and complexity of the external environment. They further posit that such abilities allow strategic leaders to continuously and tactically adjust the organization in response to the uncertain environment.

Effective strategic leadership is considered as a major ingredient for the successful performance of any organization operating in the ever dynamic and complex environment of the 21st century. In the context of information uncertainty and resource scarcity, strategic leadership is required to confront the reality of environmental turbulence and a continuous need for appropriate organizational change in order to achieve performance goals. Most of the conceptual and empirical studies have shown that strategic leadership actions significantly influence performance (Machuki & Jaleha,

2018). Strategic leadership is one of the major issues facing organizations recently; nonetheless, little empirical evidence has emerged on the effects of strategic leadership on organizational performance with distinct strategic importance. In the absence of effective leadership, the capability of a company to sustain a competitive advantage is severely compromised (Elenkov, 2008).

Lear (2012) identified strategic leadership that links leadership effectiveness and organizational performance in a new paradigm shift to strategic leadership. The dynamic behavioral complexity of the causal chain of moderators suggests the reason for the difficulty in attaining and maintaining leadership effectiveness. In spite of the long history of research on strategic leadership and management, it is in the recent past that the organization behaviorists started to give strategic leadership some attention (Narayanan & Zane, 2009).

Organizational strategic leadership enables leaders to anticipate future challenges, to interpret, decide, and align organizational performance (Schoemaker *et al.,* 2012). Such leadership must deal with ambiguity, complexity, and information overload requiring adaptability. Strategic leaders are expected to make decisions for their organization's future (Gacigi 2018). It contributes to improved performance as it transforms the firm and its operations to be optimized in terms of having long term growth and survival and at the same time short term financial health. It puts emphasis on building the firm's resources and competencies so as to achieve competitiveness in the market. Strategic leaders are aware that concentrating on the current situations and ignoring the key issues that are affected by the turbulent environment will lead to organizational disaster (Lamb, 2009).

There is little empirical evidence of the effects of strategic leadership on organizational processes that have distinctively strategic significance (Elenkov, 2008; Serfontein, 2009). Other researchers have examined critical leadership components (Ireland & Hitt, 2009; Hitt, Ireland & Hoskisson, 2001), and the results of such studies would indicate the contribution of these components to organizational success. However, there are few studies which have examined the effects of strategic leadership on organization's performance (Kathuria & Partovi, 2000; Raymond & Croteau, 2009, Serfontein, 2009).

Scholars have conceptualized and empirically determined the influence of strategic management practices on performance (Fitza, 2017; Ireland & Hitt, 2019). However, Knies *et al.,* (2016) point out that this causal relationship is questionable since other studies have demonstrated that their influence on performance may be limited due to contextual constraints. These disparate findings indicate either a lack of evidence in establishing a direct association between the broad conceptualization of strategic management practices and performance or of the many confounding variables that make it difficult to demonstrate clear cause and effect (Quigley & Graffin, 2017; Knies *et al.,* 2016).

1.1.1 Stakeholders' Orientation

Stakeholders are any groups or individuals who can affect or are affected by the achievement of an organization's objectives. Stakeholder analysis is based on the belief that certain reciprocal relationships exist between an organization and certain groups and individuals (Duesing, *et al.,* 2015). These groups and individuals are so-called stakeholders as they are considered to have a stake or claim in the outcome of decision-making. There has been much academic research in recent years devoted to the management of stakeholder relations (Shane & Venkataraman, 2010); however, little research has been done on the related construct of stakeholder orientation.

In the vibrant small business environment, the strategic attention directed at specific stakeholder groups may have long-term effects on the performance of the firm. The theoretical development of stakeholders has been well recognized (Mitchell, Agle, & Wood, 1997), but only a handful of stakeholder orientation studies and their effects on the organizational performance have been empirical in nature. The choice made by business organizations to devote resources to stakeholders and the subsequent relationships that are developed if not nurtured well may have varying effects on the performance of organizations (Muliro *et al.,* 2016).

Organizational stakeholders can be grouped into three main categories, the organizational stakeholders who include employees and managers, the economic stakeholders who include customers, competitors, creditors, suppliers and distributors and the societal stakeholders who include governments, regulators and communities. The group of economic stakeholders is a link between the organization and the societal

stakeholders. The three groups of stakeholders function in a larger context of social, demographical, technological trends, which don't only influence the organization but also its stakeholders (Jolanta, M. 2015).

Although stakeholders identified by big and small businesses may be the same, small businesses will most likely have a different emphasis on specific stakeholders than those emphasized by large corporations, public institutions, or global organizations. Important stakeholders often have diverse interests and small businesses, with presumably fewer resources than larger organizations, will have to make strategic choices in the relationships they develop. They may only have the power to influence one specific stakeholder group, or may choose to divide their influence among multiple stakeholder groups.

Aremu & Oyinloye (2015) argued that a clearly defined strategic management practice leads to enthusiasm among various stakeholders which includes shareholders, suppliers, creditors, customers, and employees and as a result promote commitment that will enhance better performance of business organization. The lens of management within a firm regarding the organization's orientation will affect their view of the strategic practices to be applied and even the performance indicators. For example, an organization that has a greater orientation toward customers will look at the strategic practices relative to the perception of customers. The stakeholder orientation of a company is important because the strategic attention serves as a reference for management to interpret the role of various stakeholders and the organization's performance.

Effective strategic management demands a higher involvement in the strategy formulation and implementation process by a variety of stakeholders. This will increase the degree of ownership and commitment to that strategy thereby increasing the quality of output and its success rate. The management must therefore identify the key stakeholders with vested interest in the success of the organization and involve them in the organization's strategic management process in order to enhance organizational performance Nav R. S. (2017).

1.1.2 Organizational Performance

Performance is regarded as an output which is aligned to objectives or simply profitability and is explained in terms of expected behavioral output and results. However, Odhuno *et al.,* (2010) asserted that the only worthy performance measure is financial performance because of its value to shareholders, executives and the market. This measure is an indicator of organizational success and sustainability because it is the reason for the existence of firms. The financial success of an organization is a measure of a firm's performance because it depicts the ability of an organization to operate above all its costs. Otieno (2015) adopted the definition of organizational performance as the achievements of an enterprise with respect to some criterion and viewed performance in terms of output such as quantified objectives or profitability.

Performance is a complex and dynamic concept which has been conceptualized in two ways namely; the drivers of performance and the results of performance (Koros 2017). Iravo *et al.,* (2013) state that one of the important questions in business has been why some organizations succeed and why others fail. This has influenced studies on the drivers of organizational performance. Awino (2011) opines that for an organization to be successful, it has to record high returns and identify performance drivers from the top to the bottom of the organization. Njihia *et al.,* (2013) highlights performance measurement as one of the tools which helps firms in monitoring performance, identifying the areas that need attention, enhancing motivation, improving communication and strengthening accountability.

According to Simons (2010), organizational performance is seen as the ability to produce outcomes related to the desired targets. Various metrics such as profit margins, market share, customer and employee satisfaction, company growth have been used to measure the performance of an organization with objectives and the market competition in mind. He further argued that performance measurement is a social construct and that any determinant of performance will vary according to who you ask since perceptions of what constitutes performance varies from group to group and from individual to individual.

Assessment of performance must extend beyond stakeholders perceptions and organizational performance has to be measured in terms of a criterion that looks at organizational attributes such as the overall success in meeting the organizations goals and objectives, the level of satisfaction by the clientele being served, and the increase or decrease in the products offered by the organization. The increasing competitive pressure requires organizations to engage in activities that will generate high performance and a competitive advantage (Jones & Linderman 2014).

Odhiambo (2019) identified three approaches to performance in an organization which are the goal approach, which states that an organization pursues definite identifiable goals. This approach describes performance in terms of the attainment of these goals. The second is the systems resource approach which defines performance as a relationship between an organization and its environment. This concept defines performance according to an organization's ability to secure the limited and valued resources in the environment. The third approach is the process perspective which defines performance in terms of the behavior of the human resource of an organization (Waiganjo *et al.*, 2012).

Rotich (2016) observes that successful firm performance depends on effective implementation and rationalization of the basic strategic elements. Strategy implementation involves the actions of establishing policies and annual objectives and allocating resources so that a formulated strategy can be accomplished. A firm's performance generally has been considered to be the result of a strategic management process which contains all possible situations and activities, including the external environment, and internal factors, including a firm's size, age and structure, and strategy choices.

Kiragu (2017) highlights performance in terms of four perspectives which are the financial, customer, internal processes and innovativeness. The financial perspective identifies the key financial drivers of enhancing performance which are profit margin, asset turnover, leverage, cash flow, and working capital (Odhuno & Wadongo, 2010). The customer focus describes performance in terms of brand image, customer satisfaction, retention and profitability. Internal processes involve the efficiency of all

the systems in the organization while innovativeness is concerned with the ease with which a firm is able to adapt to changing conditions.

1.1.3 Performance of Coffee Cooperative Sector in Kenya

In the years preceding 1996, cooperative movement in Kenya was fundamentally characterized by close association with and control of the state. This could be attributed to the fact that the first cooperative society in the country was established in 1908 by the colonial government and therefore this historical background could have impacted largely on the cooperatives in the country. The colonial government was the sole decision maker and manager of everything that happened in the country and therefore borrowing a lot from this background, cooperatives inherited this state control even after the colonial government left the country in 1963.

Cooperative societies that were formed during the colonial era in Kenya were meant to serve the interests of white settlers and not Africans. The resultant legislation was too draconian for the ordinary Africans who were not even allowed to join them. Unlike the mainstream cooperative societies that exist in present Kenya and even in other countries, cooperative societies of that time were formed by the government for the purpose of serving the interests of white settlers. (Baka, L. O 2013).

As member-owned, value-based, people-centered and principle-driven organizations, cooperative enterprises are by nature a sustainable and participatory business form, which have shown remarkable resilience in the face of economic and financial crises (International Cooperative Alliance, 2013). Notably, cooperative employment involves at least 279 million people in the world, almost 90% of whom are farmers organizing their production within the scope of cooperatives (Rothbaum, 2013).

Kenya has the highest proportion, in percentage points, of GDP attributable to cooperatives globally, standing at 45 per cent, followed by New Zealand with 22 per cent. The cooperative movement worldwide has about 800 million members in over 100 countries and is estimated to account for more than 100 million jobs around the world. Kenya’s cooperative sector is reputed to be one of the most regulated in Africa and the best in East Africa. One out of every five Kenyans is a member of a cooperative. This means at least eight million Kenyans are members of cooperatives while 20 million

depend on the movement indirectly. Cooperatives contribute to sustainable development well beyond job creation, often serving as frontrunners of social and environmental innovation, and habitually setting benchmarks that others follow, for instance, as the first ever organizations to grant women the right to vote and own shares (International Labour Organization, 2014).

The Kenya government has continued to formulate development strategies directed at achieving economic, political, social and environmental transformation aimed at changing people's lives through industrialization and sustainable utilization of resources. These strategies have supported the cooperative movement enterprises to mature from the traditional areas of agricultural production, processing and marketing to more sophisticated areas of finance, real estate, manufacturing and mining among other sectors (International Coffee Organization, 2017).

Co-operatives are established to protect members from exploitation through provision of quality and fair-priced goods and services. They counteract both monopolistic and oligopolistic tendencies besides helping members to gain access to markets where existing structures fail to provide producers with fair returns. Co-operative enterprises provide services to consumers which would otherwise not be available especially in remote areas or where a large population is excluded due to lack of financial services (International Cooperative Review, 2017).

Cooperatives have in the past experienced governance challenges which have led to misapplication of property leading to loss of confidence by members. Non-clarity of roles between various cooperative organs, ignorance by members, poor succession planning and dishonesty by co-operative leadership are some of the factors that have contributed to poor governance in many co-operatives. It is therefore necessary that the Government continues to intervene in cooperatives management whenever cases of impropriety are reported (Cooperative Alliance of Kenya, 2015).

However, the main challenge lies with small organizations such as the cooperative enterprises which do not have enough resources and capacity to implement strategic management practices. In the Kenya’s economy, cooperative organizations play an important role in employment and wealth creation, income distribution, accumulation of

technological capabilities and spreading the available resources. In 2016 cooperatives sector had created about 67% of new jobs both directly and indirectly in Kenya and contributed about 42% to the gross domestic product (International Cooperatives Alliance, 2017).

1.2 Statement of the Problem

The relationship between strategic management practices and cooperative performance has been found to have mixed reactions; some indicating positive relationships, others negative relationships while others non-linear relationships (Ramanujam & Varadarajan, 2005). These disparately mixed findings indicate either a lack of evidence in establishing a direct association between the broad conceptualization of strategic management practices and cooperative performance or of the many confounding variables that make it difficult to demonstrate clear cause and effect (Quigley & Graffin, 2017). It has also been noted that a handful of stakeholder orientation studies and their effects on the organizational performance have been scantly done.

However, a number of cooperative societies suffer common strategic management problem associated with low level of strategic innovation, weak strategic leadership, poor product diversification strategies, and low quality management (Organization for Economic Cooperative and Development, 2010). While most modern organizations are diversifying their products and services, adopting new strategic innovations, improving their leadership skills and managing the quality of their products through value addition in order to improve their overall performance; cooperatives in Kenya have stuck in the old ways of doing their business leading to their underperformance as a result of constant leadership wrangles, low and delayed coffee payments and irregular elections (Coffee Research Foundation, 2016). In response to the above, the researcher sought to carry out the study on the effect of strategic management practices on performance of coffee cooperative societies in Nyanza region, Kenya: An examination of the moderating role of stakeholders' orientation.

1.3 Research Objectives

The study was guided by the following objectives;

1.3.1 General Objective

To determine the effect of strategic management practices on performance of coffee cooperative societies in Nyanza region, Kenya: moderating role of stakeholders' orientation.

1.3.2 Specific Objectives

The study was guided by the following specific objectives, to;

V. Establish the effect of strategic management practices on performance of coffee cooperative societies in Nyanza region, Kenya.

i. Determine the effect of product diversification on performance of coffee cooperative societies in Nyanza region,
ii. Find out the effect of strategic innovation on performance of coffee cooperative societies in Nyanza region,
iii. Establish the effect of quality management on performance of coffee cooperative societies in Nyanza region,
iv. Determine the effect of strategic leadership on performance of coffee cooperative societies in Nyanza region,

V. To establish the moderating role of stakeholder's orientation on the relationship between strategic management practices and performance of coffee cooperative societies in Nyanza region, Kenya.

V (a) Determine the moderating role of stakeholders' orientation on the relationship between product diversification and performance of coffee cooperative societies in Nyanza region.

V (b) Establish the moderating role of stakeholders' orientation on the relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region.

V(c) Determine the moderating role of stakeholders' orientation on the relationship between quality management and performance of coffee cooperative societies in Nyanza region

V (d) Find out the moderating role of stakeholders' orientation on the relationship between strategic leadership and performance of coffee cooperative societies in Nyanza region.

1.4 Research Hypotheses

H_{01}: **P**roduct diversification has no significant statistical effect on performance of coffee cooperative societies in Nyanza region, Kenya.

H_{02}: Strategic innovation has no significant statistical effect on performance of coffee cooperative societies in Nyanza region, Kenya.

H_{03}: Quality management has no significant statistical effect on performance of coffee cooperative societies in Nyanza region, Kenya.

H_{04}: Strategic leadership has no significant statistical effect on performance of coffee cooperative societies in Nyanza region, Kenya.

H_{05a}: Stakeholders' orientation has no significant statistical moderating role on the relationship between product diversification and performance of coffee cooperative societies in Nyanza region, Kenya.

H_{05b}: Stakeholders' orientation has no significant statistical moderating role on the relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region, Kenya.

H_{05c}: Stakeholders' orientation has no significant statistical moderating role on the relationship between quality management and performance of coffee cooperative societies in Nyanza region, Kenya.

H_{05d}: Stakeholders' orientation has no significant statistical moderating role on the relationship between strategic leadership and performance of coffee cooperative societies in Nyanza region, Kenya.

1.5 Scope and Justification of the Study

This researcher adopted explanatory survey of all the active coffee cooperative societies in Nyanza region because it provides a high level of accuracy since each and every unit of the population is studied before drawing any conclusions of the research. It also increases the degree of correctness of the information because more data are collected. Further, the results based on this method are less biased. There were 51 coffee cooperative societies scattered within the study area, from which the target population was drawn, this provided a good sample group for the study. The study was confined only to three study variables which included; strategic management practices which are product diversification, strategic innovation, quality management, and strategic leadership (independent variables), stakeholder orientation (moderating variable) and coffee cooperative societies' performance (dependent variable) so as to address the study objectives. The main reason for focusing on cooperatives was because it is one of the major flagships of social pillar of vision 2030 that is meant to address social issues affecting livelihoods of citizens of this country.

1.6 Significance of the Study

Generally, findings of this study were expected to contribute to the advancement of knowledge about the best management practices in the cooperative societies. This was expected to increase the inventory of knowledge on cooperative society's governance in Kisii County and beyond. The study would help in the improvement of decision making in the management board of cooperative societies and at the same time enable them to incorporate personnel with the needed skills. The study would as well help in the identification of the weaknesses and strengths in the performance of cooperative sector in general and the management boards in particular.

Since the cooperative sector in Kenya is of national importance due to its significant contribution towards national economic growth through job creation, and generation of goods and services for the social well-being, the findings of this study may provide policy-makers with information that can be used as inputs for policy development on how to improve the cooperative sector and the complementarities aspects between different players on social development. The findings of this study might also be valuable to researchers and academicians in providing sector specific knowledge on the

contributions of strategic management practices on the performance of cooperative organizations in Kenya. The study may also provide an empirical source for future research in the area in an effort to build adequate literature on the subject.

The study may also make contributions to the existing literature on strategic management practices and performance in the context of cooperative sector in Kenya.
In particular, it is expected to do the following: - to enable management to make informed decisions that will enhance performance of the cooperative societies and come up with policies which can ensure sustainability of good performance and organizational success in the face of global competition. On the other hand the study findings would form a solid background for scholars interested to further research on this area. Further the study findings would act as a guide to policy makers in making sound decisions that translate business strategies into deliverable results in order to maximize organizational performance and create more economic value.

1.7 Limitations of the Study

A number of limitations were expected in this study especially from the research design and the respondents. The study was guided by explanatory research design which locked out other research designs. This could be due to the impact of a wide range of factors and variables in social environment. In other words, while casualty can be inferred, it cannot be proved with a high level of certainty. In certain cases, while correlation between two variables can be effectively established; identifying which variable is a cause and which one is the impact can be a difficult task to accomplish.
Consequently, some respondents might have feared or unwilling to give correct information during the interview process. In order to ensure that respondents were comfortable sharing their information, they were assured of the confidentiality of the information given and that they would not be required to disclose their own identity neither that of the organization. Also another limitation was on getting information on the performance of these organizations. Some organizations have confidentiality policy which might have limited the respondents' response as regards to actual performance. After the pilot testing the researcher altered the questionnaire to test the performance variables using perceptual measure so as to reduce cases of non-response.

Lastly a researcher experienced busy schedules of most of the respondents as they were not employees of these organizations and finding them at one particular place was a challenge. The researcher and the research assistants provided the respondents more time, 3 weeks utmost to complete the questionnaire. The time allocated was also complemented by follow-up phone calls to the respondents. To a large extent the study was limited to the information given by the respondents.

1.8 Assumptions of the Study

It was assumed that survey participants in this were not deceptive with their answers and the respondents would be honest and willing to provide the required information to the best of their ability, that the statistics available at the coffee cooperative societies and other relevant offices would be current and up-to-date and that the results of this study would be generalized to the rest of the coffee cooperative societies in Kenya. It was assumed that product diversification, strategic innovation, quality management and strategic leadership had an influence on coffee cooperative societies' performance. It was further assumed that stakeholders' orientation moderated the relationship between strategic management practices and coffee cooperative societies' performance. It was also assumed that the sample size chosen would be representative of the population and therefore the findings could be generalized to the rest of the coffee cooperative societies in Kenya.

1.9 Operational Definition of Terms

Cooperative performance: The level at which the coffee cooperative societies use their resources efficiently and effectively to achieve their goals.

Organizational performance: It is the ability to reach the predetermined goals of an organization by using its resources most effectively.

Performance: Accomplishment of tasks measured against preset known standards of accuracy, completeness and cost.

Performance measures: Indicators used by management to measure, report and improve the performance in an organization.

Product diversification: A strategy employed to increase profitability. and achieve higher sales volume from new products.

Quality management: The act of overseeing all activities and tasks needed to maintain a desired level of excellence.

Strategy: A plan of action stating how an organization will achieve its long-term objective.

Strategic Leadership: Ability to foresee the future, while maintaining flexibility and authorizing others to create strategic change as appropriate.

Strategic management: Act of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.

Strategic Management Practices: an organization's strategy and how management performs a continuous appraisals of the business and industries in which the organization works in.

Stakeholder: Any group or individual who can affect or is affected by the achievement of the organization's objectives.

Stakeholder orientation: Strategic attention that an organization directs to the diverse interests of stakeholder groups such as customers, shareholders and employees.

Strategic innovation: An organization's process of reinventing or redesigning its corporate strategy to drive business growth, generate value for the company and its customers, and create competitive advantage.

CHAPTER TWO
LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Stakeholder's Theory

For the last 30 years a growing number of scholars and practitioners have been experimenting with concepts and models that facilitate the understanding of the complexities of today's business challenges. Among these, "stakeholder theory" or "stakeholder thinking" has emerged as a new narrative to understand and remedy three interconnected business problems—the problem of understanding how value is created and traded, the problem of connecting ethics and capitalism, and the problem of helping managers think about management such that the first two problems are addressed (Choi *et al.,* 2009).

Stakeholder theory is an idea about how business really works. It says that for any business to be successful it has to create value for customers, suppliers, employees, communities and financiers, shareholders, banks and others people with the money. Their interests have to go together, and the job of a manager or entrepreneur is to work out how the interest of customers, suppliers, communities, employees and financiers go in the same direction (Harrison *et al.,* 2010).

The theory suggests that if we adopt as a unit of analysis the relationships between a business and the groups and individuals who can affect or are affected by it then we have a better chance to deal effectively with these three problems. First, from a stakeholder perspective, business can be understood as a set of relationships among groups that have a stake in the activities that make up the business (Walsh, 2005). It is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks, etc.), communities and managers interact to jointly create and trade value.

To understand a business is to know how these relationships work and change over time. It is the executive's job to manage and shape these relationships to create as much value as possible for stakeholders and to manage the distribution of that value (Freeman, 2008). Where stakeholder interests conflict, the executive must find a way to re-think problems so that the needs of a broad group of stakeholders are addressed, and to the

extent this is done even more value may be created for each (Harrison, Bosse, & Phillips, 2010). If tradeoffs have to be made, as sometimes happens, then executives must figure out how to make the tradeoffs, and then work on improving the trade-offs for all sides (Freeman, Harrison, & Wicks, 2008).

Stakeholder theory suggests that a business must seek to maximize value for its stakeholders. It emphasizes the interconnections between business and all those who have a stake in it, namely customers, employees, suppliers, investors and the community. Stakeholder theory views the corporation as part of a larger social body and not a separate entity. The firm has responsibility to people and groups other than its owners. It impacts the lives of individuals like customers and especially employees, who are dependent on the firm. Donaldson (2015) argued that the theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and that no set of interests is assumed to dominate the others. Stakeholder theory allows researchers to broaden their focus using a wider set of relationships among multiple stakeholders rather than depending only on an economic relationship.

According to Freeman (2009) there are six principles of stakeholder theory that govern the relationship between the stakeholders and the organizations. He gave these principles as; principle of entry and exit; which portends that there must be clear rules that delineate, for example, the rules when it comes to hiring employees and terminating their employment should be clear-cut and transparent. The principle of governance; concerned with how the rules governing the relationship between the stakeholders and the firm can be amended. The principle of externalities; is concerned with how a group that does not benefit from the actions of the corporation has to suffer certain difficulties because of the actions of the corporation. The principle suggests that anyone who has to bear the costs of other stakeholders has the right to become a stakeholder as well. Anyone who is affected by a business becomes a stakeholder.

The principle of contract costs; each party to a contract should either bear equal amounts when it comes to cost, or the cost they bear should be proportional to the advantage they have in the firm. Agency principle; that the manager of a firm is an agent of the firm and therefore has responsibility to the stakeholders as well as the shareholders. The principle of limited immortality; to ensure the success of organization and its owners alike, it is

necessary for the organization to exist for a prolonged period of time. If the firm only exists for a very limited period of time, it would be advantageous for some of the stakeholders and disadvantageous for others. Thus the firm must remain in existence for a length of time, and it should be managed in a way that ensures its survival.

The theory supports this study because it emphasizes the interconnections between business and all those who have a stake in it, namely customers, employees, suppliers, investors and the community who are the main concern of this study. Managers who wish for their organization to reach its fullest potential in performance have no option but to take the interests of the stakeholders into account and studies on how businesses, managers, and stakeholders interact with each other come into being. It also ensures sustainability and survival of organizations (Freeman 2008).

The theory views the organization as part of a larger social body and not a separate entity and therefore the organization has responsibility to people and groups other than its owners. It impacts the lives of individuals like customers and especially employees, who are dependent on the firm. The devotion of resources directed toward a specific array of stakeholders represents a unique stakeholder orientation for a particular firm.

Stakeholders' theory has been praised for overcoming the narrow view which says that the company's sole purpose is to maximize value for stakeholders (Freeman 2008). Introducing value creation for all stakeholders broadens the framework of management, bringing closer to a more realistic economic optimum, generating new cooperative value creation capabilities and overcoming some conflicts.

2.1.2 Agency Theory

The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross & Barry Mitnick in 1972. Agency theory is rooted in one of the oldest problems of political philosophy, that of understanding the relation between the 'masters' who is given socially legitimate control over certain actions and the 'servant' who controls the information on which the 'master' acts (Cyert & March, 1992).

Agency theory is used to understand the relationships between agents and principals. The agent represents the principal in a particular business transaction and is expected to represent the best interests of the principal without regard for self-interest. The different interests of principals and agents may become a source of conflict, as some agents may not perfectly act in the principal's best interests. The resulting miscommunication and disagreement may result in various problems and discord within companies. Incompatible desires may drive a wedge between each stakeholder and cause inefficiencies and financial losses. This leads to the principal-agent problem.

The principal-agent problem occurs when the interests of a principal and agent come into conflict. Companies should seek to minimize these situations through solid corporate policy. These conflicts present normally ethical individuals with opportunities for moral hazard. Incentives may be used to redirect the behavior of the agent to realign these interests with the principal's concerns.

Corporate governance can be used to change the rules under which the agent operates and restore the principal's interests. The principal, by employing the agent to represent the principal's interests, must overcome a lack of information about the agent's performance of the task. Agents must have incentives encouraging them to act in unison with the principal's interests. Agency theory may be used to design these incentives appropriately by considering what interests motivate the agent to act. Incentives encouraging the wrong behavior must be removed, and rules discouraging moral hazard must be in place. Understanding the mechanisms that create problems helps businesses develop better corporate policy.

Agency model is considered as one of the oldest theory in the literature of the management and economics (Daily *et al.,* 2003; Wasserman, 2006). Agency theory discusses the problems that surface in the firms due to the separation of owners and managers and emphasizes on the reduction of this problem. This theory helps in implementing the various governance mechanisms to control the agents' action in the jointly held corporations. Agency theory originates from the problems of risk sharing between principal and agents (Daily *et al., 2003*).

Agency theory attempts to explain the relationships and self-interests in business organizations. It describes the relationship between principals/agents and delegation of

control. It explains how best to organize relationships in which one party (principal) determines the work and another party (agent) make decisions on behalf of the principal (Schroeder *et al.,* 2011). The principal has entrusted money but has little or no day-to-day input. The agent is the decision-maker but is incurring little or no risk because any losses will be borne by the principal.

The agent represents the principal in a particular business transaction and is expected to represent the best interests of the principal without regard for self-interest. The different interests of principals and agents may become a source of conflict, as some agents may not perfectly act in the principal's best interests. The resulting miscommunication and disagreement may result in various problems and discord within companies. Incompatible desires may drive a wedge between each stakeholder and cause inefficiencies and financial losses. This leads to the principal-agent problem (Aaltonen *et al.,* 2008).

The theory explains how best to organize relationships in which one party determines the work while another party does the work. In this relationship, the principal hires an agent to do the work the principal is unable or unwilling to do. For example, in corporations, the principals are the shareholders of a company, delegating to the agent i.e. the management of the company, to perform tasks on their behalf. The theory assumes that both the principal and the agent are motivated by self-interest. This assumption of self-interest sometimes dooms the theory to inevitable conflicts. Thus, if both parties are motivated by self-interest, agents are likely to pursue self-interested objectives that deviate or conflict with the goals of the principal, yet agents are supposed to act in the sole interest of their principals (Apostolakis, 2018).

This theory assumes that when a company is first established, its owners are usually its managers, and that as a company grows, the owners appoint managers to run the company. The owners expect the managers to run the company in the best interest of the owners; therefore a form of agency relationship exists between the owners and the managers. Many companies borrow, and a significant proportion of the long-term capital of a company might come from various sources of debt capital, such as bank loans, lease finance and bond issues (debentures, loan stock and so on). Major lenders

also have an interest in how the company is managed, because they want to be sure that the company will be able to repay the debt with interest.

However, agency theory has been criticized by many scholars, for example, Maina (2016) cited Perrow (1986) who criticized that positivist agency researchers only concentrated on the agent side of the 'principal and agent problem', and opined that the problem may also happen from the principal side. He observed that this theory is unconcerned about the principals, who deceive, shirk and exploit the agents. Furthermore, he added that the agents are unknowingly dragged into work with the perilous working environment and without any scope for encroachment, where principals act as opportunistic. He believed in another way that humans are noble and work ethically for the betterment of the firm (Donaldson, 2015).

Other authors such as Pepper & Gore (2012) also criticized the agency theory on various grounds and they propounded a different agency theory called behavioral agency theory which argued that standard agency theory only emphasizes on the principal and agent conflict, agency cost and the realignment of both the parties' interest to minimize the agency problem. The behavioral agency model recommended some modifications like agent's motivation, risk averseness, time preference and equitable compensation. The argument was that the agents are the main component of the principal–agent relationship and their performance mostly depends upon their ability, motivation and perfect opportunity.

Though agency theory is very pragmatic and popular, it still suffers from various limitations and this has been documented by many authors like Daily *et al.* (2003). The theory assumes a contractual agreement between the principal and agent for a limited or unlimited future period, where the future is uncertain. The theory assumes that contracting can eliminate the agency problem, but practically it faces many hindrances like information asymmetry, rationality, fraud and transaction cost. Shareholders' interest in the firm is only to maximize their return, but their role is limited in the firm. The roles of directors are only limited to monitor the managers and their further role is not clearly defined. The theory considers the managers as opportunistic and ignores the competence of the managers (Brahmadev, 2017). The underlying assumption of agency

theory is that individuals will almost always act in their own self-interest and that this behavior may directly conflict with the firm's best interests.

2.1.3 Resource-Based Theory

Resource based theory focuses attention on an organization's internal resources as a means of organizing processes and obtaining a competitive advantage. Barney stated that for resources to hold potential as sources of sustainable competitive advantage, they should be valuable, rare, imperfectly imitable and not substitutable (now generally known as *VRIN* criteria). The resource-based view suggests that organizations must develop unique, firm-specific core competencies that will allow them to outperform competitors by doing things differently.

Achieving a sustainable competitive advantage lies at the heart of much of the literature in strategic management and strategic marketing. The resource-based view offers strategists a means of evaluating potential factors that can be deployed to confer a competitive edge. A key insight arising from the resource-based view is that not all resources are of equal importance, nor do they possess the potential to become a source of sustainable competitive advantage. The sustainability of any competitive advantage depends on the extent to which resources can be imitated or substituted. Barney (2010) and others point out that understanding the causal relationship between the sources of advantage and successful strategies can be very difficult in practice. Thus, a great deal of managerial effort must be invested in identifying, understanding and classifying core competencies. In addition, management must invest in organizational learning to develop, nurture and maintain key resources and competencies.

In the resource-based view, strategists select the strategy or competitive position that best exploits the internal resources and capabilities relative to external opportunities. Given that strategic resources represent a complex network of inter-related assets and capabilities, organizations can adopt many possible competitive positions. Although scholars debate the precise categories of competitive positions that are used, there is general agreement, within the literature, that the resource-based view is much more flexible than Porter's prescriptive approach to strategy formulation. Barney (2010) defines firm resources as: "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness".

Capabilities are "a special type of resource, specifically an organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm."

The resource-based view (RBV) of the organization is a strategy for achieving competitive advantage that emerged during the 1980s and 1990s, following the works of academics and businessmen such as Birger Wernerfelt, Prahalad and Hamel, Spender and Grant. The core idea of the theory is that instead of looking at the competitive business environment to get a niche in the market or an edge over competition and threats, the organization should instead look within at the resources and potential it already has available. The resource-based view suggests that organizations must develop unique, firm-specific core competencies that will allow them to outperform competitors by doing things differently.

According to resource based view, it is significantly easier to exploit new opportunities using resources and competencies that are already available, rather than having to acquire new skills, traits or functions for each different opportunity. These resources are the main focus of the resource based view model, with its supporters arguing that these should be prioritized within organizational strategy development.

Aragon & Sanchez (2015) in their study pointed scholars such as Rumelt (1984) & Wernerfelt (1984) who laid the groundwork for the resource based-view of the firm. The theory attempts to answer the question of why some firms perform better than other firms. Like all theories of strategic management, this theory is interested in the objective of maximizing firm profits. Resource-based view stems from the notion that organizations sources of competitive advantages lie in the internal resources, as opposed to the position in the external environment.

The theory predicts that certain kinds of resources owned and controlled by organizations have the capacity to create competitive advantage which eventually leads to a superior firm performance (Ainuddin *et al.*, 2017). Such resources include managerial ability, customer relationships, brand reputation, and tacit knowledge regarding specific manufacturing process. The theory argues that the fundamental sources or drivers to firms' competitive advantage and superior performance are mostly

associated with the kinds of resources and capabilities that they possess and which are valuable and costly-to-copy (Platts, 2013; Peteraf, 2013).

Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, Barney (2010) examined the link between firm resources and sustained competitive advantage. Lowe & Teece (2010) suggested that in order to sustain a competitive advantage via the resource-based view, a company must possess resources which are valuable, rare, and inimitable.

Barney (2010) pointed that the resource-based view looks at strategic management as a practice that forms one of the fundamental drivers to firms' competitive advantage and superior performance. He further argued that a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any potential competitors. Therefore the theory will form the background upon which the relationship between strategic management practices and cooperative societies' performance will be analyzed.

The resource-based view focuses on the internal organization of a firm and it does not consider the external factors like the demand side of the market. So, even if a firm has the resources and the capabilities to gain a competitive advantage, it might be that there is no demand, because the model does not consider the "customer". Another critique concerns the general ability of the RBV; Gibbert (2006) argues that the notion of resource uniqueness denies the RBV any potential for generalization. One cannot generalize about uniqueness (Mlanya, 2015).

The resource based theory assumes that each organization regardless of its size is a unique bundle of tangible and intangibles assets (e.g., competencies, capabilities). This is called resource heterogeneity. The assumption is that resources, skills and capabilities must vary significantly from one organization to another. If these organizations had the exact same set of resources and individuals, they would not be able to employ varying strategies in order to compete with one another, as other organizations would be able to follow them step-by-step.

The other assumption of the resource based view that some resources, in particular intangible ones such as organizational capabilities (knowledge, processes, intellectual property) are immobile, meaning that such resources are unable to move freely from one

organization to another organization. Due to this, organizations are unable to quickly replicate the resources of rival organizations and therefore implement the same strategies.

This theory has been criticized by various scholars for lack of clarity and its ambiguity, the most recent one being by Kraaijenbrink *et al.*, (2010) who argued that resource-based view tries to explain that managers have to develop and obtain strategic resources that meet the criteria valuable, rareness, non-imitable and non-substitutable and how an appropriate organization can be developed, it does not explain how managers can do this. Connor (2002) argues that the resource-based view does not apply to smaller firms. According to the resource-based view, a sustained competitive advantage can only be reached if resources are meeting the valuable, rare and inimitable criteria. However, in this constant changing environment, the competitive advantages will be temporary and not long lasting (Barney, 2011).

Further, the theory has been criticized by many scholars who argued that the theory failed to consider factors surrounding resources; that is, an assumption that they simply exist, rather than a critical investigation of how key capabilities are acquired or developed and that it is assumed that a firm can be profitable in a highly competitive market as long as it can exploit its resources does not always hold to be true. It ignores external factors concerning the industry as a whole. It is perhaps difficult (if not impossible) to find a resource which satisfies all of Barney's VRIN criteria. An assumption that a firm can be profitable in a highly competitive market as long as it can exploit advantageous resources does not always hold true. It ignores external factors concerning the industry as a whole. In conclusion the stakeholders' theory, the agency theory and the resource based theory are considered to be related to the main theory by their close association between principals, agents, and resources on one hand and the stakeholders on the other hand.

2.2 Empirical Literature Review

2.2.1 Product Diversification and Performance of Coffee Cooperative societies

According to Constable *et al.,* (2006), diversification can be seen as a function of management decisions which are decisive for the future of the organization; thereby

making it one of the most dominant concepts in the economics, finance, strategic management and marketing disciplines.

Elango *et al*., (2018) examined the effect of product diversification on firms' performance in the U.S. property–liability insurance industry. They used descriptive correlational survey design to carry out the study. Systematic sampling was conducted to select a sample of 644 policy holders from selected insurance firms. Data analysis was done and the study found that the extent of product diversification shares a complex and nonlinear relationship with firms' performance and that performance benefits associated with product diversification are contingent upon an insurer's degree of geographic diversification.

A study done by Hakrabarti *et al.,* (2007) to find out the impact of product diversification on the performance of firms operating in different institutional environments. The researchers adopted a cross-sectional research design to carry out the study. They randomly selected a sample of 457 respondents from both the developed and less developed firms who had used the products from the selected firms. The result of the research suggested that product diversification negatively affected performance in more developed institutional environments while improving performance only in the least developed environments. Based on the obtained result, the authors further concluded that the outcomes of diversification are influenced by institutional environments, economic stability and affiliation with business groups.

A study by Umar (2015) explored the impact of product diversification as a tool of achieving an effective and efficient performance at Nestle and Lever Brothers PLC. He used a longitudinal survey design to conduct the study. The respondents were stratified to ease the selection of a sample size of 325. The study analyzed various product diversification practices within the strategic management sphere. Based on the findings, it was concluded that strategic product diversification played a very important role in the success, growth and survival of the company, particularly where products are differentiated.

Bhatia (2016) investigated the causal relationship between product diversification and performance among Indian manufacturing companies. The key issue was to find out

whether product diversification provides irresistible opportunities to increase firm performance or is it the superior profitability that motivates management to diversify. The results showed that the association between product diversification and performance turn strongly significant and positive after controlling the issue of endogeneity. The study found a strong two-way association between extent of diversification and performance. The research also demonstrated a positive relation of performance and total diversification indicating that good performance leads to greater diversification.

A study on the impact of different loan products offered on the performance of selected banks in Nigeria carried out by Yunis *et al.,* (2010) found a positive relationship between product diversification and performance in the selected banks. They used descriptive research design to conduct the study. A sample size of 167 respondents was selected from customers of the selected banks for the study. Data was collected using structured questionnaires.

Further, a study by Dauda *et al.,* (2016) to examine the impact of product diversification on performance in selected small scale enterprises in Lagos, Nigeria, revealed that product diversifications enhance both organizational profitability and company market share. They used a longitudinal research design to conduct the study. They used both the structured questionnaires and interview guides to interview 242 sectional heads of different sections within the small scale enterprises.

Owolabi & Makinde (2016) did a research to find out the effects of product diversification on corporate performance in manufacturing firms in Nigerian. They used a cross-sectional survey design to conduct the study. Their sample size for the study was 242 respondents who were selected from 56 manufacturing firms. They administered questionnaires to the executives and functional heads of the selected manufacturing firms. The research findings revealed a significant positive correlation between product diversification and corporate performance.

Adoption of product diversification was found to have had a significant effect on the competitiveness, employee's performance and organizational productivity as revealed by Muogbo (2015) who explored the impact of product diversification on growth and performance of selected manufacturing firms in Anambra State in Nigerian. He used an

explanatory research design to conduct the study. His target sample size was 79 comprising heads of different department within firms.

In his research, to determine the effect of product diversification on performance of selected cooperative societies in Kenya, Cheboi (2017) concluded that societies that had successfully adopted product diversification as a practice had succeeded with improvements in their profit as well as increase in customer base and market share. He used an explanatory design to conduct the study. He interviewed sectional heads and customers who are members of these cooperatives.

The findings of the study done by Rakki (2013) on the effects of product diversification on state owned commercial corporations in Kenya, did reveal the degree or the strength of the relationship between the corporation's performance and the degree of diversification. He adopted a descriptive research design approach to carry out the study. He interviewed 156 randomly selected employees and customers. After the analysis he established that there is a positive relationship between product diversification and performance of the Kenyan state-owned commercial corporations.

Mwangi (2016) investigated the influence of product diversification on the performance of large pharmaceutical manufacturing firms in Kenya. He used an explanatory research design to carry out the research. His target population was 194 while the sample size was 75 respondents. He selected the respondents from the top management of the firms and selected retail pharmacies across the country. The result revealed that firms that were applying product diversification as a strategy were more willing to innovate, prepared to take risks and more proactive than competitors.

A research on the influence of product diversification strategies on organizational performance of medium-sized manufacturing enterprises in Nairobi, Kenya conducted by Gichunge (2014) indicated a significant effect of strategic product diversification on the performance of these enterprises. He used an exploratory research design to carry out the study. He used questionnaires to collect data from a sample of 525 comprising regular customers and senior managers.

To assess the effect of product diversification strategy on performance of non-financial firms which are listed at the Nairobi Securities Exchange, Njeri *et al.,* (2018) established a significant positive relationship between product diversification and firm performance. She adopted a descriptive correlation survey design to conduct the study. A census of 45 non-financial firms was taken. Both primary and secondary data was collected. Secondary data was obtained from the audited annual reports of these companies for a period of five years. To complement it semi-structured questionnaires were given to 135 departmental managers. Data analysis was carried out using SPSS in the form of descriptive and inferential statistics.

A subsequent study by Marangu *et al.,* (2014) used a descriptive correlation survey design to carry out a census study on sugar firms in Kenya on the impact of product diversification strategy on their competitiveness. He used questionnaires to collect data from the production and marketing managers. The data analysis was done using descriptive and inferential statistics, results revealed that diversification strategies had an overall significant impact on competitiveness; however, at individual level, the regression analysis showed that there was a statistical positive linear relationship between product diversification and firm competitiveness. This implied that diversification had a positive effect on sugar firm's competitiveness.

A study by Khamati (2014) showed a positive relationship between product diversification strategy and performance of Radio Africa Limited, Kenya. It was also established that though the performance improved as a result of the strategy, the overall revenue growth was increasing at a decreasing rate.

A study by Mwangi (2015) showed that corporate diversification was positively related to financial performance of listed manufacturing firms in Kenya. However, firm size growth was found to be negatively related to financial performance of these firms. The correlation was found to be weak but moderate between corporate diversification and financial performance of listed manufacturing firms.

2.2.2 Strategic Innovation and Performance of Coffee Cooperative societies

Many researchers have proposed and tested models of innovation effectiveness, but most parts these models tend to be isolated representations rather than cumulative studies that systematically build upon each other. Most researches have shown that an effective innovation leads to greater organizational effectiveness and performance (Jasra *et al.*, 2011). Modern organizations have increasingly used strategic innovation as a competitive tool to increase performance. This trend is driven by the hypothesis that utilization of the strategic innovation will result in improvements in performance (Lane *et al.,* 2013). Memba (2012) rationalized the need for strategic innovation in organizations' desired performance as he opines that given that we live in an imperfect world where plans do not always work, innovation becomes necessary.

Several researchers have attempted to assess the role of strategic innovation on organizational effectiveness, and majority of results reveals a positive relationship (Awe, 2008; Ariyo, 2009; Chittithaworn *et al.,* 2011; and Siwangaza *et al.,* 2014). To achieve economic performance, strategic innovative mechanisms need to be put in place. These mechanisms enable organizations to ensure that managers are held responsible for results.

Babaret *et al.,* (2018) did a study on the effect of strategic innovation processes on performance telecommunication companies in New Zealand. They used a case study on the selected communication firms in New Zealand. They interviewed 179 employees using both questionnaires and focused group discussions. They found out that the innovation standards adopted by these organizations had a positive and significant impact on organization's performance.

Another study by Mascia & Luca (2010) on the empirical analysis of the strategic innovation – performance relationship among 4,325 Italian manufacturing firms during the years 2004 to 2006 revealed a weak but significant relationship between performance and innovation. The study aimed at explaining the link between innovation and performance. An exploratory approach was used to obtain the data. Data was obtained from Uni-credit Group Survey, to which linear modeling was used to explain return on asset in terms of innovation strategies.

Other studies such as by Hanen *et al.,* (2010) who analyzed the impact of innovation activities on the performance of the Tunisian service firms showed that innovation had a positive and significant effect on the productivity and on the employment growth. The sample was drawn from 71 Tunisian service firms, having significant value-added services for the period 2007 to 2009. Data were collected through a questionnaire. They used the Heckman's two-stage econometric model in order to identify the contribution of service innovation to enhance the firms' performance (productivity, sales growth and employment growth).

A study by Gagnon & Dragon (2015) on the impact of innovation and organizational performance in different French firms found that repeated economic crises and steadily increasing competition, brought about by the globalization of markets are forcing an unprecedented rationalization of resources, and that improved productivity had become a concern of all organizations. They used an exploratory research technique to carry out the study. The study was conducted on 87 service firms operating within major French cities. A sample of 328 respondents was interviewed using questionnaires and group discussions.

Hakeem (2014) did a research to determine the impact of strategic innovation on performance of the small and medium enterprises in Nigerian. They used an explanatory research design to conduct their study. They interviewed 254 respondents using questionnaires. The data was analyzed using descriptive method. The findings revealed that adoption of appropriate innovations are significantly related to organizational effectiveness and performance and that innovation is significantly related to profitability, growth rate, financial strength and performance stability.

In another study conducted by Ujunwa and Modebe (2018) to investigate the influence of strategic innovation on performance of capital markets in Nigeria, they concluded that innovation strategies will not only promote the efficiency of the capital market, but also leverage the role of capital markets in promoting economic growth and performance. The study advocated for the adoption of innovation approach in ensuring capital market efficiency following the perceived pivotal role the capital market in economic development in Nigeria. They used an exploratory survey to carry out their research.

They sampled a total of 84 executives and heads of sections from the selected capital market entities for the interview.

A study to examine the relationship between the level of strategic innovation and financial performance of commercial banks in Kenya was conducted by Kariuki (2016). The study used an exploratory research design and a sample of 693 was used to gather data. The study covered the years 2001 to 2010, with the objective of establishing the level of innovations and determining the relationship between the two variables. Both qualitative and quantitative data were gathered which were then analyzed using content analysis and SPSS version. Findings revealed that commercial banks have continuously employed various technological innovations which have led to increased financial performance through bank sales, return on equity and profits.

The findings of a research on the determinants of financial innovation and its effects on banks performance in Kenya for the year 2000 to 2007 by Kihumba (2008) revealed that financial innovation was beneficial and influenced the performance of the banks positively. The aim of the study was to determine the determinants of financial innovation as well as the relationship between financial innovation and financial performance of Kenyan commercial banks. An analytical model was used to analyze data and diagnostic tests were conducted to assess the relationship between the various variables.

Ofunya (2013) did a study on the relationship between innovation and performance of Post bank in Kenya. Descriptive research design was used to carry out the study. He used questionnaires to collect data by interviewing a total of 434 respondents comprising departmental and sectional heads. The data was analyzed using both descriptive and inferential statistics. The findings of the study showed that the innovations strategies adopted by Post bank improve overall performance of post banks in Kenya.

A study conducted by Njagi & Kombo (2014) to examine the effect of strategic innovation and implementation on performance of commercial banks in Kenya showed that there was a strong relationship between innovation implementation and banks' performance. They used a survey research design to carry out the research.

Questionnaires were used to collect data from 228 heads of departments and section heads from specific banks across the country.

Muchoki (2013) sought to assess the impact of product innovation on financial performance of mobile phone service companies in Kenya. The research adopted a cross sectional study through a census of all the four mobile phone companies operating in Kenya. Primary data was collected using a data collection sheet administered to the finance managers of the mobile companies. The study concluded that product innovation had led to improved financial performance of mobile service companies in Kenya.

2.2.3 Quality Management and Performance of Coffee Cooperatives societies

In recent years, quality management has emerged to be an important tool as organizations have started to recognize that it is the key to achieving a sustained long-term competitive advantage (Parvadavardini et al., 2016). In a recent study, Shahin (2008) demonstrated the interrelations between quality management and productivity and highlighted the fact that improving quality plays a fundamental role in increasing operation productivity.

Many scholars have done studies on relationships among quality management practices and examined the effects of these practices on performance, the finding have given inconsistent and conflicting results. Many studies indicate that quality management could benefit organizational performance, it has been reported that not all its application has given satisfactory results to the organizations that implement it (Panuwatwanicha *et al.,* 2017). A large body of literature have highlighted a positive impact of quality management practices on performance (Kaynak, 2003; Kaynak & Hartley, 2005; Sila & Ebrahimpour, 2005; Prajogo & Sohal, 2006), while others have found a negative or a no relationship between quality management and performance of organizations (Nair, 2006; Agus, 2003).

A research conducted in some Arab companies by Mahmood (2014) to assess the influence of quality management dimensions on organizational performance showed that quality management dimensions affect organizational performance. Two latent constructs were developed to represent the value delivered by product dimensions,

intrinsic and extrinsic value, and two others to represent organizational performance, internal and external. A model was developed to illustrate the product development stages from conception to distribution. Questionnaire was used in collecting data from 198 managers from various companies. Data was analyzed using structural equation modeling techniques in order to provide supporting evidence regarding the relationship between product quality dimensions and organizational performance.

A study to determine the effects of quality management practices on performance of Kenyan universities conducted by Wanza *et al.,* (2017) revealed that employee involvement in the university activities; leadership commitment and continuous improvement and customer focus have a positive effect on the performance of universities. Deming's theory of quality management provided a theoretical basis for the study. The study adopted explanatory survey research design. The target population was the employees of public and private universities from which 321 respondents were selected using stratified random sampling techniques. Data was analyzed using descriptive statistics, Pearson correlations and structural equation modeling.

Nguyen *et al.,* (2018) did a study to establish the relationship between quality management and sustainability performance as well as the moderating effects from quality management implementation timeline, type of industry, and firm size on this relationship. An exploratory research design was used to carry out the study. Data were collected using questionnaires from enterprises in Vietnam from July 2016 to March 2017. Based on a sample of 144 valid responses, empirical results indicated that quality management had mixed impacts on economic and environmental performance, while it showed a positive impact on social performance. The results found four quality management practices that have significantly positive impact on sustainability performance: top management support for quality management, design for quality, quality data and reporting, and continuous improvement. Furthermore, the study found significant moderating effects of three contextual factors on the relationship between quality management practices and sustainability performance.

To test the impact of quality management on maintenance performance, Maletič *et al.,* (2014) did a study to examine the relationship between quality management orientation dimensions and maintenance performance among manufacturing firms in Slovenia. The

study showed that strong foundation on quality management orientation is an effective way of improving maintenance performance. Empirical data was drawn from a sample size of 212 within Slovenian organizations in order to address the research question. The data were analyzed using exploratory factor analysis, correlation analysis and regression analysis. Data were collected using structured questionnaires. The findings indicated that quality management orientation is important predictor of maintenance performance. Data analysis results also showed that quality management orientation dimensions are positively related to maintenance performance.

The effect of quality management practices on the performance of contractor firms in Turkey was investigated by Cakmaka & Tasb (2014). The study established that contractor firms have mostly been aware of the concept of quality management and that there is a relationship between quality management and the number of customers asking for construction services. They conducted an exploratory research design in doing the research. Data were collected from both the construction engineers and clients using questionnaires. Their study targeted a sample of 86 respondents.

Higher productivity was found to enable an organization to reduce price and gain competitive advantage both in terms of price and quality. This was revealed in a study conducted by Ndungu (2017) to establish the relationship between quality management and productivity among the selected small textile industries in Kenya. He adopted an explanatory research design to carry out the study. He used a sample of 152 respondents for the interview. Questionnaires were used to collect the data from all the line managers and suppliers in the industry. The study revealed that when quality increases, the productivity also improves. He also found that wastes and rework are reduced, and inputs are optimally utilized.

Kiprotich *et al.,* (2018) did a study to examine the influence of Total Quality Management practices and operational performance of Kenya Revenue Authority. The research used descriptive research design to investigate the problem that was under investigation. The target population of the study consisted of 557 employees of Kenya Revenue Authority working at Nairobi Headquarters. Purposive sampling technique was adopted to select the sample size of the study that comprised of 228 employees of Kenya Revenue Authority. Primary data was collected using self-administered questionnaires

with both open-ended and close-ended questions. Secondary data was also sourced from quality assurance reports, Government economic reports, customer satisfactory survey reports, journal articles and related academic research papers. Data was analyzed using both quantitative and inferential statistics. The study established that there is a positive relationship between employee training, continuous improvement and system automation and operational performance of KRA.

The findings of a study by Kamau (2014) which was to assess the impact of quality management on performance of hotel industry in Kenya concluded that the results were consistent with most of the other studies which found that the effects of quality management on various performance types are inconsistent. He did a case study on 10 five star hotels. He used structured questionnaires to collect data from 115 chief executives and the section heads. Abdul *et al.,* (2012) argued that most of the previous works show that quality management has significant relationship with firm's performance; however, factors such as the stakeholders have been loosely examined in the previous works.

A study to establish the relationship between quality management practices and financial performance of cement manufacturing firms in Kenya was done by Mutual (2014). The findings revealed that most cement manufacturing firms that implemented quality management practices recorded high sales turnover leading to organizational performance. He used a descriptive research design to carry out the study. Data was collected using structured questionnaires from a sample of 78 respondents. The data was analyzed using descriptive statistics.

2.2.4 Strategic Leadership and Performance of Coffee Cooperative societies

In the recent years strategic leadership is increasingly becoming the main focus for businesses and academicians alike. Without effective strategic leadership, the capability of an organization to attain or sustain a competitive advantage is greatly compromised (Lear, 2012). This argument has been so due to the unpredictable environments in which most organizations find themselves in. Organizations that have taken up strategic leadership have satisfied, engaged and loyal employees as well as high performance,

however the perceptions of the leaders and employees shape the attainment of this leadership and may greatly affect performance (Daft, 2011).

Serfontein (2009) did a research to determine the relationship between leadership characteristics and work culture in manufacturing firms in Scotland. He used an explanatory research design to carry out the study. He noted that through strategic leadership practice, leaders are able to understand better the organization's environment. This view is also supported by Gerras (2010) who asserted that through strategic leadership practice, the leader affects the desired organizational goals by influencing the organization's culture, allocating resources, directing policy and building consensus on the future.

Other subsequent studies, for instance a study by Zaneta *et al.,* (2014) which sought to determine the challenges of strategic leadership practices in the city council of Nairobi, Kenya, revealed that early involvement of council leaders and employees in the strategy process helped members understand super-ordinate goals, style, and cultural norms and thus become essential for the continued success of strategy implementation. It also revealed that participation of leaders motivates the other employees thus prevents them from being taken by surprise, puts all members at the same platform, and helps the employees to own the process thus ensuring better results. The study used a descriptive research design to conduct the study. They sampled a total of 168 managers and employees in various departments within the county council. Both questionnaire and interview guides were used to collect data.

A study on the effectiveness of organizational leadership on performance of selected service industries in Britain was conducted by Bowen (2016). He used a cross-sectional research design to carry out the study. Qualitative data was collected from 218 employees in the industries using focus group discussions. Analysis was done using correlational statistics. The findings of the study revealed that in order to attain and sustain superior organizational performance and win stakeholder confidence, strategic leadership should and must be in the best position to guide the firm in ways that result in the formation of strategic intent and mission.

To determine the influence of strategic leadership in construction companies in Malaysia, a study was conducted by Bakar *et al,* (2011) whose findings revealed that those companies that exhibit strategic leadership had a clear objective and mission statement that guide the organization towards success. The researchers used an exploratory design to carry out the study. The study interviewed 278 respondents who were randomly selected. Fiberesima & Abdul (2013) in their research on the impact of strategic leadership on business success in Nigeria found a positive relationship between corporate success and leadership orientation in those companies.

An examination of the impact of strategic leadership on performance and survival of banking sector in Nigeria was conducted by Taiwo & Idunnu (2015). The study examined the leadership-performance relationship and the extent to which strategic leadership affected performance of First Bank of Nigeria. The study used an explanatory research design. From the target population of 575, a sample size of 212 was selected for the study. Structured questionnaires were used to collect data from the selected respondents. Data was quantitatively analyzed using descriptive statistics. The findings revealed that strategic leadership improves organizational performance, which in the long run impacts on its survival.

Ondera (2015) did a study to examine the leadership approaches in Mbagathi District Hospital in Nairobi, Kenya. The study used an explanatory research design and it interviewed a total of 35 respondents from all the heads of units and employees in the facility. Data was collected using semi structured questionnaires. The study revealed that the leadership in the hospital formulates, implements and evaluates the work plan by involving all staff working at the facility which has improved performance and efficiency and that there is a positive relationship between leadership approaches and performance in the hospital.

A study conducted by Njiru (2017) to determine the influence of strategic leadership process variations on superior performance in not-for-profit service organizations providing mental health services in Nairobi County, Kenya found out that strategic leadership is highly correlated with superior organizational performance. He used an explanatory research design to carry out the study. The researcher used questionnaires to collect data from 87 randomly sampled respondents.

Mwenda (2017) carried out a research on the influence of strategic leadership practices on organizational performance in not-for-profit organizations in Nairobi County, Kenya. The researcher adopted convergent mixed method research design to conduct the study. The study target population was 1475 not-for-profit organizations. A sample size of 305 strategic leaders from not-for-profit organizations was selected for interview using simple random sampling procedure. Data collection was done using survey questionnaires for quantitative data and interview guide for qualitative data. The results showed a positive relationship between strategic leadership and performance of not-for-profit organizations.

Using a descriptive design with a sample of 64 managers, Kiarie & Minja (2015), conducted a study on the role of strategic leadership practices in mitigating risks in stock brokerage firms in Nairobi. The study used questionnaires as a tool of collecting data. After statistical analysis, the study found that majority of the strategic leaders did not practice strategic leadership hence the collapse of many companies. They opined that strategic leadership practices are important because they shape the formation of strategic intent which influences successful strategic practices in an organization.

Obunga *et al.*, (2015) conducted a study on the effect of strategic leadership on performance of savings credit cooperative societies in Kakamega County, Kenya. The researcher used a descriptive research design in conducting the study. A sample size of 145 of elected leaders from selected savings and credit cooperative societies was interviewed. Both structured questionnaires and interview guides were used for data collection. The study found that the performance of these SACCOs could be explained by strategic leadership practices.

A study on strategic leadership and church growth in Kenya was undertaken by Mutia (2015) using a descriptive correlational study design with a sample size that comprised of 95 bishops and 387 clergy in the mainstream churches in Kenya. He used both questionnaires and focused group discussions to collect data. The data was analyzed using descriptive statistics. He found out that there was a significant relationship between strategic leadership practices and the church's growth which was measured by different items. However, this study was criticized by Machuki and Jaleha (2018) who

argued that the study did not determine the indirect effect of strategic leadership practices on growth of organizations as it did not include the moderating and mediating roles of the external environment and organizational change.

Nganga (2013) did a study on strategic leadership and performance of manufacturing firms in Kenya. He used a cross sectional survey design from a target population of 700 manufacturing firms and a sample size of 70 firms. Data was collected using structured questionnaires and interview guides. The study found out that strategic leadership practices are profound in the manufacturing firms, thus the study concluded that strategic leadership practices is highly correlated with performance.

Strategic leadership positively affects the performance of SMEs in Kenya as found out by Ogechi (2016) in his research to establish the influence of strategic leadership on performance of small and medium enterprises in Kenya. He used descriptive survey design to conduct the study. The study target population consisted of 3,001 registered SMEs in Kenya. 301 SMEs were selected as a sample using stratified sampling technique. Respondents were the owners and managers of the organizations. Data were collected using structured questionnaires.

Nthini (2013) carried a study to establish the influence of strategic leadership on performance of financial State Corporations in Kenya. Descriptive survey design was used. The study target population consisted of all the 48 commercial and financial state corporations. Respondents were persons in charge of strategy or human resource department. Primary data were collected using semi-structured questionnaire. The findings revealed a significance relationship between strategic leadership and organizational performance.

2.2.5 Stakeholders' Orientation, Strategic Management Practices and Performance of Coffee Cooperative Societies

Stakeholders are believed to have an effect on the achievements of an organization's objectives (Freeman, 2008). Stakeholder analysis is based on the belief that certain reciprocal relationships exist between organizations practices and performance of those organizations (Duesing, *et al.,* 2015). There has been much academic research in recent

years devoted to the management of stakeholder relations (Shane & Venkataraman, 2011); however, little research has been done on the related construct of stakeholder orientation and performance.

A case study on involvement of stakeholders in strategic management process as an innovative learning environment which sought to explain the reasons for a lack of implementation of strategies in municipal services in Finland conducted by Vänttinen and Pyhältö (2016) established that the grass-root level did not participate in the strategy making process and were therefore not committed to the implementation of the strategy made by the strategic level management. This was seen to contribute to the poor service delivery by the municipalities.

Stakeholder involvement in project identification, planning, implementation and monitoring was found to have a positive significant influence on performance based on a study done by Maina (2016) to determine the effect of stakeholders' orientation on project performance in Nairobi County, Kenya. The researcher used descriptive survey design to carry out the research. The study population was 181 respondents who were managers, project managers, operation managers, supervisor and quality control officers. Stratified sampling method was used to select a sample of 125 respondents. Primary data were collected using structured questionnaires. Both descriptive analysis and content analysis techniques were used to analyze data.

A study to establish the influence of stakeholder engagement on performance of street children rehabilitation programs in Nairobi County, Kenya, was done by Muthoni (2016). The research used a descriptive survey design. The target population used was 5 rehabilitation programs where 70 respondents were selected as the study population. The study undertook a census where all the 70 study population was considered for the study. Primary data were collected using structured questionnaires. Both qualitative and quantitative data were analyzed using content analysis and descriptive statistics respectively. The study concluded that stakeholder engagement is an essential business management practice which consequently improves performance of organizations.

A similar research was conducted by Ayuso *et al.,* (2011) to investigate whether engagement with different stakeholders promotes sustainable performance in

manufacturing firms in Kenya. The study used an exploratory research design approach to carry out the research. Interviews were done on 434 respondents comprising all the operational and functional managers within the selected firms in the country. The study established that the firm's sustainable innovation orientation was dependent on the knowledge sourced from engagement with internal and external stakeholders.

Gacheri (2015) conducted a research to determine the effect of stakeholder participation in strategy formulation and performance in selected firms in Kenya. They used a case study of sample firms. They interviewed 98 randomly selected respondents who have had interactions with the firms using questionnaires. Their findings revealed that lack of stakeholder participation will lead to poorly developed strategies and performance. Similar position is taken by Knights and Morgan (1991) who added that the lack of stakeholder inclusion is a sign of organizational inequality which leads to dissatisfaction among those excluded as stated by Westley (1990).

A research on stakeholder involvement in strategic management and performance of British-American Investments Company limited in Kenya was carried out by Mlanya (2015). Descriptive design was used to conduct the research. Sample size of the study comprised 79 including sectional heads and randomly selected stakeholders. Data was collected using questionnaires. The researcher concluded that stakeholder involvement in strategic management in BAICL had helped enhance the firm's performance and recommended that the management should develop mechanisms to evaluate the success of and/or challenges of stakeholder involvement in the company's strategic management process**.**

Further, Makau (2015) undertook a study on stakeholder participation in strategy formulation and implementation in child development organizations in Kilifi County. The study used a descriptive design in collecting data. He interviewed 45 respondents which included social development officers, children officers and heads of children development institutions using structured questionnaires. Quantitative data were analyzed using descriptive statistics. The findings revealed that there was very little stakeholder participation in the strategic management decisions which led to poor performance in these organizations.

A study done by Maina & Muturi (2016) to investigate the influence of stakeholder's orientation on strategy formulation and implementation in public secondary schools in Thika, Kenya, established that where there was low or inadequate involvement of stakeholders in strategy formulation performance of these schools dropped drastically. They used an explanatory research design to carry out the research. Interviews were conducted on a sample of 183 respondents which included the school principals, chairmen of the board of management, education officers and randomly selected members of the public within the county.

Stakeholder involvement was found to have a great positive influence in road projects performance in the country, based on the research done by Nyandika & Ngugi (2014) to investigate the influence of stakeholders' participation on performance of road Projects at Kenya National Highways Authority. This study used descriptive research design. The study used both qualitative and quantitative methods. The study target population was 251. The study adopted stratified random sampling method to select a sample of 75 respondents. Structured questionnaires were used to collect data. Data were analyzed using both descriptive and inferential statistics.

2.3 Summary of Research Gaps

Pavić *et al,*. (2010) while summing up the results of their research regarding the relationship between product diversification and organizational performance concluded that the relationship that exists between the two variables is inconsistent and unclear. Their argument was supported by various other studies such as Joan (2015), Stewart (2013) & Mashraff (2014) which found out that the effect of product diversification on company profitability is positive and statistically significant, while others found out contrary results; negative and / or statistically insignificant relationship.

While most researchers such as Babaret (2018), Hakeem *et al.,* (2014), Ofunya (2013) & Njagi (2014) argued that there exist a positively significant relationship between strategic innovation and performance of organizations, some studies found contradictory results, for instance, Evans (2017) did a research on the influence of firm's strategic innovation on profitability whose findings showed that strategic innovation only does not significantly contribute to firm's profitability. He concluded that there must be other approaches to attain profitability and performance apart from innovation only.

Monique *et al.,* (2016) carried out a study to find out the relevance of innovation in small businesses in Southern Zambia. After the analysis they concluded that innovation does not result in improved performance in smaller organizations and that it is only bigger organizations that can benefit from such innovations. The study concluded that innovation can either be positive or negative depending on the size of the organization.

Many studies indicate that quality management could benefit organizational performance, however, it has been reported that not all its application has given satisfactory results to the organizations that implement it. Panuwatwanicha *et al.,* (2017) in their assessment of the benefits of quality management practice to organizations concluded that even though it has been recognized as a successful management philosophy in organizations, its benefits to these organizations is still unclear. Anil *et al*., (2015) concluded that there are mixed results; whether there is any relationships between quality management and organization's performance, and that some of the results are positive, negative or non-significant. Though there is considerable literature available that have evolved to examine the link between quality management and organizational performance globally, little is known about the effect of quality management practices on firm's performance particularly in the cooperative context (Zehira *et al.,* 2012).

Researchers such as Hagen, Hassan & Amin, (1998)); Hitt, Ireland & Hoskisson, (2001) examined critical leadership components, and the results of such studies indicated the contribution of these components to organizational success. Not many studies have considered the relationship between strategic leadership and the performance of organization (Kathuria & Partovi, 2000; Raymond & Croteau, 2009, Serfontein, 2009). There is need for further research on how strategic leaders in the public sector respond to dynamic environments (McCarthy, 2014). Schoemaker *et al.,* (2013), pointed that the significance of strategic leadership is clearly acknowledged, but the question of what criteria are critical for leadership success and how these criteria are manifested in the organization has been less clearly defined.

2.4 Conceptual Framework

The conceptual framework below depicts a relationship between strategic management practices, stakeholders' orientation and performance measurement framework of coffee cooperative societies.

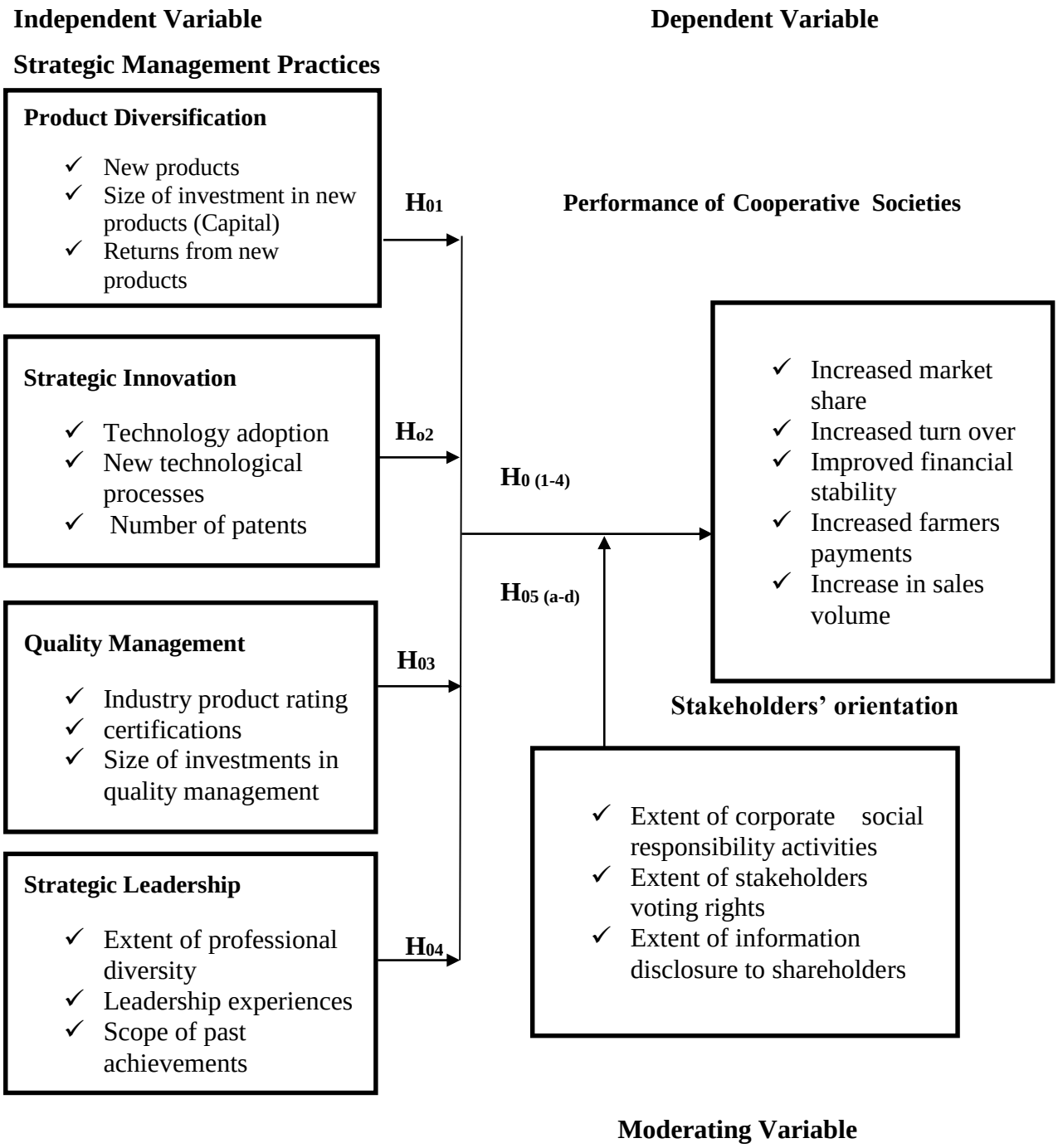

Figure 2. 1: Conceptual Framework
Source: Researcher (2020)

The independent variable in this study was strategic management practices. It has always been considered as the driver of organizational performance; in this study these practices were looked in terms of product diversification, strategic innovation, quality management and strategic leadership. The dependent variable in this study was

organizational performance and it was conceptualized in terms of market share, operational efficiency and return on investment. The study looked at how dependent parameters were affected by the various management practices. The interplay between the dependent and the independent variables were moderated by the level of orientation of stakeholders that do business with the cooperative organizations. The stakeholder orientation were conceptualized in terms of the level of stakeholder satisfaction; level of stakeholder involvement within the cooperative organizations and the level of competition which are considered significant in influencing the relationship between strategic management practices and performance of cooperative enterprises.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research Philosophy

The study was guided by positivism research philosophy. Positivism is a philosophical theory stating that certain knowledge is based on natural phenomena and their properties and relations. This philosophy adheres to the view that only "factual" knowledge gained through observation (the senses), including measurement, is trustworthy. Thus, information derived from sensory experience, interpreted through reason and logic, forms the exclusive source of all certain knowledge (Strauss, 2009). In positivism the role of the researcher is limited to data collection and interpretation in an objective way. It assumes that there is a reality that exists beyond human mind, a reality that is separate from individual who observes the phenomena and that it is this reality that provides the foundation of human knowledge. This reality is perceived to be lawful and orderly through systematic observation and correct scientific methods as it is possible to explain, control and predict phenomena. The research findings are expected to be observable and quantifiable, Ramanathan (2008).

Positivism depends on quantifiable observations that lead to statistical analyses. It has been noted that "as a philosophy, positivism is in accordance with the empiricist view that knowledge stems from human experience. It has an atomistic, ontological view of the world as comprising discrete, observable elements and events that interact in an observable, determined and regular manner. Moreover, in positivism, the researcher is independent from the study and there are no provisions for human interests within the study. Crowther & Lancaster (2008) argue that as a general rule, positivist studies usually adopt deductive approach, whereas inductive research approach is usually associated with a phenomenology philosophy. Positivism relates to the viewpoint that researcher needs to concentrate on facts, whereas phenomenology concentrates on the meaning and has provision for human interest. In other words, studies with positivist paradigm are based purely on facts and consider the world to be external and objective, Outhwaite (2015).

3.2 Research Design

According to Lavrakas (2008), a research design is a general plan or strategy for conducting a research study to examine specific testable research questions of interest. An explanatory survey design was used to assess the effect of strategic management practices on

performance of coffee cooperative societies when stakeholder aspect is introduced as a moderator variable. An explanatory survey research design was used because it increases understanding by explanation of what and why some phenomenon is investigated. It permits flexibility of source of information as it is easy to use literature or data that have been already published and giving a better conclusion allowing the researcher to post further research questions that will make great progress in the sphere of investigation.

An explanatory survey research design was also appropriate because it entailed the collection of data on more than one case at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables, which are then examined to detect pattern of association (Bryman, 2006). In addition it allows for collection of information by way of interviews or administration of questionnaire to a sample of individuals.

3.3 Study Area

The study was conducted in five selected lake region counties. This area was considered appropriate for the study because for a long time coffee has been grown, however, most of the coffee cooperative societies have been underperforming mostly due to poor management. The counties included Kisumu, Homa-Bay, Migori, Kisii and Nyamira counties found in the western part of Kenya. Apart from coffee farming these areas also grow tea especially in the highlands of Kisii and Nyamira; whereas the lake region of Kisumu, Homa-Bay and Migori engage in fish farming and harvesting. These areas receive moderately high rainfall throughout the year. The study area is surrounded by Vihiga and Kakamega counties to the north, Kericho and Bomet counties to the west and Narok County to the south.

3.4 Target Population

Burns and Grove (2003) stated that population includes all elements that meet certain criteria for inclusion in a study. The target population comprised 1,239 society employees, line government employees and society management boards as tabulated in the table below.

Table 3.1: Target Population

Categories	Total
Respondents	
Societies staff	585
Management committee	459
Supervisory committee	153
Cooperative officers	21
Agricultural officers	21
Total	**1,239**

Source: Annual Report (2018), Ministry of Cooperative Development.

The study was conducted in all the 51 coffee cooperative societies found in the five selected lake region counties which formed the unit of analysis.

3.5 Sampling and Sample Size

Sampling is the process of getting a smaller number of respondents for the study from the target population. It is an important process in research since it cannot be possible to conduct a research on the entire population under study (Sunders *et al.*, 2007).

3.5.1 Sample Size

The study sampled a total of 303 respondents from the target population of 1,239; however, the sample size was adjusted by 30% to take care of the non-response as recommended by Kothari (2004).This resulted into 394 respondents for the study. This sample size was considered adequate since similar studies conducted by Thurston *et al.*, (2000) used between 200 and 450 respondents hence the use of 394 respondents was adequate and reliable to represent the entire target population. The size of a sample should neither be excessively large or too small (Kothari (2004). It should be optimum to fulfill the requirements of efficiency, representativeness, reliability and flexibility. A formula by Nasiurma (2000) was used to derive the required sample size.

$$n = \frac{(NCv^2)}{Cv^2 + (N-1)\ e2Cv2}$$

Where;

n= Sample Size

N=Target population (1239)

Cv = Coefficient of variation-0.5

e =Tolerance at 95% confidence level which is normally 0.05

$$\frac{1239x(-0.5)^2}{(-0.5)^2 + (1239-1)(0.05)^2(-0.5)^2}$$

$$= \frac{1239x0.25}{0.25 + (1238)(0.0025)(0.25)}$$

$$= \frac{309.75}{1.02375}$$

$$\approx 303$$

To cater for non-response, the study increased sample size by 30% to the main sample.
0.30*303 = 90.9
91+303=**394**

Table 3.2: Sample Size

Categories	Population	Sample Size
Societies staff	585	186
Management committee	459	146
Supervisory committee	153	48
Cooperative officers	21	7
Agricultural officers	21	7
Total	**1239**	**394**

Source: Researcher (2020)

3.5.2 Sampling Procedure

Stratified sampling was used to select the respondents from the strata that were relevant to the study. The population of the study was derived from different sections of the cooperatives in the area of study. The sections which constituted the study strata included management committees, supervisory committees, society employees, cooperative officers and agricultural officers. Simple random sampling was adopted to arrive at the study sample. Simple random sampling is adopted when the parent population or sampling frame is made up of sub-sets of known size to ensure that the results are proportional and representative of the whole population.

3.5.3 Sampling Frame

According to Saunders, Lewis, & Thornhill (2009), the sampling frame is a complete list of all the cases in the population from which the sample will be drawn. Mugenda (2009) argues that a sampling frame is a list of accessible population of people, events or documents that could be included in a survey and from which a study will pick a sample to collect data. For this study the sampling frame consisted of all the sections including cooperative societies' employees, management committee and government employees; where the study population and sample was drawn. The respondents cut across the entire sections in the coffee cooperative ranging from society employees (secretary managers, recorders, accounts clerks) line government employees and society management boards that are directly charged with cooperative operations.

3.6 Data Collection

Research data may either be both primary and secondary or one of the two depending on the research objective of the study. The study used primary data that was collected using the questionnaires.

3.6.1 Data Collection Procedure

The researcher used an introductory letter from the university to obtain a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). During data collection, the study engaged services of three research assistants who were responsible for administering the questionnaires to the target respondents. Prior to data collection, the research assistant were taken through one day training on ethics and procedures required during data collection. The respondents were allowed enough time to complete the questionnaires which were afterwards picked by the research assistants. The entire data collection exercise took a period of two weeks.

3.6.2 Instrumentation

Data collection is a process of gathering specific information to prove or refute facts in a study (Kombo & Tromp, 2011). In this study, a survey questionnaire was used because it provided an unobtrusive and inexpensive method of data collection (Zikmund, Babin, Carr, & Griffin, 2010; Kothari & Gaurav, 2014, Mugenda & Mugenda, 2009).

Primary data was collected by use of self-administered questionnaires. Self-administered questionnaires were personally delivered to the respondents at their respective societies by the researcher and research assistants, after which they were collected after two weeks for analysis.

3.6.2.1 Validity of Research Instrument

Validity refers to truthfulness of the research in regards to reality (Neuman, 2006; Silverman, 2006; Tashakkori & Teddlie, 1998; Leedy & Ormrod, 2005; Welman, Kruger & Mitchell, 2005). It ensures that the research tool measures what researcher intends to measure or wants to measure (Polit & Hunger, 2009). It is the extent to which a scale or set of measures accurately addresses the concept of interest. Three kinds of validity are evident in literature, namely face validity, content validity and construct validity.

Content validity measures the degree to which data collected using a particular instrument represents the content of the concept being measured (Mugenda & Mugenda 2009). In this study, thorough literature review was conducted to ensure content validity by identifying the necessary items to measure the variables of the study as shown in the conceptual framework. The researcher used the content validity index (CVI); a scale developed by computing or rating the relevant items in the questionnaire by checking their clarity and meaningfulness in line with the objectives of the study then dividing by the total number of items in the questionnaire. The rated findings were used to calculate content validity index (CVI) using the following formula:

$$\mathbf{CVI = K/N}$$

Where: K = Total number of items in the questionnaire declared valid by both raters/ supervisors, N = Total number of items in the questionnaire.

In this study the number of items that were declared valid by raters (K) was 50 while the total number of items in the questionnaire (N) was 54. The calculated content validity index was therefore:

$$CVI = 50/54$$

$$= 0.93$$

The computed content validity index was compared with the standard CVI of 0.70 for validity as suggested by Kurpius & Stafford, (2006). Evidence of validity was reported as a validity coefficient, which ranged from 0 to +1.00. The validity scores approaching 1

provided strong evidence that the tests scores were measuring the construct under investigation.

To ensure face validity of the instrument the questionnaire was subjected to supervisors' and colleagues' scrutiny. Further, the questionnaire was pre-tested for coherency and comprehensiveness. Five raters were used to rate the questions. Each of the five raters had a specific focus according to the main sections of the questionnaire, that is, product diversification, strategic innovation, quality management, strategic leadership and performance of coffee cooperative society.

Construct validity was tested through correlation analysis and was meant to give evidence based on theory (Cooper & Schindler, 2014).There after the questionnaire was adjusted and amended based on the recommendations from the experts and supervisors.

3.6.2.2 Reliability of Research Instruments

Reliability is the ability of measurement instrument to produce the same answer in the same circumstances, that is, if respondents answer a question the same way repeatedly then the instrument is said to be reliable (Cooper & Schindler, 2014). There are three different techniques for determining reliability of data, namely; test retest, split half and internal consistency. In this research, questionnaire reliability was checked using internal consistency method. The rationale for internal consistency is that individual items should all be measuring the same constructs and thus correlates positively to one another. Cronbach's coefficient alpha was used to determine the internal consistency. Cronbach's alpha coefficient ranges from 0 to 1, the higher the alpha (α) values the higher the reliability of the scales. A reliability coefficient of zero indicates that the test scores are unreliable. On the other hand the higher the reliability coefficient, the more reliable or accurate the test scores. For social science research purposes, tests with reliability score of 0.7 and above are accepted as indication of reliability (Kurpius & Stafford, 2006).

To test reliability of the instrument, a pilot study was carried out in Bungoma County because of its robustness in coffee production and performance of coffee cooperative societies. According to Beck *et al*., (2003), a pilot study is a small scale version, or trial run,

done in preparation for a major study. In this study, reliability of the questionnaire was tested to ensure that it was relevant and effective. Reliability was tested using questionnaires duly completed by 30 randomly selected respondents.

The Cronbach's coefficient alpha before factor analysis and after factor analysis for the various items in the research instruments were calculated and all were found to be reliable since they all had coefficient alpha greater than 0.70. The results are presented in the table 3.3.

Table 3.3: Reliability Results for Research Instrument

Variable	No. of items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
Product Diversification	7	0.883	0.908
Strategic Innovation	7	0.898	0.921
Quality Management	8	0.842	0.901
Strategic Leadership	9	0.766	0.841
Stakeholders Orientation	8	0.692	0.704
Average		**0.816**	**0.855**

Source: Researcher (2020)

Based on the Cronbach's alpha test results summarized in table 3.3, Product Diversification which had 7 items had a reliability coefficient of 0.883, Strategic innovation with 7 items had a coefficient of 0.898, Quality management with 8 items had a coefficient of 0.842, Strategic leadership with 9 items had a coefficient of 0.766, and Stakeholders orientation with 8 items had a coefficient was 0.692. According to Kurpius & Stafford, (2006) the range of the coefficients was good signifying internal consistency of the data collection instrument was high.

3.7 Data Analysis and Presentation

According to De Vos (2002) data analysis is a creative process characterized by an intimate relationship of the researcher with the participants and data generated. Both descriptive statistics (means, standard deviations, and percentages) and inferential statistics (regression analysis and Pearson's correlation coefficient) were used in data analysis.

3.7.1 Descriptive Statistics

The collected data were examined for completeness and consistency. The analytical techniques for data analysis was determined in line with the characteristics of the research design and the nature of data gathered as suggested by Zikmund, Babin, Carr and Griffin (2013). Descriptive statistics namely frequencies, percentages, means, standard deviation, skewness and kurtosis were used to analyze the data. The results were presented using tables, graphs and histogram.

3.7.2 Inferential Statistics

Multiple regression analysis was used to explore the relationship between the variables. Pearson's correlation coefficient was also calculated to analyze the strength and direction of association between the dependent and the independent variables. The results were presented using tables.

To test the hypotheses, simple and multiple regressions were used. Simple linear regression measures sub themes (i-iv) and multiple linear regression measures the main theme. The model took the form of an equation that contains a coefficient β for each predictor, which indicated the individual contribution of each predictor model. The coefficient β showed the relationship between the independent variable and each predictor. A positive value of β represented a positive relationship between the predictor and the outcome variable whereas a negative β_1 represented a negative relationship.

Pearson product moment correlation (r) was derived to show the nature and strength of the relationship among the variables in the study. The Pearson correlation r, takes a range of values between +1 to -1. An r -value of 0.01-0.29 shows a small relationship, an r-value of between 0.3 - 0.59 shows a moderate relationship whereas an r-value of between ≥ 0.6 and above shows a strong relationship (Cohen, 2018). Correlation results are reported at a significance level of 0.01 in line with other studies such as Pierce (2014).

The square of the correlation coefficient, also known as the coefficient of determination (R^2) was used to determine goodness of fit of different models and measure the amount or degree of variation in the dependent variable(s) attributed to the predictor variable(s). A multiple linear regression model was adopted to establish the linear relationships among the variables. To determine the effect of strategic management practices on the performance of

coffee cooperative societies in Nyanza region, simple and multiple regression analyses was done with direct and indirect relationships. Simple linear regression models were used to test the effect of strategic management practices on coffee cooperative societies' performance as shown in model (i) to (iv).

To analyze objective one; which was to determine the effect of product diversification on performance of coffee cooperative societies in Nyanza region, the model below was used.

$$Y = \beta o + \beta_1 X_1 + \varepsilon \quad \text{...(i)}$$

Where:

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

β_1- Change in coffee cooperative societies' performance for each 1unit increment change in X_1, that is, product diversification,

X_1 - Score on product diversification which predicts the value of coffee cooperative societies' performance,

ε - The error term reflecting other factors that influence coffee cooperative societies' performance.

To analyze objective two; which is to determine the effect of strategic innovation on performance of coffee cooperative societies in Nyanza region, the following model was used.

$$Y = \beta o + \beta_2 X_2 + \varepsilon \quad \text{..(ii)}$$

Where:

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

β_2- Change in coffee cooperative societies' performance for each 1 unit increment change in X_2, that is, strategic innovation.

X_2 - score on strategic innovation which predicts the value of coffee cooperative societies' performance,

ε - The error term reflecting other factors that influence coffee cooperative societies' performance.

To analyze objective three; which was to determine the effect of quality management on performance of coffee cooperative societies in Nyanza region, the following model was used.

$Y = \beta o + \beta_3 X_3 + \varepsilon$ ……...(iii)

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

β_3- Change in coffee cooperative societies' performance for each 1 unit increment change in X_3, that is, quality management

X_3 - Score on quality management which predicts the value of coffee cooperative societies' performance,

ε - The error term reflecting other factors that influence coffee cooperative societies' performance.

To analyze objective four; which was to determine the effect of strategic leadership on performance of coffee cooperative societies in Nyanza region, the below model was used

$Y = \beta o + \beta_4 X_4 + \varepsilon$ ……..(iv)

Where:

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

β_4- Change in coffee cooperative societies' performance for each 1unit increment change in X_4, that is, strategic leadership.

X_4 - Score on strategic leadership which predicts the value of coffee cooperative societies' performance,

ε - The error term reflecting other factors that influence coffee cooperative societies' performance.

To analyze the combined effect of the strategic management practices on the performance of coffee cooperative societies, multiple linear regression model was used.

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$…….……(v)

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

β_1- Change in coffee cooperative societies' performance for each 1 unit increment change in X_1, that is, product diversification,

X_1 - score on product diversification which predicts the value of coffee cooperative societies' performance,

β_2- Change in coffee cooperative societies' performance for each 1unit increment change in X_2, that is, strategic innovation.

X_2 - score on strategic innovation which predicts the value of coffee cooperative societies' performance,

β_3- Change in coffee cooperative societies' performance for each 1 unit increment change in X_3, that is, quality management

X_3 - score on quality management which predicts the value of coffee cooperative societies' performance,

β_4- change in coffee cooperative societies' performance for each 1unit increment change in X_4, that is, strategic leadership.

X_4 - Score on strategic leadership which predicts the value of coffee cooperative societies' performance,

ε - The error term reflecting other factors that influence coffee cooperative societies' performance.

3.7.3 Moderating Effect of Stakeholders Orientation on the Relationship between Strategic Management Practices and Performance of Coffee Cooperative Societies

Moderating variable was introduced and regressed together with other variables. Therefore, the interaction term between predictor and moderating variables was obtained by multiplying the two variables that produced an interaction effect done at different stages for each individual interaction as specified in the hierarchical regression models.

To analyze objective five (a); which was to establish the role of stakeholders' orientation on the link between product diversification and performance of coffee cooperative societies in Nyanza region, hierarchical regression model was used.

$Y = \beta o + \beta_1 X_1 M + \varepsilon$ ……..……v(a)

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

β_1- Change in coffee cooperative societies' performance for each increment change in X_1,

product diversification

M - Moderator variable (Stakeholder orientation) that affects the relationship of X and Y

X_1M - Interaction between stakeholder orientation and product diversification

ε - The error term reflecting other factors that influence coffee cooperative performance.

To analyze objective five (b), which was to establish the role of stakeholders' orientation on the link between strategic innovation and performance of coffee cooperative societies in Nyanza region, hierarchical regression model was used.

$Y = \beta o + \beta_2 X_2 M + \varepsilon$……v(b)

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

B_2- Change in coffee cooperative societies' performance for each increment change in X_2, strategic innovation.

M - Moderator variable (Stakeholder orientation) that affects the relationship of X and Y

X_2M - Interaction between stakeholder orientation and strategic innovation

ε - The error term reflecting other factors that influence coffee cooperatives performance.

To analyze objective five (c), which was to establish the role of stakeholders' orientation on the link between quality management and performance of coffee cooperative societies in Nyanza region, the hierarchical regression model was used.

$Y = \beta o + \beta_3 X_3 M + \varepsilon$ ……v(c)

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

B_3- Change in cooperative performance for each increment change in X_3, quality management

M - Moderator variable (Stakeholder orientation) that affects the relationship of X and Y

X_3M - Interaction between stakeholder orientation and quality management

ε - The error term reflecting other factors that influence coffee cooperatives performance.

To analyze objective five (d), which was to establish the role of stakeholders' orientation on the link between strategic leadership and performance of coffee cooperative societies in Nyanza region, the hierarchical regression model was used.

$Y = \beta o + \beta_4 X_4 M + \varepsilon$ ……..……v(d)

Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

β_4- Change in coffee cooperative societies' performance for each increment change in X_4, strategic leadership.

M - Moderator variable (Stakeholder orientation) that affects the relationship of X and Y

X_4M - Interaction between stakeholder orientation and strategic leadership

ε -The error term reflecting other factors that influence coffee cooperative societies' Performance.

To analyze the combined effect of moderating role of stakeholder orientation on the relationship between strategic management practices and performance of coffee cooperative societies, the hierarchical regression model was used.

$$Y = \beta_0 + \beta_1X_1 + \beta_2 X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_1*M + \beta_6X_2 *M + \beta_7 X_3*M + \beta_8X_4*M + \varepsilon \ldots..(5)$$

Where: Y - Coffee Cooperative Societies' Performance,

β_o - Constant (coefficient of intercept),

$\boldsymbol{\beta_1 \ldots\ldots \beta_4}$ - The coefficients of the variables in the model; change in coffee Cooperative societies' performance for each increment change in X_{1-4}

$\boldsymbol{x_1}$-Product Diversification

$\boldsymbol{x_2}$- Strategic Innovations

$\boldsymbol{x_3}$- Quality Management

$\boldsymbol{x_4}$- Strategic Leadership

M - Moderator variable that affects the relationship of X and Y

$X_{1-4}M$ - Interaction between stakeholder orientation and strategic management Practices

ε - The error term reflecting other factors that influence coffee cooperative societies' performance.

3.7.4 Model Specification

The study determined the relationship between the independent, moderating and dependent.

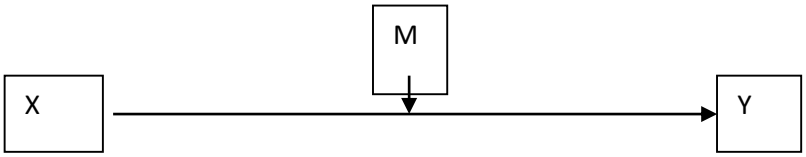

Figure 3. 1: Conceptual Diagram
Source: Hayes model I (2013)

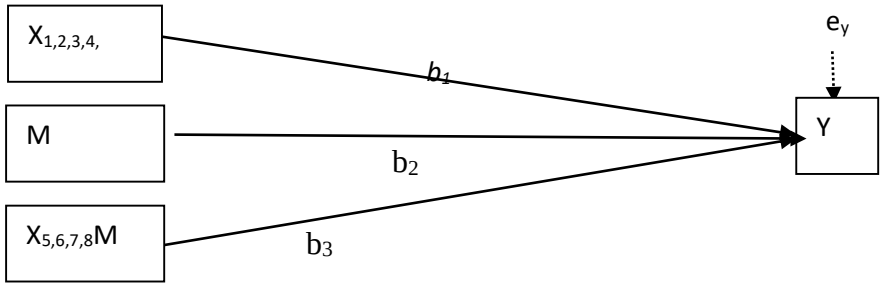

Figure 3. 2: Statistical Diagram
Source: Hayes model II (2013)

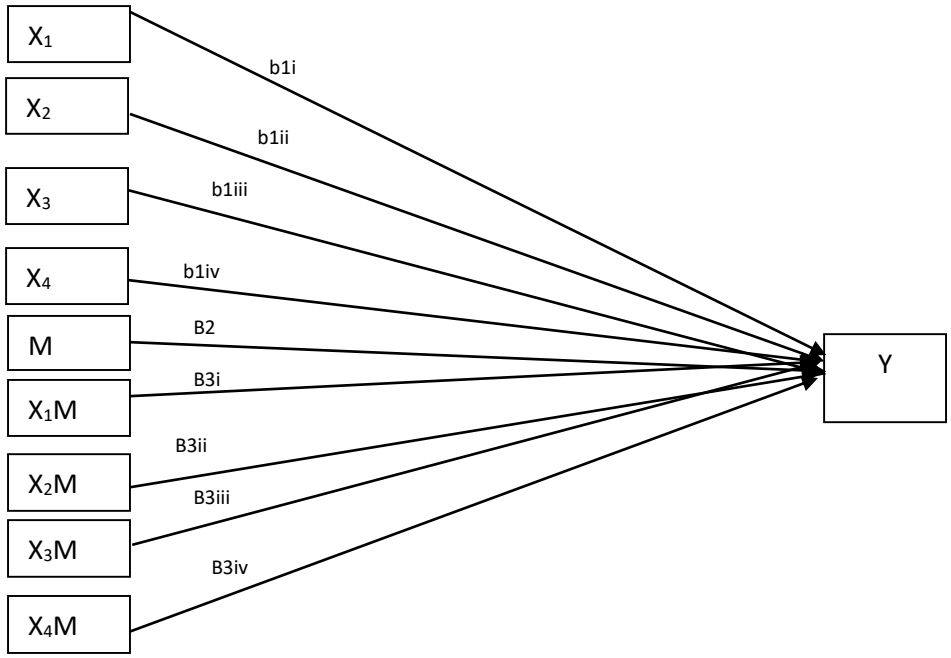

Figure 3. 3: Statistical diagram for Moderation
Source: Hayes III (2013)

3.7.5 Proposed Integrated Performance Measurement Framework

A proposed integrated performance measurement framework is illustrated in figure 3.4. The figure divided management practices into competencies and capabilities. Competencies are determined by the skills in the organization and include strategic innovations and strategic leadership. Capabilities are the abilities of the organizations including product diversification and quality management. Each was measured using a five point Lickert scale which was weighted into a mean. The mean was then relatively converted into a

percentage. An average of competencies and capabilities was determined. The same was established for stakeholder orientations. Performance was then computed by moderating the sums of the three variables.

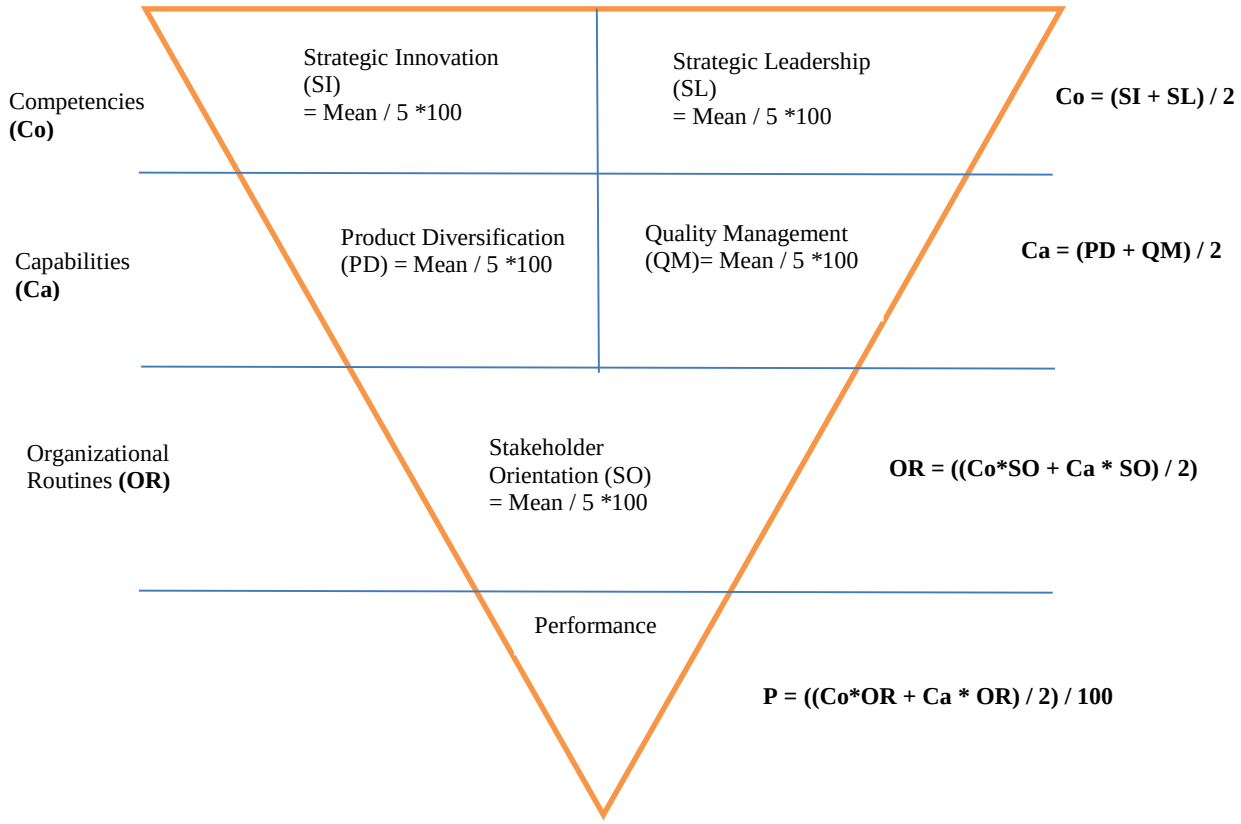

Figure 3.4: Proposed Integrated Performance Measurement Framework
Source: Author (2020)

Scale = <40% = Poor performance

41 - 60%= Moderate Performance

61 – 80% = Good Performance

81 – 100% = Excellent Performance.

3.8 Ethical Considerations

Ethics in research involves what is right and not right in conducting research (Neuman, 2000). He further states that ethics in research span the entire research process: from the nature of the problem being investigated; the reporting of the theoretical framework thereof; the context in which the research is conducted; the data collection instruments utilized; the data collection methods used; the research subjects; the procedures followed to analyze the data; and the way in which the data are reported.

Ethical considerations refer to all the prior processes, activities or actions that a researcher must address or carry out before undertaking research to ensure a successful completion. These include pre-field work, field work and post field work logistics. Ethical principles require that the researcher puts in place appropriate strategies to persuade respondents to co-operate and be assured of protection of their rights. This involved getting the research permit from National Commission for Science, Technology and Innovation (NACOSTI) and the research authorization from Kisii University to ensure confidentiality to the respondents. The respondents remained anonymous to the research and they were assured that the information given would only be used for the research purposes and not any other thing else. The letter was given to the respondents from the various cooperative societies and they were constantly reassured of confidentiality.

Table 3.4: Summary of research objectives, hypotheses, and analytical methods

Objective	**Hypothesis test**	**Analytical model**	**Interpretation**
i) Establish the influence of product diversification on performance of coffee cooperative societies in Nyanza region,	**H_{01}**:There is no statistically significant influence of product diversification on performance of coffee cooperatives in Nyanza region,	Factor analysis Pearson's correlation Simple Regression analysis **$Y = \beta o + \beta_1 X_1 + \varepsilon$ ……I**	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of determination (R^2) is expected to show percentage of variation F-statistics (Analysis of variance) assesses the robustness and overall significance of the regression model.
ii) Determine the influence of strategic innovation on performance of coffee cooperative societies in Nyanza region,	**H_{02}**There is no statistically significant influence of strategic innovation on performance of coffee cooperatives in	Factor analysis Pearson's correlation Simple Regression analysis **$Y = \beta o + \beta_2 X_2 + \varepsilon$ ……...ii**	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of determination (R^2) is

	Nyanza region,		expected to show percentage of variation F-statistics (Analysis of variance) assesses the robustness and overall significance of the regression model
iii) Find out the influence of quality management on performance of coffee cooperative societies in Nyanza region,	**H_{03}**:There is no statistically significant influence of quality management on performance of coffee cooperatives in Nyanza region,	Factor analysis Pearson's correlation Simple Regression analysis **$Y = \beta o + \beta_3 X_3 + \varepsilon$ ……...iii**.	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of determination (R^2) is expected to show percentage of variation F-statistics (Analysis of variance) assesses the robustness and overall significance of the regression model
iv) Assess the influence of strategic leadership on performance of coffee cooperative societies in Nyanza region,	**H_{04}**:There is no statistically significant influence of strategic leadership on performance of coffee cooperatives in Nyanza region,	Factor analysis Pearson's correlation Simple Regression analysis **$Y = \beta o + \beta_4 X_4 + \varepsilon$ ……..iv**	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of determination (R^2) is expected to show percentage of variation F-statistics (Analysis of variance) assesses the robustness and overall significance of the regression model
To establish the effect of strategic management practices on performance of coffee cooperative societies in Nyanza region, Kenya.		Multiple regression analysis **$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$**	Coefficient of determination (R^2) is expected to show percentage of variation

			F-statistics (Analysis of variance) assesses the robustness and overall significance of the regression model
Va) Establish the moderating role of stakeholders' orientation on the relationship between product diversification and performance of coffee cooperative societies in Nyanza region.	**H_{05a}**:Stakeholders 'orientation does not statistically significantly moderate the relationship between product diversification and performance of coffee cooperative societies in Nyanza region.	Hierarchical Regression analysis **$Y = \beta o + \beta_1 X_1 M + \varepsilon$ ……v(a)**	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of determination (R^2) is expected to show percentage of variation F-statistics (Analysis of variance) to assess the robustness and overall significance of the regression model
Vb)Determine the moderating role of stakeholders' orientation on the relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region	**H_{05b}:**Stakeholder s'orientation does not statistically significantly moderate the relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region,	Hierarchical Regression analysis **$Y = \beta o + \beta_2 X_2 M + \varepsilon$……v(b)**	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of determination (R^2) is expected to show percentage of variation F-statistics (Analysis of variance) to assess the robustness and overall significance of the regression model
Vc) Find out the moderating role of stakeholders' orientation on the relationship between quality management and performance of coffee cooperative societies in Nyanza region.	**H_{05c}:**Stakeholders ' orientation does not statistically significantly moderate the relationship between quality management and	Hierarchical Regression analysis **$Y = \beta o + \beta_3 X_3 M + \varepsilon$ ……v(c)**	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of

	performance of coffee cooperative societies in Nyanza region,		determination (R^2) is expected to show percentage of variation F-statistics (Analysis of variance) to assess the robustness and overall significance of the regression model
Vd) Assess the moderating role of stakeholders' orientation on the relationship between strategic leadership and performance of coffee cooperative societies in Nyanza region.	**H_{05d}:**Stakeholder s'orientation does not statistically significantly moderate the relationship between strategic leadership and performance of coffee cooperative societies in Nyanza region.	Hierarchical Regression analysis **$Y = \beta o + \beta_4 X_4 M + \varepsilon$ …v(d)**	Pearson's product moment correlation coefficient, (r) is expected to show the direction and strength of the relationship between the variables Coefficient of determination (R^2) is expected to show percentage of variation F-statistics (Analysis of variance) to assess the robustness and overall significance of the regression model
To establish the moderating effect of stakeholders orientation on the relationship between strategic management practices and performance of coffee cooperative societies in Nyanza region ,Kenya		Multiple Regression analysis $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1 * M + \beta_6 X_2 * M + \beta_7 X_3 * M + \beta_8 X_4 * M + \varepsilon$	Coefficient of determination (R^2) is expected to show percentage of variation to establish stakeholder's effect. F-statistics (Analysis of variance) assesses the robustness and overall significance of the regression model

Source: Researcher (2020)

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Response Rate

Response rate is the proportion of completed surveys by the eligible participants. (Agustini, 2018) opined that contacting wrong participants and not gaining cooperation from the right participants can result in low response rate .Most research institutions focus on the response rate as being the quality indicator for the impact of non-response bias. As a consequence, they implement a variety of measures to reduce non-response or to maintain response at some acceptable level.

Table 4.1: Response Rate

	Frequency	Percent
Distributed Questionnaire	394	100.00
Returned questionnaire	358	90.86
Questionnaires not returned	36	9.14
Non usable questionnaires	21	5.33
Usable questionnaire	**337**	**85.53**

Source: Field Data (2020)

As shown in table 4.1, a total of three hundred and ninety four (394) questionnaires were distributed to the respondents out of which three hundred and fifty eight (358) were returned. Thirty six (36) questionnaires were not returned. Twenty one (21) of the returned questionnaires were not fully filled especially on cooperative performance. This gave this study a response rate of eighty five point five (85.5) percent which was considered to be satisfactory and adequate for the study. A study by Holbrook (2009) which sought to establish the acceptable response rate in social sciences surveys revealed that a rate above 50% is representative and is within the desirable response rate.

4.2 Screening and Preparation

Data screening, editing and transformation was done before initial data presentation. Hair *et al.*, (2010), opined that it is prudent to screen data to identify potential breach of underlying principles of multivariate strategies. Collected raw data was cleaned up before analysis in

preparation of the multivariate data analysis. This was achieved through determining outliers, data entry errors, out of range values and missing data.

4.2.1 Analysis of Data Entry Errors

Data from the questionnaires were entered into SPSS version 25 for further analysis. However, 21 questionnaires were classified under data entry errors.

4.2.2 Analysis of Outliers

An outlier is a data point that is far from other observations. Presence of outliers compromises the statistical validity of the study and the reliability of the study (Hair Jr *et al.,* 2010). In addition, outliers significantly affect statistical estimations such as means and standard deviations of a sample, hence overestimating or underestimating values (Kwak & Kim). In this study, the variables; product diversification, strategic innovation, quality management, strategic leadership and cooperative performance were found to have outliers as shown by box plots in appendix (IV).

4.2.3 Analysis of Out of range values

Table 4.2 Out-of-range Values

Indicator/variable (s)	**Out-of-range values (n)**	**Percentages (%)**
Product diversification	1	20%
Strategic innovation	1	20%
Strategic leadership	2	40%
Stakeholders orientation	1	20%
Total	**5**	**100**

Source: Field Data (2020)

Four observations were found to be having out-of-range values. The study results in table 4.2 revealed that variable with the highest number of out of range values was strategic leadership with 2 (40%). Product diversification, Strategic innovation, and Stakeholders orientation each have 1 (20%) out of range values. These out of range values were treated by assuming missing values.

4.2.4 Analysis of Missing Data

Missing data arises when respondents fail to answer certain questions. In addition, a significant fraction of data can be erroneous, and the only alternative may be discarding the erroneous data (Batista & Monard, 2003). Missing data leads to a biased statistical analysis resulting to wrong data estimation. Out of 358 questionnaires returned, 21 of them were found to be having missing data and hence dropped.

4.3 Demographic Characteristics of Respondents

Demographic information provides data regarding research participants and is necessary for the determination of whether the individuals in a particular study are a representative sample of the target population for generalization purposes (Salkind, 2010). Demographic characteristics are widely acknowledged to have a great influence on how respondents respond to questions and their performance in organizations. According to Wasike (2016), demographic characteristics are personal characteristics such as the age, level of education, work experience, ethnicity, race and family size. Ongeti (2014) points out that the demographic characteristics have an influence on whether stakeholders will be committed to their obligations or not. He observed that how well the employees perform, how many years they are ready to dedicate in the service and how well they act in the best interest of the organization's objectives heavily depends on how much the organizations take care of the needs that are related to their demographic characteristics.

4.3.1 Respondents' Gender

The researcher sought to establish gender of the respondents. Categorizing gender assisted the researcher to establish whether the constitutional gender rule is enforced in the coffee cooperative societies in Kenya. Table 4.3 shows the gender distribution, number of respondents and overall percentage.

Table 4.3 Respondents' Gender

	Frequency	Percent
Male	223	66.2
Female	114	33.8
Total	**337**	**100.0**

Source: Field Data (2020)

The study results in table 4.3 revealed that the top management level of coffee cooperative societies had more male as compared to female. The results indicated that 223 (66.2%) of the respondents were male while 114 (33.8%) were female, which means that although the majority of the respondents were male, the population of the females is more than one third of the sample population. This suggests that the cooperative societies are adhering to the principle of gender equity in employment and thus the decisions made by the organization are bound to be gender sensitive. Since the two thirds requirement was achieved then results were considered unbiased. The results presented in table 4.3.

4.3.2 Respondents' Ages

Respondents' age were operationalized into five categories. This was to help determine the largest group affected by strategic management practices as presented in table 4.4.

Table 4.4 Respondents' Ages

	Frequency	Percent
18-30yrs	15	4.5
31-40yrs	45	13.4
41-50yrs	85	25.2
51-60yrs	157	46.6
>60yrs	35	10.4
Total	337	100.0

Source: Field Data (2020)

The study results in table 4.4 revealed that as far as ages of respondents are concerned, a huge proportion (46.6%) of the top management comprises of those between the ages of 51 to 60 years. 25.2% of the respondents are in the range of 41- 50 years, 13.4% of the respondents are in the range of 31 - 40 years, 10.4% are above 60 years of age and only 4.5% are in the range 18 - 30 years. These findings reveal that majority of the respondents are at an experienced age within the cooperative societies strategic decision makers. It also revealed that respondents of different ages participated in the study hence the results were not biased based on the ages of the respondents.

4.3.3 Respondents' Levels of Education

The researcher sought to establish the levels of education and categorized them into six levels. It is assumed that higher education level will mean quality decision making as indicated in table 4.5.

Table 4.5: Respondents level of Education

	Frequency	Percent
Primary	5	1.5
Secondary	90	26.7
Diploma	36	10.7
Bachelor's Degree	118	35.0
Master Degree	64	19.0
Phd	24	7.1
Total	**337**	**100.0**

Source: Field Data (2020)

The study results in table 4.5 revealed that the level of education was important in the study because it helped to evaluate whether the top level management had the prerequisite knowledge to understand the concept under research. It was found out that majority of the management personnel had a Bachelor's degree level of education, with a proportion of 35%, followed by Secondary at 26.7%, Master's Degree at 19%, PhD level at 7.1% and primary at 1.5 % level of education. The study indicated that over 61% of the respondents had above bachelors' degree level of education thus they were able to understand the concept of strategic management practices.

4.3.4 Respondent's Department

Respondents were asked to state the department under which they work .This helped the researcher to obtain views from different departments on their perception concerning the study as presented in table 4.6.

Table 4.6: Department of Work.

	Frequency	Percent
Cooperative Society	295	87.6
Ministry of Cooperatives	21	6.2
Ministry of Agriculture	21	6.2
Total	**337**	**100.0**

Source: Field Data (2020)

The study findings in table 4.6 revealed that 87.6% of the respondents worked at the cooperative society, 6.2% worked at the ministry of cooperative and the rest 6.2% working at the ministry of agriculture. This meant that majority of the respondents had hands on experience and knowledge on the workings and operations of the coffee cooperative societies.

4.3.5 Respondent's Work Position

Respondents were asked to state the position they held at work. This was expected to show the various levels of employees in middle level management who responded to the questionnaire and findings presented in table 4.7.

Table 4.7: Work Position

	Frequency	**Percent**
Board Member	112	33.3
Cooperative Officer	21	6.2
Supervisory Committee Member	68	20.2
Agricultural Officer	21	6.2
Society Employee	115	34.1
Total	**337**	**100.0**

Source: Field Data (2020)

The study findings in table 4.7 indicated that 33.3% of the respondents were board members, 6.2% were cooperative officers, 20.2% were supervisory committee members, 6.2% were agricultural officers and 34.1% were society employees. The findings revealed that coffee cooperative societies is composed of various categories of stakeholders who happen to have a deeper understanding of the strategic management practices therefore validating the results of the study.

4.3.6 Respondent's Years of Experience

Respondents were asked to indicate the number of years they have served at their workplace. It will assist the researcher to establish the experience of the respondents. It was assumed that the respondents with higher experience made better decisions.

Table 4.8: Years of Experience

	Frequency	Percent
1-5yrs	65	19.3
6-10yrs	78	23.1
11-15yrs	69	20.5
16-20yrs	69	20.5
21 yrs and above	56	16.6
Total	**337**	**100.0**

Source: Field Data (2020)

The study results in table 4.8 indicated that 19.3% had years of experience of between1 to 5 years, 23.1% had an experience of between 6 and 10 years, 20.5% had between 11 to 15 years of work experience. Those who had work experience of 16 to 20 years were 20.5%and 16.6% had more than 21 years of experience. The findings show that respondents had vast experience at senior management level and hence were conversant with issues of strategic management practices. The study found out that majority of the respondents had work experience of more than ten years indicating that they were able to understand most of the issues under study thus the information received could be considered unbiased.

4.4 Descriptive Statistics of the Variables

The mean scores (M) and standard deviations (SD), for all the measurement items related to product diversification, strategic innovation, quality management, strategic leadership, stakeholder's orientation and performance of cooperative societies were computed and analyzed. These descriptive statistics were used to estimate the extent of strategic management practices and stakeholders' orientation on performance of coffee cooperative societies. The results are displayed in the sections below.

4.4.1 Product Diversification

The first objective of the study sought to establish the effect of product diversification on performance of coffee cooperative societies in Nyanza region. The means and standard deviations were calculated and the findings are presented in table 4.9.

Table 4.9: Descriptive statistics for Product Diversification (N = 337)

	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
	Stat	Stat	Stat	Stat	Stat	Std. Error	Stat	Std. Error
The coffee cooperative societies introduce new products regularly	1	5	3.50	1.644	-0.45	0.133	-1.499	0.265
The cooperative has the highest number of coffee products in the industry	1	5	3.90	1.345	-0.854	0.133	-0.634	0.265
The coffee cooperative has invested in other non-core products besides coffee	1	5	3.82	1.373	-0.918	0.133	-0.412	0.265
Number of New Products	**Aggregate Mean**		**3.74**					
Research and development department has a substantial allocation of funds	1	5	3.77	1.359	-0.772	0.133	-0.614	0.265
There are substantial funds allocated separately for investments in non-core activities	1	5	4.07	1.259	-1.186	0.133	0.223	0.265
Size of Diversification Investment	**Aggregate Mean**		**3.92**					
New products sales returns are a major component of the income statement	1	5	4.12	1.095	-0.947	0.133	-0.266	0.265
New products are able to break even without hurting existing product returns	1	5	3.95	1.39	-1.032	0.133	-0.361	0.265
Returns from Diversified Products	**Aggregate Mean**		**4.04**					
AVERAGE MEAN			**3.9**	**1.352**				

Source: Field Data (2020)

The findings presented in table 4.9 established that most respondents were indifferent that coffee cooperative societies introduce new products regularly (mean = 3.50, SD = 1.64). Further, most respondents agreed that their cooperatives have the highest number of coffee products in the industry (mean = 3.90, SD = 1.345), and that coffee cooperatives have invested in other non-core products besides coffee (mean = 3.82, SD = 1.37). A majority of the respondents also were in agreement that research and development department has a substantial allocation of funds, as indicated by (mean = 3.77, SD = 1.359).

Most respondents did agree that there are substantial funds allocated separately for investments in non-core activities (mean = 4.07, SD = 1.259). Similarly, most respondents did agree that new products sales returns are a major component of the income statement as indicated by (mean = 4.12, SD = 1.095). Majority of the respondents did agree that new products are able to break even without hurting the existing product returns (mean = 3.95, SD = 1.390). Overall, the items on product diversification realized an average mean of 3.9 suggesting that cooperative societies are investing heavily on product diversification.

The findings in table 4.9 shows that the values of skewness and kurtosis sway between -1 and -0.5 with most of the values being close to zero. Hence, a normal distribution was assumed and parametric tests were used to analyze the data. In table 4.9, most product diversification items normal curve has skewness of between -1 and -0.5 and kurtosis < 3, with the distribution being moderately skewed and platykurtic hence no perfect distribution was observed.

4.4.2 Strategic Innovation

The second objective of the study sought to determine the effect of strategic innovation on performance of coffee cooperative societies in Nyanza region. The findings are presented table 4.10.

Table 4.10: Descriptive statistics for Strategic Innovation (N = 337)

		Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
		Stat	Stat	Stat	Stat	Stat	Std. Error	Stat	Std. Error
Nearly all operations of the cooperative society have been automated		1	5	3.83	1.398	-0.773	0.133	-0.892	0.265
The firm is a leading technology adopter in the industry possessing technology not available to other cooperatives		1	5	3.95	1.19	-0.786	0.133	-0.624	0.265
There is a dedicated ICT and engineering department to manage all new technologies		1	5	3.72	1.42	-0.62	0.133	-1.058	0.265
Extent of Technology Adoption	**Aggregate Mean**			**3.83**					
The cooperative production process is unique and different from most cooperatives in Kenya		1	5	3.91	1.232	-0.746	0.133	-0.751	0.265
The firm has adopted new packaging and branding to promote product uniqueness		1	5	3.78	1.347	-0.652	0.133	-0.947	0.265
Differentiation of products has been scaled up on coffee products	337	1	5	3.93	1.342	-0.957	0.133	-0.44	0.265
New business processes	**Aggregate Mean**			**3.87**					
The firm has acquired patents for either of its business engineering		1	5	3.04	1.573	-0.027	0.133	-1.518	0.265
The cooperative holds secrets to its production processes which it might patent		1	5	3.58	1.287	-0.552	0.133	-0.708	0.265
Number of patents	**Aggregate Mean**			**3.74**					
AVERAGE MEAN				**3.81**	**1.224**				

Source: Field Data (2020)

As evidenced in table 4.9, nearly all operations of the cooperative society have been automated (Mean = 3.83, SD = 1.40). The results suggest that the firm is a leading technology adopter in possessing technology not available to other cooperatives (Mean = 3.95, SD = 1.19). There is a dedicated ICT and engineering department to manage all new technologies as indicated by (Mean = 3.72, SD = 1.42). Most respondents agreed that the cooperative production process is unique and different from most cooperatives in Kenya (Mean = 3.91, SD = 1.23), the firm has adopted new packaging and branding to promote product uniqueness (Mean = 3.78, SD = 1.35), differentiation of products has been scaled up (Mean = 3.93, SD = 1.34). However, respondents were undecided with regard to

acquiring patents for either of its business engineering (Mean = 3.04, SD = 1.57). Majority of the respondents were indifferent that coffee cooperative holds secrets to its production processes which it might patent (Mean = 3.58, SD = 1.29). With an overall mean of 3.81, the findings showed that strategic innovation is a key influencer in performance of coffee cooperative societies in Nyanza.

The findings in table 4.10 shows that the values of skewness and kurtosis swing between -1 and -0.5 with most of the values being close to zero. Hence, a normal distribution was assumed and parametric tests were used to analyze the data. Most strategic innovation items had a skewness of between -1 and -0.5 and kurtosis < 3, hence moderately skewed and platykurtic and therefore no perfect distribution was observed. Study findings indicated that the number of new business processes was the main indictor of strategic innovation. The firms had adopted a number of new business processes to enhance its strategic innovation practices. This is interpreted to mean that the coffee cooperatives had devised a number of new ways and adopted various technologies to enhance their production efficiencies. In the coffee cooperatives strategic innovation and technology adoption can be used to relate to financial innovations such as access to credit, process innovations such as the acquisition of equipment to support coffee processing. The adoption of technology by the coffee cooperatives is interpreted to refer to ability of coffee cooperatives to develop adaptive capacity to learn and respond to change. The bedrock of adaptive capacity is the ability of co-operative leaders, managers and members to reflect and enact changes that suite the cooperatives and the member's needs.

4.4.3 Quality Management

The third objective of the study was to determine the effect of quality management on performance of coffee cooperative societies in Nyanza region.The findings are presented in table 4.11.

Table 4.11: Descriptive statistics for Quality Management (N = 337)

	Min	Max	Mean	Std. Deviation	Skewness		Kurtosis	
					Statistic	Std. Error	Statistic	Std. Error
The cooperatives' products are bought all over the country	1	5	3.67	1.588	-0.713	0.133	-1.161	0.265
The cooperatives' products dominate the market	1	5	3.82	1.483	-0.876	0.133	-0.789	0.265
Product surveys have never found the cooperatives product wanting	1	5	3.81	1.394	-0.842	0.133	-0.637	0.265
Product rating	**Aggregate Mean**		**3.77**					
The cooperative has an ISO quality certification	1	5	3.82	1.294	-0.649	0.133	-0.983	0.265
The firm is in possession of a systems certification	1	5	3.78	1.416	-0.713	0.133	-0.977	0.265
The cooperative has an environmental safety certification	1	5	3.63	1.512	-0.621	0.133	-1.147	0.265
Number of certification	**Aggregate Mean**		**3.74**					
There is a quality management dedicated to promoting quality in the organization	1	5	3.85	1.464	-0.972	0.133	-0.559	0.265
There are funds for quality management that take a considerable share of capital	1	5	3.01	1.044	0.288	0.133	-0.659	0.265
Size of investments in quality management	**Aggregate Mean**		**3.43**					
AVERAGE MEAN			**3.65**	**1.399**				

Source: Field Data (2020)

From the results, it was established that cooperatives' products are bought all over the country (Mean = 3.67, SD = 1.59). This is an indication that the cooperative management has taken into consideration on improving and managing their products. This is evidenced by the notion that cooperatives' products dominate the market (Mean = 3.82, SD = 1.48). Other than that, Product surveys have never found the cooperatives product wanting (Mean = 3.81, SD = 1.39). Further findings revealed that the cooperative has an ISO quality certification (Mean = 3.82, SD = 1.29). Moreover, the firm is in possession of a systems certification (Mean = 3.78, SD = 1.42) and the cooperative has an environmental safety certification (Mean = 3.63, SD = 1.51). There is also a quality management dedicated to promoting quality in the organization (Mean = 3.85, SD = 1.46). There are however concerns with regard to availability of funds for quality management that take a considerable share of capital (Mean = 3.01, SD =1.04).

With an overall mean of Mean=3.67, the findings showed that quality management impacts heavily on coffee cooperative societies performance in Nyanza region. The findings in table 4.11 indicated that the values of skewness and kurtosis swing between -0.5 and 0.5 with most of the values being close to zero. Hence, a normal distribution was assumed and parametric tests were used to analyze the data. Most quality management items had a skewness of between -0.5 and 0.5 and kurtosis < 3, hence the distribution was approximately symmetric and platykurtic.

4.4.4 Strategic Leadership

The fourth objective of the study sought to assess the effect of strategic leadership on performance of coffee cooperative societies in Nyanza region.The findings are presented in table 4.12.

Table 4.12: Descriptive statistics for Strategic Leadership (N = 337)

	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
	Stat	Stat	Stat	Stat	Stat	Std. Error	Stat	Std. Error
The cooperatives management has gender parity	1	5	4.20	1.232	-1.365	0.133	0.511	0.265
Management teams have both young and elderly staff	1	5	4.09	1.304	-0.874	0.133	-1.116	0.265
There is ethnic balance in the management team	1	5	4.22	1.406	-1.592	0.133	0.865	0.265
Professional diversity	**Aggregate Mean**		**4.17**					
Management teams are from different public and private sectors	1	5	3.64	1.752	-0.681	0.133	-1.389	0.265
All management teams have over ten years in past experience	1	5	3.68	1.598	-0.61	0.133	-1.383	0.265
Education level of the management team is at minimum post graduate qualification	1	5	2.41	1.269	0.301	0.133	-1.073	0.265
Experiences	**Aggregate Mean**		**3.24**					
Management teams have many accolades from previous organizations they served in	1	5	3.74	1.585	-0.791	0.133	-1.091	0.265
The cooperative has consistently grown over time due to current management	1	5	3.69	1.584	-0.771	0.133	-1.072	0.265
The cooperative management has motivated staff to work hard	1	5	2.85	1.136	0.93	0.133	-0.453	0.265
Past achievements	**Aggregate Mean**		**3.43**					
AVERAGE MEAN			**3.61**	**1.43**				

Source: Field Data (2020)

As evidenced in table 4.12, majority of the respondents agreed that the cooperatives management has gender parity (Mean = 4.20, SD = 1.23). In addition the majority agreed that management teams have both young and elderly staff (Mean = 4.09, SD = 1.30), and

that there is ethnic balance in the management team (Mean = 4.22, SD = 1.41). Also, management teams are from different public and private sectors (Mean = 3.64, SD = 1.75). The study findings affirmed further that all management teams have over ten years in past experience (Mean = 3.68, SD = 1.60). Majority of the respondents disagreed that education level of the management team is at minimum post graduate qualification. Most of the respondents interviewed agreed that management teams have many accolades from previous organizations they served in. further, majority of the respondents also agreed that coffee cooperative societies have consistently grown over time due to current management. However, respondents were indifferent with regard to whether cooperative management has motivated staff to work hard (Mean = 2.85, SD = 1.14).

Overall, the items on strategic leadership summed up to a mean of 3.61 .The findings suggest that strategic leadership can be enhanced if cooperative societies engage services of high level management team with a vast experience and integrity. The findings in table 4.12 indicated that the values of skewness and kurtosis swing between -1 and 1 with most of the values being close to zero. Hence, a normal distribution was assumed and parametric tests were used to analyze the data. Most strategic leadership items had a skewness of between -1 and 1 and kurtosis < 3, hence the distribution is moderately skewed and platykurtic.

4.4.5 Stakeholders Orientation

According to Mlanya (2015), stakeholder involvement in strategic management enhances the firm's performance. The study therefore sought to establish the effect of stakeholder's orientation on the relationship between strategic management practices and coffee cooperative performance. Table 4.13 below highlights the findings on stakeholders' orientation.

Table 4.13: Descriptive statistics for Stakeholders Orientation (N = 337)

	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
	Stat	Stat	Stat	Stat	Stat	Std. Error	Stat	Std. Error
The organization has a CSR policy	1	5	3.37	1.561	-0.246	0.133	-1.519	0.265
The cooperative annually engages in numerous CSR projects	1	5	3.66	2.091	1.531	0.133	3.874	0.265
There are funds in the cooperatives budget specifically for CSR	1	5	3.24	1.569	-0.212	0.133	-1.486	0.265
Scope of corporate social responsibility	**Aggregate Mean**		**3.42**					
The employees in the cooperative are allowed to own shares	1	5	3.93	1.225	-0.997	0.133	-0.209	0.265
The employees are consulted by management on key financial decision	1	5	3.04	0.887	0.67	0.133	1.366	0.265
Employees vote on key cooperatives decisions equally	1	5	3.64	1.549	-0.618	0.133	-1.251	0.265
Employees voting right	**Aggregate Mean**		**3.54**					
The cooperative holds annual AGMs	1	5	3.89	1.386	-0.936	0.133	-0.529	0.265
The financial records of the firm are in the public domain	1	5	3.69	1.384	-0.585	0.133	-1.046	0.265
Information disclosed by the firm is transparent	1	5	2.88	1.13	-0.114	0.133	-0.67	0.265
Extent of information disclosure to shareholders	**Aggregate Mean**		**3.49**					
AVERAGE MEAN			**3.48**	**1.42**				

Source: Field Data (2020)

Evidently, findings revealed that the organization has a CSR policy (Mean = 3.37, SD = 1.57) and moreover, the cooperative annually engages in numerous CSR projects (Mean = 3.66, SD = 2.09). This means that stakeholders are always engaged and involved in critical decision making. The study found that respondents were indifferent that there are funds in the coffee cooperative societies' budget specifically for CSR (Mean = 3.24, SD = 1.57). Similarly, the employees in the cooperative are allowed to own shares (Mean = 3.93, SD = 1.23). Besides, the respondents agreed that employees are consulted by management on key

financial decisions (Mean = 3.04, SD = 0.89) and also employees vote on key cooperatives decisions equally (Mean = 3.64, SD = 1.55). The findings are further affirmed by the cooperative holding annual general meetings (Mean = 3.89, SD = 1.39) with financial records of the organization being put in the public domain (Mean = 3.69, SD = 1.38). Overall, the items on stakeholder's orientation summed up to a mean of 3.48 the implication is that the stakeholder's orientation influences the relationship between strategic management practices and coffee cooperative performance.

The results in table 4.13 shows the results of skewness and kurtosis were between -1and >1 with most of the values being close to zero. As shown in table 4.13,most stakeholders orientation normal curve has skewness between -0.5 and 0.5 and kurtosis < 3, with distribution being approximately symmetric and platykurtic with only two items(The cooperative annually engages in numerous CSR projects, the employees are consulted by management on key financial decisions) being highly and moderately skewed respectively; hence no perfect distribution was observed. The study findings indicated that creating and protecting employee voting rights was the main mechanisms used under stakeholder's orientation. The results were interpreted to mean that employees in the coffee cooperatives were key stakeholders in differencing the operations of the coffee cooperatives. Employee welfare including participating in decision making was key to ensuring that the coffee cooperatives are able to meet their goals by ensuring that the employees were productive.

4.4.6 Cooperative Performance

The researcher also analyzed the descriptive statistics for cooperative performance using minimum, maximum, mean and standard deviation. Table 4.14 below highlights the findings on cooperative performance.

Table 4.14: Descriptive statistics for Cooperative Performance (N = 337)

	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
					Statistic	Std. Error	Statistic	Std. Error
The firms products dominate the market	1	5	3.70	1.242	-0.397	0.133	-1.323	0.265
The firm serves the largest market in most regions in the country	1	5	4.11	1.153	-1.082	0.133	0.162	0.265
The firms market share is on the rise	1	5	3.35	1.679	-0.337	0.133	-1.577	0.265
Market share	**Aggregate Mean**		**3.72**					
The firm has sufficient reserves to cushion it in hard economic times	1	5	3.96	1.321	-1.048	0.133	-0.193	0.265
The firms is able to re-invest earnings	1	5	3.79	1.499	-0.757	0.133	-1.014	0.265
The firms book ratios show a strong financial position	1	5	3.95	1.362	-1.115	0.133	-0.032	0.265
Financial stability	**Aggregate Mean**		**3.90**					
The firm is able to pay dividends to shareholders	1	5	3.59	1.38	-0.439	0.133	-1.17	0.265
The firm meets obligations to employees and suppliers	1	5	4.21	1.234	-1.486	0.133	0.935	0.265
The cooperative is able to meet its obligations	1	5	3.47	1.488	-0.338	0.133	-1.488	0.265
Attractiveness score	**Aggregate Mean**		**3.76**					
AVERAGEMEAN			**3.79**	**1.373**				

Source: Field Data (2020)

On the basis of these findings the cooperatives products dominate the market (Mean = 3.68, SD = 1.24). Also, the firm serves the largest market in most regions in the country (Mean = 4.11, SD = 1.15). Further, there was an indifference among the respondents concerning the firms market share being on the rise (Mean = 3.35, SD = 1.68). In addition, the firm has sufficient reserves to cushion it in hard economic times (Mean = 3.96, SD = 1.32). The firms are also able to re-invest their earnings (Mean = 3.79, SD = 1.50) and the firms book ratios show a strong financial position (Mean = 3.95, SD = 1.36). As well, the firm is able

to pay dividends to shareholders (Mean = 3.59, SD = 1.38) and the firm meets obligations to employees and suppliers Mean = 4.21, SD = 1.23). Additionally, the findings showed that the cooperative is able to meet its obligations (Mean = 3.47, SD = 1.49). On the overall, the items on cooperative performance summed up to a mean of 3.79. This implied that strategic management practices could be important in enhancing coffee cooperative societies' performance.

The study findings in table 4.14 shows the results of skewness and kurtosis were between -1and -0.5 with most of the values being close to zero. As shown in table 4.14, most cooperative performance has skewness between -1 and -0.5 and kurtosis < 3, with distribution being moderately skewed and platykurtic; hence no perfect distribution was observed.

It was concluded that the overall performance of the cooperative societies is not perfect as it was anticipated and that there is need to make improvements by providing marketing services so that marketing margins are not in excess of marketing costs. Reduction of processing costs in societies with high cost due to low cherry volumes can be done by amalgamation of the small and uneconomical societies.

In terms of market share, the coffee cooperatives have been highly successful as far as output marketing and provision the production credit are concerned. Apart from a negligible volume of coffee sold by small producers on the parallel market, the coffee societies handle the entire coffee crop from the small holder sector. This is, of course, not surprising as it is explained by the simple fact that they have a marketing monopoly based on the Coffee Act. As regards production credit to farmers, figures on market share are not available. It is clear, however, that their market share, when it comes to credit for coffee production, is close to 100 per cent. The linkages between output marketing, credit, and produce payments through the societies/unions have ensured a high rate of loan repayment and accumulation of funds (members' savings) for lending. They also have a dominant position in farm input supply, although not as pronounced as in output marketing and provision of credit.

It has also been observed that member's payment through the cooperatives is often subject to long delays. The high operating costs of the cooperatives (as compared to the estates), declining payment rates and the delays in processing payments indicate that the efficiency

of the coffee societies is not satisfactory. In response to this situation, a parallel, illegal market for coffee cherry has started to develop whereby small holder growers sell their production to coffee estates.

The need to improve the performance of coffee cooperatives in Kenya is studied by various researchers. Cooperative societies have an impact on members' welfare and played a role in poverty reduction and capital formation in Nigeria. However, the findings revealed that rural poor farmers were not properly served by formal financial institutions since they refrain from advancing loan to them due to bureaucratic procedures and high cost service involved in lending. Therefore, cooperative societies remained crucial to them as they were better placed to recommend them to financial institutions in regard to acquisitions of credit facilities (Duol, 2014).

According to Mwangi (2010), cooperative societies can provide more jobs to the unemployed and also make improvement in the provision of credit and financial advisory services to their members. They have however encountered various hindrances in their bid to perform well financially. These problems are highly associated with the way financial management is exercised in cooperative societies thus members are living in poverty due to inappropriate financing structures of their organizations.

Onugu (2014) carried a study on the financial performance of cooperative societies in Enugu state, Nigeria. The study found that cost of financing is the main issue considered by organization when deciding of the type of capital. The value of the investments and projects undertaken by cooperative societies is highly linked to the costs of financing them thus have to be put into account for the managers to make informed decisions. Cooperative societies find it difficult to measure the impact of financing costs on their capital structure decisions in regard to their investing activities. However, this study did not exhaust all aspects of cost of finance which contributes to the financial performance of cooperative societies at large.

Sikuka (2010) examined comparative performance of selected agri-business companies and cooperatives in the Western Cape of South Africa. Financial performances were measured based on financial ratios obtained from income statements and balance sheets. The relative financial performance of cooperatives to companies were compared across different

financial ratios mainly, through profit margin, return on assets (R.O.A), return on equity (R.O.E), current ratio, debt to asset ratio, asset turnover ratio, asset growth, revenue growth and economic value added. The overall results confirmed that, companies had the strongest relative financial performance in most of the financial ratios mainly profit margin, ROE, current ratio, debt to asset ratio, asset turnover ratio, asset growth, revenue growth and economic value added and their relative financial performance were improved. Cooperatives only showed a clear advantage on ROA and sometimes ROE.

According to Kibe (2015), as far as the performance of the co-operative societies is concerned, the study found out that, the societies have low operational efficiency as depicted by the high marketing margins compared to the estimated marketing coats. It was shown that, 80 per cent of the societies studied had higher mean marketing margins than the mean marketing costs. On average, the mean marketing margin was 1.85 while the mean marketing cost was 1.21. The calculated t -ratio of 2.00 showed that the difference between the two means was statistically significant at 5 per cent level of significance.

4.5 Exploratory Factor Analysis

Williams, Onsman & Brown, (2010), opined that factor analysis is the concept that measurable and observable variables can be compressed to less existing variables that have a common variance and are undetectable. Factor analysis was done to identify the highly loaded items and thus important ones for data analysis were retained. Exploratory factor analysis was used to reduce the number of variables. This is important since large number of items in a variable can make the study become rather complicated. Besides, it could well be that some of the variables measure different aspects of the same underlying variable. This technique works by grouping variables with similar characteristics together to produce a small number of factors, which are capable of explaining the observed variance in the larger number of variables. The reduced factors were used for further analysis.

Suitability of factor analysis about the number of cases (sample size) for the study was checked. Comrey and Lee (1973) as cited by Williams, Onsman and Brown (2010) in their guide to sample sizes indicated 100 as poor, 200 as fair, 300 as good, 500 as very good, and 1000 or more as excellent. The study sample size was 394 and this is considered suitable. The study used the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test in determining the factors to be retained following the Principal Components Analysis (PCA) method. This

analysis is designed to account for all of the variance including those found in the correlation coefficients and error variance (Williams, Onsman & Brown, 2010). The Kaiser-Meyer-Olkin value measures the sampling adequacy and should be greater than 0.5 for a satisfactory factor analysis (Kaiser, 1974). The Kaiser criterion for retaining factors with Eigen values greater than 1 was also applied as suggested by Yong and Pearce (2013).The study further used scree plots (see Appendix VI) to determine the number of factors to be retained. The curve indicated maximum number of components to retain.

4.5.1 Principle Component Analysis (PCA) for Product Diversification

The study tested validation of data for product diversification using exploratory factor analyses. Using SPSS, the results of this factor analysis, with the assumption of extracting via principal component method and rotating via varimax are presented in table 4.15.

Table 4.15: Factor Analysis for Product Diversification

	Component		
	1	2	3
The coffee cooperative societies introduce new products regularly	.773		
The coffee cooperative has invested in other non-core products besides coffee	.735		
There are substantial funds allocated separately for investments in non-core activities		.730	
New products sales returns are a major component of the income statement		.726	
The cooperative has the highest number of coffee products in the industry		.637	
Research and development department has a substantial allocation of funds			.897
New products are able to break even without hurting existing product returns			.686

Total Variance Explained

Initial Eigen values	1.880	1.504	1.025
% of Variance	26.853	21.482	14.640
Cumulative %	26.853	48.335	62.975

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.661
Bartlett's Test of Sphericity Approx. Chi-Square	289.687
Df	21
Sig.	.000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Source: Field Data (2020)

The 7 items for product diversification were subjected to principal components analysis using SPSS (version 25). Prior to performing PCA, the suitability of data for factor analysis was assessed. Factors with factor loadings of above 0.5 were retained for further data analysis. All the variables that scored above 0.5 indicated that they contributed and influenced the resultant factor detection structure, (Klien, 2005).

All items met this criterion and none was dropped. The Kaiser-Meyer-Olkin measure value was 0.661 exceeding the recommended value of 0.6 (Kaiser 1970, 1974) and Bartlett's Test of Sphericity (Bartlett 1954) was significant with p value less than 0.000 (Bartlett's test = 289.687, $p < 0.05$) indicating the manifestation of factorization of 3 factors for product diversification.

Principal components analysis revealed the presence of three components with eigen values exceeding 1, explaining 26.85%, 21.48% and 14.64% of the variance respectively. An item is considered to belong to a factor component if its factor loading corresponds to that particular component and is relatively higher than its factor loadings in the other factor components. This was further illustrated using the scree plot in (Appendix V) which indicates that screes started to develop at factor 3 showing that only 3 factors explain product diversification. The four components explained a total of 62.98% of the variance.

4.5.2 Principle Component Analysis (PCA) for Strategic Innovation

The study tested validation of data for strategic innovation using principal component analysis and Varimax rotation as shown in table 4.16.

Table 4.16: Factor Analysis for Strategic Innovation

	Component			
	1	2	3	4
The cooperative holds secrets to its production processes which it might patent	.747			
Nearly all operations of the cooperative society have been automated	.742			
The firm has adopted new packaging and branding to promote product uniqueness	.594			
Differentiation of products has been scaled up on coffee products		.734		
The cooperative production process is unique and different from most cooperatives in Kenya		.677		
The firm has acquired patents for either of its business engineering			.761	
The firm is a leading technology adopter in the industry possessing technology not available to other cooperatives			.681	
There is a dedicated ICT and engineering department to manage all new technologies				.932

Total Variance Explained

Initial Eigen values	1.753	1.677	1.080	1.002
% of Variance	21.916	20.966	13.502	12.525
Cumulative %	21.916	42.882	56.383	68.908

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.626
Bartlett's Test of Sphericity Approx. Chi-Square	285.368
Df	28
Sig.	.000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Source: Field Data (2020)

The 8 items for strategic innovation were subjected to principal components analysis using SPSS version 25. Prior to performing PCA; the suitability of data for factor analysis was assessed. Factors with factor loadings of above 0.5 were retained for further data analysis. The Kaiser-Meyer-Olkin measure value was 0.626 exceeding the recommended value of 0.6 (Kaiser 1970, 1974) and Bartlett's Test of Sphericity (Bartlett 1954) was significant with p value less than 0.000 (Bartlett's test=285.368, $p < 0.05$) indicating the manifestation of factorization of 4 factors for strategic innovation.

Principal components analysis revealed the presence of four components with eigen values exceeding 1, explaining 21.92%, 20.97%, 13.50% and 12.53% of the variance respectively. An item is considered to belong to a factor component if its factor loading corresponds to that particular component and is relatively higher than its factor loadings in the other factor components. This was further illustrated using the screw plot in (Appendix V) which indicates that screws started to develop at factor 4 showing that only 4 factors explain strategic innovation. The four components explained a total of 68.91% of the variance.

4.5.3 Principle Component Analysis (PCA) for Quality Management

Principal component analysis (PCA) for quality management was conducted using SPSS version 25. Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity were applied and finally factor analysis was carried out to calculate the Eigen values. Table 4.17 illustrates the factor analysis for quality management.

Table 4.17: Factor Analysis for Quality Management

	Component		
	1	2	3
There is a quality management dedicated to promoting quality in the organization	.852		
Product surveys have never found the cooperatives product wanting	.763		
The firm is in possession of a systems certification	.699		
The cooperative has an ISO quality certification		.805	
The cooperatives' products are bought all over the country		.761	
The cooperative has an environmental safety certification		.718	
There are funds for quality management that take a considerable share of capital			.825
The cooperatives' products dominate the market			.675

Total Variance Explained

Initial Eigen values	2.288	1.695	1.199
% of Variance	28.601	21.187	14.984
Cumulative %	28.601	49.788	64.772

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.641
Bartlett's Test of Sphericity Approx. Chi-Square	487.997
Df	28
Sig.	.000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Source: Field Data (2020)

The 8 items for quality management were subjected to principal component analysis using SPSS version 25. Factors with factor loadings of above 0.5 were retained for further data analysis. All items met this criterion and none was dropped. Therefore, the 8 items were retained for further analysis. The

Kaiser-Meyer-Olkin Measure value was 0.641 exceeding the recommended value of 0.6 (Kaiser 1970, 1974) and Bartlett's Test of Sphericity (Bartlett 1954) was significant with p value less than 0.000 (Bartlett's test=487.997, $p<.05$) indicating the manifestation of factorization of 3 factors for quality management.

Principal components analysis revealed the presence of three components with Eigen values exceeding 1, explaining 28.60%, 21.19% and 14.98% of the variance respectively. This was further illustrated using the scree plot in (Appendix V) which indicates that screes started to develop at factor 3 showing that only 3 factors were able to explain quality management. The three components explained a total of 64.77% of the variance.

4.5.4 Principle Component Analysis (PCA) for Strategic Leadership

The study tested validation of data for strategic leadership using exploratory factor analysis. Using SPSS version 25, the results of this factor analysis, with the assumption of extracting via principal components method and rotating via varimax were presented in table 4.18.

Table 4.18 Factor Analysis for Strategic Leadership

	Component		
	1	2	3
All management teams have over ten years in past experience	.793		
The cooperatives management has gender parity	.777		
The cooperative has consistently grown over time due to current management	.717		
There is ethnic balance in the management team	.601		
Management teams have both young and elderly staff		.873	
The cooperative management has motivated staff to work hard		.677	
		.542	.512
Education level of the management team is at minimum post graduate qualification			.729
Management teams are from different public and private sectors			646

Total Variance Explained

Initial Eigen values	3.051	1.470	1.248
% of Variance	33.904	16.337	13.867
Cumulative %	33.904	50.241	64.108

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.628
Bartlett's Test of Sphericity Approx. Chi-Square	974.436
Df	36
Sig.	.000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Source: Field Data (2020)

The 8 items for strategic leadership were subjected to principal components analysis using SPSS version 25. Prior to performing PCA, the suitability of data for factor analysis was assessed. Factors with factor loadings of above 0.5 were retained for further data analysis. All items met this criterion and were therefore retained for further analysis. The Kaiser-Meyer-Olkin Measure value was 0.628 exceeding the recommended value of 0.6 (Kaiser 1970, 1974) and Bartlett's

Test of Sphericity (Bartlett 1954) was significant with p value less than 0.000 (Bartlett's test=979.72, p< 0.05) indicating the manifestation of factorization of 3 factors for strategic leadership.

Principal components analysis revealed the presence of three components with Eigen values exceeding 1, explaining 33.9%, 16.34% and 13.87% of the variance respectively. This was further illustrated using the scree plot in (Appendix V) which indicates that screes started to develop at factor 3 showing that only 3 factors explain strategic leadership. The three components explained a total of 64.12% of the variance.

4.5.5 Principle Component Analysis (PCA) for Cooperative Performance

Cooperative performance was tested using exploratory factor analysis. The results of this factor analysis, with the assumption of extracting via principal components method and rotating via varimax were presented in table 4.19.

Table 4.19: Factor Analysis for Cooperative Performance

	Component		
	1	2	3
The firm meets obligations to employees and suppliers	.845		
The firm serves the largest market in most regions in the country	.757		
The firms book ratios show a strong financial position	.629		
The firms is able to re-invest earnings	.592		
The cooperative is able to meet its obligations	.558		
The firms market share is on the rise		.549	
The firm has sufficient reserves to cushion it in hard economic times		.526	
The firms products dominate the market		.507	
The firm is able to pay dividends to shareholders			.872

Total Variance Explained

Initial Eigen values	2.960	1.243	1.163
% of Variance	32.884	13.814	12.925
Cumulative %	32.884	46.698	59.623

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.727
Bartlett's Test of Sphericity Approx. Chi-Square	652.957
Df	36
Sig.	.000

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

Source: Field Data (2020)

The 9 items for cooperative performance were subjected to principal components analysis using SPSS version 25. Factors with factor loadings of above 0.5 were retained for further data analysis. 0.5. Therefore, the 9 items were retained for further analysis. The Kaiser-Meyer-Olkin measure value was 0.727 exceeding the recommended value of 0.6 (Kaiser 1970, 1974) and Bartlett's Test of Sphericity (Bartlett 1954) was significant with p value less than 0.000 (Bartlett's test = 652.96, $p < 0.05$) indicating the manifestation of factorization of 3 factors for cooperative performance.

Principal components analysis revealed the presence of three components with eigenvalues exceeding 1, explaining 32.88%, 13.81% and 12.93% of the variance respectively. An illustration using the scree plot in (Appendix V) indicates that screes started to develop at factor 3 showing that only 3 factors explain cooperative performance. The three components explained a total of 59.62% of the variance.

4.5.6 Principle Component Analysis (PCA) for Stakeholders' Orientation

The study tested validation of stakeholder's orientation using exploratory factor analysis. The results of this factor analysis, with the assumption of extracting via principal components method and rotating via varimax were presented in table 4.20.

Table 4.20: Factor Analysis for Stakeholder' Orientation

	Component		
	1	2	3
The organization has a CSR policy	.857		
There are funds in the cooperatives budget specifically for CSR	.743		
The cooperative annually engages in numerous CSR projects	.602		.585
Employees vote on key cooperatives decisions equally	.539		
		.692	
The cooperative holds annual AGMs		.640	
The employees in the cooperative are allowed to own shares	.548	.586	
The employees are consulted by management on key financial decision		.534	
The financial records of the firm are in the public domain		.501	.689

Total Variance Explained

Initial Eigen values	2.288	1.695	1.199
% of Variance	28.601	21.187	14.984
Cumulative %	28.601	49.788	64.772

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.641
Bartlett's Test of Sphericity Approx. Chi-Square	487.997
Df	28
Sig.	.000

Extraction Method: Principal Component Analysis

a. 3 components extracted.

Source: Field Data (2020)

The 8 items for stakeholder's orientation were subjected to principal components analysis using SPSS version 25. Suitability of data for factor analysis was assessed prior to performing PCA. Factors with factor loadings of above 0.5 were retained for further data analysis. Therefore, the 8 items met this criterion and were retained for further analysis. The Kaiser-Meyer-Olkin Measure value was 0.641 exceeding the recommended value of 0.6 (Kaiser 1970, 1974) and Bartlett's Test of Sphericity (Bartlett 1954) was significant

with p value less than 0.000 (Bartlett's test = 487.9, $p < 0.05$) indicating the manifestation of factorization of 3 factors for stakeholder' orientation.

Principal component analysis revealed the presence of three components with Eigen values exceeding 1, explaining 28.60%, 21.19% and 14.98% of the variance respectively. This was further illustrated using the scree plot in (Appendix V) which indicates that screes started to develop at factor 3 showing that 3 factors explained stakeholder' orientation. The three components explained a total of 64.77% of the variance.

4.6 Inferential Statistics

4.6.1 Diagnostic Tests for Assumptions of Linear Regression Model

Garson (2012), Osborne and Waters (2002) among many other scholars underscore the need to ascertain that data fulfills the assumptions of the scientific processes to be carried out by the review. This is because tests of assumptions help the analyzer to corroborate the nature of the data and highlight the relevant research model that maintains impartial, steady and competent appraisals. As such, varied statistical assumptions were analyzed as indicated in the sections below to determine if the data achieved the Multicollinearity, normality, autocorrelation, linearity and heteroscedasticty assumptions. In the absence of performing the tests, the significance of the interpretation of the regression coefficient in the varied models would have been at risk. It was because of these results, that the tests of associations and prediction were subsequently performed.

4.6.1.1 Normality Test

Test for normality was done using the scatter diagram to establish the relationship between the independent and the dependent variable. The results showed the normal diagonal line on a normal p-p plot of a regression standardized residual and punch of little circles following the normality line.

The study sought to find out how well the distribution could be approximated using the normal distribution. Consequently, skewness and Kurtosis were employed as shown in table 4.21. Skewness measures the deviation of distribution from symmetry and Kurtosis measures peakness of the distribution (Cooper & Schindler, 2008). The values of skewness and Kurtosis should be zero in normal distribution statistics (Tabachnick & Fidell, 2007).

Hair, et al. (2007) indicated that data skewness values must fall within +1 and -1 and kurtosis values must be in the range of +3 and -3, if P-values are < 0.05 for normally distributed data.

Table 4.21: Skewness and Kurtosis

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Product Diversification	337	3.8771	-.339	.133	-.214	.265
Strategic Innovation	337	3.7181	-.594	.133	1.341	.265
Quality Management	337	3.6754	-.643	.133	.342	.265
Strategic Leadership	337	3.6109	-1.054	.133	1.525	.265
Cooperate Performance	337	3.7926	-.860	.133	.170	.265
Stakeholders Orientation	337	3.4916	-.058	.133	-.750	.265

Source: Field Data (2020)

From the finding as indicated on table 4.21 it is evident that all the data for the six variables were normally distributed.

Although it is assumed in multiple linear regressions that the residuals are distributed normally, it is a good idea before drawing conclusions to review the distributions of variables of interest (Cooper & Schindler, 2008). Normality was also tested using the Kolmogorov-Smirnov and the Shapiro-Wilk tests. Normality tests were performed by utilizing the commonly used methods namely the Kolmogorov-Smirnov and Shapiro-Wilk tests (Garson 2012; Ghasemi & Zahediasi, 2012). Where the outcome of the normality tests is found to be significant, it suggests that the data is not normally distributed.

Table 4.22: Normality Test using Kolmogorov-Smirnov and Shapiro-Wilk tests

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Distribution normal	0.148	337	0.423	0.914	278	0.153

a. Lilliefors Significance Correction

Source: Field Data (2020)

Thus, for data to be considered normal, the K-S and S-W tests should not be significant (Tabachnick & Fidel, 2013). Evidently, the results presented in Table 4.22, confirmed that normality of the data was not a problem because tests of K-S and S-W of all the variables were not significant. Hence, the data distribution in the study was considered fit for multivariate analysis.

Graphically these results were represented using the histogram as indicated in figure 4.1.

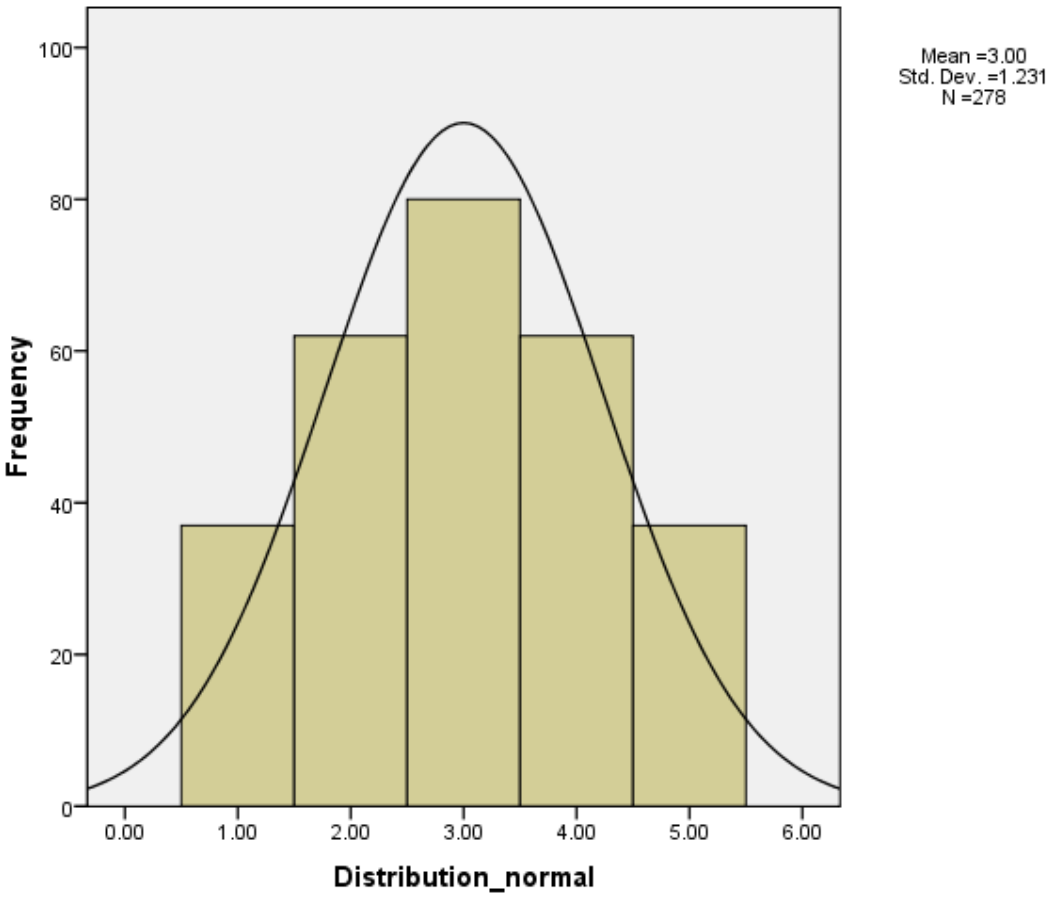

Figure 4. 1: Histogram with a normal distribution curve depicting normality of data
Source: Researcher (2020)

4.6.1.2 Multicollinearity Test

Multicollinearity diagnostic test was conducted to establish whether the predictors are not highly correlated with one another. Multicollinearity is measured using variance inflation factors (VIF).If variance inflation factors are below 10 and tolerance score above 0.1 then the test meets the minimum threshold.

Multicollinearity occurs when the independent variables are too highly correlated with each other. Multicollinearity may be checked through computing a matrix of Pearson's bivariate correlations among all independent variables. The magnitude of the correlation coefficients should be less than 0.80 in order for Multicollinearity not to be a problem. Tolerance values and Variance Inflation Factor (VIF) are examined in order to determine presence of Multicollinearity. As observed by Garson, (2012) tolerance of less than 0.2 indicates the presence of multicollinearity. Similarly, VIF values (the reciprocal of tolerance values) for each of the variables indicates the degree that the variances in the regression estimates are increased due to multicollinearity. VIF values higher than 4 indicates that multicollinearity could be present (Garson, 2012; Hair *et al.*, 2014). The findings in table 4.22 revealed that the VIF values for all the independent variables were below 4.0 and the tolerance values were all above 0.2. This means that for all the predictor variables, multicollinearity was not detected.

Table 4.23 Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Product Diversification	.496	2.015
	Strategic Innovation	.552	1.811
	Quality Management	.522	1.914
	Strategic Leadership	.603	1.657

Source: Field Data (2020)

4.6.1.3 Autocorrelation Test

The Durbin-Watson (DW) statistic was used to test for autocorrelation in the residuals from a statistical regression analysis,(Garson, 2012). The Durbin-Watson statistic was expected to have value between 0 and 4, the common expectation is that a value of 2.0 means that there is no autocorrelation detected in the sample. Values from zero to less than two indicate positive autocorrelation and values from two to four indicates negative autocorrelation (Field, 2009).

Autocorrelation exists when the residuals of two observations in a regression model are correlated (Field, 2009). The Durbin-Watson (DW) statistic was used to test for autocorrelation in the residuals from a statistical regression analysis,(Garson, 2012). The Durbin-Watson statistic was expected to have value between 0 and 4, the common

expectation is that a value of 2.0 means that there is no autocorrelation detected in the sample. Values from zero to less than two indicate positive autocorrelation and values from two to four indicates negative autocorrelation (Field, 2009). Garson (2012) further clarifies that for observations to be independent the Durbin-Watson statistics values should be between 1.5 and 2.0.

Table 4.24: Autocorrelation Test

	Statistics
Std. Error of the Estimate	0.251
Durbin-Watson	2.290

Source: Researcher (2020)

As shown in the table above, the value for Durbin-Watson (D=2.290) is within the accepted range of 1 -3 and therefore indicates that the data met the assumptions for normality in using regression analysis.

4.6.1.4 Homoscedasticity Test

Homoscedasticity assumption test was conducted to establish whether data met the required threshold when there is a similar amount of error in the entire model. To check Homoscedasticity of data, the study used scatter plot of regression to examine the relationship between independent variable and dependent variable.

Homoscedasticity means that the variances of all the observations are identical to one another, heteroscedasticty means they are different (Allison, 2015). The assumption of homoscedasticity (literally, same variance) is central to linear regression models. Homoscedasticity describes a situation in which the error term (the “noise” or random disturbance in the relationship between the independent variables and the dependent variable) is the same across all values of the independent variables. A scatter plot reveals the relationships or associations between two variables.

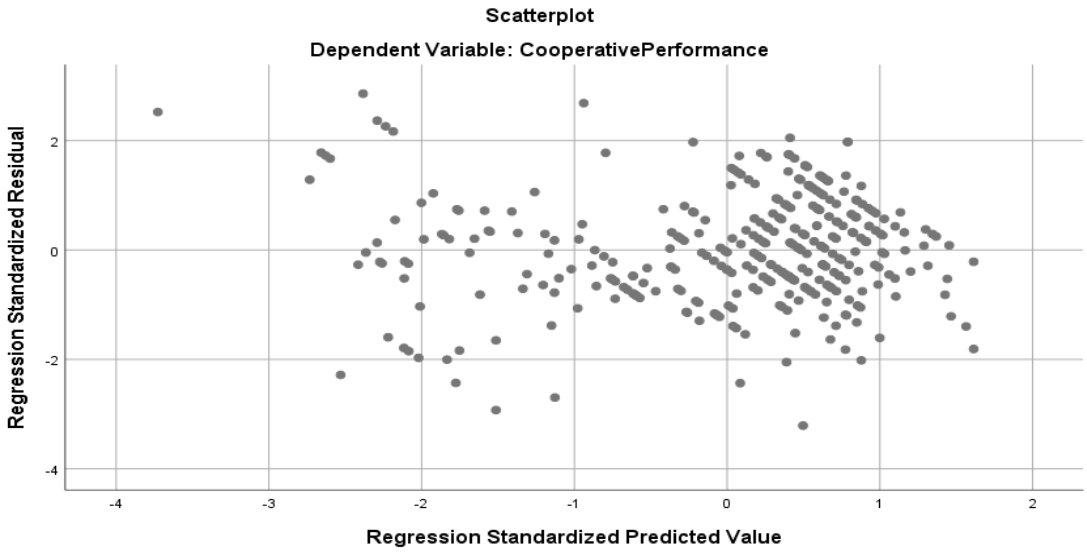

Figure 4. 2: Scatter Plot for Homoscedasticity
Source: Field Data (2020)

Fig 4.1 reveals an approximate linear relationship between the cooperatives performance and strategic management practices, it reveals a statistical condition of heteroscedasticty. For a heteroscedasticty data set, the variation in the dependent variable differs depending on the values of predictors. The use of heteroscedasticty data still provides an unbiased estimate for the relationship between the predictor and the dependent variable (Gujarati & Porter, 2006; Ginker & Lieberman, 2017).

4.7 Correlation Analysis

The study used Pearson product moment correlation coefficient (r) to establish a correlation between the study variables. Correlation coefficient shows the magnitude and direction of the relationship between the study variables.

Table 4.25: Correlation Matrix

		Product Diversification	Strategic Innovation	Quality Management	Strategic Leadership	Cooperative Performance
Product Diversificatior	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	337				
Strategic Innovation	Pearson Correlation	.474**	1			
	Sig. (2-tailed)	.000				
	N	337	337			
Quality Management	Pearson Correlation	.564**	.550**	1		
	Sig. (2-tailed)	.000	.000			
	N	337	337	337		
Strategic Leadership	Pearson Correlation	.592**	.656**	.554**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	337	337	337	337	
Cooperative Performance	Pearson Correlation	.702**	.747**	.650**	.782**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	337	337	337	337	337

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

Source: Field Data (2020)

The study findings in table 4.25 showed that there is a strong, positive and significant relationship between coffee cooperative performance and product diversification ($r = 0.702$, $p < 0.01$). Therefore, an increase in product diversification will lead to an increase in the performance of coffee cooperative societies in Kenya. The study also shows there is a strong, positive and significant relationship between strategic innovation and performance ($r = 0.747$, $p < 0.01$). Therefore, an increase in strategic innovation leads to an increase in performance of coffee cooperative societies in Kenya. The results also showed a strong, positive and significant relationship between quality management and performance (r =

0.650, $p < 0.01$). This implies that an increase in quality management improved the performance of coffee cooperative societies. The findings further showed a strong, positive and significant relationship between strategic leadership and the performance of coffee cooperative societies ($r = 0.782$, $p < 0.01$). This implies that good strategic leadership increases performance of coffee cooperative societies in Nyanza region, Kenya. The most influential factor in relation to the performance of coffee cooperative societies was strategic leadership since it had the highest correlation coefficients followed by strategic innovation, product diversification and the last was quality management.

4.8 Regression Analysis

This section presents the results of hypotheses testing and quantitative analyses and the interpretation of relationships among the various variables under study: product diversification and performance of coffee cooperative societies in Nyanza region; influence of strategic innovation on performance of coffee cooperative societies in Nyanza region; influence of quality management on performance of coffee cooperative societies in Nyanza region; influence of strategic leadership on performance of coffee cooperative societies in Nyanza region; establish the moderating role of stakeholders' orientation on the relationship between product diversification and performance of coffee cooperative societies in Nyanza region ; determine the moderating role of stakeholders' orientation on the relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region; find out the moderating role of stakeholders' orientation on the relationship between quality management and performance of coffee cooperative societies in Nyanza region and assess the moderating role of stakeholders' orientation on the relationship between strategic leadership and performance of coffee cooperative societies in Nyanza region.

4.8.1 Product Diversification and Performance of Coffee Cooperative Societies

The first objective of the study was to establish the influence of product diversification on performance of coffee cooperative societies in Nyanza region. The hypothesis stated;

H_{01}: Product diversification has no statistical significant effect on performance of coffee cooperative societies in Nyanza region, Kenya.

Simple regression analysis was used to determine the relationship between product diversification and coffee cooperative society's performance.

To analyze objective one; the following model was used.

$Y = \beta o + \beta_1 X_1 + \varepsilon$ …… (i)

The results were presented in the tables below.

Table 4.26a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702[a]	.493	.491	.52970

a. Predictors: (Constant), PD (Product Diversification)

Source: Field Data (2020)

Results in table 4.26a showed that product diversification had (R^2 = .493), meaning that, product diversification explains up to 49.3% of the changes in the coffee cooperative societies' performance (dependent variable).

The ANOVA results were presented in table 4.26b

Table 4.26b ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	91.351	1	91.351	325.581	.000[b]
	Residual	93.994	335	.281		
	Total	185.346	336			

a. Dependent Variable: Cooperate Performance

b. Predictors: (Constant), Product Diversification

Source: Field Data (2020)

Given that the F = 325.581, while the $F_{critical}$ = 3.84 (1,335).Then $F \geq F_{critical}$ α 0.05.This is a clear indication that product diversification is a significant predictor of coffee cooperative societies performance in western region, hence H_{01} is rejected meaning product diversification has effect on performance of coffee cooperative societies in Kenya. This is line with Umar (2017) in his study on the impact of product diversification as a tool of

achieving an effective and efficient performance concluded that strategic product diversification played a very important role in the success, growth and survival of the company, particularly where products are differentiated. Hakrabarti *et. al.,* (2017) also asserted that the outcomes of diversification are influenced by institutional environments, economic stability and affiliation with business groups. Similarly, Bhatia (2016) stipulated that association between product diversification and performance turn strongly significant and positive after controlling the issue of endogeneity.

Cognate to the findings, Mwangi (2016) alluded that firms that were applying product diversification as a strategy were more willing to innovate, prepared to take risks and more proactive than competitors. In a similar vein, Cheboi (2017) concluded that societies that had successfully adopted product diversification as a practice had succeeded with improvements in their profit as well as increase in customer base and market share. Definitely, product diversification is essential in improving employee productivity.

Table 4.26c: Coefficients[a]

Model		Unstandardized Coefficients (β)	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.801	.168		4.757	.000
	Product Diversification	.772	.043	.702	18.044	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The regression coefficients in table 4.26c established the mean change in coffee cooperative societies' performance for one unit of change in the product diversification. Findings showed that product diversification had coefficient of estimate which was significant basing on $\beta_1 = 0.702$ (p-value = 0.000 which is less than $\alpha = 0.05$). This suggested that for every unit increase in product diversification there is an increase by 0.702 in coffee cooperative societies' performance.

The effect of product diversification was more than 18 times the effect attributed to the error; this was indicated by the t-test value = 18.044. Based on the above results the results derived the following simple linear regression model as shown below.

$Y = 0.801 + 0.772\ X_1$

The findings showed that there is statistical significant effect of product diversification on performance of coffee cooperatives in Nyanza region.

4.8.2 Strategic Innovation and Performance of Coffee Cooperative Societies

The second objective of the study was to determine the effect of strategic innovation on performance of coffee cooperative societies in Nyanza region. The hypothesis stated;

H_{02}: Strategic innovation has no statistical significant effect on performance of coffee cooperative societies in Nyanza region, Kenya.

Simple regression analysis was used to determine the relationship between strategic innovation and coffee cooperative society's performance.

To analyze objective two; the following model was used.

$Y = \beta o + \beta_2 X_2 + \varepsilon$ ……(ii)

The results are presented in the tables below.

Table 4.27a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747[a]	.557	.556	.49488

a. Predictors: (Constant), Strategic Innovation

Source: Field Data (2020)

Results in Table 4.27a showed that strategic innovation had (R^2 = 0.557), meaning that, strategic innovation explains up to 55.7% of the changes in the coffee cooperative societies' performance (dependent variable).

The ANOVA results were presented in table 4.27b

Table 4.27b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	103.301	1	103.301	421.793	.000[b]
	Residual	82.045	335	.245		
	Total	185.346	336			

a. Dependent Variable: Cooperate Performance

b. Predictors: (Constant), Strategic Innovation

Source: Field Data (2020)

Given that the F = 421.793, while the $F_{critical}$ = 3.84 (1,335).Then $F \geq F_{critical}$ α 0.05.This implies that relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region, is significant. Hence H_{02} is rejected.

Table 4.27c: Coefficients[a]

Model		Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.241	.175		1.375	.006
	Strategic Innovation	.955	.047	.747	20.538	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The regression coefficients in table 4.27c established the mean change in cooperative performance for one unit of change in the strategic innovation. Findings showed that strategic innovation had coefficient of estimate which was significant at $\beta_2 = 0.747$ (p-value < 0.05). This suggested that there was up to 0.747 unit increase in cooperative performance for each unit increase in strategic innovation.

The effect of strategic innovation was more than 20 times the effect attributed to the error; this was indicated by the t-test value = 20.538. Based on the above results the following simple linear regression model was derived as shown below.

$$Y = 0.241 + 0.955\, X_2$$

Strategic innovation significantly affects performance of coffee cooperative societies in Nyanza region. In line with the study, Ujunwa and Modebe (2018) Lawal *et al.,* (2017) asserted that adoption of strategic innovations techniques improved performance and relative standing of organization; and that adoption of sound strategic innovation tools in terms of organizational structure, resource allocation, corporate culture, leadership, managing conflict and resistance to change leads to high organization performance. In the same way, Ujunwa and Modebe (2018) concluded that innovations strategies will not only promote the efficiency of the capital market, but also leverage the role of capital markets in promoting economic growth and performance. Similarly, Kariuki (2016) stipulated that by continuously employing various technological innovations, leads to increased financial performance. The study findings confirm the notion by prior scholars that strategic innovation enhances cooperative performance.

4.8.3 Quality Management and Performance of Coffee Cooperative Societies

The third objective of the study was to determine the effect of quality management on performance of coffee cooperative societies in Nyanza region. The hypothesis stated;

H_{03}: quality management has no statistical significant effect on performance of coffee cooperative societies in Nyanza region, Kenya.

Simple regression analysis was used to determine the relationship between quality management and coffee cooperative society's performance.

To analyze objective three; the following model was used.

$$\mathbf{Y = \beta o + \beta_3 X_3 + \varepsilon} \quad \textbf{……(iii)}$$

The results are presented in the tables below.

Table 4.28a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.650[a]	.422	.420	.56540

a. Predictors: (Constant), Quality Management

Source: Field Data (2020)

Results in Table 4.28a showed that quality management had (R^2 = 0.422), implying that, quality management, explain up to 42.2% of the changes in the coffee cooperative societies' performance (dependent variable).

The ANOVA results were presented in table 4.28b

Table 4.28b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	78.254	1	78.254	244.792	.000[b]
	Residual	107.091	335	.320		
	Total	185.346	336			

a. Dependent Variable: Cooperate Performance

b. Predictors: (Constant), Quality Management

Source: Field Data (2020)

Given that the F = 244.792, while the $F_{critical}$ = 3.84 (1,335).Then $F \geq F_{critical}$ α 0.05.This implies that relationship between quality management and performance of coffee cooperative societies in western region, is significant. Hence H_{03} is rejected.

Table 4.28c: Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	1.395	.156		8.927	.000
	Quality Management	.652	.042	.650	15.646	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The regression coefficients in table 4.28c established the mean change in cooperative performance for one unit of change in the strategic innovation. The study findings showed that quality management had coefficient of estimate which was significant basing on β_3= 0.652 (p-value < 0.05).This suggested that there was up to 0.650 unit increase in coffee cooperative societies' performance for each unit increase in quality management.

The effect of quality management was more than 15 times the effect attributed to the error; this was indicated by the t-test value = 15.646. Based on the above the results the following simple linear regression model was derived as shown below.

$Y = 1.395 + 0.652\ X_3$

The study findings agree with those of Mahmood (2014), whose results clearly demonstrated that product quality dimensions affect organizational performance.

Further, Nguyen *et. al.,* (2018) results found four quality management practices that have significantly positive impact on sustainability performance: top management support for quality management, design for quality, quality data and reporting, and continuous improvement. Furthermore, the study found significant moderating effects of three contextual factors on the relationship between quality management practices and sustainability performance. Similarly, Maletič *et al.,* (2014) findings showed that quality management dimensions are positively related to maintenance performance. By testing the impact of quality management dimensions on maintenance performance, the study showed that strong foundation on quality management dimension is an effective way of improving maintenance performance. The findings are also in tally with that of Cakmaka and Tasb (2014), which concluded that there is a relationship between quality management and the number of customers.

Further support to the study findings is by Ndungu (2017) who concluded that higher productivity enables an organization to reduce price and gain competitive advantage both in terms of price and quality.The findings are also in conformity with that of Kiprotich *et. al.,* (2018) which established that there is a positive relationship between employee training, continuous improvement and system automation and operational performance. Undoubtedly, quality management is essential in improving cooperative performance.

4.8.4 Strategic Leadership and Performance of Coffee Cooperative Societies

The fourth objective of the study was to determine the effect of strategic leadership on performance of coffee cooperative societies in Nyanza region. The hypothesis stated;

H_{04}: strategic leadership has no statistical significant effect on performance of coffee cooperative societies in Nyanza region, Kenya.

Simple regression analysis was used to determine the relationship between the forth objective of the study which was to determine the effect of strategic leadership on performance of coffee cooperative societies in Nyanza region. The hypothesis stated;

To analyze objective four; the following model was used.

$Y = \beta o + \beta_4 X_4 + \varepsilon$ ……(iv)

Table 4.29a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782[a]	.612	.610	.46362

a. Predictors: (Constant), Strategic Leadership

Source: Field Data (2020)

Results in table 4.29a showed that strategic leadership had (R^2= 0.612), implying that, strategic leadership explains up to 61.2% of the changes in the coffee cooperative societies' performance (dependent variable). The ANOVA results were presented in table 4.29b.

Table 4.29b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	113.340	1	113.340	527.309	.000[b]
	Residual	72.005	335	.215		
	Total	185.346	336			

a. Dependent Variable: Cooperate Performance

b. Predictors: (Constant), Strategic Leadership

Source: Field Data (2020)

Given that the F = 527.309, while the $F_{critical}$ = 3.84 (1,335).Then $F \geq F_{critical}$ α 0.05.This indicates that relationship between strategic leadership and performance of coffee cooperative societies in western region, is significant. Hence H_{04} is rejected.

Table 4.29c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.071	.121		8.836	.000
	Strategic Leadership	.754	.033	.782	22.963	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The regression coefficients in table 4.29c established the mean change in cooperative performance for one unit of change in the strategic innovation.

The findings revealed that strategic leadership had coefficient of estimate which was significant basing on β_4= 0.754 (p-value < 0.05). This suggested that there was up to 0.782 unit increase in cooperative performance for each unit increase in strategic leadership.

The effect of strategic leadership was more than 22 times the effect attributed to the error; this was indicated by the t-test value = 22.963. Based on the above results the results derived the following simple linear regression model as shown below.

$$Y = 1.071 + 0.754\ X_4$$

These findings were in line with those of Serfontein (2010) who noted that through strategic leadership practice, leaders are able to understand better the organization's environment. This view is also supported by Gerras (2010) who asserted that through strategic leadership practice, the leader affects the desired organizational goals by influencing the organization's culture, allocating resources, directing policy and building consensus on the future. Further, the findings of Zaneta *et al.*, (2014) revealed that early involvement of council leaders and employees in the strategy process helped members understand super-ordinate goals, style, and cultural norms and thus become essential for the continued success of strategy implementation. It also revealed that participation of leaders motivates the other employees thus prevents them from being taken by surprise, puts all members at the same platform, and helps the employees to own the process thus ensuring better results.

Similarly, Bowen (2016) opined that in order to attain and sustain superior organizational performance and win stakeholder confidence, strategic leadership should and must be in the best position to guide the firm in ways that result in the formation of strategic intent and mission. Kiarie and Minja (2015) opined that strategic leadership practices are important because they shape the formation of strategic intent which influences successful strategic practices in an organization. The study findings confirm the belief by previous scholars that good strategic leadership enhances cooperative performance.

4.8.5 Effect of the Strategic Management Practices on Performance of Coffee Cooperative Societies

The general objective was to determine the effect of strategic management practices on performance of coffee cooperative societies in Nyanza region, Kenya: moderating role of stakeholders' orientation.

Multiple regression analysis was used to determine the relationship between strategic management practices on performance of coffee cooperative societies in Nyanza region, Kenya; the following model was used.

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$……………………………….……………(v)

The findings were presented on table 4.30a, b and c respectively.

Table 4.30a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.884[a]	.782	.780	.34872

a. Predictors: (Constant), Strategic Leadership , Quality Management , Product Diversification, Strategic Leadership

Source: Field Data (2020)

The R^2 value indicates that the combined prediction of all the variables accounted for approximately 78.2 % of the total variation in cooperative performance (R^2 = .782). This means that 78.2% variation in the coffee cooperative performance can be explained by the strategic management practices applied by the coffee cooperative societies.

Table 4.30b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	144.972	4	36.243	298.030	.000[b]
	Residual	40.374	332	.122		
	Total	185.346	336			

a. Dependent Variable: Cooperative Performance

b. Predictors: (Constant), Strategic Leadership, Product Diversification, Strategic Innovation, Quality Management

Source: Field Data (2020)

Given that the calculated F =298.030, while the $F_{critical}$ = 2.37*; at* α =5%, numerator degrees of freedom –V_1=4 and denominator degrees of freedom – V_2 =332.Then F≥ $F_{critical}$ α 0.05.This is a clear indication that strategic management practices is a significant predictor performance of coffee cooperative societies in Nyanza region, Kenya.

Table 4.30c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.577	.138		4.187	.000
	Product Diversification	.306	.037	.278	8.188	.000
	Strategic Innovation	.417	.046	.326	9.163	.000
	Quality Management	.131	.034	.130	3.816	.000
	Strategic Leadership	.319	.037	.331	8.721	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The findings of coefficient of estimate showed that strategic innovation had the highest significant and positive effect on cooperative performance of coffee societies (β_1 = 0.417, p-value < 0.05), followed by strategic leadership which also had positive and significant effect on coffee cooperative performance (β_2 = 0.319, p-value < 0.05), product diversification came third (β_3 = 0.306, p-value < 0.05) and quality management was fourth (β_4 = 0.131, p-value < 0.05). Based on the above results the study derived the following multiple linear regression model as shown below.

$$Y = 0.577 + 0.306X_1 + 0.417X_2 + 0.131X_3 + 0.319X_4$$

The model shows that for every unit increase of product diversification there is a corresponding increase in coffee cooperative performance by 0.306 units, for every unit increase of strategic innovation there is a corresponding increase in coffee cooperative performance by 0.417 units, for every unit increase of quality management there is a corresponding increase in coffee cooperative performance by 0.131 units, and for every unit increase of strategic leadership there is a corresponding increase in coffee cooperative performance by 0.319 units.

4.9 Management Practices, Stakeholders' Orientation and Cooperative Performance

The moderating effect of stakeholders' orientation on the relationship between strategic management practices and coffee cooperative societies' performance was tested using hierarchical regression analysis. The literature review and theoretical reasoning led to the belief that stakeholder's orientation has a moderating effect on the relationship between strategic management practices and coffee cooperative societies' performance.

4.9.1 Moderating Role of Stakeholders' Orientation on the Relationship between Product Diversification and Coffee Cooperative Societies' performance

The first sub objective five of the study was to establish the moderating effect of stakeholders' orientation on the relationship between product diversification and coffee cooperative societies' performance. The hypothesis stated;

H_{05a}: Stakeholders' orientation does not statistically significantly moderate the relationship between product diversification and performance of coffee cooperative societies in Nyanza region, Kenya.

Simple regression analysis was used to establish the moderating effect of stakeholders' orientation on the relationship between product diversification and coffee cooperative societies' performance. The following model was used;

$$\mathbf{Y = \beta o + \beta_1 X_1 M + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots v(a)}$$

In order to confirm the moderating role of stakeholder's orientation, the following step was carried out; first, the study fitted a regression model (model 1) predicting the outcome variable of coffee cooperative societies' performance.

The effects as well as the model in general (R^2) should be significant. Secondly, the study added the interaction effect (stakeholders' orientation * product diversification) to the previous model and checked for a significant R^2 change as well as a significant effect by the new interaction term. If both are significant, then moderation is occurring. If the predictor and moderator are not significant with the interaction term added, then complete moderation has not occurred. If the predictor and moderator are significant with the interaction term added, then moderation has occurred (Marsh *et al*, 2013), however the main effects are also significant.

Table 4.31a: Model Summary

					Change Statistics			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.702[a]	.493	.491	.52970	.493	325.581	1	335	.000
2	.764[b]	.584	.581	.48052	.091	73.080	1	334	.000

a. Predictors: (Constant), PD

b. Predictors: (Constant), PD, X_1M

Source: Field Data (2020)

From the regression results in table 4.31a, two models have been generated using enter method. The simple regression model 2 significantly predicted the interaction between product diversification and stakeholder's orientation, it shows a moderate significant relationship between product diversification, stakeholders' orientation, and coffee cooperative performance implying that product diversification and stakeholder's orientation explain 58.4% of the changes in coffee cooperative performance outcome while model 1 which had product diversification alone explained 49.3% of the variance in the coffee cooperative societies' performance. Hence, the magnitude of stakeholders' orientation moderating effect on the relationship between product diversification and coffee cooperative societies' performance outcome is 9.1 % (58.4% -49.3%).

Table 4.31b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	91.351	1	91.351	325.581	.000[b]
	Residual	93.994	335	.281		
	Total	185.346	336			
2	Regression	108.226	2	54.113	234.357	.000[c]
	Residual	77.120	334	.231		
	Total	185.346	336			

a. Dependent Variable: Cooperative Performance

b. Predictors: (Constant), Product Diversification

c. Predictors: (Constant), Product Diversification, X_1M

Source: Field Data (2020)

Given that the calculated F =234.357, while the $F_{critical}$ = 3.00*; at* α =5%, numerator degrees of freedom – V_1 = 2 and denominator degrees of freedom – V_2 = 334.Then $F \geq F_{critical}$ α 0.05 while stakeholder orientation* product diversification is a clear indication that

stakeholder orientation is a significant moderator on the relationship between product diversification and coffee cooperative societies' performance, hence Va is rejected.

The coefficients of this predicative model aimed at addressing the concerns of objective one are given in the table 4.31c.

Table 4.31c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.801	.168		4.757	.000
	Product Diversification	.772	.043	.702	18.044	.000
2	(Constant)	1.640	.182		9.035	.000
	Product Diversification	.236	.074	.214	3.197	.002
	X_1M	.089	.010	.573	8.549	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The model shows that an increase in product diversification moderated by stakeholder's orientation leads to a 0.573 unit increase in cooperative performance. This means that the interaction between stakeholders' orientation and product diversification causes a variation in cooperative performance by 57.3%. Based on the above results the study derived the following simple linear regression model as shown below.

$$Y = 1.640 + 0.089X_1M$$

Thus for every unit increase in the interaction between stakeholders' orientation and product diversification there is a corresponding increase in cooperative performance by 0.089 units as shown by the β value in the table above.

4.9.2 Moderating Role of Stakeholders' Orientation on the Relationship between Strategic Innovation and Coffee Cooperative Societies' performance

The second sub objective five was to find out the moderating effect of stakeholders' orientation on the relationship between strategic innovation and coffee cooperative societies' performance.The hypothesis stated;

H_{05b}: Stakeholders' orientation does not statistically significantly moderate the relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region, Kenya

Simple regression analysis was used to establish the moderating effect of stakeholders' orientation on the relationship between strategic innovation and coffee cooperative societies' performance. The following model was used;

$Y = \beta o + \beta_2 X_2 M + \varepsilon$ ……..……v(b)

Findings are shown in table 4.32 a, b and c respectively.

Table 4.32a: Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.747[a]	.557	.556	.49488	.557	421.793	1	335	.000
2	.809[b]	.654	.652	.43799	.097	93.681	1	334	.000

a. Predictors: (Constant), Strategic Innovation

b. Predictors: (Constant), Strategic Innovation, X_2M

Source: Field Data (2020)

The results of hierarchical multiple regression predicting strategic innovation and the interaction between strategic innovation and stakeholders orientation was generated. The simple regression model 2 significantly predicted the interaction between strategic innovation and stakeholder's orientation, showing a moderate significant relationship between strategic innovation, stakeholders' orientation, and coffee cooperative performance implying that product diversification and stakeholder's orientation explain 65.2% of the changes in coffee cooperative performance outcome while model 1 which had strategic innovation alone explained 55.7% of the variance in the coffee cooperative societies' performance. Hence, the magnitude of stakeholders' orientation moderating effect on the relationship between strategic innovation and coffee cooperative societies' performance 9.7% (65.4% -55.7%).

Table 4.32b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	103.301	1	103.301	421.793	.000[b]
	Residual	82.045	335	.245		
	Total	185.346	336			
2	Regression	121.272	2	60.636	316.084	.000[c]
	Residual	64.073	334	.192		
	Total	185.346	336			

a. Dependent Variable: Cooperative Performance
b. Predictors: (Constant), Strategic Innovation
c. Predictors: (Constant), Strategic Innovation, X_2M
Source: Field, Data (2020)

Given that the calculated F =316.084, while the $F_{critical}$ = 3.00*; at* α =5%, numerator degrees of freedom – V_1 = 2 and denominator degrees of freedom – V_2 = 334.Then $F \geq F_{critical}$ α 0.05 while stakeholder orientation* Strategic Innovation is a clear indication that stakeholder orientation is a significant moderator on the relationship between Strategic Innovation and coffee cooperative societies' performance, hence V_b is rejected.

Table 4.32c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.241	.175		1.375	.006
	Strategic Innovation	.955	.047	.747	20.538	.000
2	(Constant)	1.149	.181		6.342	.000
	Strategic Innovation	.364	.074	.284	4.937	.000
	X_2M	.097	.010	.557	9.679	.000

a. Dependent Variable: Cooperative Performance
Source: Field Data (2020)

Model 2 shows that the regression coefficient (β) of strategic innovation was 0.364 with a significance level of ($p < 0.05$) while the regression coefficient (β) value of interaction term was 0.097 with a significance level of ($p < 0.05$). This is evident that the interaction term was statistically significant ($p < 0.05$) indicating that stakeholders' orientation has moderation effect on the relationship between strategic innovation and coffee cooperative societies' performance. From the analysis above hypothesis $H0_{5b}$ was thus rejected. Based

on the above results the study derived the following simple linear regression model as shown below.

$$Y = 1.149 + 0.097X_2M$$

These findings concur with those of Ayuso *et al.,* (2011) who established that the firm's sustainable innovation orientation was dependent on the knowledge sourced from engagement with internal and external stakeholders.

4.9.3 Moderating Role of Stakeholders' Orientation on the Relationship between Quality Management and Coffee Cooperative Societies' performance

The third sub objective five of the study was designed to establish the extent to which stakeholders' orientation moderates the relationship between quality management and performance of cooperative societies in Nyanza region. The hypothesis stated;

H_{05c}: Stakeholders' orientation does not statistically significantly moderate the relationship between quality management and performance of coffee cooperative societies in Nyanza region,

Simple regression analysis was used to establish the moderating effect of stakeholders' orientation on the relationship between strategic innovation and coffee cooperative societies' performance. The following model was used;

$Y = \beta o + \beta_3 X_3 M + \varepsilon$ ……..……v(c)

The findings were presented in table 4.33 a,b,c

Table 4.33a: Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.650[a]	.422	.420	.56540	.422	244.792	1	335	.000
2	.743[b]	.553	.550	.49822	.130	97.424	1	334	.000

a. Predictors: (Constant), Quality Management

b. Predictors: (Constant), Quality Management, X_3M

Source: Field Data (2020)

As shown in the table 4.33a, the correlation for the relationship between quality management, stakeholders' orientation and coffee cooperative performance is strong, positive and significant ($r = 0.743$, $p < 0.05$). Further, the results indicate that the interaction between quality management and stakeholders orientation explain 55.3 percent of the variance on the relationship between quality management and coffee cooperative societies' performance. Hence, stakeholders' orientation moderating effect on the relationship between quality management and cooperative societies' performance outcome is 13.1 % (55.3-42.2).

Table 4.33b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	78.254	1	78.254	244.792	.000[b]
	Residual	107.091	335	.320		
	Total	185.346	336			
2	Regression	102.437	2	51.219	206.337	.000[c]
	Residual	82.908	334	.248		
	Total	185.346	336			

a. Dependent Variable: Cooperative Performance
b. Predictors: (Constant), Quality Management
c. Predictors: (Constant), Quality Management, X3M
Source: Field Data (2020)

Given that the calculated F =206.337, while the $F_{critical} = 3.00$*; at* $\alpha = 5\%$, numerator degrees of freedom – $V_1 = 2$ and denominator degrees of freedom – $V_2 = 334$.Then $F \geq F_{critical}$ α 0.05 while (stakeholder orientation* quality management) is a clear indication that stakeholder orientation is a significant moderator on the relationship between quality management and coffee cooperative societies' performance, hence V_c is rejected.

Table 4.33c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.395	.156		8.927	.000
	Quality Management	.652	.042	.650	15.646	.000
2	(Constant)	2.080	.154		13.487	.000
	Quality Management	.066	.070	.066	.948	.344
	X_3M	.112	.011	.687	9.870	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The model shows that increase of quality management moderated by stakeholders' orientation by a unit increase performance by 0.687 units. Findings showed stakeholders' orientation moderates the relationship between quality managementand coffee cooperative societies' performance. Based on the above results the study derived the following simple linear regression model as shown below.

$$Y = 2.080 + 0.112X_3M$$

The implication is that, organization stakeholders compel the management to offer quality management to the cooperatives which in turn enhances performance.

4.9.4 Moderating Role of Stakeholders' Orientation on the Relationship between Strategic Leadership and Coffee Cooperative Societies' performance

The fourth and last sub hypothesis of objective five of the study was designed to establish the extent to which stakeholders' orientation moderates the relationship between strategic leadership and coffee cooperative societies' performance outcome of coffee cooperative societies in Nyanza region. The hypothesis stated;

H_{05d}: Stakeholders' orientation does not statistically significantly moderate the relationship between strategic leadership and performance of coffee cooperative societies in Nyanza region.

Simple regression analysis was used to establish the moderating effect of stakeholders' orientation on the relationship between strategic innovation and coffee cooperative societies' performance. The following model was used;

$Y = \beta o + \beta_4 X_4 M + \varepsilon$ ……..……v(c)

The findings were presented in table 4.34a, b, c

Table 4.34a: Model Summary

					Change Statistics			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.782[a]	.612	.610	.46362	.612	527.309	1	335	.000
2	.813[b]	.660	.658	.43411	.049	48.086	1	334	.000

a. Predictors: (Constant), SL
b. Predictors: (Constant), SL, X4M
Source: Field Data (2020)

Table 4.34a, shows that the correlation for the relationship between strategic leadership, stakeholders' orientation and coffee cooperative societies' performance is strong and positive (r = 0.813). Further, the results established that the interaction between strategic leadership and stakeholders 'orientation explained 66 percent of the variance. Hence, stakeholders' orientation moderating effect on the relationship between strategic leadership and coffee cooperative societies' performance outcome is 4.8 % (66% - 61.2%).

Table 4.34b ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	113.340	1	113.340	527.309	.000[b]
	Residual	72.005	335	.215		
	Total	185.346	336			
2	Regression	122.402	2	61.201	324.756	.000[c]
	Residual	62.943	334	.188		
	Total	185.346	336			

a. Dependent Variable: Cooperative Performance
b. Predictors: (Constant), Strategic Leadership
c. Predictors: (Constant), Strategic Leadership, X4M
Source: Field Data (2020)

Given that the calculated F =324.756, while the $F_{critical}$ = 3.00*; at* α =5%, numerator degrees of freedom – V_1 = 2 and denominator degrees of freedom – V_2 = 334.Then $F \geq F_{critical}$ α 0.05 while (stakeholder orientation* strategic leadership) is a clear indication that

stakeholder orientation is a significant moderator on the relationship between strategic leadership and coffee cooperative societies' performance, hence V_d is rejected.

Table 4.34c: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.071	.121		8.836	.000
	Strategic Leadership	.754	.033	.782	22.963	.000
2	(Constant)	1.557	.133		11.673	.000
	Strategic Leadership	.355	.065	.368	5.434	.000
	X4M	.073	.011	.469	6.934	.000

a. Dependent Variable: Cooperative Performance

Source: Field Data (2020)

The model shows that when strategic leadership is moderated by stakeholders' orientation, there is an increase in coffee cooperative societies' performance by 0.469 units. The study derived the following simple linear regression model as shown below.

$$Y = 1.557 + 0.073X_4M$$

A similar study done by Nyandika and Ngugi (2014) also found that stakeholders' involvement has a great positive influence in road projects performance in the country.

4.9.5 Moderating Role of Stakeholders' Orientation on the Relationship between Strategic Management Practices and Coffee Cooperative societies' performance

The study sought to establish the extent to which stakeholders' orientation moderates the relationship between strategic management practices and coffee cooperative societies' performance outcome of coffee cooperative societies in Nyanza. Multiple regression analysis method was used to determine the moderating effect of stakeholders' orientation on the relationship between strategic management practices and coffee cooperative societies' performance outcome using the following procedure. First, (step 1) a regression model was conducted to test the effect of strategic management practices and performance and secondly (step 2) the regression analysis was conducted between strategic management practices (product diversification* stakeholders orientation ,strategic innovation* stakeholders orientation ,quality management* stakeholders orientation, strategic

leadership*stakeholders orientation) and coffee cooperative societies' performance to establish the effect between strategic management practices and coffee cooperative societies' performance. The following model was used;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1 * M + \beta_6 X_2 * M + \beta_7 X_3 * M + \beta_8 X_4 * M + \varepsilon \ldots..(5)$$

The findings were presented in tables 4.35a, b and c respectively.

Table 4.35a: Model Summary

					Change Statistics			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.884[a]	.782	.780	.34872	.782	298.030	4	332	.000
2	.891[b]	.794	.789	.34115	.012	4.725	4	328	.001

a. Predictors: (Constant), Strategic Leadership, Product Diversification, Strategic Innovation, Quality Management

b. Predictors: (Constant), Strategic Leadership, Product Diversification, Strategic Innovation, Quality Management, (SL*PD*SI*QM)*M

Source: Field Data (2020)

From the regression results in table 4.35a, two models were generated using enter method. The multiple regression model number 2 is the most significant model since it has the inclusion of all strategic management practices and stakeholders orientation.

The regression results in table 4.35a model shows a moderate significant relationship between strategic management practices, stakeholders' orientation and coffee cooperative societies' performance outcome, implying that strategic management practices and stakeholders orientation explain 79.4% of the changes in coffee cooperative societies' performance outcome. Model 1 indicated that strategic management practices alone were able to explain 78.2% of the variance in the coffee cooperative societies 'performance. The magnitude of stakeholder's orientation moderating effect on the relationship between strategic management practices and coffee cooperative societies' performance outcome is 1.2 % (79.4 -78.2).

Table 4.35b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	144.972	4	36.243	298.030	.000[b]
	Residual	40.374	332	.122		
	Total	185.346	336			
2	Regression	147.171	8	18.396	158.066	.000[c]
	Residual	38.174	328	.116		
	Total	185.346	336			

a. Dependent Variable: Cooperative Performance

b. Predictors: (Constant), SL, QM, PD, SI

c. Predictors: (Constant), SL, QM, PD, SI, X2M, X3M, X4M, X1M

Source: Field Data (2020)

Given that the calculated F =158.066, while the $F_{critical}$ = 1.94*; at* α =5%, numerator degrees of freedom – V_1 = 8 and denominator degrees of freedom – V_2 = 328.Then $F \geq F_{critical}$ α 0.05 while stakeholder orientation* strategic management practices is a clear indication that stakeholder orientation is a significant moderator on the relationship between strategic management practices and coffee cooperative societies' performance, hence.

Table 4.35c: Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.577	.138		-4.187	.000
	PD	.306	.037	.278	8.188	.000
	SI	.417	.046	.326	9.163	.000
	QM	.131	.034	.130	3.816	.000
	SL	.319	.037	.331	8.721	.000
2	(Constant)	-.435	.185		-2.353	.019
	PD	.555	.171	.505	3.248	.001
	SI	.578	.166	.452	3.489	.001
	QM	-.126	.161	-.126	-.782	.435
	SL	.011	.142	.011	.078	.938
	X1M	-.079	.046	-.508	-1.706	.089
	X2M	-.058	.047	-.335	-1.257	.210
	X3M	.077	.044	.472	1.740	.083
	X4M	.093	.042	.598	2.232	.026

a. Dependent Variable:

Source: Field Data (2020)

The coefficients table 4.35c indicated that the interaction for strategic leadership and stakeholder orientation contributed highly at β = .598, followed by quality management at β= .472 but significant. Strategic innovation had a negative and insignificant effect at β = -.335 and product diversification had a negative and insignificant effect at β = -.508.

Based on the above results the study derived the following linear regression model as shown below.

$Y = -.435 + .555X_1 + .578\ X_2 - .126X_3 + .011X_4 - .079X_1*M - .058X_2*M + .077X_3*M + .093*M$

Table 4.36: Summary of Hypotheses Testing Results

Hypothesis Formulated	**Beta (*β*)**	***ρ* – values**	Decision
Main Effects			
H_{01}: There is no statistical significant effect of product diversification on performance of coffee cooperatives in Nyanza region.($Y = \beta_0 + \beta_1 X_1 + \varepsilon$)	0.306	<0.05	Not supported
H_{O2}: There is no statistical significant effect of strategic innovation on performance of coffee cooperatives in Nyanza region.($Y = \beta_0 + \beta_2 X_2 + \varepsilon$)	0.417	<0.05	Not supported
H_{O3}: There is no statistical significant effect of quality management on performance of coffee cooperatives in Nyanza region ($Y = \beta_0 + \beta_3 X_3 + \varepsilon$)	0.131	<0.05	Not supported
H_{O4}: There is no statistical significant effect of strategic leadership on performance of coffee cooperatives in Nyanza region($Y = \beta_0 + \beta_4 X_4 + \varepsilon$)	0319	<0.05	Not supported
Moderation – Stakeholders	**Beta (*β*)**	***ρ* – values**	

Orientation			
H_{O5a}: Stakeholders' orientation does not statistically significantly moderate the relationship between product diversification and performance of coffee cooperative societies in Nyanza region, ($Y = \beta_0 + \beta_1 x_1 m + \varepsilon$)	.341	<0.05	Not supported
H_{O5b}: Stakeholders' orientation does not statistically significantly moderate the relationship between strategic innovation and performance of coffee cooperative societies in Nyanza region, ($Y = \beta_0 + \beta_2 x_2 m + \varepsilon$)	.468	<0.05	Not supported
H_{O5c}: Stakeholders' orientation does not statistically significantly moderate the relationship between quality management and performance of coffee cooperative societies in Nyanza region, ($Y = \beta_0 + \beta_3 x_3 m + \varepsilon$)	.181	<0.05	Not supported
H_{O5c}: Stakeholders' orientation does not statistically significantly moderate the relationship between strategic leadership and performance of coffee cooperative societies in Nyanza region. ($Y = \beta_0 + \beta_4 x_4 m + \varepsilon$)	.342	0.05	Not supported

Source: Field Data (2020)

4.10 Proposed Performance Measurement

4.10.1 Confirmatory Factor Analysis (CFA) for Structural Equation Modeling

Factor analysis is a technique that is used to reduce a large number of variables into fewer numbers of factors. This technique extracts maximum common variance from all variables and puts them into a common score. As an index of all variables, this score is used for further analysis. Factor analysis is part of general linear model (GLM) (Bryant and Yarnold, 2015). This study employed confirmatory factor analysis technique. Confirmatory factor analysis (CFA) is used to determine the factor and factor loading of measured variables, and to confirm what is expected on the basic or pre-established theory. Confirmatory factor analysis assumes that each factor is associated with a specified subset of measured variables. In the structural equation modeling (SEM) approach; confirmatory factor analysis is an alternative approach of factor analysis which can be done in structural equation modeling where all straight arrows are removed from the latent variable, and adds only that arrow which have to observe the variable representing the covariance between every pair of latents (Widaman, 2013). Here the straight arrows are left in error free and disturbance terms to their respective variables.

If standardized error term in SEM is less than the absolute value 2, then it is assumed good for that factor, and if it is more than 2, it means that there is still some unexplained variance which can be explained by that factor. Factor loadings were used to determine basically the correlation coefficient for the variable and factor. Factor loading shows the variance explained by the variable on that particular factor. In the structural equation modeling approach, as a rule of thumb, 0.7 or higher factor loading represents that the factor extracts sufficient variance from that variable. According to the variance extraction rule, it should be more than 0.7. If variance is less than 0.7, then we should not consider that a factor (Widaman, 2013). All the items used were retained as they were above 0.7.

4.10.2 Model Fit Summary for Structural Equation Modeling

Table 4.37: Model Fit Summary for Structural Equation Modeling

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	66	1841.867	234	0.000	7.871
Saturated model	300	0.000	0.000		
Independence model	24	9462.626	276	0.000	34.285
Model	RMR	GFI	AGFI	PGFI	
Default model	0.06	0.916	0.964	0.736	
Saturated model	0.000	1			
Independence model	0.31	0.237	0.17	0.218	
Baseline comparisons	NFI	RFI	IFI	TLI	CFI
Model	Delta1	rho1	Delta2	rho2	
Default model	0.965	0.87	0.926	0.894	0.945
Saturated model	1		1		1
Independence model	0.000	0.000	0.000	0.000	0.000
Model	RMSEA	LO 90	HI 90	PCLOSE	
Default model	0.04	0.1	0.09	0.000	
Independence model	0.229	0.225	0.233	0.000	

Source: Field Data (2020)

In structural equation modeling, the fit indices establish whether, overall, the model is acceptable. If the model is acceptable, researchers then establish whether specific paths are significant. Acceptable fit indices do not imply the relationships are strong. Indeed, high fit indices are often easier to obtain when the relationships between variables are low rather than high because the power to detect discrepancies from predictions are amplified. Many researchers, such as Marsh, Balla, and Hau (1996), recommend that individuals utilize a range of fit indices. Indeed, Jaccard and Wan (1996) recommend using indices from different classes as well and this strategy overcomes the limitations of each index.

A model is regarded as acceptable if; the Normed Fit Index (NFI) exceeds 0.95 (Schumacker & Lomax, 2004). The model was therefore deemed fit because the Normed Fit Index was 0.965 which is within the recommended range. The Goodness of Fit Index (GFI) is recommended to exceed .93 (Byrne, 1994) the model was therefore considered fit since the GFI was 0.916 which is within the recommended range. The Adjustable Goodness of Fit Index (AGFI) was found to be 0.964 which was more than the recommended index of 0.90. The Comparative Fit Index (CFI) exceeds .93 (Byrne, 1994), the model was deemed fit since the CFI was 0.945 which was within the recommended range. RMSEA (Root Mean Square Error of Approximation) is less than .08 (Browne &

Cudeck, 1993)--and ideally less than .05 (Stieger, 1990). Alternatively, the upper confidence interval of the RMSEA should not exceed .08 (Hu & Bentler, 1998). The model was therefore considered fit fulfilling all these criterions and requirements. The data of the study fulfilled all these criterions and therefore showed that the data was suitable to run.

4.10.3 Estimates of the Proposed Performance Measurement Framework

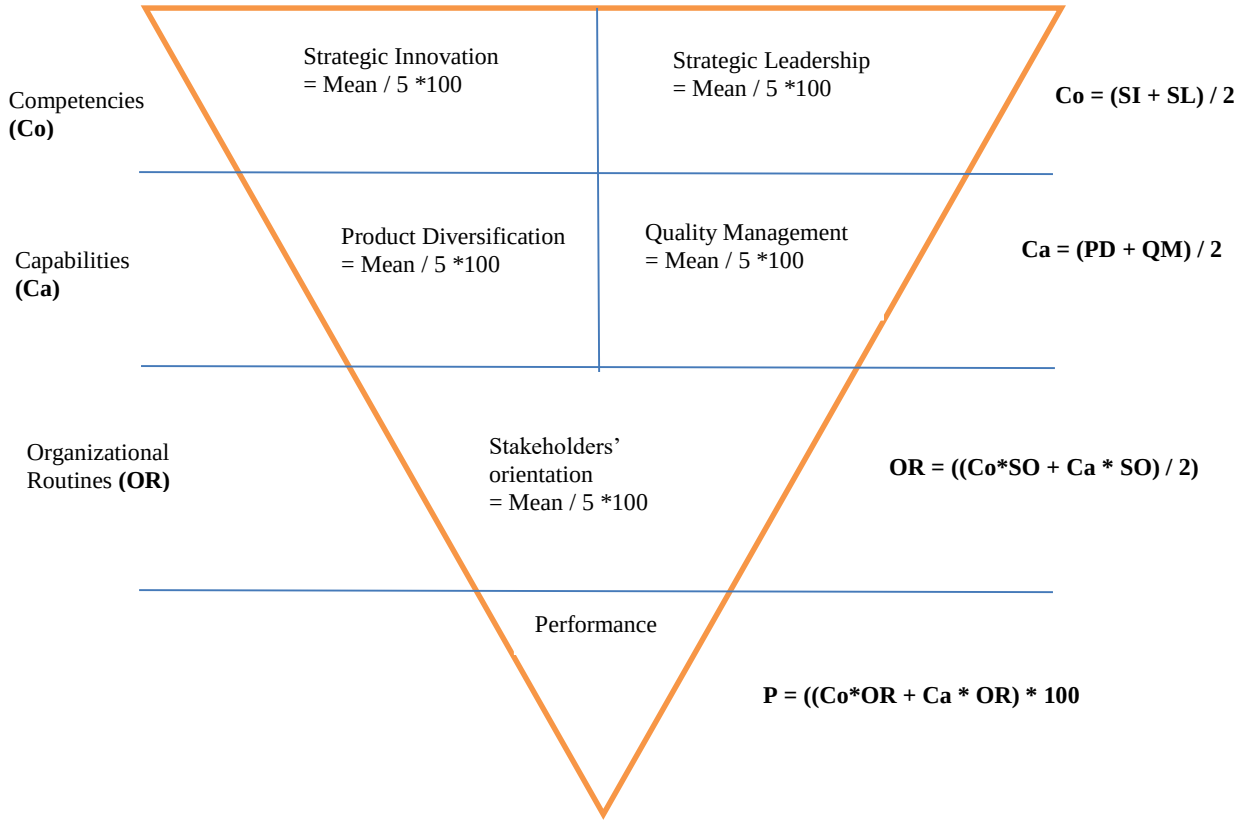

Figure 4. 3: Proposed Integrated Performance Measurement Framework
Source: Field Data (2020)

A proposed integrated performance measurement framework is illustrated in figure 4.3. The figure divides management practices into competencies and capabilities. Competencies are determined by the skills in the organization and include strategic innovations and strategic leadership. Capabilities are the abilities of the organizations including product diversification and quality management. Each is measured using a five point Lickert scale which is weighted into a mean. The mean is then relatively converted into a percentage. An average of competencies and capabilities is determined.

The same is established for stakeholders' orientations. Performance is then computed by moderating the sums of the three variables. The model above can be utilized for performance measurement on the coffee cooperative societies and other agricultural sectors

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The study findings indicated that returns from diversified products was the main indicator of product diversification for the coffee cooperative societies. This was interpreted to mean that new products by the coffee cooperatives provide substantial amounts of financial returns for the coffee societies. Diversification of coffee by cooperatives involves the process of value addition to the produce. The development of new products in order to penetrate further into or develop new accesses to international markets is the main form of diversification done by coffee cooperatives in Kenya. The study findings showed that product diversification had coefficient of estimate which was significant. The study concluded that product diversification had a significant effect on performance of coffee cooperative societies in Nyanza region.

The study found out that the number of new business processes was the main indictor of strategic innovation. The coffee societies had adopted a number of new business processes to enhance its strategic innovation practices. It was found out that the coffee cooperatives had devised a number of new ways and adopted various technologies to enhance their production efficiencies. The adoption of technology by the coffee cooperatives has led to the ability of coffee cooperatives to develop adaptive capacity to learn and respond to more modern changes. The adaptive capacity is the ability of cooperative leaders, managers and members to reflect and enact changes by modifying and amending the outdated bylaws that suite the cooperatives members' needs and in conformity with the Kenyan cooperative societies act. The study findings proved that strategic innovation had coefficient of estimate which was significant. It was concluded that strategic innovation had a positive and significant effect on performance of coffee cooperative societies in Nyanza region.

The results of the study proved that product rating as a quality management measurement was interpreted to mean that coffee cooperatives are keen on the concept of enhancing quality. Good management of coffee cooperatives enables farmers to have improved coffee quality products that can earn them increased income. This is done by proper use of good coffee husbandry strategies that ensure

that farmers in the cooperatives have higher returns for their produce if they produce coffee of good quality. The study findings showed that quality management had coefficient of estimate which was significant and it was concluded that quality management had a positive and significant effect on performance of coffee cooperative societies in Nyanza region.

The study findings showed that coffee cooperative societies being economic entities require professional diversity to enhance their strategic leadership dynamics. Coffee cooperatives are majorly large organizations that require professional leadership to manage the complex processes associated with them. Coffee cooperative societies' leadership is both challenging and difficult, and therefore it requires adequate experience, relevant education and visionary managers. This is because it not only involves managing resources and business operations, as in other businesses, but also deals with problems stemming from the cooperative's distinctive characteristics arising from constant cooperative turbulence. The findings showed that strategic leadership had coefficient of estimate which was positive and significant and it was concluded that strategic leadership had a positive and significant effect on performance of coffee cooperative societies in Nyanza region.

Under stakeholders' orientation he study findings found out that creating and protecting employees' voting rights was the main mechanism used under stakeholder's orientation. The results were interpreted to mean that employees in the coffee cooperatives were the key stakeholders in the operations of the coffee cooperatives. This meant that the human resource aspect of empowering the employees to make critical operational decisions was likely to influence efficiency at the coffee cooperative societies.

It was concluded that the overall performance of the cooperative societies is not perfect as it is anticipated to be and that there is need to make improvements by providing proper marketing services so that marketing margins are not in excess of marketing costs. Reduction of processing costs in societies with high cost due to low cherry volumes can be done by amalgamation of the small and uneconomical societies to increase their economies of scale.

The findings of coefficient of estimate showed that strategic innovation had the highest significant and positive effect on cooperative performance of coffee societies followed by strategic leadership which also had positive and significant effect on coffee cooperative performance, product diversification came third and quality management was fourth.

5.2 Conclusions

The study concluded that coffee cooperatives in Kenya invest mainly in form of increasing the number of new products and that they perform a number of value addition activities to enhance the value of coffee. This therefore means that value addition at the cooperative societies' level is key at different stages of value chain. The development of new products by cooperative societies to penetrate further into or develop new access to international markets is the main form of diversification done by coffee cooperative societies in Kenya.

Product diversification is key in enhancing performance of coffee cooperative societies. This means that if more focus is placed in different products (value addition) by societies' management, there could be a resultant positive impact on the cooperatives and hence results in higher levels of performance. Despite the role of product diversification in enhancing performance, cooperative societies are yet to fully capitalize on it. In this regard, substantial funds ought to be allocated for research and development.

With regards to strategic innovation, coffee cooperative societies have devised a number of new ways and adopted various technologies to enhance their production efficiencies. Strategic innovation and technology adoption can be used to relate to financial innovations such as access to credit, process innovations such as the acquisition of modern and efficient equipment to support coffee processing. The adoption of technology by the coffee cooperative societies is interpreted to refer to ability of coffee cooperative societies to develop adaptive capacity to learn and respond to changes in the sector. The adaptive capacity is the ability of co-operative leaders, managers and members to reflect and enact changes that suite the coffee cooperative societies and the member's needs through regular bylaws amendments to cope with cooperative societies act. Cooperative societies enhance the

competitiveness of the smallholder coffee farmers through modernization of coffee production and marketing system. Coffee cooperative societies' members have been able to develop innovative strategies which have often emerged from demand-driven and market-oriented contexts.

Strategic innovations are instrumental in improving coffee cooperative societies' performance, particularly, adoption of modern technology in the sector. The existence of a dedicated ICT and engineering department to manage all new technologies are considered as strength in the coffee cooperative societies. In addition the coffee cooperative societies' production process is unique and different from other agricultures sectors and that it has adopted new packaging and branding to promote product uniqueness which has scaled up on coffee products.

With regards to quality management, product rating as a quality management measurement metric is key to coffee cooperative societies 'performance. Cooperatives societies enable farmers to improve coffee quality and ultimately increase their income. This is done by practicing of good coffee husbandry strategies that ensure farmers in the cooperatives have higher returns for their produce. Quality management has also enabled coffee cooperative societies' products dominate the market and that coffee cooperative societies have earned ISO certification, possession of a systems certification, environmental safety certification and that there is a quality management team dedicated to promoting quality in the sector. However, there were concerns with regard to the availability and adequate funding for quality management.

In relation to strategic leadership, coffee cooperative societies require professional diversity to enhance strategic leadership. This is because coffee cooperative societies are mostly large organizations that require efficient, professional and dedicated leadership that can manage complex processes. Coffee cooperative society's leadership is often challenging, difficult and turbulent in handling emerging issues and thus calls for visionary and experienced leaders. It is therefore necessary that the leadership be subjected to regular relevant trainings in order to equip them with skills to not only manage resources and business operations, but also to deal with problems stemming from the coffee cooperative's distinctive characteristics. Cooperative societies' leadership was found to be endowed with management teams that have over

ten years in past experience and also drawn from different public and private sectors. The findings revealed also that management teams have both young and elderly staff thus creating efficiency, succession and smooth transition.

It was concluded that the overall performance of coffee cooperative societies is not perfect as anticipated and there is need to make improvements by providing marketing and production services so that margins are not in excess of the costs. Reduction of processing costs in coffee cooperative societies with high cost due to low cherry volumes can be done by amalgamation of the small and uneconomical societies to increase their economies of scale. With regards to market share, the coffee cooperative societies have been highly successful as far as marketing output and provision of production credit are concerned but does not necessarily translate to higher financial returns for farmers.

It was concluded that employees in the coffee cooperatives were the key stakeholders in the operations of the coffee cooperatives. This meant that the human resource aspect of empowering the employees to make critical operational decisions was likely to influence efficiency at the coffee cooperative societies.

5.3 Recommendations

5.3.1 Recommendation for Policy and Managerial Practice

Strategic management practices according to this study have proved to be effective in enhancing the performance of coffee cooperative societies. Furthermore, the results have indicated that diversification of products are key in enhancing coffee cooperative societies performance. Cooperative societies therefore should consider allocating more funds for research and development. In order to diversify their products, coffee cooperative societies should engage in appropriate drying of the parchment coffee, invest in machinery for wet processing and use sustainable sources of energy. This will improve the gross profit of the small scale coffee farmers, hence boosting sustainability of the coffee industry.

In addition, the management needs to understand and come up with best innovation methods such as investing in modern technology, ict infrastructure, sustainable

sources of energy and clean environment so as to keep in line with the changing market demands. Further, coffee cooperative societies should consider availing funds to quality management that take a considerable share of their capital. To enhance the quality of coffee, at the onset, the coffee cooperative societies should lobby marketing agencies to ensure that coffee prices are not in any way destabilized or compromised. This will increase farmers' confidence in coffee growing hence sustaining the available coffee cooperatives and their performance.

To improve on leadership, proper education and experience is required to enhance cooperative performance. Coffee cooperative societies with the help of government should be able to sponsor their staff to colleges to further their education. This will help the cooperative staff specialize in areas that one does best hence good performance. This will also help them deal with any challenge that may come their way. They will also be able to adapt the changing technological environment. Lastly, strategic leadership is important for coffee cooperative societies' growth. Hence competent and qualified managers should be assigned to undertake strategic duties.

Proper management skills will foster transparency, inclusion and efficient decision making among the various stakeholders. This can be done through provision of proper communication channels. Ministry of Agriculture and Cooperative Development should ensure that the basic academic and experience profiles should be adhered to before allowing members to vie for any leadership position in coffee cooperative societies.

In terms of policy, the research findings have given eminence to embedding and strengthening of strategic management practices to organization policies in order to achieve higher performance. These findings remain vital for policy makers and practitioners in embracing strategic management practices in their policy formulations. The coffee cooperative societies need to develop a policy on the stakeholders' characteristics to help them identify the behaviors that will help in improving their performance. The policy will assist the human resource professionals in identifying the requisite qualifications and recruitment procedures during the selection and employment process. Coffee cooperative societies should develop

policies on training of the various stakeholders including the staff and management committees to increase their competencies and capabilities. This needs to be done in line with the research variables of product diversification, strategic innovation, quality management and strategic leadership. Therefore, coffee cooperative societies need to work towards creating better products that can exhibit improved performance. Other than that, it is instrumental for cooperatives to invest in non-core activities in order to improve its community social responsibilities.

The findings of this study will make contributions to knowledge through the linkage and or interaction between the strategic management practices, stakeholder orientation and coffee cooperative society's performance. These empirical findings are instrumental and represent substantial contribution to the literature and theory development for the cooperative sector in Kenya.

The research further found a moderating effect of stakeholder orientation on the relationship between strategic management practices and the performance of coffee cooperative societies in Kenya. It is therefore recommended that coffee cooperative societies establish a strategy where different stakeholder interests are streamlined in the decisions of the board.

The research findings revealed an existence and or linkage between stakeholders' orientation, strategic management practices and performance of coffee cooperative societies. The implication of this relationship to the theory and practice is that organizations should consider and strengthen the interests of their stakeholders in order to maximize the contributions of the various coffee cooperative societies' stakeholders.

The study findings validate the usefulness of the stakeholders', agency theory, and the resource based theory in their application in the cooperative sector since the achievement of the competitive edge in the coffee cooperative societies to a large extent lies in the involvement and participation of the various stakeholders in the cooperative sector. The theories suggest that organizations must seek to maximize value for their stakeholders and interconnections between the organizations and all that have interest or stake in it.

In order to mitigate the research limitations, it is recommended that institutions should come up with policies that allow their stakeholders to give information that may be required for academic research purposes. The study findings have important implications for future policy formulations by the Kenyan government in the cooperative sector and in particular in the coffee cooperative societies

5.3.2 Recommendation for Further Research

From the study findings, it was evident that strategic management practices affect the overall cooperative society's performance in Nyanza region; therefore the following recommendations were suggested. Future research should be conducted in different sectors and more so a comparative study between sectors is recommended. The study focused only on cooperative societies in Nyanza region. It is possible that if the study was conducted on other agricultural sectors such as dairy, tea, banana, and others, the magnitude and direction of the relationship between the study variables might be different. Thus, future research should include other cooperative societies so as to understand the relationship between strategic management practices and performance of coffee cooperative societies in Nyanza region in particular and generally in Kenya.

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APPENDICES

APPENDIX I: Letter of Introduction

Dear Sir / Madam,

I am a Post-graduate student in the School of Business and Economics, department of Business Administration at Kisii University. In partial fulfillment of the requirements for the conferment of the PhD in Business Administration am carrying out a research on **" AN ASSESSMENT OF THE EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF COFFEE COOPERATIVE SOCIETIES IN NYANZA REGION, KENYA: MODERATING ROLE OF STAKEHOLDERS' ORIENTATION".** I wish to request you to kindly assist in providing the required information by filling the questionnaire provided below as your views are considered important to this study.

Please note that any information that you will give will be treated with strict confidence and no part of it will be given to anybody, company or government as it is purely for academic purpose only.

Thank you

Yours faithfully,

Mainya Robert Nyabaro

APPENDIX II: Questionnaire

SECTION A: BACKGROUND INFORMATION

You are kindly requested to tick the response appropriately. Tick only a single response for each question

1. Gender Male [ ] Female [ ]
2. Age 18 – 30 yrs [ ], 31 – 40 yrs[ ], 41 – 50 yrs [ ]
   51 – 60 yrs[ ], Over 60 yrs[ ]
3. Level of your education;

Primary	[ ]	Bachelor's Degree	[ ]
Secondary	[ ]	Master Degree	[ ]
Diploma	[ ]	PhD	[ ]

4. Department where you work.

Cooperative Society	[ ]
Ministry of Cooperatives	[ ]
Ministry of Agriculture	[]

5. Work position:

Board Member	[ ],	Cooperative Officer	[ ],
Supervisory Committee Member	[ ],	Agricultural Officer	[ ]
Society Employee	[ ],		

6. Years of experience:

1 – 5 years [ ], 6 – 10 years [ ], 11 – 15 years [ ] 16 – 20 years [ ], 21 years and above [ ]

SECTION B: STRATEGIC MANAGEMENT PRACTICES

Kindly fill in all the spaces in the **SECTIONS** below by putting a tick in the appropriate box using the following scales: **Strongly Agree (SA) - 5, Agree (A) - 4, Undecided (U) - 3, Disagree (D) - 2 and Strongly Disagree (SD) – 1**

PRODUCT DIVERSIFICATION

To what extent do you agree with the level of adoption of product diversification as a strategy by coffee cooperative societies to achieve desired performance?

Product Diversification		Attributes	SA (5)	A (4)	U (3)	D (2)	SD (1)
Number of new products	PD1	The coffee cooperative societies introduce new products regularly					
	PD2	The cooperative has the highest number of coffee products in the industry					
	PD3	The coffee cooperative has invested in other non-core products besides coffee					
Size of Diversification Investments	PD4	Research and development department has a substantial allocation of funds					
	[redacted]						
	PD6	There are substantial funds allocated separately for investments in non-core activities					
Returns from Diversified Products	PD7	New products sales returns are a major component of the income statement					
	PD8	New products are able to break even without hurting existing product returns					
	[redacted]						

STRATEGIC INNOVATION

To what extent do you agree with the level of adoption of strategic innovation by coffee cooperative societies to achieve desired performance?

Strategic Innovations		Attributes	SA (5)	A (4)	U (3)	D (2)	SD (1)
Extent of Technology Adoption	SI1	Nearly all operations of the cooperative society have been automated					
	SI2	The firm is a leading technology adopter in the industry possessing technology not available to other cooperatives					
	SI3	There is a dedicated ICT and engineering department to manage all new technologies					
New Business Processes	SI4	The cooperative production process is unique and different from most cooperatives in Kenya					
	SI5	The firm has adopted new packaging and branding to promote product uniqueness					
	SI6	Differentiation of products has been scaled up on coffee products					
Number of Patents	SI7	The firm has acquired patents for either of its business engineering					
	[redacted]						
	SI9	The cooperative holds secrets to its production processes which it might patent					

QUALITY MANAGEMENT

To what extent do you agree with the level of adoption of quality management as a practice by coffee cooperative societies to achieve desired performance?

Quality Management		Attributes	SA (5)	A (4)	U (3)	D (2)	SD (1)
Product rating	QM1	The cooperatives' products are bought all over the country					
	QM2	The cooperatives' products dominate the market					
	QM3	Product surveys have never found the cooperatives product wanting					
Number of Certification	QM4	The cooperative has an ISO quality certification					
	QM5	The firm is in possession of a systems certification					
	QM6	The cooperative has an environmental safety certification					
Size of Investments in Quality Management	QM7	There is a quality management dedicated to promoting quality in the organization					
	QM8	There are funds for quality management that take a considerable share of capital					
	[redacted]						

STRATEGIC LEADERSHIP

To what extent do you agree with the level of adoption of strategic leadership as a practice by coffee cooperative societies to achieve desired performance?

Strategic Leadership		Attributes	SA (5)	A (4)	U (3)	D (2)	SD (1)
Professional diversity	SL1	The cooperatives management has gender parity					
	SL2	Management teams have both young and elderly staff					
	SL3	There is ethnic balance in the management team					
Experiences	SL4	Management teams are from different public and private sectors					
	SL5	All management teams have over ten years in past experience					
	SL6	Education level of the management team is at minimum post graduate qualification					
Past Achievements	SL7	Management teams have many accolades from previous organizations they served in					
	SL8	The cooperative has consistently grown over time due to current management					
	SL9	The cooperative management has motivated staff to work hard					

SECTION C: COOPERATIVE PERFORMANCE

To what extent do you agree with the level your organization has adopted the following dimensions to assess the desired organizational performance? Where;

Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D) and Strongly Disagree (SD).

Cooperatives Performance		Attributes	SA(5)	A (4)	U (3)	D (2)	SD (1)
Market Share	CP1	The firms products dominate the market					
	CP2	The firm serves the largest market in most regions in the country					
	CP3	The firms market share is on the rise					
Financial Stability	CP4	The firm has sufficient reserves to cushion it in hard economic times					
	CP5	The firms is able to re-invest earnings					
	CP6	The firms book ratios show a strong financial position					
Attractiveness Score	CP7	The firm is able to pay dividends to shareholders					
	CP8	The firm meets obligations to employees and suppliers					
	CP9	The cooperative is able to meet its obligations					

SECTION D: STAKEHOLDER'S ORIENTATION

To what extent do you agree with the following stakeholder orientation dimensions to be important in assessing the performance of the cooperative organizations? Where; **Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D) and Strongly Disagree (DS).**

Stakeholders Orientation		Attributes	SA(5)	A (4)	U (3)	D (2)	SD (1)
Scope of Corporate Social Responsibility	SO1	The organization has a CSR policy					
	SO2	The cooperative annually engages in numerous CSR projects					
	SO3	There are funds in the cooperatives budget specifically for CSR					
Employees Voting Rights	SO4	The employees in the cooperative are allowed to own shares					
	SO5	The employees are consulted by management on key financial decision					
	SO6	Employees vote on key cooperatives decisions equally					
Extent of Information Disclosure to Shareholders	SO7	the cooperative holds annual AGMs					
	SO8	The financial records of the firm are in the public domain					
	SO9	Information disclosed by the firm is transparent					

Thank you for taking your time

APPENDIX III: University letter of Introduction

KISII UNIVERSITY

Telephone: 0100610479
Facsimile.....020 2491131
Email: fcommercefikisiiuniversity.ac.ke

P. O. Box 408-40200 KISII, KENYA.
www.kisiiuniversity.ac.ke

SCHOOL OF BUSINESS AND ECONOMICS

OFFICE OF THE COORDINATOR, POST-GRADUATE PROGRAMMES

Ref: KSU/SBF/DCB/10251/15

Tuesday, 4 August, 2020

The Director,
National Commission for Science, Technology & Innovation (NACOSTI)
NAIROBI.

Dear Sir,

RE: APPLICATION FOR A RESEARCH PERMIT FOR MAINYA ROBERT NYABARO

The above named is a PhD student in our institution who intends to carry out Research. The intended study is titled; "An Integrated Performance Measurement Framework for Coffee Co-operative Societies in Nyanza Region, Kenya: A Focus on Strategic Management Practices, Stakeholder Orientation and Coffee Co-operative Performance.

The purpose of this letter is to request you to give him a research permit to enable him conduct the research.

Thank you.

Dr. Joshua Wafula Chesoli PhD
COORDINATOR, POST-GRADUATE PROGRAMMES

JW/ab

APPENDIX IV: Research Permit

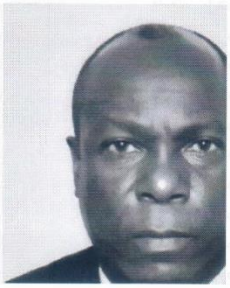
REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **141485**

Date of Issue: **12/August/2020**

RESEARCH LICENSE



This is to Certify that Mr.. ROBERT MAINYA of Kisii University, has been licensed to conduct research in Homabay, Kisii, Kisumu, Migori, Nyamira on the topic: AN INTEGRATED PERFORMANCE MEASUREMENT FRAMEWORK FOR COFFEE COOPERATIVE SOCIETIESIN NYANZA REGION, KENYA. A FOCUS ON STRATEGIC MANAGEMENT PRACTICES, STAKEHOLDERS' ORIENTATION AND COFFEE COOPERATIVES' PERFORMANCE for the period ending : 12/August/2021.

License No: **NACOSTI/P/20/6158**

141485

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

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APPENDIX V: Target Population Data Table

Counties	Sub county	Name of Farmers Coffee Cooperative Societies	Category of Respondents	Number of Respondents
Kisii	Nyaribari Chache	Mobamba FCS Nyaguta FCS Nyaturubo FCS Nyosia FCS	Staff (secretary managers, factory recorders and account clerks)	45
			Management committee	36
			Supervisory committee	12
			Cooperative officer	1
			Agricultural officer	1
	Bobasi	Nyamosongo FCS Nyamonya FCS NyamacheFCS NyabundeFCS	Staff (secretary managers, factory recorders and account clerks)	45
			Management committees	36
			Supervisory committees	12
			Cooperative officer	1
			Agricultural officer	1
	Bonchari	Kenyoro FCS Iyabe FCS	Staff (secretary managers, factory recorders and account clerks)	26
			Management committee	18
			Supervisory committee	6
			Cooperative officer	1
			Agricultural officer	1
	Bomachoge Chache	Gakero FCS	Staff (secretary managers, factory recorders and account clerks)	12
			Management committee	9
			Supervisory committee	3

			Cooperative officer	1
			Agricultural officer	1
	South Mugirango	Riasuta. FCS Nyamarambe FCS Nyachenge FCS	Staff (secretary managers, factory recorders and account clerks)	36
			Management committee	27
			Supervisory committee	9
			Cooperative officer	1
			Agricultural officer	1
	Bomachoge Borabu	Kenyenya FCS Magena FCS	Staff (secretary managers, factory recorders and account clerks)	26
			Management committee	18
			Supervisory committee	6
			Cooperative officer	1
			Agricultural officer	1
	Kitutu Chache South	Nyakoe FCS Gesarara FCS	Staff (secretary managers, factory recorders and account clerks)	24
			Management committee	18
			Supervisory committee	6
			Cooperative officers	1
			Agricultural officers	1
	Kitutu Chache North	Marani FCS Kiomooncha FCS Nyaigwa FCS	Staff (secretary managers, factory recorders and account clerks)	45
			Management committee	27
			Supervisory committee	9
			Cooperative	1

			officer	
			Agricultural officer	1
Nyamira	Kitutu Masaba	Moromba FCS Kemera FCS Girango FCS Gesonso FCS	Staff (secretary managers, factory recorders and account clerks)	30
			Management committee	36
			Supervisory committee	12
			Cooperative officer	1
			Agricultural officer	1
	North Mugirango	Magwagwa FCS Eaka FCS Nyakenimo FCS	Staff (secretary managers, factory recorders and account clerks)	56
			Management committee	27
			Supervisory committee	9
			Cooperative officer	1
			Agricultural officer	1
	West Mugirango	Nyabomite FCS	Staff (secretary managers, factory recorders and account clerks)	12
			Management committee	9
			Supervisory committee	3
			Cooperative officer	1
			Agricultural officer	1
Migori	Kuria West	Bugumbe FCS	Staff (secretary managers, factory recorders and account clerks)	12
			Management committee	9
			Supervisory committee	3
			Cooperative officer	1

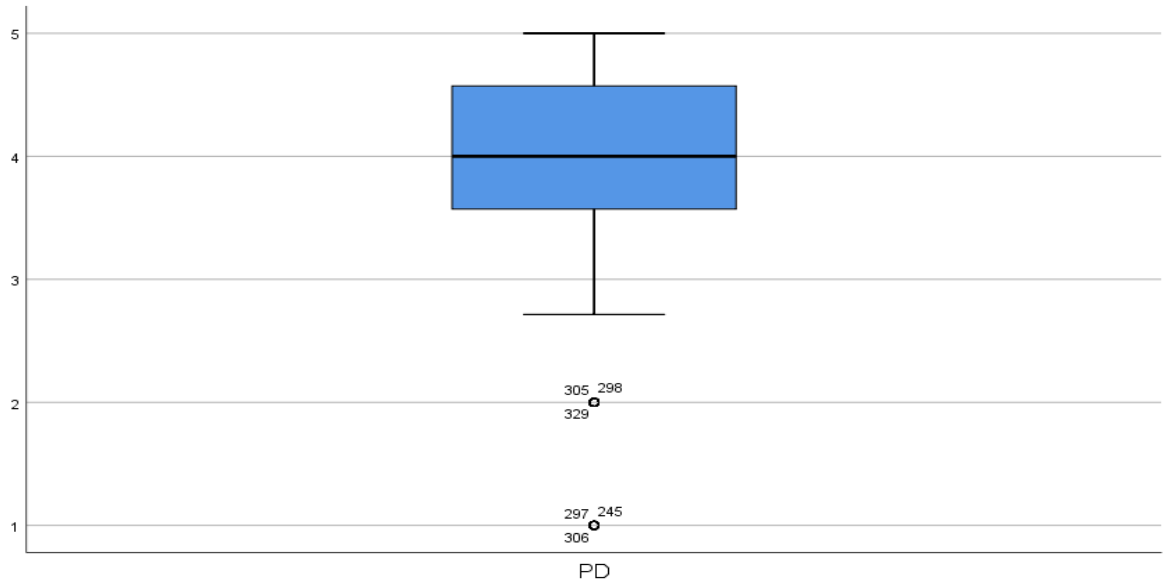
			Agricultural officer	1
	Kuria East	Gitungi FCS Bukuria FCS Mahutuntu FCS Sakuri FCS Nyabikondo FCS Wangira-Bose FCS Siabai FCS Nyaroha FCS	Staff (secretary managers, factory recorders and account clerks)	83
			Management committee	72
			Supervisory committee	24
			Cooperative officers	1
			Agricultural officers	1
	Rongo	Misadhi FCS	Staff (secretary managers, factory recorders and account clerks)	10
			Management committee	9
			Supervisory committee	3
			Cooperative officer	1
			Agricultural officer	1
Homa - Bay	Kasipul	Ayoro FCS	Staff (secretary managers, factory recorders and account clerks)	10
			Management committee	9
			Supervisory committee	3
			Cooperative officer	1
			Agricultural officer	1
	Kasipul Kabondo	Kabondo FCS Pala FCS Ogera FCS	Staff (secretary managers, factory recorders and account clerks)	30
			Management committee	27
			Supervisory committee	9
			Cooperative officer	1

			Agricultural officer	1
	Rangwe	Asumbi FCS Rangwe FCS Mbeka FCS Sori FCS	Staff (secretary managers, factory recorders and account clerks)	40
			Management committee	36
			Supervisory committee	12
			Cooperative officers	1
			Agricultural officers	1
Kisumu	Nyakach	South Nyakach FCS	Staff (secretary managers, factory recorders and account clerks)	10
			Management committee	9
			Supervisory committee	3
			Cooperative officers	1
			Agricultural officers	1
	Muhoroni	Muhoroni FCS	Staff (secretary managers, factory recorders and account clerks)	11
			Management committee	9
			Supervisory committee	3
			Cooperative officer	1
			Agricultural officer	1
Siaya	Ugunja	Ugunja FCS	Staff (secretary managers, factory recorders and account clerks)	11
			Management committee	9
			Supervisory committee	3
			Cooperative officer	1
			Agricultural	1

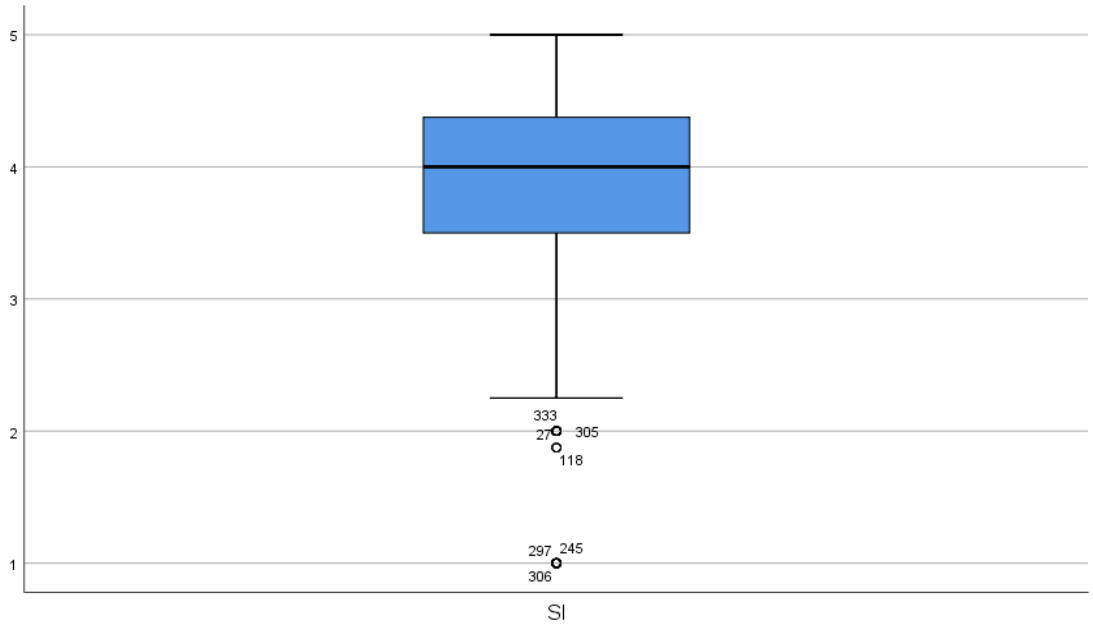
			officer	
	Gem	North Gem FCS	Staff (secretary managers, factory recorders and account clerks)	11
			Management committee	9
			Supervisory committee	3
			Cooperative officers	1
			Agricultural officers	1
Total		**51**		**1239**

APPENDIX VI: Box Plots

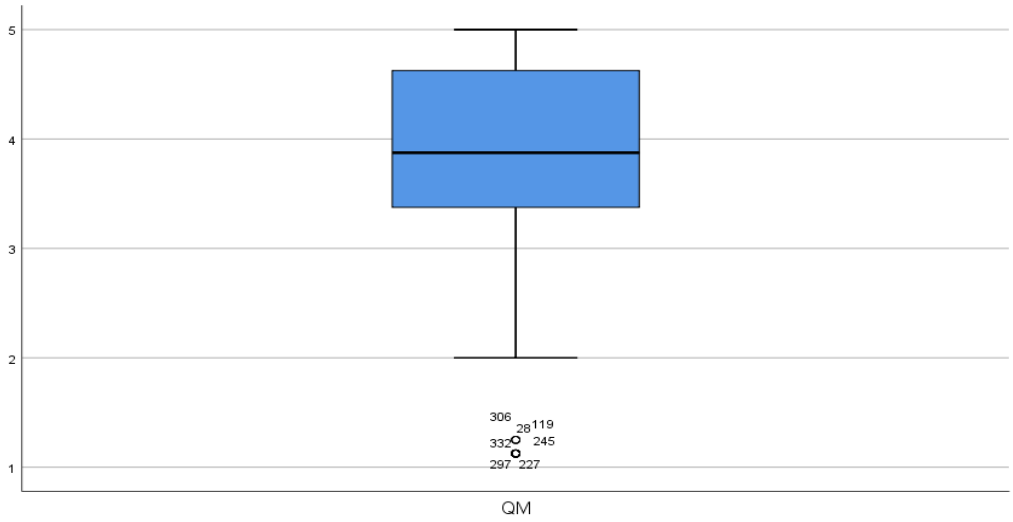
PRODUCT DIVERSIFICATION



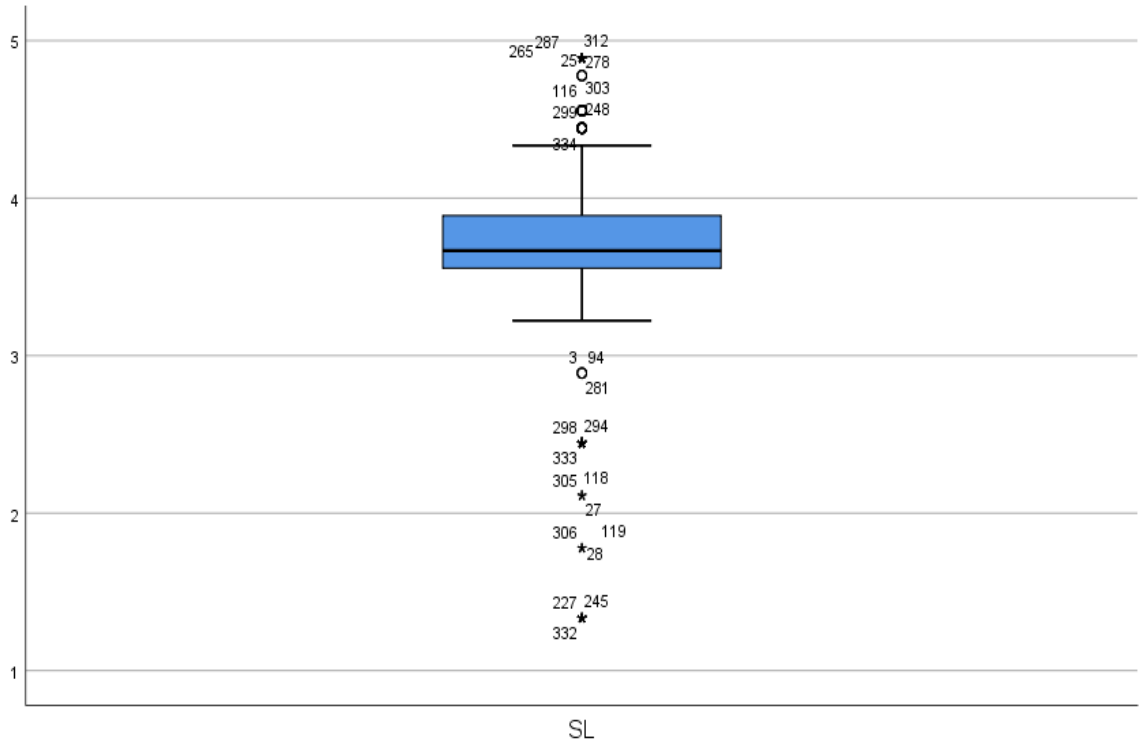
STRATEGIC INNOVATION



QUALITY MANAGEMENT

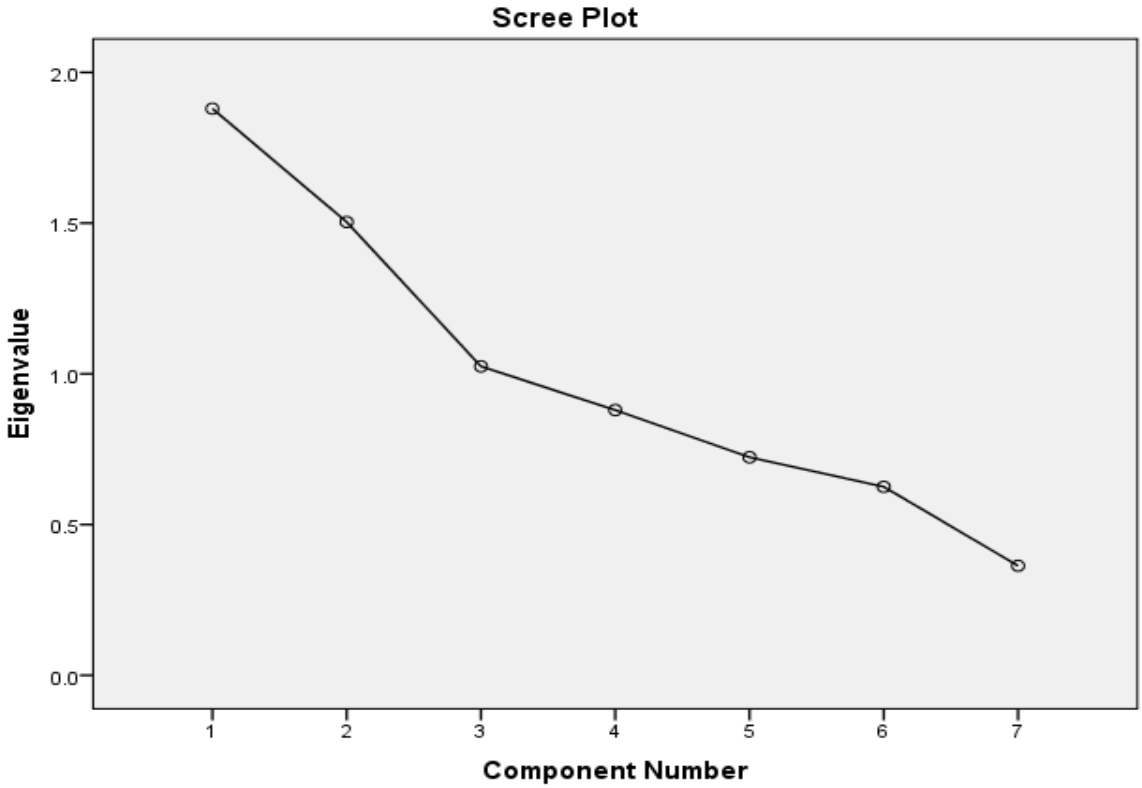


STRATEGIC LEADERSHIP

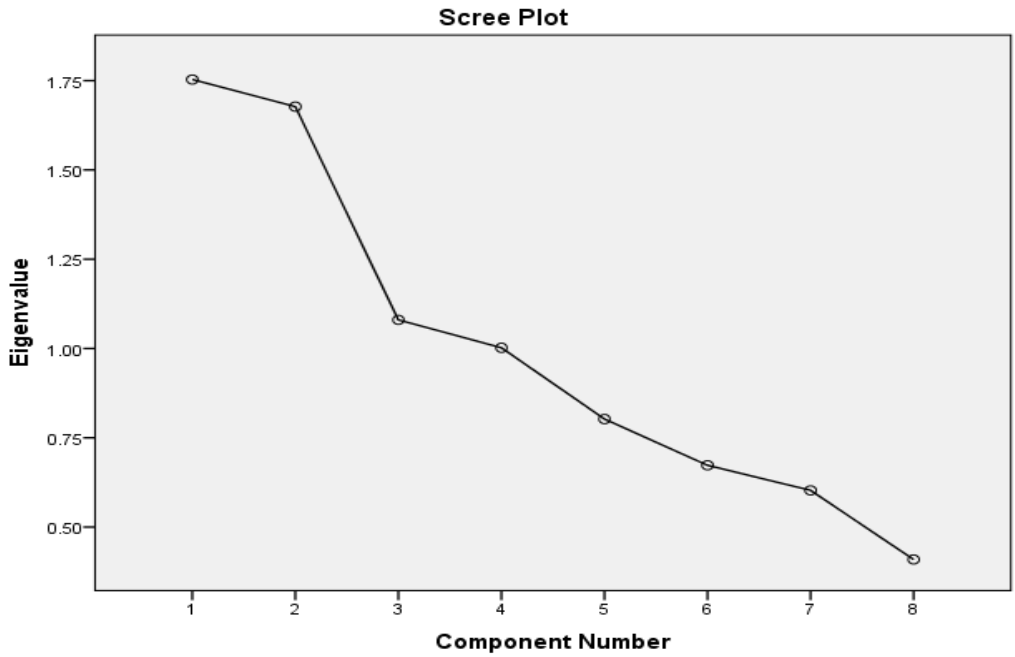


APPENDIX VII: Scree Plots

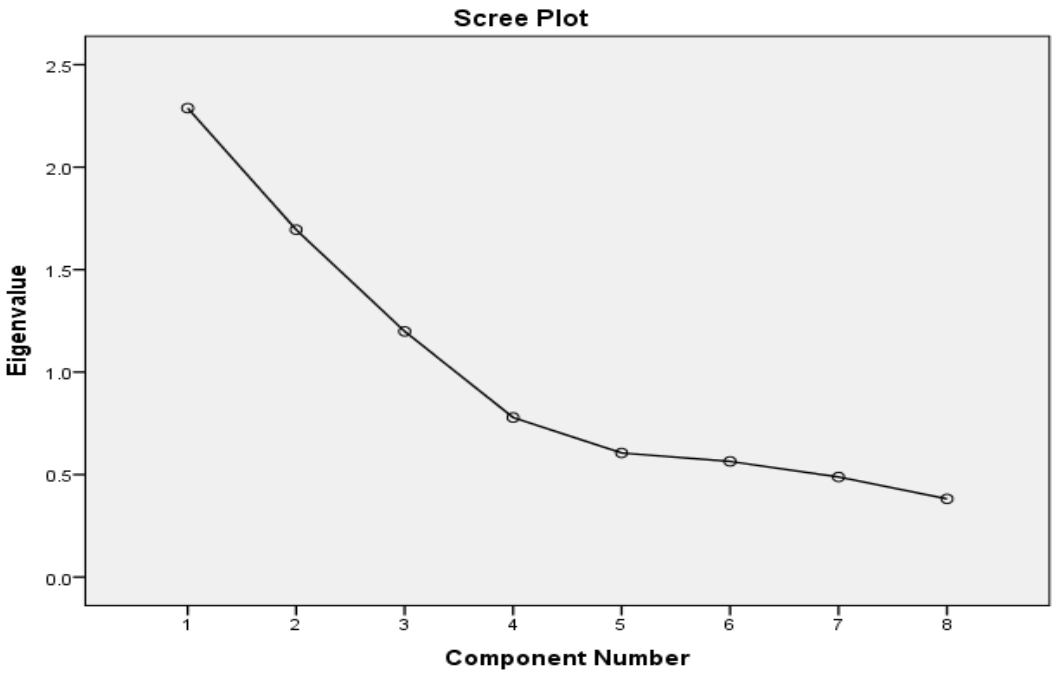
Product Diversification



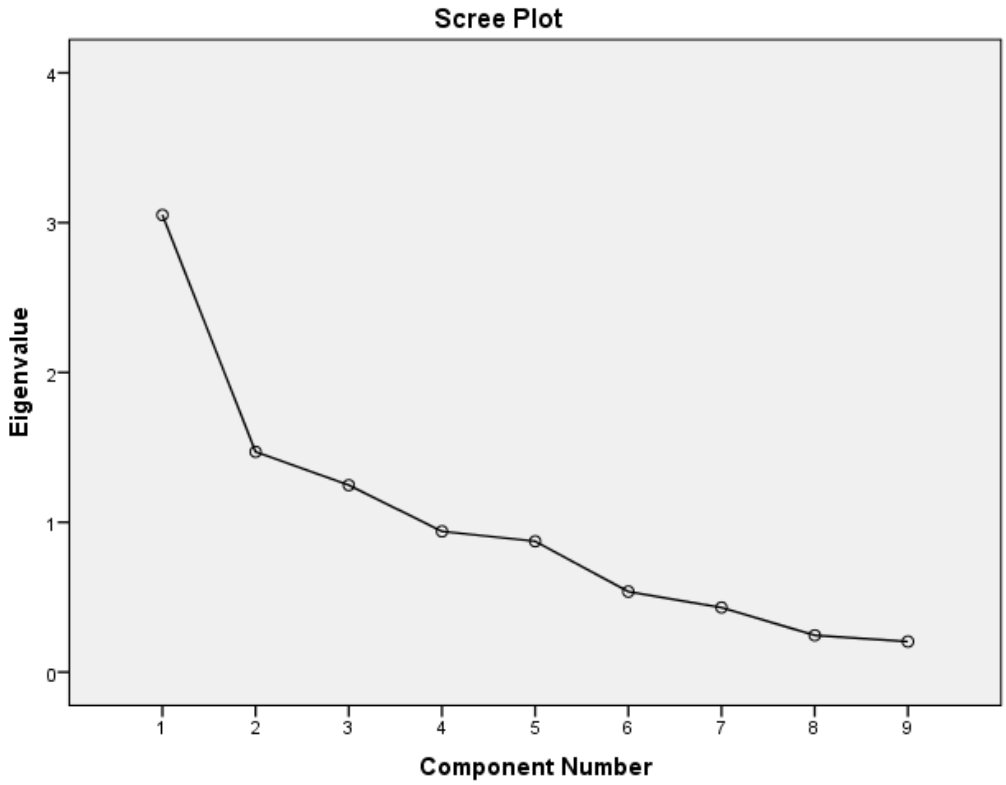
Strategic Innovation



Quality Management

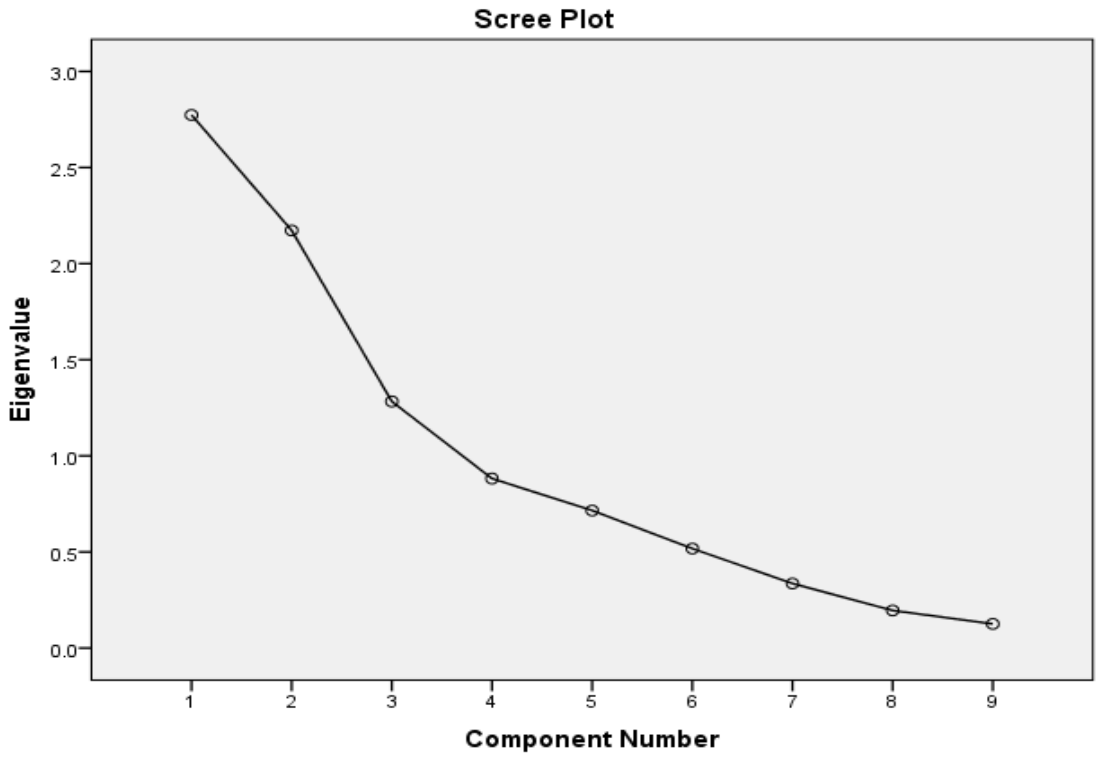


Strategic Leadership



Cooperative Performance

Stakeholders Orientation



APPENDIX VIII: Map of Nyanza Region