

Stakeholder Engagement and Competitiveness of Dairy Cooperatives in Kenya

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Abstract

Kenya's cooperative movement has grown rapidly, fuelled by targeted community empowerment efforts to promote economic development by National and County Governments. The sector has over time become one of the key contributors to Kenya's GDP. Dairy cooperatives have become the backbone of rural communities, particularly in the country's milk-producing regions such as Kiambu County. The aim of the study was to examine stakeholder engagement in achieving competitive advantage in cooperatives in Kiambu County. The study adopted Stakeholder Theory. The study used a descriptive research methodology. The study used a questionnaire as a means of data collection. Stakeholder participation explained only 2.93% of the variation in strategy implementation ($R^2=0.0293$), and when adjusted for other factors, it explained only 2.11% of the variation in strategy. Thus, from the analysis the research established that stakeholder engagement contributes passively to the competitiveness of Dairy Co-operatives. The study thus recommended that cooperatives should ensure increased stakeholder engagement in their strategic planning and implementation, as it is a source of competitive advantage.

Keywords: Stakeholder Engagement, Competitive Advantage, Co-operatives

1. Introduction

Cooperatives offer a diverse array of support tailored to their members' specific needs and industries. For instance, Savings and Credit Cooperatives (SACCOS) extend financial assistance, empowering members with access to capital and improved financial stability (Ntuite, 2022). Agricultural cooperatives, on the other hand, equip farmers with specialized training and collective bargaining power, enhancing their productivity and market positioning. Unlike conventional profit-driven enterprises, cooperatives prioritize the growth and welfare of their members. This member-centric approach has been instrumental in attracting a substantial following, garnering extensive support from governments worldwide.

The cooperative movement in Nigeria recorded a 15% increase in the number of registered cooperatives to a total of 12,000 active cooperatives in various sectors including agriculture, finance and retail. Notably, the total membership has increased by 20% and over 2.5 million Nigerians are now actively participating in cooperative enterprises (Kim et al., 2020). This growth has also been observed in other African countries, enhancing the role of cooperatives in Africa.

Kenya's cooperative movement has experienced significant growth in recent years, driven by targeted efforts to empower communities and promote economic development (Kyaitha & Nzioki, 2018). Cooperatives play an important role in the Kenyan economy and contribute significantly to the gross domestic product (GDP). According to the Kenya National Bureau of Statistics (KNBS), cooperatives account for approximately 33% of the country's GDP, highlighting their significant economic influence (Kyaitha & Nzioki, 2018). Furthermore, Kenya's Vision 2030, which aims to transform the country into an industrial hub, is strongly aligned with the functions of cooperatives. Cooperatives actively promote inclusivity as a fundamental means of voluntarily recruiting members and are in good agreement with the government.

Dairy cooperatives in Kiambu County have transformed and adopted new management styles and technologies that have enabled them to collect 200 million liters of milk annually (Michoki, 2020). The inauguration of a local milk processor has changed the role of these cooperatives from just collection entities to also processing and marketing entities. Their membership has grown to a current total of 59,635 members (Kigathi, 2016). This growth in both membership and the amount of milk handled has positioned these cooperatives as important sources of income for farmers in Kiambu thus promoting the need to invest in them.

Another important factor for the successful implementation of strategies is the involvement of stakeholders. Awino (2013) emphasizes the importance of involving key stakeholders in the strategic implementation process and points out that their exclusion may affect the effectiveness of strategy implementation. Grzes-Buklaho (2017) emphasizes that stakeholders contribute to building competitive advantage by influencing decision-making processes, providing valuable insights and fostering partnerships that improve the company's market position. In cooperatives, engaging stakeholders at all levels – from grassroots members to government agencies – ensures a more comprehensive and efficient strategy implementation process

Problem Statement

With growing competition within the dairy industry, cooperatives in Kiambu County must contend not only with local competitors, but also with regional and global players who are continually innovating and adopting advanced technologies. This intensifying competition presents these cooperatives with major challenges, particularly in terms of resource allocation, market expansion and sustainability. Despite previous efforts to strengthen governance, improve operational efficiency and engage stakeholders, many cooperatives continue to struggle to realize their full competitive potential. This competitive environment in the dairy industry has forced them to adopt strategic planning as a means of maintaining a competitive advantage. With its state-of-the-art milk processing factory, a significant number of employees and an extensive range of products (Joseph & Kibera, 2019). Involving stakeholders is an important strategy for strengthening your own market position and gaining a competitive advantage. Unsuccessful strategy implementation can result in a failure to gain competitive advantage, hindering the cooperative's progress. (Kyaitha & Nzioki, 2018). Given the urgency to address these challenges and improve its strategic execution capabilities, this comprehensive study aims to understand the influence of various internal and external factors on the implementation of the organization's strategies for competitive advantage. Therefore, additional research is needed to find out factors influencing the implementation of strategies

for attaining competitive edge in cooperative societies in Kiambu County. It is on this respect that this study seeks to establish the influence of stakeholder involvement promotes competitiveness of dairy co-operatives in Kiambu County

Study Objective

To assess the relationship between stakeholders' involvement and competitive advantage for Kiambu based dairy cooperatives.

2. Literature Review

Theoretical Review

The stakeholder theory was put forward by Freeman (2021) in relation to different people with whom the company interacts. In theory, Freeman assumes that the company does not exist in a vacuum, but rather exists with connections to other people and companies. The connections are established either by what the other parties or the company need from each other. For example, according to a classification by Freeman, Phillips, and Sisodia (2020), stakeholders can be divided into suppliers, employees, debtors, consumers, government, and investors and lenders. A company with good stakeholder relationships is likely to have a huge competitive advantage over companies without good stakeholder relationships. When implementing strategies, a company's management is also expected to fully involve stakeholders if the process is to be a success. The current study examines how various stakeholders such as management, workers, external stakeholders, and other individuals working for or within the organization impact strategy implementation and competitive advantage.

Empirical Review

Involving stakeholders is crucial to the effective execution of strategies, improving project results, and promoting sustainable development in a number of industries. Waligo ocular al. (2013) investigated this through the creation of a Multi-Stakeholder Involvement Management (MSIM) framework for their study on sustainable tourism in the UK. Throughout six stages of stakeholder engagement, this framework focused on three strategic levels: attraction, integration, and management. With more than fifty participants from eight main groups, the study used a purposive case study methodology and qualitative data collection techniques like interviews. The results demonstrated how important it is to manage stakeholder leadership and adaptability in order to align diverse interests and make it easier to implement sustainable tourism strategies. In his study of stakeholder involvement in American municipalities, Mitchell (2022) focused on the ways in which various stakeholder groups influence strategic initiatives at different stages of their implementation. Employing a longitudinal quantitative methodology, the research illustrated how stakeholder influence is contingent, with the efficacy of stakeholder coalitions fluctuating based on the project's stage.

Fiore et al. (2020) focused on engaging stakeholders in establishing sustainable business models in the dairy cooperative sector. Using a case study of three large cooperatives, the researchers conducted qualitative analysis through interviews and secondary data analysis. Their findings highlighted how stakeholder engagement contributed to innovation and led to the creation of social, environmental and economic value. This study highlighted the importance of co-design and collaboration among stakeholders for developing sustainable

business practices in cooperatives and provided a model that can be replicated in other industries based on collective decision-making.

Bellion (2020) examined the influence of stakeholder participation in dairy cooperative projects, particularly focusing on milk refrigeration facilities in Bomet County. This study adopted a descriptive research design and used stratified random sampling to select a sample of 200 stakeholders. Data was collected using questionnaires and interviews. The results showed that stakeholder participation in project identification, planning, implementation and monitoring contributed significantly to the success of dairy projects. Bellion's research confirmed that active stakeholder engagement throughout all phases of a project is critical to sustainability and performance

3. Methodology

The chosen research design for this study was descriptive, aligning with the objectives of examining the relationships between stakeholders' involvement and strategy implementation. Focused on Kiambu County, Kenya, the study aims to evaluate the factors influencing strategy implementation within local dairy cooperatives. The descriptive design effectively addresses "what" questions related to these factors, allowing for exploration of characteristics, behaviors, and trends within Kiambu's County dairy cooperatives.

The target population consisted of five cooperatives: Githunguri Dairy Farmers Cooperative Ltd, Ndumberi Dairy Farmers Cooperative Ltd, Gatundu South Dairy Cooperative Ltd, Limuru Dairy Farmers Cooperative Society Ltd, and Kabete Dairy Farmers Cooperative Society Ltd, which collectively had a membership of 1,200. Using Cochran's formula with a 95% confidence level, the sample size was determined to be 120 members.

The researcher gathered primary data for the study using a questionnaire. This research utilized Likert-based questionnaires, enabling respondents to express their opinions, viewpoints, and perceptions.

To determine the nature of the existing relationship between the dependent variable and the statistically significant independent variables, the study employed correlation analysis. In the study, multiple regression analysis was employed.

The regression equation was

$$Y = \beta_0 + \beta_1 X_1 + \epsilon_i$$

Where

Where: Y = Competitive Advantage, X₁ = Stakeholders Involvement, β₀ = the Y intercept (value of Y when X = 0), and ε_i = error term.

4. Results

Within the five cooperatives that were the subject of the study Githunguri Dairy Farmers Cooperative Ltd, Ndumberi Dairy Farmers Co-operative Ltd, Gatundu South Dairy Cooperative, Limuru DFCS, and Kabete DFCS the study aimed to recruit a sample of 120 participants. Cooperative SDOT As a result, 120 Google Forms questionnaires were sent to prospective participants. 50 were completed and returned successfully, yielding a 42 percent response rate a satisfactory level of response.

Stakeholder Involvement Descriptive Analysis

Table 1.1 shows participant responses on stakeholder involvement in the selected cooperative societies.

Table 1.1 Stakeholder Involvement

	Average	Standard Deviation
Stakeholders are consulted during the strategy development process.	3.8	0.9592
There is effective communication between the cooperative and its stakeholders.	3.86	0.7486
Stakeholders' feedback is considered in decision-making for strategy implementation for competitive advantage.	3.86	0.6931
Stakeholder involvement enhances the relevance and success of implemented strategies for competitive advantage	3.84	0.7301
The cooperative maintains positive relationships with various stakeholder groups	3.88	0.7167

The majority of the participants indicated that stakeholders are consulted during the strategy development process, with an average response of 3.8 and a standard deviation of 0.9592. with an average response of 3.86 and a standard deviation of 0.7486, the participants further confirmed that there is effective communication between the cooperative and its stakeholders. The majority of the participants also reported that stakeholders' feedback was considered in decision-making, with 58average response of 3.86 and a standard deviation of 0.693, indicating that stakeholder involvement enhanced the implementation of strategies for competitive advantage. Findings affirm that dairy cooperative societies in Kiambu County have been able to efficiently involve stakeholders in strategy implementation.

Regression Analysis

The regression analysis was also carried and the results presented in table 1

Table 1.2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.172 ^a	.0293	.0211	.1796865830
a. Predictors: (Constant), stakeholder involvement				

Table 1.2 represents the results for the model summary which indicate that 2.93% variance in strategic implementation could be explained by stakeholder involvement (R Square = .0293). When adjusted for other factors, it could only explain plain 2.11% of strategies implementation as shown by the adjusted R Square of 0021. This shows a significant and a low impact of stakeholder involvement on strategies implementation. The standard error of the estimate (.1796) indicates the average distance between the observed values and the regression line, reflecting some variability in the model's predictions.

ANOVA RESULTS

Table 1.3 ANOVA RESULTS

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.264	1	7.246	39.248529	.000 ^b
	Residual	8.836	48	.0184		
	Total	16.1	49			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), stakeholder involvement						

Table 1.3 shows the ANOVA results, which confirms that the regression model, which examines the influence of stakeholder involvement on competitive advantage of daily cooperatives in Kiambu. The F-value of 39.249 and a p-value of less than .001 (Sig. = .000) indicates that stakeholder involvement significantly predicts competitive advantage with a regression sum of squares of 7.264 and a mean square of the same, the analysis shows that while there is some positive effect of stakeholder involvement on competitive advantage, the effect is also significant at 0.001 significance level (p=0.000).

5. Conclusion And Recommendations

The study found that stakeholder engagement plays a significant role in competitiveness of Dairy co-operatives. Stakeholder engagement contributes positively mainly in aligning the interests of different stakeholders with the cooperative's strategic goals. The findings suggest that effective stakeholder engagement improves strategy execution by fostering commitment, collaboration, and mutual understanding. The findings of this research gleaned that stakeholder involvement is a critical factor, with cooperatives having high levels of stakeholder engagement, delivering a more competitive edge. This was mainly attributable to effective communication and feedback mechanisms between cooperative management and stakeholders, which ensure that their needs and expectations are understood and addressed in the strategic plans. Therefore, stakeholder involvement is a significant factor affecting competitive advantage in Kiambu-based dairy cooperatives, whereby increased involvement catalyses the cooperatives' competitive advantage.

The study recommends that cooperatives enhance stakeholder engagement in their strategic planning and implementation, as this serves as a source of competitive advantage as they foster

decision-making process by integrating diverse views and risk mitigation, enhancing innovation, and promoting a culture of continuous improvement.

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