INVESTIGATION OF ORGANIZATIONAL FACTORS THAT AFFECT THE SUSTAINABILITY OF COFFEE COOPERATIVE UNIONS IN THE POST-LIBERALIZATION ERA IN KENYA: A CASE OF COFFEE COOPERATIVE UNIONS IN EMBU AND MERU REGIONS

By
Wanjira P. C. Njeru

This dissertation is submitted in partial fulfilment of the requirements for the award of a Master of Development Studies degree from St. Paul's University

August 2016

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Supervisors: Dr. John Muhoho

Dr. Paul Gesimba

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DECLARATION

This Dissertation is a product of my own work and is not the result of anything done in collaboration. It has not been previously presented to any other institution. I agree that this dissertation may be available for reference and photocopying, at the discretion of the university.

NAME OF STUDENT: Wanjira P. C. Njeru **STUDENT NO**: MDS/MKS/4503/15

SIGNATURE OF STUDENT: _____ **DATE**: _____

We confirm that the work reported in this dissertation has been done by the student under our supervision.

NAME OF SUPERVISOR: Dr. John Muhoho

SIGNATURE OF SUPERVISOR: _____**DATE:**_____

NAME OF SUPERVISOR: Dr. Paul Gesimba

SIGNATURE OF SUPERVISOR: _____**DATE:**_____

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DEDICATION

To my beloved family and the cooperative fraternity.

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ACKNOWLEDGEMENT

Above all, I thank the Almighty God for his grace that has been sufficient to me and which has enabled me to reach this far. I passed through very difficult times in the course of my study but in his faithfulness, God has gotten me through.

I salute my supervisors, Dr. John Muhoho and Dr. Paul Gesimba, for their dedication, guidance and encouragement during the entire journey of developing this thesis.

I cannot forget to appreciate my family, my parents and siblings; I thank God for your moral support and encouragement as I pursued my studies. We went through this together and it was easier with your support.

My colleagues at St. Paul's University, the lecturers and the non-teaching staff, you have been a pillar of support to me in your own way all through this academic journey.

To the coffee cooperative unions in Embu and Meru Regions and the Cooperative Officers who gave me the data that informed the findings of this research, I highly esteem you. This research would not have been possible without you.

To my employer and colleagues who showered me with a lot of encouragement, support and inspiration to keep on keeping on, even when I was passing through very difficult situations, I really appreciate you.

I highly esteem all of you for the role you played in making this study a reality. May God bless you!

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ABSTRACT

Coffee Cooperative unions have not been in the limelight for about two decades now. However, this is a departure from the 1970s and 1980s when cooperatives were seen to grow in leaps and bounds. Economic liberalization of the Kenyan economy generally and the cooperative sector specifically, negatively affected the performance of the coffee cooperative unions in Kenya. The dismal performance of coffee cooperative unions has affected the livelihoods of over 700,000 smallholder coffee farmers, numerous people along the coffee supply chain and the economy of this country in terms of their contribution to the gross domestic product. This study was anchored on two main theories and one model, which relate to sustainability and the independent variables. The sustainable growth rate Model, the agency theory and the resource dependence theory relate closely with this study. In addition, the works of other researchers related to this study in Kenya, Tanzania, Ethiopia, Nigeria, Uganda, Malawi, Sri Lanka, Kuwait, Pakistan and India were examined to provide more insight into the topic of study. This study used descriptive research design. The sampling design and procedure used to identify the study participants was stratified sampling design and purposeful sampling procedure. From 126 leaders, staff and sub-county cooperative officers, 70 respondents consisting of 29 staff, 35 leaders and 6 cooperative officers were sampled to participate in this study. The main instruments of data collection were questionnaires for the staff and cooperative officers and focus group discussions for the leaders. Data was collected from 24 staff, 6 sub-county cooperative officers and 4 focus group discussions comprising of 20 leaders. Data collected was both quantitative and qualitative. The data collected was organized, summarized and interpreted using Statistical Package for Social Sciences (SPSS). The analysed data was presented using both qualitative and quantitative analysis. The main tools of analysis were frequency distribution tables. The study established that corporate governance plays a significant role in the sustainability of coffee unions in Kenya. The study further established that coffee unions in Kenya often adhere to corporate governance principles, that there is a high level of transparency, accountability and adherence to the rule of law by most of the unions. The study also established that capital structure has a high effect on the sustainability of coffee cooperative unions with a majority of the unions found to finance their operations from members' equity and retained earnings. In addition, the study found out that organization culture highly affects the sustainability of coffee unions by determining productivity and performance of unions. Further to this, coffee unions were found to have clearly established and practiced core values, business ethics and principles that largely guide behaviour while personal values of members, leaders and staff were found in most cases to be in line with values and culture of the unions. The unions were found to have clearly established strategic objectives to align priorities and guide the union activities on a day-to-day basis as articulated in their strategic plans. The study, therefore, concludes that corporate governance, capital structure and organization culture certainly affects the sustainability of coffee cooperative unions. The study, therefore, recommends upholding and practice of good corporate governance principles,establishment of the right mix between equity and debt; routine setting of debt ratio and embracing of the tenets of modern cooperatives or better still new generation cooperatives that operate competitively in the market place to enhance organizational sustainability of the coffee cooperative unions.

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DEFINITION OF TERMS

Capital structure: Investopedia defines capital structure as "a mix of a company's long-term debt, specific short-term debt, common equity and preferred equity. The capital structure is how a firm finances its overall operations and growth by using different sources of funds".

Cooperative:"An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise".

Cooperative Union: A cooperative union/secondary co-operative is a co-operative business democratically controlled by its members, all of whom are themselves cooperatives and share certain aims or values in common. The secondary co-operative can be a way for these co-operatives to do things that help achieve their aims that they would not be able to do by themselves.

Corporate governance: According to Mehra (2011), "corporate governance is a process that aims to allocate corporate resources in a manner that maximises value for all stakeholders - shareholders, investors, employees, customers, suppliers, and the community at large and holds those at the helms to account, by evaluating their decisions on transparency, inclusivity, equity and turbulence".

Debt ratio: It is calculated by dividing total liabilities by assets. It indicates how much debt an organization is using to finance its assets comparative to the amount of value represented by its assets. A high amount means the organization is dependent on leverage and hence riskier whereas a low amount means an organization is dependent on internal funds.

Liberalization: It mainly refers to **e**conomic liberalization, which is the lessening of government regulations and restrictions in an economy, in exchange for greater participation by private entities.

Organization culture: Kotter and Heskett (1992) defines organization culture as "shared beliefs and values within the organization that help to shape the behaviour

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patterns of employees". It isa pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (Schein, 1990).

Post-liberalization: This is the period subsequent to the lessening of government regulations and restrictions in the economy in exchange for greater participation by private entities.

Sustainability: The International Society for Organization Development (2013) defines organization sustainability as "the way leadership and management tackle the efficiency of business processes, people, clients, shareholders and the society. It is not limited to fashionable environmental factors such as emissions, green energy, savings of scarce resources, corporate social responsibility and so forth". Moreover, Coblentz (2002) defines sustainability simply as "continuation".

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ABBREVIATIONS

BCG	Boston Consulting Group
BOD	Board of Directors
CAK	Cooperative Alliance of Kenya
CB	Cooperative Bank
CEO	Chief Executive Officer
CIC	Cooperative Insurance Company of Kenya
CITH	Cooperative Information Technology Holdings
CODIC	Cooperative Development Information Centre
CSR	Corporate Social Responsibility
DPOBE	Direction, Posture, Organization, Behaviour, Evaluation
DTMFIs	Deposit-Taking Micro-Finance Institutions
EDCU	Embu District Cooperative Union
FGD	Focus Group Discussion
GDP	Gross Domestic Product
ICA	International Cooperative Alliance
ICO	International Coffee Organization
ILO	International Labour Organization
IOFs	Investor-Owned Firms
ISOD	International Society for Organization Development
KCCE	Kenya Cooperative Coffee Exporters
KERUSSU	Kenya Rural Savings & Credit Union
KNCU	Kilimanjaro Native Cooperative Union
KPCU	Kenya Planters' Cooperative Union
KUSCCO	Kenya Union of Savings and Credit Cooperatives
KSH	Kenya Shillings
MCCCU	Meru Central Coffee Cooperative Union
MCCMCU	Meru County Coffee Mill Cooperative Union
MNFCU	Meru North Farmers' Cooperative Union
MSFCO	Meru South Farmers' Cooperative Union
NACHU	National Cooperative Housing Union

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NACOS	National Cooperative Organizations
NACOSTI	National Commission for Science, Technology and Innovation
NGCs	New Generation cooperatives
NGO	Non-governmental Organization
NKCC	New Kenya Cooperative Creameries
ROA	Rate of Assets
RDT	Resource Dependence Theory
SACCOS	Savings and Credit Cooperative Organizations
SGR	Sustainable Growth Rate
STABEX	Export Stabilization Fund
SCIP	Smallholder Coffee Improvement Project
SPSS	Statistical Package for Social Sciences
TNCMCU	Tharaka Nithi Coffee Millers Cooperative Union
UBS	Union Banking Section
US	United States
USD	United States Dollar
WOCCU	World Organization of Cooperative Credit Unions
4Cs	Common Code for Coffee communities

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CHAPTER ONE: INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

The chapter presents the context within which this research was undertaken. It covers the background of the study, the problem statement, the purpose of the study, objectives of the study, justification of the study, the limitations of the study, the scope & delimitations of the study and assumptions of the study.

1.1.1 Background of the study

Sustainability has become one of the key issues of concern as confirmed by the increasing attention of governments, media, academics and industry. It is gaining a lot of public attention and debate the world over. The subject ranks high on the agenda of most governments; media coverage of the topic has increased notwithstanding that sustainability issues are of increasing concern to humankind. Some of the questions developing, for instance, include whether sustainability will change the competitive landscape and reshape the opportunities and threats that companies face. How worried are executives and other stakeholders about the impact of sustainability efforts on the corporate bottom line? What are companies doing now to capitalize on sustainability-driven changes? What strategies are companies pursuing to position themselves competitively for the future?

It has been observed that the terms "sustainability", "sustainable development", "corporate social responsibility" (CSR), "corporate responsibility" and "corporate citizenship" are all terms used often interchangeably, with different parts of the world exhibiting their own preferences (The Economist Intelligence Unit, 2008). This research limited itself to the use of the term sustainability, as defined in this report and the context within which it is used.

1.1.2 The concept of sustainability

The concept of sustainability was originally introduced in forestry, where it means never harvesting more than what the forest yields in new growth. The word "nachhaltigkeit" which is the German term for sustainability was first used with this meaning in 1713

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(Kuhlman & Farrington, 2010). On the other hand, the term "sustainability," and "sustainable development," have been in the public domain since the mid-1980s. "Sustainable development" was the original concept but in the recent years, it has increasingly been replaced by "sustainability" (Soyka, 2012).

The terms sustainability and sustainable development were coined by the environment movement and reflect the recognition that major environmental issues are interrelated to economic and social justice issues. The term "sustainable development" was first defined in the Popular Brundtland Commission Report, "Our Common Future", as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The definition leads directly to the three pillars of sustainable development, which are the economic, social and environmental dimensions. (Taticchi, Carbone, & Albino, 2013). When this definition is transposed to the business level, corporate sustainability can accordingly be defined as meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.), without compromising its ability to meet the needs of future stakeholders as well (Dyllick & Hockerts, 2002).

In contrast, the International Society for Organization Development (2013) states that "organization sustainability is not limited to fashionable environmental factors such as emissions, green energy, savings of scarce resources, corporate social responsibility and so forth." The International Society for organization Development (ISOD) further remarks that "the way leadership and management deals with the tensions within and between the five major entities facing organizations: - efficiency of business processes, people, clients, shareholders and the society, will determine the future strength of an organization"(International Society for Organization Development, 2013).Sustainability is also defined as "a journey not a destination. It is a process of creative destruction that continually disrupts the status quo and harnesses turbulence to achieve long-term goals of the organization through constant innovation, transparency, engagement, accountability and responsibility" (Mehra, 2011).

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Coblentz (2002) defines sustainability simply as continuation and continues to explain that for an organization to be sustainable, it means that it has the elements necessary to carry on and constantly enhance its activities in pursuit of a defined mission. It means that the organization has both a defined mission and some combination of goals and objectives, the attainment of which ensures the successful pursuit of the mission.

However, this study adopted the definition of sustainability from the organization development perspective that,"it is the way leadership and management deals with the tensions within and between the five major entities facing organizations: - efficiency of business processes, people, clients, shareholders and the society that determine the sustainability of an organization."

1.1.3 Sustainability in coffee cooperatives

The concept of sustainability in coffee cooperatives has been a subject of interest in the last two or so decades. The International Coffee Organization [ICO] (2015) refers to "Sustainability in the coffee sector as a way of assessing the well-being of coffee farmers as well as a good conservation policy of the environment and the promotion of social equality". The ICO furthercontends that a sustainable coffee farmer will meet long-term environmental and social goals while being able to compete effectively with other market participants and achieve prices that cover production costs and allow the earning of an acceptable profit margin. Nonetheless, proponents of coffee certification maintain that sustainability in coffee must focus on the triple bottom line or the three dimensions of sustainability that are: economic, social and environment pillars.

Nevertheless, in support of coffee certification, international coffee standards have emerged as one approach to promote economic, social and environmental standards for coffee production and commercialization. The suggestion is that certification of coffee farmers' farms is a useful strategy for improving the position of smallholder farmers in the coffee sector. The most common certification and verification standards in the coffee sector in Kenya are Fairtrade, UTZ certified, Rainforest Alliance, Common Code for coffee communities (4Cs), CAFÉ practices and organics. These third party certification and verification standards provide strategies to enhance sustainable coffee production

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and responsible trade (International Coffee Organization, 2015). However, the aim of the certification and verification standards is to improve the livelihoods of coffee farmers and the sustainability of the coffee sector generally.

On the contrary, many farmers are not convinced about realizing high production profitably while using sustainable coffee production practices. Despite indications of potential gains, to bring change in the coffee industry requires gradual implementation of sustainable coffee production practices. However, a major challenge in the implementation of sustainable coffee production practices is the limited capacity of extension service providers including government extension officers. As a result, smallholder cooperatives and unions may be the most appropriate option to disseminate sustainable agricultural practices, skills or sustainable farming models for a sustainable coffee sector in Africa(International Coffee Organization, 2015).

Contrary to the foregoing, it is important to note that sustainability of organizations such as coffee cooperative unions have other dimensions and require a more encompassing approach, other than looking at certification and verification standards per se. In certification and verification standards, the organization focuses more on the interests of the consumers and it seeks to ensure that the production, processing and marketing of coffee is ethical throughout the whole supply chain. In all this, the consumer has an upper hand in the trade as the buyer of the produce. Unfortunately, even for coffee sold as certified, the farmer who is the main coffee producer (supplier) in the chain receives the residue after all the actors upstream have deducted their dues from the proceeds. Remarkably, the cost of production is not considered in setting the price to be paid to the producer.

The coffee producers need not be taken as price-takers forever and anyone in support of sustainable coffee production practices, should work towards improving the position of the farmer along the value chain, in order to enhance productivity and sustainability of the coffee sector. Moreover, according to Barham and Weber (2012), “the growing popularity of third party certifications related to economic and environmental sustainability warrants research on their efficacy. In addition, a close look at the

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certifications reveals substantive differences that may matter for sustainability outcomes".

1.1.4 Structure of the Cooperative Sector in Kenya

Ordinarily, the cooperative sector is vertically organized into a four-tier pyramidal structure. The structure consists of primary cooperatives at the bottom of the pyramid, district or commodity cooperative unions at the secondary level hence the name secondary cooperatives, national cooperative organizations (NACOS) being at the third level and one confederation, Cooperative Alliance of Kenya (CAK) being at the apex level. The membership of CAK includes national cooperative organizations as well as some cooperative unions and primary cooperatives. The Kenyan cooperative movement is linked to the world's cooperative movement represented by the International Cooperative Alliance (ICA) through CAK (Gatuguta, Kimotho, & Kiptoo, 2014).

Primary cooperatives are also affiliated to cooperative unions by economic activity or agricultural produce marketed. For instance, in the agricultural sector, there are produce-oriented cooperative unions that collect agricultural produce from primary cooperatives for primary processing and/or marketing. In addition to these produce-based unions, there are also district cooperative unions, which have now changed to county cooperative unions in some cases. These are area-based cooperative unions that bring together primary cooperatives dealing with single or different activities within a geographical area and provide services to members that would normally be provided by activity-based unions (Minishi, 2012). It is important to observe that the cooperative sector structure is generally weak because the second, third and fourth tiers tend to draw some of their members from the first tier which triggers competition among the tiers to recruit members. There is need to strengthen each tier to function as a chain link to reduce the said competition(Wanyama, 2009). In addition, the first tier and the second tier cooperatives invest enormous financial capital in the third and fourth tier cooperatives in form of equity such that at times, this leaves them very weak and they end up depending on the financial NACOs for financial support. Equally, the members' equity is again used to determine the number of slots of delegates to represent the

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cooperatives in the NACOS and thus becomes an incentive to invest more in such NACOs to enhance their representation.

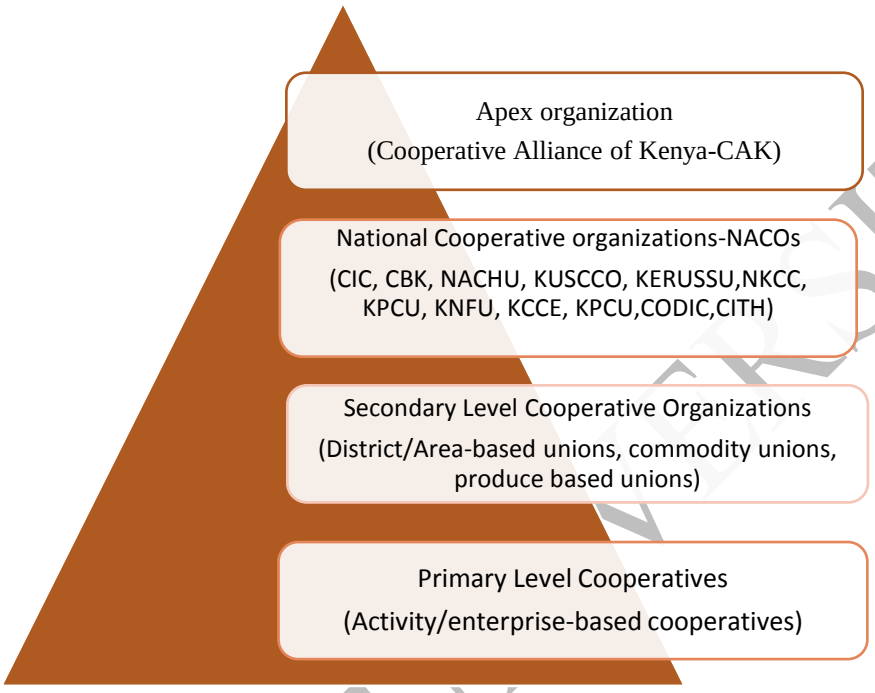


FIGURE 1.1: STRUCTURE OF THE COOPERATIVE SECTOR IN KENYA

Source: Researcher

However, apart from the mainstream cooperative organizations found within the structure of the cooperative movement, other formations of organizations have emerged as farmers' voices. Nevertheless, most of them are registered as associations and not cooperatives and target the same members of cooperatives and the cooperatives themselves. One important fact that has been overlooked is that cooperatives have their own complete and independent structure, which can effectively and efficiently carry out the activities performed by the associations. However, this is only achievable with proper organization and coordination of the cooperative sector.

In order to distinguish cooperatives from other forms of organizations, the International Co-operative Alliance, a non-governmental organization that is the umbrella organization for cooperatives worldwide, formulated the ICA statement of cooperative

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identity. In this statement, a cooperative is defined as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise" (Tchami, 2007). It also contains the cooperative values and principles. It recognises that co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. In addition, the seven internationally recognized cooperative principles are voluntary and open membership, democratic member control, member economic participation, autonomy and independence, provision of education, training and information; cooperation among cooperatives and concern for the community.

It is estimated that more than one billion people worldwide belong to co-operatives while 40 % of the world population derives its livelihood from co-operatives (Ngeretha, 2015). This is further supported by the International Labour Organization (ILO) and the International Cooperative Alliance (ICA), who affirm that about one billion people in the world are involved in cooperatives either as members or customers, as employees or participants, or both. Cooperatives employ at least 100 million people worldwide, and the livelihoods of nearly half the world's population have been estimated as made secure by the cooperative enterprise. The world's largest cooperative enterprises have collective revenues of USD 1.6 trillion, which are comparable to the Gross Domestic Product of the world's ninth largest economy, which is Spain (International Labour Organization and International Cooperative Alliance, 2015).

In terms of performance, the Co-operative sector in Kenya is ranked first in Africa and seventh in the world. The World Council of Credit Unions (WOCCU) rates Co-operatives in Kenya as the fastest growing sub-sector in the world employing 500,000 people directly and two million indirectly(Ngeretha, 2015). Observed closely is that, agricultural cooperatives play an important role in supporting small agricultural producers and marginalized groups such as young people and women, thus demonstrating their importance to the rural population. The importance of the sector to the economy is immense and therefore deserves to be recognized.

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Shaw (2006) alluding to the observation of Cuevas and Fischer (2006), remarks that despite the existence of considerable literature on cooperatives, they remain poorly understood organizations. The public and the academic world do not understand cooperatives because cooperatives are viewed mainly through the lens of a specific enterprise, institutional form or a single country. Many studies have failed to capture the heterogeneous and diverse nature of co-operatives, downplayed their position as part of a sector with global reach, and frequently operating as part of a global movement.

1.1.5 Coffee Cooperative Unions in Kenya

The coffee cooperative unions' membership consists of two or more primary cooperative societies. Their role is to provide services to the affiliated primary co-operatives. They are formed with the aim of enhancing economies of scale through joint undertakings in the acquisition and provision of goods and services such as bulk procurement of farm inputs and education and training of its affiliates (Gatuguta, Kimotho, & Kiptoo, 2014). Their main purpose, therefore, is value chain integration. The primary cooperative societies are affiliated to cooperative unions by economic activity or agricultural produce marketed. In contrast, primary cooperative societies are the lowest level of cooperatives that are found mainly at the grassroots. The membership consists of individual members who qualify for membership through the common activity that is undertaken by the primary cooperative society popularly known as "common bond".

Prior to the advent of liberalization, coffee cooperative unions were equivalent to a one-stop shop for affiliate primary cooperatives. They provided services such as facilitating marketing of produce, transportation, banking services through Union Banking section (UBS), centralized bookkeeping and accountancy services, recruitment and secondment of professional staff (Secretary Managers, Accountants, Bookkeepers), education & training, provision of farm inputs and management services among many other related and mutually agreed upon services. Towards the late 1980s, the government came up with a policy to transform UBSs into rural Savings and Credit Cooperatives (SACCOS), thus removing them from among the union activities; to safeguard members' funds. This was from the experience of some cooperative unions collapsing and members losing their money without redress. Some of the cooperative unions, which operated UBSs and

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depended heavily on the UBSs, earnestly resisted this move. After transformation of UBSs into rural SACCOS, the unions that did not have other reliable investments consequently struggled to survive or collapsed.

1.2 Statement of the problem

During the 1970s and 1980s, cooperatives generally grew in leaps and bounds. This was triggered by the policy of the government that encouraged the formation of cooperative societies for smallholder farmers and rapid expansion of smallholder production (Aksoy, 2012). The coffee cooperative unions were strong and provided a range of services to their affiliate cooperative societies. The performance of Coffee cooperative unions started deteriorating in the 1990s and with time, some of the unions weakened to a level such that they were unable to fulfil their mandate to their affiliates. For instance, Kitui DistrictCooperative union is no longer operational while Embu District Cooperative union is no longer offering services to the affiliates. The rest of the unions are offering minimal services to the affiliates compared to the period prior to late 1980s. The reasons advanced for this state of affairs is the removal of coffee marketing commission in 1984, the transformation of union banking sections (UBS) into separate entities, non-payment of debts owed to unions by affiliate cooperative societies, change of government policy, inadequate sources of funds among others.

Notably, cooperative unions play a significant role in providing key services to their affiliated primary cooperatives so that they are able to support coffee production. The weakening and collapsing of coffee unions left a gap in terms of service provision. Besides, the primary cooperative societies where unions collapsed or are very weak no longer enjoy the economies of scale in terms of the services that they were undertaking as a bloc under the unions. However, even in the circumstances Minishi (2012) acknowledges that the significance and contribution of co-operatives to the improvement of the quality of life for millions of Kenyans has spanned decades and has been phenomenal.

The dismal performance of coffee cooperative unions affects all the people involved along the coffee supply chain including the livelihoods of an estimated 700000

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smallholder farmers and the economy of this country in terms of contribution to gross domestic product (GDP). As a result of the dismal performance of coffee cooperative unions and its impact on their long-term growth and survival, there is need to investigate the organizational factors that affect the sustainability of coffee cooperative Unions in the post-liberalization era in Kenya focussing on a case study of Embu and Meru Regions.

1.2.1 Purpose of the study

The purpose of the study was to investigate the organizational factors that affect the sustainability of Coffee Cooperative Unions in the post-liberalization era in Kenya with the focus of the study being Embu and Meru Regions. Moreover, the study sought to establish the organizational challenges that face coffee cooperative unions causing them to perform dismally in their quest to expedite their mandate to the primary coffee cooperative societies who are their members.

1.2.2 General objective

The general objective of this study was to investigate the organizational factors that affect the sustainability of Coffee Cooperative Unions in the post-liberalization era in Kenya.

1.2.3 Specific objectives of the study

a. To establish the effect of corporate governance on the sustainability of coffee cooperative unions in the post-liberalization era in Kenya.
b. To determine the effect of capital structure on the sustainability of coffee cooperative unions in the post-liberalization era in Kenya.
c. To assess the effect of organizational culture on the sustainability of coffee cooperative unions in the post-liberalization era in Kenya.

1.3 Justification of the study

The findings and recommendations of this study would be of use to the targeted coffee cooperative unions and to some extent, other agricultural-based cooperatives in Kenya by assisting them to address the issues that affect their organizational sustainability. The

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findings and recommendations would also be of use to both the County and National governments in assisting them to understand the role played by coffee cooperative unions and optimistically formulate favourable policies, laws and regulations that are supportive of organizational sustainability of the coffee cooperative Unions and other forms of agricultural cooperatives. This is very critical because coffee remains among the important earners of foreign exchange for this country. The findings would also be important to development actors and Non-governmental organizations (NGO's) in assisting them in the planning of relevant interventions and reviewing of future interventions targeting organizational sustainability of coffee cooperative unions and other agricultural-based cooperative organizations. Last and not the least, the findings of this research will add to the body of existing knowledge and will provide other researchers with more insight into the subject of organizational sustainability of coffee cooperative unions in Kenya.

1.4 Limitations of the study

The study was limited in terms of time. This was because some respondents kept postponing their appointments. This was resolved by sharing with the affected respondents the importance of the study. Secondly, some respondents were reluctant to participate in the interviews because of suspicion on the use of data. This situation was dealt with by creating rapport and trust with the unions and the respondents from the onset of the data collection exercise and giving them the assurance of confidentiality. The cooperative officers also facilitated in providing the assurance to the respondents. Additionally, the researcher developed a simple and straightforward questionnaire that was not intrusive into the operations of the unions. The questionnaire was also developed in such a way that it took minimum time to respond to without compromising the data quality in order to minimize the time spent in carrying out the interviews with each respondent.

1.5 Scope and delimitations of the study

The study investigated some of the organizational factors that affect the sustainability of coffee cooperative unions in the post liberalization era in Kenya although there are other organizational and non-organizational factors that affect the sustainability of coffee

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cooperative unions in Kenya. The geographical area of coverage of the study was Embu, Tharaka Nithi and Meru Counties. The study was carried out in all the six registered coffee cooperative unions in the three counties. Worthy of noting is that out of the six registered coffee cooperative unions, two of the unions were registered between 2013 and 2014, which was after liberalization. The objective of the new unions was to market coffee fromthe primary coffee cooperative societies within their counties. Data was collected from 50 respondents drawn from the leadership, employees and sub-county cooperative officers from the six unions but made generalizations to the whole of Kenya. The study focussed on three independent variables: - corporate governance, capital structure and organization culture. The scope of the study is analysed in figure 1.2 below.

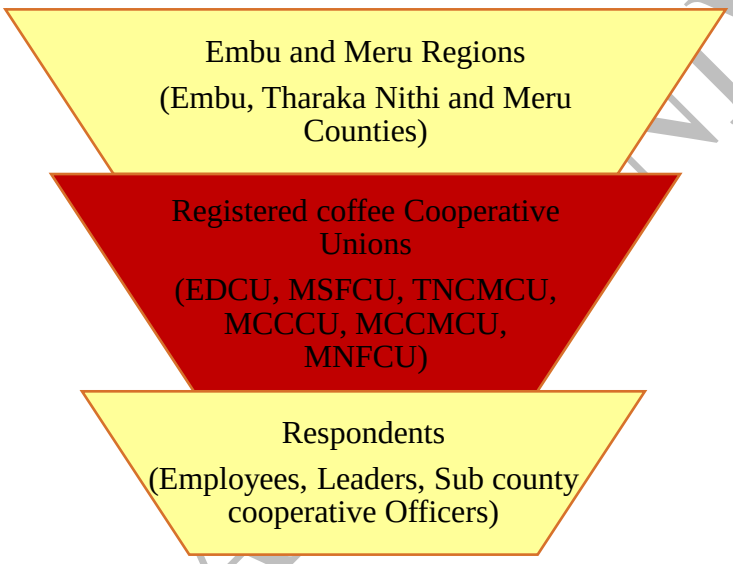


FIGURE 1.2: SCOPE OF STUDY

1.6 Assumptions of the study

The researcher assumed that the respondents would be willing to provide the information that would be required for the successful conclusion of this study. Another assumption was that all the respondents would be available for the interviews within the stipulated time and deadlines set by the researcher. Thirdly, the researcher assumed that the respondents would be objective in their responses and provide accurate information to the researcher. Lastly, the researcher assumed that among the targeted respondents,

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there would respondents who had the history of the unions before liberalization and after liberalization.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The main aim of the literature review was to evaluate previous studies related to the area under study. It helped the researcher to familiarize with the research problem. It also helped the researcher to identify the gaps that exist in the existing studies and focus on filling those gaps. The chapter is organized into introduction, overview of agriculture in Kenya, outlook of the coffee sector, liberalization ofcooperatives in Kenya, theoretical review; characteristics of sustainable organizations and measures of sustainability; empirical review, conceptual framework and research gaps to be filled by this study.

2.1.1 Overview of agriculture in Kenya

According to Alliance for a Green Revolution in Africa (2013), Agriculture is the mainstay of most economies in Africa, accounting for more than 30% of Gross Domestic Product (GDP). It remains the backbone of the Kenyan economy and the single most important sector in the economy, contributing approximately 26% of the GDP and 65% of Kenya's total exports, 18% and 60% of the formal and total employment respectively. Observed is the significance of the agricultural sector as a key driver of economic growth in Kenya for the last four decades and is the main source of livelihood for almost 80% of Kenya's population living in rural areas (Kenya Institute for Public Policy Research and Analysis, 2013).

Of importance to note is that over the 80% of the Kenyan population who live in the rural areas, they derive their livelihoods directly or indirectly from agriculture. The development of agriculture is important for poverty reduction since most of the vulnerable groups like pastoralists, the landless, and subsistence farmers depend on

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agriculture as their main source of livelihoods (Alila & Atieno, 2006). The authors further affirm that the challenge of agriculture is in the policies that consist of government decisions that influence the level and stability of input and output prices, public investments affecting agricultural production, costs and revenues and allocation of resources, which ultimately affect agriculture either directly or indirectly.

Notwithstanding the significant role agriculture plays in the economy, it has been observed that the management of the sector is dogged by incoherent, conflicting and inadequate pieces of policies and legislations. For example, up to 2012, the sector was controlled by over 100 pieces of legislations scattered within different government departments and ministries with partial or total autonomy with no hierarchical coordination at the mother ministry (Odhiambo, 2013).

2.1.2 Global outlook of the coffee industry

Coffee has remained one of the most valuable primary products in world trade. Coffee is cultivated in more than 80 countries in Central and South America, Africa and Asia. Coffee is one the world's most valuable agricultural commodities. Its farming supports the livelihoods of 20-25 million farming families and employs over 100 million people in production and processing. Smallholder coffee farmers produce over 70% of the world coffee(Panhuysen, 2014). According to Panhuysen, the global coffee chain has changed dramatically because of deregulation, new consumption patterns and evolving corporate strategies. Since the collapse of the International Coffee Agreement in 1989, the global coffee chain changed dramatically with power shifting to the advantage of multinationals. This change is from what used to be a relatively stable institutional environment where proportions of generated income were distributed fairly between producing and consuming countries into a more informal, unstable, and unequal relationship (Ponte, 2002).

The dynamics of world coffee production are generally characterized by considerable instability, with a large crop in one year followed by a smaller crop in the next year. Certainly, coffee production is characterized by a bimodal pattern of production. Over the last 50 years, there has been steady growth in world coffee production, combined

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with periodic falls. The average growth rate since 1963 was 2.4% with 2.8% annual growth in the market-controlled period and 2% since 1990(International Coffee Organization, 2014).

Panhuysen (2014) advances that while coffee production is decreasing particularly in the south, the world coffee consumption is growing steadily at around 2.5% per year. Coffee demand is on the rise with the fastest growth in the emerging markets, such as those in Eastern Europe and Asia, and in the coffee producing countries themselves. The demand for coffee is expected to reach 165 million bags in 2020. To meet this demand, green bean production must increase by around 15% over the next 5 years. The increasing consumption of coffee, however, gives the coffee producers the motivation to continue producing coffee although price volatility remains a huge challenge to the coffee producers. In order to meet the rising demand for coffee, Panhuysen (2014) suggests a more sustainable solution for producing more coffee per unit of land, water and agrochemicals to ease the pressure on land resources. To increase and maintain quality and quantity in the long-term, it is of paramount importance to focus on ensuring that women and the next generation of farmers who are basically the youth continue producing coffee and benefit from coffee production.

2.1.3 Outlook of the Coffee Industry in Africa

For many years, coffee was second in value only to oil as a source of foreign exchange to developing countries (Kegode, 2005). Coffee is an important commodity in many African countries in terms of both export earnings and generating income for smallholder farmers. According to the International Coffee Organization (2014), coffee production in Africa has exhibited negative growth over the last 50 years, from an average volume of 19.1 million bags in the regulated period to 15.8 million bags under the free market. Africa's share in the world production has hence decreased from 25% to an average of 14%. Since the onset of liberalization of the coffee sector in 1990, coffee production levels have generally stagnated, recording production of less than 20 million bags every year. The subsequent decline in production was initially associated with low production, aging coffee trees economic liberalization and regional conflicts that have affected some countries.

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The only countries that have witnessed sustained growth in coffee production are Ethiopia and Uganda whereas the other countries like Kenya, Angola. Cameroon, Côte d'Ivoire among others have witnessed a decline in production. As observed by the International Coffee Organization (2014), Ethiopia is unique in Africa by having a strong domestic coffee consumption culture, which frequently accounts for over half of production making it less vulnerable to price volatility. Consumption of coffee in other African countries is very low. Consumption of coffee in the producing countries should be encouraged as a way of expanding the domestic market for coffee. Enhanced domestic consumption will most likely lessen the impact of price volatility of coffee prices, which is a major challenge to the coffee producing countries.

2.1.4 Status of the Coffee Industry in Kenya

The coffee sector is one of the key sectors within the agricultural cooperatives. Coffee and tea are important export crops, with a large number of smallholder producers as well as large estate sectors (Aksoy, 2012). Coffee is grown by the smallholder coffee farmers who belong to the cooperative societies. There are between 500000 and 700000 members of cooperative societies, about 2000 Coffee farmers in the small and medium estate category and about 200 planters with more than 25 hectares of coffee (Kegode, 2005). However, these figures are expected to have gone up since this research was documented over ten years ago.

Coffee was the leading export crop since independence to 1988. Between 1975 and 1986, it contributed over 40% of the total Kenyan exports value. After the collapse of the international coffee agreement, coffee contributed less than 9% of the total export value(Kegode, 2005). The performance of coffee in the recent past has been low and it has been overtaken by tea, horticulture and tourism sectors in terms of foreign exchange earnings.

The poor performance of the coffee sector is linked partly to the collapse of the International Coffee Agreement in 1989 and the policy changes to liberalize the coffee industry in 1992. The decision to liberalize the coffee industry was led by the World Bank and the International Monetary Fund. Liberalization of the coffee sector, which

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allowed the sale of coffee in United States (US) dollars and the improvement of the world market prices, is seen as the reason for the increase in the contribution of coffee to the country's GDP by 15% in 1995. During that year, coffee earned about Kenya Shillings 107 billion which was an equivalent of 10% of the Agricultural share of GDP between 1987/88 and 1997/98 (Kegode, 2005). Moreover, this change of tides may have been artificial machinations of the proponents of liberalization in order to prove that liberalization was working as alleged by an article in the daily nation which blamed the collapse of Kenya Planters Cooperative Union (KPCU) on liberalization among other issues. The article states that "at the heart of KPCU's fall are personal intrigues that narrow down to economic sabotage coupled with a blind liberalization forced onto Kenya by bilateral donors, led by the World Bank and the International Monetary Fund" (Kamau, 2015).

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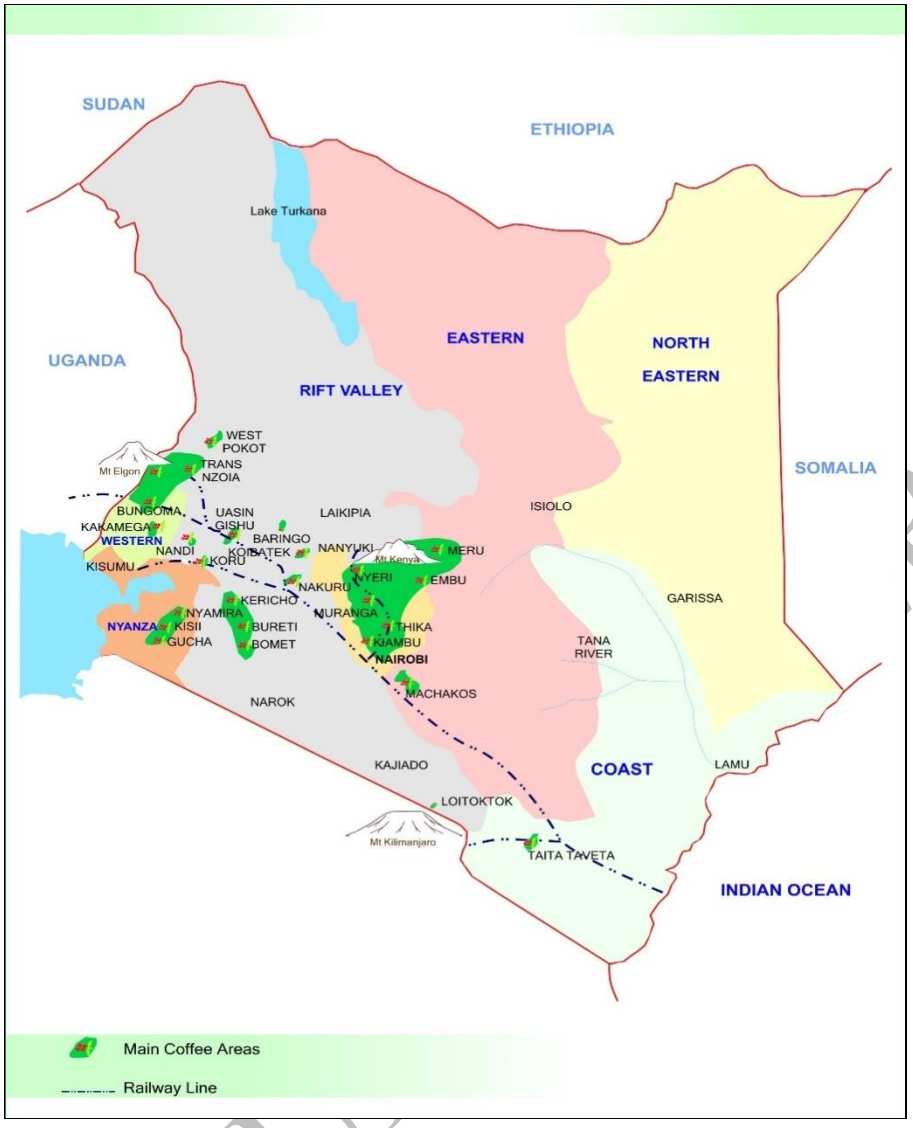


FIGURE 2.3: MAIN COFFEE GROWING AREAS IN KENYA

Source: Retrieved from http://www.coffeeboardkenya.co.ke

From independence to the early 1980s, coffee production in Kenya increased from 43778 metric tonnes in 1963/64 to 128941 tonnes in 1983/84, which was the peak production in the history of coffee production in Kenya. Coffee production assumed a downward trend thereafter except for a brief period in 1999/2000. Due to the decrease in production, the contribution of coffee to incomes, employment creation and foreign exchange earnings have declined (Mureithi, 2008). Mureithi further asserts that the Kenya coffee sector supports about 45% of the Kenyan population with the cooperatives

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subsector comprising an estimated 700000 smallholder farmers and the estate subsector comprising about 3300 farms. The smallholder cooperatives handle about 75% of the total coffee production and makes it a key sector in the economy of the country.

On a different note, because of the policy of the government to promote coffee farming from independence, coffee farming and consequently production increased to a level of constraining the existing processing facilities. In order to address the problem, the government in collaboration with the world Bank came up with the Smallholder Coffee Improvement Project (SCIP I) in 1979. The focus of the project was to alleviate processing constraints, improve quality, and increase production. Ten years later in 1989, the Second Coffee Improvement Project (SCIP II) was unveiled. The Project provided credit to finance a coffee payment system, farm input loans, coffee factory development, and capacity building.

Unfortunately, coffee production declined fromthe all-time high in 1988/89 peak coupled with the decline in global coffee prices. The consequence was underutilization of coffee factories and high indebtedness by farmers and coffee cooperative societies. The debts became a substantial burden to the smallholders and still plagues the industry even today(Aksoy, 2012). In order to save the coffee cooperatives and unions from imminent collapse, the government has in the past been waiving debts owed by coffee cooperatives by repaying those debts. In the recent past, the government waived a Sh.5.8 billion debt owed by coffee cooperatives to the Cooperative Bank through the stabilization of exchange in order to give the farmers a reprieve from the past debts(Wahome, 2010). This shows how the performance of the coffee sector affects the sustainability of coffee cooperative Unions. Coffee cooperative unions rely on the patronage of the primary coffee cooperatives for their sustainability. The mutual working relationship between the primary cooperatives and the unions' results in mutual benefits, which flow downstream to the coffee producers and therefore, the underperformance of the primary coffee cooperatives, also affects coffee unions.

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2.1.5 Liberalization of the cooperative sector in Kenya

There are two distinct eras in the history of cooperatives in Kenya. The first was the era of state control, which lasted up to the early 1990s, and it resulted in substantial growth of cooperatives under the control of the state. The second era was the era of liberalization, which involved drastic reduction of state control on cooperatives (Wanyama, Develtere, & Pollet, 2009). This was the era of economic liberalization, which was preceded by the implementation of the Structural Adjustment Programmes that required the government to withdraw from the management of cooperatives. In order to guide liberalization, the government published Sessional Paper No. 6 of 1997 on "Co-operatives in a Liberalized Economic Environment" to provide the new policy framework for the necessary reforms (Wanyama, 2007).

The second era was pushed by the World Bank and the International Monetary Fund which involved "pulling out of the government from cooperative management; cutting financial support to cooperatives, the KPCU and the Coffee Research Foundation (CRF); relaxing regulation of upstream processes; allowing producers to through their coffee factories to select millers and marketing agents" (Okibo & Mwangi, 2013). According to Chacha and Mwende(2015), the purpose of liberalization of the coffee subsector was enhance the declining coffee production, to improve incomes among the millions of coffee producers and to improve foreign exchange earnings for the country which has not been the case. On the contrary, liberalization resulted in additional challenges to the coffee sector since the producers were ill prepared to take over the role previously played by the government.

On the other hand,Wanyama et. al (2009), remarks that liberalization seems to have facilitated the "purification and revamping of the co-operative sector in many countries. Some old co-operatives have been revitalized to survive the liberalization process while the insolvent and non-competitive ones have been closed down". New cooperatives have emerged that are autonomous and competitive in the market economy for their long-term growth and survival.

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2.2 Theoretical review

This study was anchored on three main theories/models. These are the sustainable growth rate model (SGR), agency theory and the resource dependence theory (RDT). A discussion of the theories follows hereunder and how the theories relate to the topic under study.

2.2.1 Sustainable Growth Rate Model

Robert C. Higgins first developed the SGR Model in 1966 and from then, it has undergone various developments. Other scholars too have developed the model further and come up with their own fashion of the SGR, which is not very different from Higgin's model. One such scholar is Van Hone's (1998) SGR model. The SGRworks in such a way that it ensures that there is a balance between "the maximum rate at which company sales can increase without depletion of financial resources" (Higgins, 1989). Another perspective of the SGR defines it as "a firm's maximum growth rate with the use of internally generated funds without changing its operating and financial policies"(Virani, 2013). Yet, another author defines it as "a company's maximum growth rate in sales using internal financial resources and without having to increase debt or issue new equity" (Wathen, 2014).

Fonseka, Ramos and Tian, (2012) define sustainable growth as; "the ability to facilitate balanced and sustainable expansion and it helps not only survival but also keeps competitiveness within the industry". It is the desire of all organizations to grow and continue operating in the long-term. Most organizations ordinarily establish goals and objectives for sustainable growth. Successful implementation of these goals and objectives can assist in improving the financial position of an organization or increase the financial distress of an organization. Any financial pressure in an organization will require changes in operating and/or financial policies (Fonseka, Ramos, & Tian, 2012).

For years', growth has been identified as second only to profits in the pantheon of corporate virtues (Higgins, 1977). Higgins argues that although growth in an organization is an indicator of success and long-term continuity it must be managed. However, too much growth is bad for a business because it causes financial stress to

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business; for instance, high costs resulting to financial losses and debts burden. It can also lead to a crisis such as the decline of market share and loss of talented employees or even bankruptcy. Growth is beneficial only up to a certain level, beyond which it becomes unhealthy to the business (Fonseka, Ramos, & Tian, 2011). The financial idea of the sustainable growth model means that the actual growth of the enterprise must be in tandem with its resources. Slow growth will mean that the organization resources cannot be effectively utilized, which will also induce the survival crisis of the enterprise (Huang & Liu, 2009). .

Although several sustainable growth models have been developed, the most widely and commonly used are Higgins (1977) and Van Hone's (1998) SGR models as asserted by (Fonseka, Ramos, & Tian, 2011). Nonetheless, there has been debate that sustainable growth is not possible without paying attention to two important aspects, which are growth strategy and growth capability. An excellent growth strategy without a corresponding increase in infrastructural facilities fails in the long-term. Equally, a company that has sufficient resources and infrastructural facilities but a poor growth strategy will also fail in the long-term.

However, it is argued that in a fast changing economic, political and competitive environment, achieving the sustainable growth rate is an uphill task, especially in the present highly complex global environment. A company is said to exhibit balanced growth if its sustainable growth rate and actual sales growth rate are equal(Hailu & Goddard, 2009). Hailu and Goddard echo that the sustainable growth rate provides useful insights into the financial leveraging process by decomposing returns to equity into profit margin, patronage payments, asset turnover, and financial advantage. The significance of sustainable growth rate is that it helps managers and investors to gauge whether the firm's future growth plans are realistic based on their current performance and policy or not. This acts as a way of providing managers and investors with insight into the levers of corporate growth (Pandit & Tejani, 2011).

On the contrary, coffee cooperative unions and cooperatives in general rarely plan for sustainable growth or monitor and evaluate their growth path. The resultant growth is

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haphazard, stagnation or regression. It is important for the leadership and management of coffee cooperative unions to understand that rapid sales growth requires additional assets in the form of property plants and equipment, inventories and accounts receivable. This requires additional funds, which must come from the members who are affiliated cooperative societies or retained earnings. Lack of the required funds may lead to borrowing externally in order to sustain the growth failure to which the excess and unplanned growth may strangle the organization.

The sustainable growth rate model is very important for coffee cooperative unions and other forms of organizations as a monitoring tool for tracking the pace of growth and progress of the unions. It will assist in giving timely feedback and corrective measures needed to ensure that the coffee unions' growth is on track and is sustained. Many coffee unions would be saved from imminent collapse if they considered including this model in their working tools.

2.2.2 Agency theory in organizations

Both Stephen Ross and Barry Mitnick developed the theory of agency independently in 1973. Ross developed the economic theory of agency while Mitnick developed the institutional theory of agency. The theory of agency derives its basis from the law of agency which is defined as a consensual relationship created by contract or by law where one party, the principal, grants authority for another party, the agent, to act on behalf of and under the control of the principal to deal with a third party(Roshni & Vimal, 2012). It analyses organizations in terms of conflicts of interest between principals and agents. A principal-agent relationship arises when a principal contracts with an agent to perform some tasks on behalf of the principal. The principal bestows authority to the agent, and the choices of the agent affect the welfare of the principal (Borgen, 2002).

According to Borgen, Agency theory is concerned with those situations in which the agency relation is in conflict. In organizations, agency relations are present between shareholders and Board of Directors (BOD), between BOD and Managers, between Shareholders and Auditors and the list can go on. The theory emphasizes that the

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relationship between the principal and the agent is complex since no contract is perfect; contracts are costly to develop, maintain and follow up.

The agency theory is a key theory in cooperatives, which are member-owned organizations, and since the members cannot all lead and manage the organization, they elect leaders and bestow trust on them to lead and manage the cooperative in their best interest. Unfortunately, it is not in all cases that the agent makes decisions in the best interest of the principal. Again, the agent happens to have more information than the principal, which the principal does not have. In the circumstances, there is bound to be conflict between the principal and agent. The agency problem continues to bedevil many coffee cooperative unions and primary coffee cooperatives as institutions that are accountable to members. The BOD and managers are usually in conflict with the members due to making decisions that are not in the interest of the members. On some occasions, this conflict in cooperatives turns ugly and leads to the sacking of entire Boards and Chief Executive Officers (CEOs) and electing other members of the BOD, however, this does not necessarily resolve the agency problem.

2.2.3 Resource Dependence theory

Pfeffer and Salancik first developed the resource dependence theory in 1978. The theory focuses on the context within which organizations operate and on which they rely for resources. Because organizations are not internally self-sufficient, they require resources from the environment and thus become interdependent with those elements in the environment, which they transact (Pfeffer & salancik, 1978). The theory thus suggests that organizational behaviour becomes externally influenced because the focal organization must attend to the external stakeholders because they must attend to the demands of those in its environment that provide necessary and important resources for its continued survival(Daft, Murphy, & Willmott, 2010).

Daft et al. (2010) assert that the amount of dependence on a resource is based on two factors. These are the importance of the resource to the organization and the amount of power those who control the resource have over its allocation and its use. According to Pfeffer and Salancik (1978), managers have a responsibility to develop strategies that

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reduce the dependence on the environment and learn how to use the difference in power for the benefit of their organizations. The external organizational environment includes all elements existing outside the boundary of the organization that have the potential to affect the organization. The external environment includes competitors, resources, technology, and economic conditions that influence the organization as illustrated in figure 2.4 below.

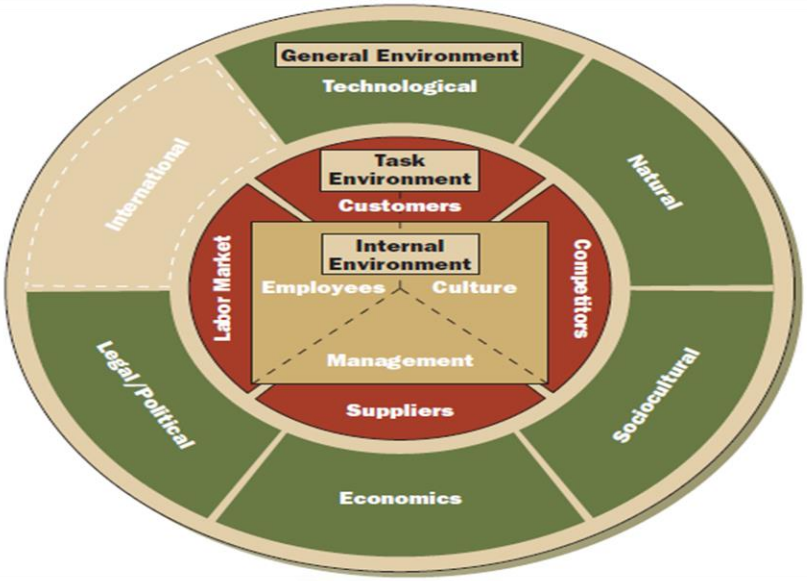


FIGURE 2.4: THE EXTERNAL AND INTERNAL ENVIRONMENT OF ORGANIZATIONS

Source: Adopted from (Daft, 2010)

This theory has a significant impact on coffee cooperative unions, primary coffee cooperatives and generally agricultural cooperatives in Kenya. Coffee cooperatives are constantly resource constrained due to the nature of the traditional model of agricultural cooperatives. They have to rely on the external environment (financial institutions, government and donor community) for resources so that they continue to grow, survive and fulfil their mandate. Members normally finance resource needs in cooperatives. However, acquisition of capital in cooperatives is a problem due to the free rider problem, portfolio problem and the horizon problem(Harris, Stefanson, & Fulton, 1996). These problems are the reason for undercapitalization in agricultural cooperatives.

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In the developed world, a new model of "new generation cooperatives (NGCs)" has emerged as a remedy for this problem. In Kenya, some of the national Cooperative Organizations (NACOs) have partly adopted this model of NGCs as a long-term survival and sustainability strategy. On the contrary, the cooperative legislation does not recognize the NGCs model and its relevance in the modern day cooperatives. To overcome the limitations in the cooperative legislation, Some NACOs have acquired dual registration, that is, as cooperatives under the Cooperative Societies Act and as Companies under the Company Law especially to enable them to raise capital. The biggest challenge of the dual registration is that when the Board and CEOs want to promote their interests and not the shareholders' interests, they hide under the guise of the law that is favouring their interests at that particular time, whether Cooperative Law or Company Law.

2.3 Characteristics of sustainable organizations

Sustainability of organizations is more often construed to mean financial sustainability whereas the survival or thriving of an organization depends on much more than effectively managing the finances of the organization (McNamara, n.d). McNamara lists four primary dimensions of organizational sustainability. These are strategic sustainability, which requires the organization to ensure it formulates and implements a realistic vision and goals. Second is product and programme sustainability, which requires the organization to ensure production of high quality products, services and programmes. The third dimension is human resource sustainability, which demands that the organization ensures the human resource effectively and reliably perform their tasks. Fourthly is financial sustainability, which means that the organization conducts financial reserve and contingency planning.

Another perspective of organizational sustainability according to Satgar and Williams (2008) which is attributed to the success of Oromia Cooperative Union in Ethiopia is the high calibre leadership in both the board and the management with incredible commitment and vision. In summary, the success of Oromia Cooperative Union was found to lie in the high managerial capacity, common vision; commitment of the board, farmers' efforts, learning from experiences, bottom-up development and widespread

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support from inception. Additionally, the union embraces the international cooperative principles and it views the cooperative principles as one of its important pillars and strengths.

The Boston Consulting Group (BCG) remarks that in a high performing organization, the people are energized, they are confident about the organization strategy and the changes taking place, they are clear about their tasks and the relationship between their tasks with those of their colleagues. Organizational and people capabilities drive financial and operational performance and support the implementation of strategy. The BCG has summarized the characteristics of a high performing organization, which facilitate sustained performance and therefore sustainability as leadership, design, people, change management and culture & engagement (Bhalla, Dyer, Dymond, Morieux, & Orlander, 2011).

2.3.1 Measures of sustainability in coffee cooperative unions

Normally, cooperatives are focused on paying the highest possible payment for produce delivered by the members because their motive is not profit maximization but shareholder value maximization (Bekkum & Borgen, 2008). However, it is important to observe that there are no measures of sustainability unique to the cooperative enterprise and therefore cooperatives use the conventional performance measures used by other business enterprises to evaluate their performance. Notably, the traditional financial reporting of organizations does not show key factors of the success of a modern enterprise(Stanković, Novićević, & Đukić, 2012). The authors further affirm that the focus in the past has been on financial measurement that fails to recognize the other factors that contribute to the success and sustainability of an enterprise. This, therefore,demands a new form of reporting and a set of criteria and indicators to enable evaluation and comparison of value offer to all key stakeholders. In addition to financial reports, cooperative reporting should provide a more detailed review of other information in order to increase the efficiency of business decision making. Success in cooperatives is measured through business success, membership participation and governance, and how the cooperative meets social objectives (Mellor, 2009).

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Conversely, Svirina (2009) acknowledges that shareholder value and annual profit are not enough to measure an organization's efficiency as was revealed by bankruptcies of organizations that appeared to be doing well and even paying dividends to shareholders. According to the author, in the case in point, shareholders were satisfied with the way the top management was running the business until one day the organizations collapsed in a few months. This is a common trend in Kenya particularly in the financial sector where institutions that appear to be doing well close their businesses one evening without warning leaving shareholders and customers in shock. Svirina (2009) argues that this situation led to the introduction of a balanced approach to enterprise's activity measuring. The famous of these approaches are the balanced scorecard, which was developed by Norton and Kaplan and seven levels of consciousness offered by Richard Barrett. The balanced scorecard approach considers the management effectiveness to result in the organization effectiveness. The Seven levels approach offers an instrument to measure leadership consciousness.

2.3.2 The Balanced Approach to Measuring Managerial Efficiency

It can be confidently argued that if an organization fails in profit, efficiency and shareholder value it is most certainly due to the poor management. In the balanced approach to measuring managerial efficiency, Svirina (2009) suggested a balanced managerial measurement of the classical five functions of management, which are planning, organization, motivation, control and coordination using at least three indicators for each function to enhance the accuracy of the results. To measure the results achieved by the organization, the organization's core industry should be considered and the parameters that may be used are profitability, financial stability, market share, liquidity and shareholder value. Of significance to observe is that more than one indicator should be used to measure results. The aim of the assessment is to illustrate which function is the poorest in performance. The amount of money expended in order to fulfill each function relative to the company revenue and the cost of the management, which should be regarded as reference figures.

Moreover, the current challenges of sustainability as enumerated by Esteves, Santos, & Anunciação (2012) are discontinuity versus continuity, integration versus differentiation

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and complexity versus instability. This has led to advanced thinking into more encompassing ways of measuring sustainability.

2.3.3 The DPOBE Model of Organizational Sustainability

The DPOBE model of organizational sustainability was developed to disclose the main features that seem to be crucial for organizations to achieve their sustainability. These features are Direction (vision and strategy), Posture (ethics and social responsibility), Organization (Organizational development), behavior (quality and clients) and Evaluation (vigilance and performance).



FIGURE 2.5: THE DPOBE MODEL OF ORGANIZATIONAL SUSTAINABILITY

Adopted from: (Santos, Anunciação & Svirina, 2013)

According to Santos et. al. (2013), this model is supported by five pillars that are referred as the most important in the frame of organizational sustainability and in which managers and organizations should develop their abilities in order to achieve sustainability.

2.4 Empirical review

This review mainly focussed on studies relating to cooperatives where they were available and other forms of business organizations since cooperatives are business

organizations that possess the duality feature of member-owner and member-user of the cooperative enterprise and cooperative services respectively.

2.4.1 Corporate governance and its effect on the sustainability of coffee cooperative unions

In the past two decades, the term corporate governance was only common and understood to scholars and shareholders. Currently, corporate governance is a key issue that has dominated discussions in corporate boardrooms, academic roundtables, and policy think tanks all over the world (Claessens & Yurtoglu, 2012). The authors link this increased concern in corporate governance to several events; key among them being the wave of financial crises in 1998 in Russia, Asia, and Brazil, the behaviour of the corporate sector which affected entire economies and deficiencies in corporate governance which endangered the stability of the global financial system. The most recent financial crisis was in corporate governance failures in financial institutions and corporations, leading to serious harm to the global economy not mentioning other systemic consequences. In the aftermath of these events, economists, the corporate sector, and policymakers worldwide recognize the potential macroeconomic, distributional, and long-term consequences of weak corporate governance systems.

Referring to good corporate governance, the Ministry of industrialization and Enterprise Development in Kenya emphasizes that good governance has remained one of the most important challenges to management, stability, sustainability and growth of the cooperative sub-sector in Kenya. The Ministry attributes the lapse in good governance in the cooperative sector to lack of efficient management and safeguard measures, which have left the co-operative movement vulnerable to leadership and management shortfalls that are manifested in disregard for norms of effective and efficient management practices. The result has been low standards of performance of the subsector, reduced returns to affected co-operative society members and reduced patronage of societies (Ministry of Industrialization and Enterprise Development, 2013).

According to Mehra (2011), “corporate governance is a process that aims to allocate corporate resources in a manner that maximises value for all stakeholders - shareholders,

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investors, employees, customers, suppliers, and the community at large and holds those at the helms to account by evaluating their decisions on transparency, inclusivity, equity and turbulence".

Likewise, Prakash (2014) defines governance as "the reflection of the quality of management and the delivery of its services to the community efficiently and effectively". It means the way those with power use that power." Prakash additionally asserts that good governance emanates from the good application and adherence to existing laws and by respecting the spirit behind these laws also known as "the rule of law".

In a study on "Good Governance Practice for Better Performance of Community Organizations - Myths and Realities!" undertaken in Ethiopia, the researcher acknowledges that it is of paramount importance that cooperatives have governance and management structures together with a certain level of business ability in order to satisfy their shareholders. The researcher provides examples of good governance principles as transparency, integrity, accountability and fairness that are normally associated with investor-owned firms (IOFs) but fit very well into cooperatives (Dayanandan, 2013). The study found out that good governance is very important for the sustainability of cooperatives for the reasons that it helps to prevent fraud and mismanagement, promote sound decision-making, avoid costly fines, create/maintain a positive corporate image, attract and retain financing and investment. Overall, the study reveals that lack of members' involvement in business participation, lack of transparency and accountability, the prevalence of corruption and lack of democracy, low commitment and the unwillingness of committee members, shortage of training for both members and the board were evident which led to low performance.

Wambua (2011) further exemplifies the significance of good governance in his study on "the effects of corporate governance on savings and credit cooperatives in Kenya". He contends that good corporate governance is of paramount importance in all organizations regardless of their industry, size or level of growth. However, this does not exempt even the best run organizations from exercising good governance because they too need good

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corporate governance. Good corporate governance is important since it sets the "tone at the top" which in turn influences what transpires at the lower levels. The findings of the study were that the board size, composition, participation of employees and financial monitoring by the board affected the performance of the SACCOS substantially.

In a study on "Corporate governance and performance of cooperatives in Uganda: A case study of Bugisu Co-operative Union Limited, Mbale", Nakusi (2014) concluded that the structure of the board of directors affects performance in terms of diversified skills and expertise. Additionally, the size of the board also affects the performance of cooperatives as large boards delay decision-making and finally the board composition in terms of qualifications; gender, age and experience have amoderate relationship with performance. All these are governance issues and they have a bearing on the sustainability of cooperative organizations.

In a similar study that was undertaken on "Factors affecting the sustainability of Agricultural Cooperatives: Lessons from Malawi," the study concluded that cooperatives are not performing well in Malawi due to decrease in membership and capital thus becoming unable to efficiently buy produce from members. The poor performance was attributed to the complexity of the market environment, lack of incentives for starting a cooperative, limited managerial & business capacity and corporate governance (Nkhoma, 2011).

In a study done on "Effect of Corporate Governance on Performance of Savings and Credit Co-operative Societies in Kakamega County", the authors affirmed that good corporate governance is now unquestionably accepted as a precondition for sustainability of organizations(Mwanja, Marangu, Wanjere, & Thuo, 2014). The results of the study show that corporate governance positively affects performance. The results further revealed that transparency and accountability are enhanced through generation and discussion of relevant reports, the involvement of the ordinary membership in all major decisions in co-operatives development. Operationalization of relevant policies and guidelines, which impact positively in the co-operatives and motivation of

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employees through staff bonuses and promotions perform wonders in propelling co-operatives to higher strides as observed in this study.

Mutunga (2009) in a study titled "A study of corporate governance practices and challenges by cooperative societies in Nairobi, a case of selected cooperative societies in Nairobi" observed that good corporate governance is based on efficient adherence to and respect for laws, rules and regulations. Additionally, business ethics and codes of conduct, management; proper auditing and accountability, which are essential for the functioning of a healthy economy. The report asserts that most cooperatives management boards in Kenya have been characterized by corruption and mismanagement of members' savings and contributions and this has triggered the government to introduce corporate governance in cooperative organizations in a bid to restore sanity in their management. The findings of the study were that introduction of corporate governance improved the performance of the SACCOS, cases of corruption, mismanagement and misappropriation of funds by elected officials were few and the organizations did not receive so much political pressure from external forces to implement activities that countered the management ethics and standards in the year 2007. The main problems established were delays in giving loans. The majority of the staff earned an average salary as compared to other financial institutions, poor attitude and a total failure to embrace change by the members of staff, therefore, challenging implementation of good governance practices.

In a study on "Corporate Governance Practices and Performance of Cooperative Financial Institutions conducted in Kilimanjaro Region in Tanzania", the findings disclose that most of the SACCOS were not fully complying with corporate governance practices. Most board members lacked sufficient business knowledge, supervisory committee members did not regularly inspect books, records, and transaction documents of cooperatives and majority of the board members were of primary school level whose ability to question the management of their cooperatives seemed low. The study found that corporate governance and performance were positively correlated. The financial and non-financial criteria used to test the relationship included profitability, membership growth, capital structure and asset quality (Patrick, Obeid, & Njau, 2014).

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In their study on "Global issues affecting cooperatives in Africa," the authors observe that cooperatives have been accused of inhibiting democracy due to excessive concern over business efficiency, which has caused lack of co-operative identity(Chambo &Tiruhungwa, 2009). In an effort to compete in their fields, market forces of meeting fast moving orders and supplies, it has manifested that top-down management has taken root instead of peoples' democracy. The focus on business performance has drastically reduced member participation in decision-making. As a result, members have felt remote from their co-operatives; hence, sacrificing the members' traditional nature of feeling strongly related to the co-operative (Ainebyona & Tiruhungwa, 2011). This, therefore, is evidence that transparency, accountability, participation and the rule of law are key in the governance of cooperatives and relate closely to the performance and sustainability of coffee cooperative unions. In fact, they are part of the reason why some cooperative unions in Kenya and other types of cooperatives have ceased to exist or are performing dismally.

2.4.2 Capital structure and its effect on the sustainability of coffee cooperative unions

Modigliani and Miller first developed the capital structure theory in 1958. It has been observed that the question of how to choose the capital structure of an organization is still unanswered despite the extensive researches that have been conducted in this regard (Gharaibeh, 2015). The issue of capital structure is sensitive among the agricultural-based cooperatives as opposed to other forms of cooperatives enterprises. Among the challenges, facing cooperatives are challenges related to identifying the financing activities and equity capital management strategies that will lead to growth and longevity of cooperatives (Li, Jacobs, & Artz, 2014). The authors remark that like their investor-owned counterparts, cooperatives must be profitable and competitive in the markets they face.

Unfortunately, cooperatives face unique challenges in managing equity capital than the IOFs since they are limited in their access to outside investments and have non-tradable stock as opposed to the IOFs. The main source of capital/equity for cooperatives is member-provided equity through voting shares and equity accumulation through the

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allocation of profits as retained patronage. Previous studies of theoretical and empirical investigations identify that cooperatives are constrained in their ability to access capital and, therefore, are limited and perhaps inefficient in their investment activities.

In the research on "Relationship between Capital Structure and Performance of Non-Financial Companies Listed on the Nairobi Securities Exchange, Kenya" the researchers' have made a terse introductory statement associating "Corporate failure among companies in Kenya with the financing behaviour of the firms" and which is seemingly true for cooperative unions as business enterprises as well (Mwangi, Makau, & Kosimbei, 2014). The main recommendation of the study is that managers of listed non-financial companies should reduce the reliance on long-term debt as a source of finance for their organizations.

A similar study was undertakenon "Capital structure and its impact on firm performance: A study of Sri Lanka manufacturing companies" the findings reveal that gross profit, net profit, return on equity, return on assets, are not significantly correlated with debt equity ratio. Contrary to that, gross profit margin and return on equity are significantly correlated with debt assets ratio as the measures of capital structure and capital structure has significant impact on gross profit and return on equity. The results recommendation to managers is that as much as is possible they should not use excessive amount of leverage in their capital structure, they should as much as possible finance their projects with retained earnings and use leverage as a last option. Managers must work to achieve the optimal capital structure level to maximize the firms' performance and try to maintain it as much as possible (Kajananthan & Nimalthasan, 2013).

According to a study carried out by Kiiru (2008) on "the effect of funding structure on the financial performance of deposit taking microfinance institutions in Kenya", the findings concluded that borrowings had negative significant correlation to return on assets (ROA). On the other hand, it clearly indicated that accepting deposits has positive impact on the profitability of Deposit-taking Microfinance Institutions (DTMFIs) and has significant influence on the financial performance of the DTMFIs. This implied that

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an increase in deposits and assets would boost DTMFIs profits. Deposit mobilization has important impacts on DTMFIs in generating and mitigating each of these risks. The same study indicated that a proportionally higher deposit as a percentage of total assets is associated with improved profitability, assuming that the deposits programme is cost efficient. It was, therefore deduced that voluntary deposit mobilization might help DTMFIs achieve independence from donors and investors, which is particularly important in periods of liquidity constraints. Savings mobilization may, therefore, lead to greater profitability since it provides DTMFIs with inexpensive and sustainable source of funds for lending.

In a study on "Effects of Capital Structure on Firm's Performance: Empirical Study of Manufacturing Companies in Nigeria," it was observed that capital structure which measures (total debt and debt to equity ratio) are negatively related to firm performance. The researchers recommended the use of more equity than debt in financing business activities, in as much as the value of a business can be enhanced using debt capital. Additionally, they recommended firms to establish the point at which the weighted average cost of capital is minimal and maintain that gearing ratio so that the company's value will not be eroded, as the firm's capital structure is optimal at this point ceteris paribus (Akeem, Edwin, Kiyanjui, & Kayode, 2014).

According to Karanja and Nyoro (2002) in their study on "coffee prices and regulation and their impact on livelihoods of rural community in Kenya," one of the key issues they captured as a challenge to the coffee cooperatives is indebtedness. The indebtedness emanated from various government programmes and projects like Smallholder Coffee Improvement Project (SCIP 1 and 11). As at the time of this study, coffee co-operatives owed the Co-operative Bank around Ksh 4.2 billion arising from SCIP II loans of which around Ksh 550 million was termed as bad debts. In addition, the same cooperatives owed Cooperative Bank another Ksh 1.1 billion arising from SCIP I project dating back to 1989. The loans, they observed increased deductions made by the societies leading to low payment to farmers to an extent of farmers not getting any payment for their produce in some instances since all the coffee proceeds went to servicing loans.

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The indebtedness threatened to wipe out the coffee cooperative unions and primary cooperatives. It took the intervention of the government by paying this money to Cooperative Bank and waiving it from the coffee cooperatives to save the sector from imminent collapse. The same scenario was replayed in the early years of this decade with coffee cooperatives still waiting for the government to clear their debts. This continues to explain the consequences of the wrong mix of debt and equity and its impact on the long-term sustainability of cooperative organizations. Finance Managers and Chief Accountants of coffee cooperative unions need to have the skills required to advice cooperative unions on the feasible capital structure to ensure continuous growth and sustainability.

2.4.3 Organization culture and its effect on the sustainability of coffee cooperative unions

In recent years, organizational culture has been receiving a lot of attention from scholars and managers, because there is the belief that culture influences organizational effectiveness (Rodrigues, Ferreira, & Marques, 2015). Different theorists and researchers define organizational culture in different ways. Some define culture as "symbols, language, ideologies, rituals and myths; it is also defined as "organizational scripts derived from the personal scripts of the organization's founder(s) or dominant leaders"; again it is defined as "a product; historical; based on symbols; and an abstraction from behaviour and the products of behaviour" (Gibson, Ivancevich, James H. Donnelly, & Konopaske, 2012). In summary Gibson et al. (2012) defines organization culture as "what the employees perceive and how this perception creates a pattern of beliefs, values and expectations".

On another note, a 1998 study identified 54 different definitions of culture within the academic literature between 1960 and 1993. A general definition of culture is "a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (Schein, 1990). Culture is also referred to as "shared beliefs and values within the organization that helps to shape the behaviour patterns of

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employees" (Kotter & Heskett, 1992). In another perspective, culture is compared to "software" within an organization, which managers are supposed to study carefully and try to find how each element of "software" works on the basis of "hardware". In this case, the organization is regarded as the" hardware"(Sun, 2008).

In their study on "Corporate sustainability and organizational culture," Linnenluecke and Griffiths (2010) reiterated that organizational culture is often cited as the primary reason for the failure of implementing organizational change programmes. They further referred to opinions of other researchers who have suggested that while the tools, techniques and change strategies may be present in organizations, failure occurs because the fundamental culture of the organization remains the same (Cameron & Quinn, 2006) as cited by (Linnenluecke & Griffiths, 2010). Their findings suggest that the successful implementation of culture change for corporate sustainability might be largely dependent on the values and ideological underpinnings of an organization's culture and that these, in turn, affect how corporate sustainability is implemented and the types of outcomes that can be observed.

In the study by Bodla, Ali and Ali (2013) on the "Impact of organizational culture on performance of universities in Pakistan", the findings led to the conclusion that organizational performance has significant correlations with the cultural dimensions of involvement, collaboration, transmission of information, learning, care about clients, strategic direction, reward and incentive system, system of control, communication, coordination and integration. All these cultural dimensions are shaped by shared values, artefacts and the underlying assumptions, which are part of the culture of an organization.

A similar study carried out by Gideon, Sonrandein and Georgina (2013) on "Implications of Organizational Culture on Performance of Business organizations" found that organizational culture has a deep impact on the variety of organizations process, employees and its performance. This also describes the different dimensions of the culture. Research shows that if employees are committed and having the same norms and values as organizations have, this can increase the performance toward achieving the overall organization goals. Normally, the achievement of the goals of the

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organization leads to the growth and the long-term survival of the organization hence sustainability.

In a study on "the relationship between Organizational Culture and Performance Management Practices: A Case of Universities in Pakistan," the findings of the study agree that on the overall, there is a strong view in the literature that organizational culture leads to increased organizational performance. The researchers further observe that studies on this relationship often differ as to the extent a practice is likely to be positively or negatively related to performance. Finally, the researcher affirms that organizational culture has been shown to be an important aspect of a firm because it can, and does affect employee's behaviours, motivation and values (Ehtesham, Muhammad, & Muhammad, 2011).

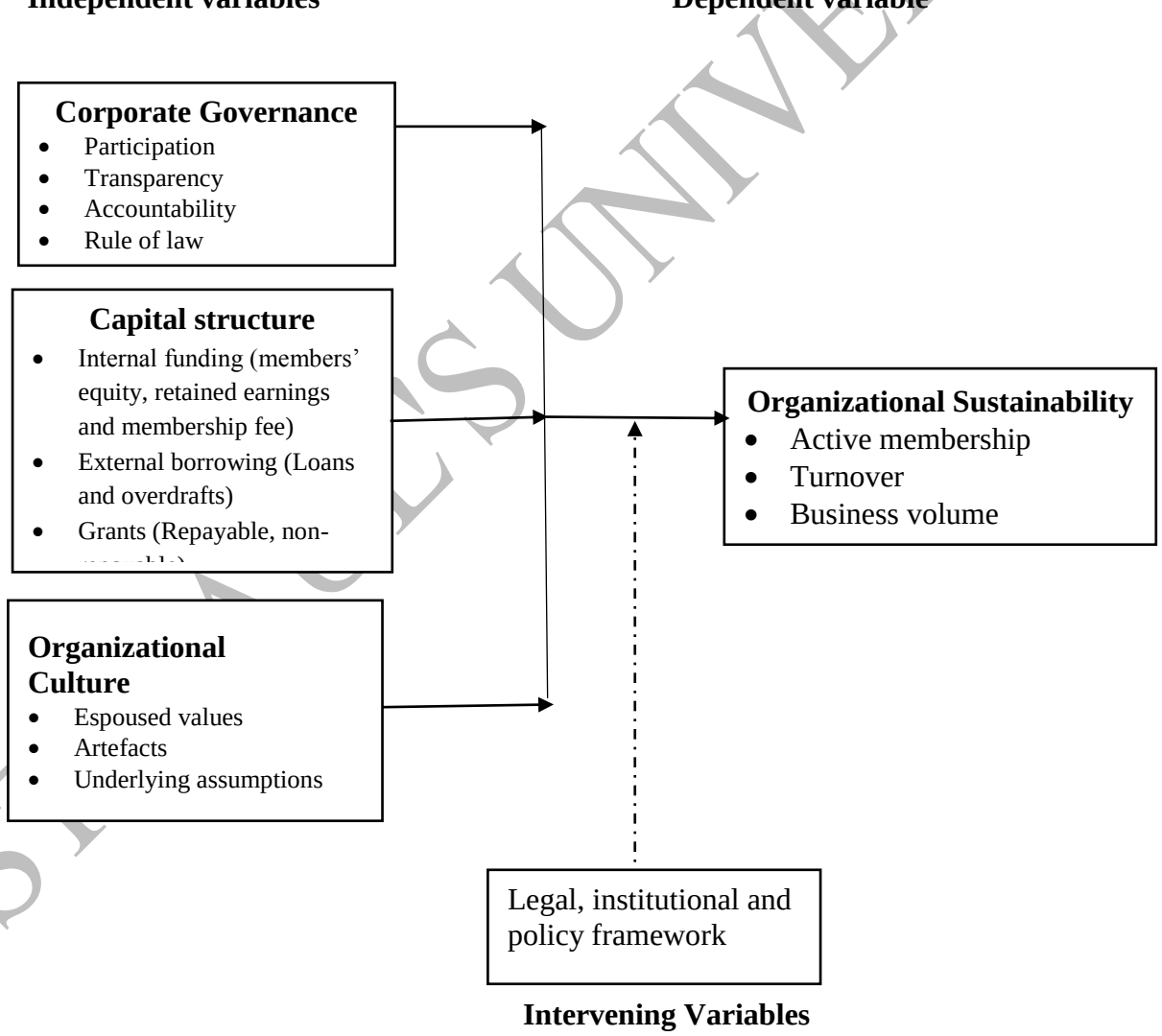
A study carried out on "the Impact Assessment of Corporate Culture on Employee Job Performance" revealed that out of 100%, 48.7% of the respondents agreed, 29.5% of the respondents strongly agreed while the rest were either undecided or disagreed that there is a positive relationship between organizational culture and employee job performance. The same study showed that 51.3% of the respondents agreed and 29.5% of the respondents strongly agreed that there is a positive relationship between organizational culture and organizational productivity. The rest of the respondents were either undecided or disagreed that there is a positive relationship between organizational culture and organizational productivity (Ojo, 2009). Performance and productivity are key in ensuring sustainability of an organization and therefore the findings of this study allude that there is a positive relationship between organization culture and sustainability.

2.5 Conceptual Framework

Conceptual Framework describes the key concepts and variables and the presumed relationship among them (Mugenda & Mugenda, 2003). This study explored some of the key variables that were considered crucial for the sustainability of coffee cooperative Unions in Kenya. The conceptual framework further depicts the relationships between the key variables and other sub-variables. In this case, sustainability was taken as the

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dependent variable and governance, capital structure and organization culture as the independent variables. According to the framework, the sustainability of coffee cooperative unions in Kenya is determined by corporate governance, capital structure and organization culture. However, the intervention of the government in form of formulation of legal, institutional and policy frameworkinfluences corporate governance, capital structure and organization culture and therefore the sustainability of coffee cooperative unions. The researcher presents the relationships between the variables and how sustainability in coffee cooperative unions is affected by the independent variables as illustrated in Figure 6.



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FIGURE 2.6: CONCEPTUAL FRAMEWORK

Source: Researcher

2.6 Research gap to be filled

The researcher noted that there are very limited studies carried out on secondary coffee cooperative unions in Kenya. Furthermore, it appears that if there are any studies that have been carried out, none of the studies has been carried out specifically on the organizational factors that affect the sustainability of coffee cooperative unions in Kenya and in Embu and Meru Regions. The researcher observed that since the advent of liberalization in Kenya, a number of coffee cooperative unions have collapsed while others are struggling to survive. On the contrary, SACCOS and some coffee cooperative unions are doing quite well. Coffee cooperative Unions were formed with the purpose of providing services that assist in strengthening the primary cooperatives societies so that they can support farmers to improve their productivity and livelihoods. This study was done to investigate the organizational factors affecting the sustainability of coffee cooperative Unions in the post-liberalization era in Kenya with focus on coffee Cooperative Unions in Embu and Meru Regions, which comprise Embu, Tharaka Nithi and Meru Counties.

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CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used in this study. It covers research design, target population, sample design and procedures; sampling frame & sample size, data collection instruments, data analysis method and ethical considerations.

3.2 Research Design

"A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure." The research design is the conceptual structure within which a research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). The research design is also referred to as the "glue" that holds all the elements in a research together (Kombo & Tromp, 2006). The study used descriptive research design. This research design was appropriate since it is a scientific method that involves describing the behaviour of subjects without influencing them in any way(Bryman, 2008).

This study used the descriptive study design. A descriptive study attempts to discover answers to who, what, when, where and sometimes how questions of a phenomenon (Cooper & Schindler, 2003). The study also used mixed methods approaches that combined both quantitative and qualitative research techniques, methods, approaches, concepts and language into a single study, which aimed at assisting in the collection of multiple kinds of data using different techniques to provide insights not possible when only qualitative or quantitative data are collected.

3.3 Target Population

The target population is the specific population about which information is desired. According to Cooper and Schindler (2003), "a population is the total collection of elements around which researchers can make some inferences". A population is also referred to as "a well-defined set of people, services, elements, events, group of things or households that are being investigated" (Ngechu, 2004). The population should have

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some common observable characteristics that will enable the results of the findings of the research to be generalized to a larger population.

The target population, in this case, was all the six registered coffee cooperative unions in Embu and Meru Regions consisting of 126 people. These were categorized as 64 employees, 6 sub-county Cooperative Officers and 56 board members.

3.4 Sampling Frame and Sampling Size

A sampling frame is a list of elements from which the sample is actually drawn and closely related to the population. In this study, the sampling frame was drawn from the six registered coffee cooperative unions in Embu and Meru Regions. This was used to ensure that the sampling frame is current, complete and relevant for the attainment of the study objective.

The study adopted a census approach to all the management staff from the six coffee cooperative unions since it was small and manageable.

3.5 Sample design and procedures

Copper and Schindler (2003) define sampling as the process of selecting elements in a population for purposes of drawing conclusion on specific characteristics. "A sample design refers to the technique or the procedure the researcher used in selecting items for the sample. It is a definite plan for obtaining a sample from a given population" (Kothari, 2004).

The researcher used both probability and non-probability sampling design and procedures. Stratified sampling was used to identify the respondents from the employees by dividing the population according to departments and sections to form the strata. The strata included Administration, Accounts & finance, Human Resource, Information Technology & Certification and others. This ensured that every department and section was represented in the study. Stratified sampling was used because the population was heterogeneous and possessed unique characteristics. The population of study comprised employees from the different departments and sections within the targeted population of

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study. The advantage with this method of sampling is that it improves statistical efficiency (Cooper & Schindler, 2014).

To get the respondents from the departments and sections, the researcher used purposeful sampling procedure where all the heads of departments and sections were selected to participate in the research. Purposeful sampling was also used to get respondents from the sub-county cooperative officers and board members. The board members were drawn from the executive subcommittee and the supervisory committee for the purpose of carrying out focus group discussions.

TABLE 3.1: SAMPLE SIZE

Category of respondents	**Population**	**Sample**	**Percentage**
Employees	64	29	45.3
Sub county Cooperative Officers	6	6	100
Board Members	56	35	62.5
Total	**126**	**70**	**55.5**

3.6 Data Collection Instruments

This research collected primary data. According to Kothari (2004), the primary data is data collected afresh and for the first time. He further clarifies that secondary data is data that has already been collected by someone else and which has already been passed through the statistical process. The researcher, therefore, collected original data using different tools for the employees and the cooperative officers, the Executive Board and the supervisory Board. Questionnaires comprising both close-ended and open-ended questions were used to collect data from the employees and cooperative officers.

The questionnaires were administered through personal interviews with the respondents. The researcher administered the questionnaires in order to collect not only verbal data but also other non-verbal data (cues) that were of assistance to this study. This method was selected for this study because of its accompanying benefits. According to Cooper & Schindler (2003), the greatest benefit is in the depth of information and detail that can

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be collected compared to telephone and self-administered studies. There is also more flexibility as far as improving the quality of the information received. Additionally, there is more control by the interviewer, for instance, pre-screening to ensure the right respondents are participating, adjusting the language of the interview, setting up and controlling the interviewing conditions. On the flipside, the interview method is costly in terms of finances and time.

For the Executive Board and supervisory Board members, the researcher organized Focus Group Discussions (FGD) for every union. The advantage of (FGD) is that it was able to provide needed qualitative information which Zikmund et al. (2009)refers to as "an unstructured, free-flowing interview with a small group of people, usually between six and ten". The Focus Group Discussions are viewed as strategic method of sharing divergent experiences from a group of people with the results of enriching the data collected.

3.7 Data analysis method and presentation

This study used both quantitative and qualitative data analysis methods. This is because the data that was collected was both quantitative and qualitative. Cooper and Schindler (2003) states that accumulated data need to be reduced to a manageable size to enable data analysis. The data collected was analysed using Statistical Package for Social Sciences.

The process of analysing all data started with coding. Coding refers to labelling and systematizing the data. It is the active process of identifying data as belonging to, or representing, some type of phenomenon. This phenomenon may be a concept, belief, action, theme, cultural practice, or relationship(Tracy, 2013). The research examined the data a few times to enable fracturing and grouping the data into appropriate themes or clusters to give it meaning. The purpose of examining and re-examining the data was to assist in organizing, synthesizing, and categorizing it into interpretive concepts. It also enabled interpretation and identifying patterns, rules, or cause and effect progressions. At the end of the coding exercise, the resultant themes were able to provide answers to the questions the research tried to address. In other words, the results assisted in drawing

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conclusion on how each of the factors identified in this research affects the sustainability of coffee cooperative unions in the post-liberalization era in Kenya.

The analysed data was presented using frequency distribution. Frequency distribution was used with a view to ascertaining the number of times a given variable occurred and on this basis a relationship between the independent and dependent variables was ascertained.

3.8 Ethical Considerations

In preparation for the actual data collection, the researcher undertook important preliminary preparations. First, the researcher obtained a letter from the university to aid in getting a research permit from the National Commission of Science, Technology and Innovation (NACOSTI) to facilitate the carrying out of the research.

Secondly, the researcher pre-tested the research instruments in a coffee cooperative union outside the target population of study and finally held meetings with all the unions targeted for study to create awareness on the study. It is at this meeting that the researcher also gave assurance to the union leadership and the management of confidentiality in all the data collected so that there was trust before the commencement of the data collection exercise.

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CHAPTER FOUR: PRESENTATION OF FINDINGS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of data analysis of the research data collected from the field. The study sought to establish the organizational factors affecting the sustainability of coffee cooperative unions in the post-liberalization era in Kenya using a case of coffee cooperative unions in Embu and Meru Regions. The data was exclusively gathered from questionnaires as the research instrument besides focus group discussions. The questionnaire was designed in line with the research questions of the study. In order to improve the quality of data, the collected data from all the respondents was analyzed using the Statistical Package for Social Sciences (SPSS) version 22 for Windows. The results of the study are presented below.

4.2 Response rate

The questionnaires that the researcher administered were 30 in total compared to the expected 35 interviews with the employees and sub county cooperative officers. This response rate was excellent and representative of the population. It conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of over 70% is excellent.

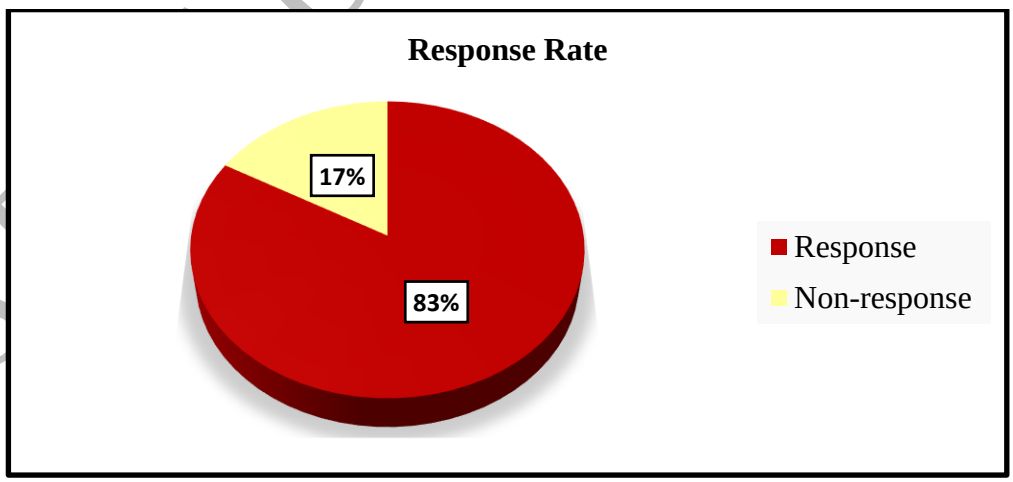


FIGURE 4.7: RESPONSE RATE

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4.3 Unions' details

The study sought to find out the general background information about the unions. The study was carried out in all the registered coffee cooperative unions which included Meru South coffee union, Embu Coffee Union, Meru North Coffee Union, Meru Central Coffee Union, Meru County coffee Mill union and Tharaka Nithi Coffee Millers Union. These unions are from Meru, Tharaka Nithi and Embu Counties.

The study further sought to establish the year when these unions were registered and the findings indicated that Tharaka Nithi coffee Millers union was registered in 2013, Meru County Coffee Millers Union was registered in 2014, while Embu Union, Meru South Union, Meru Central and Meru North Coffee Unions were registered in 1970. Tharaka Nithi Coffee Millers Union and Meru County Coffee Mill Union are the new types of unions registered to process and market coffee from the 78 primary coffee societies that are affiliated to the unions.

4.4 Demographic Information

The study further sought to establish general information on respondents to assess their suitability in undertaking the study. The findings are presented in Table 4.1

TABLE 4.2:DEPARTMENT/SECTION

Department / Section	Frequency	%
Accounts & Finance	9	30
Administration	10	33
HR Management	5	17
IT & Certification	4	13
Other	2	7
Total	**30**	**100**

From the findings in Table 4.1, 30% were from accounts and finance department, 33% were from administration department, 17% were from Human Resource Management department 13% were from Information and Communication department and 7% of respondents were from other departments for example Cooperative Development,

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Commerce and Business Development among others. This finding clearly indicates that the study involved respondents from all the departments within the coffee unions.

TABLE 4.3: POSITION HELD

Position Held	Frequency	%
Manager	11	37
Supervisors	9	30
m Staff	9	30
Other	1	3
Total	**30**	**100**

As shown in the Table 4.3 above, it was established that 37% of the respondents held managerial positions, 30% of the respondents were supervisors and junior staff and 4% of the respondents held other positions within the coffee cooperative unions. The findings indicate that the study involved all employment positions within the coffee unions.

TABLE 4.4: GENDER DISTRIBUTION

Gender	Frequency	%
Male	24	80
Female	6	20
Total	**30**	**100**

Concerning the gender status of the respondents, the study found out that 80% of the respondents were male and 20% of the respondents were female. The study therefore involved all the gender in the study although there is still gender imbalance in staffing in the unions.

TABLE 4.5: AGE DISTRIBUTION

Age Bracket Distribution	Frequency	%
20-29	4	10
30-39	8	10
40-49	8	32
50-59	9	40
60-69	1	8
Total	**30**	**100**

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With respect to the age bracket, the study found that 10% of the respondents were either aged 20-29 years or 30-39 years, 32% of the respondents were aged 40-49 years, 40% of the respondents were aged 50-59 years and 8% of the respondents were aged 60-69. The study therefore considered and involved respondents of varied age groups.

TABLE 4.6:PERIOD OF SERVICE

Years of Service	**Frequency**	**%**
0 - 9	5	17
10-19	8	27
20-29	12	40
30-39	3	10
40-49	2	6
Total	**30**	**100**

With regard to the number years of service of respondents at the coffee unions, the study found out that 17% of the respondents had been at the unions for 1-10 years while 27% of the respondents had been at the unions for 11-20 years. In addition, 40% of the respondents had been at the unions for 20-29 years, 10% of the respondents had been at the unions for 30-39 years while 6% of the respondents had been at the unions for 40-49 years. Therefore, majority of the respondents had been at the unions long enough and therefore were knowledgeable on organizational factors influencing sustainability of coffee cooperatives in the post-liberalization era in Kenya.

TABLE 4.7: EDUCATIONAL LEVEL

Education Level	**Frequency**	**%**
Masters & above	1	4
Undergraduate	7	23
Diploma	15	50
Certificate	4	13
Secondary	3	10
Total	**30**	**100**

As pertains the educational level of the respondents the study found out that 4% of the respondents held master's degree, 23% of the respondents were undergraduates, 50% of the respondents were diploma holders, 13% of the respondents were certificate holders and 10% of the respondents had secondary education. This implies that the study involved respondents who were knowledgeable enough and therefore understood the

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organizational factors affecting the sustainability of coffee cooperative unions in the post-liberalization era in Kenya which is in line with the objectives of the study.

4.5 Effect of Corporate Governance on the Sustainability of Coffee Cooperative Unions

The study sought to establish the role that corporate governance plays in relation to the sustainability of Coffee Cooperative Unions. The findings are presented in Table 4.8:

TABLE 4.8: CORPORATE GOVERNANCE AND THE SUSTAINABILITY OF COFFEE COOPERATIVE UNIONS

Element	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
Corporate governance affects sustainability	20	69	6	18	2	7	1	3	1	3

From the findings in Table 4.7 regarding the extent to which respondents agreed that corporate governance affects sustainability of the coffee cooperative unions, the study found out that 69% of the respondents strongly agreed with the statement, 18% of the respondents agreed, 7% of the respondents were neutral, and 3% of the respondents either disagreed or strongly disagreed. Therefore, corporate governance plays an imperative role on the sustainability of coffee cooperative unions. This finding concurs with the works of Wambua (2011) who exemplifies the significance of good governance in his study on "the effects of corporate governance on savings and credit cooperatives in Kenya". He contends that good corporate governance is of paramount importance in all organizations regardless of their industry, size or level of growth. However, even the best run organizations need good corporate governance. Good corporate governance is important since it sets the "tone at the top" which in turn influences what transpires at the lower levels.

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TABLE4.9: USE OF GOVERNANCE INSTRUMENTS TO ENHANCE CORPORATE GOVERNANCE

Element	Always		Very often		Often		Rarely		Never	
	F	%	F	%	F	%	F	%	F	%
Frequency that coffee union use governance instruments to enhance corporate governance	12	38	11	44	5	14	1	2	1	2

On the frequency with which the union uses the governance instruments to facilitate good corporate governance, the study established that 38% of the respondents felt that the instruments of corporate governance are always used while 44% of the respondents indicated that the instruments are very often used. Again, 14% of the respondents indicated that the instruments are often used and 2% of the respondents indicated that the instruments are either rarely used or never used. The instruments that are in place pertaining to corporate governance are therefore mostly in use at the unions.

TABLE 4.10: LEVEL OF TRANSPARENCY, ACCOUNTABILITY AND THE RULE OF LAW

Elements	Very High		High		Medium		Low		Very Low	
	F	%	F	%	F	%	F	%	F	%
Rating on the level of transparency in the coffee union	6	18	17	60	4	16	2	4	1	2
Rating on the level of accountability in the coffee union	4	13	17	57	5	17	3	10	1	3
Rating of the level of adherence to rule of law	9	34	13	52	5	10	2	2	1	2

Regarding respondents rating on the level of transparency in the coffee unions, the study found out that 18% of the respondents felt transparency at the board was very high while 60% of the respondents felt transparency at the union was high. Moreover, 16% of the respondents felt transparency at the union is practiced on a medium level, 4% of the respondents felt transparency at the board was practiced at a low level and 2% of the respondents indicated that transparency at the board was exercised at a very low level. This therefore means that transparency is practiced at varied levels in the unions, which

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is a good indicator of performance. This finding concurs with the works of Mehra (2011), who held that "corporate governance is a process that aims to allocate corporate resources in a manner that maximises value for all stakeholders - shareholders, investors, employees, customers, suppliers, and the community at large. Corporate governance holds those at the helms of leadership to account by evaluating their decisions on transparency, inclusivity, equity and turbulence".

On the rating of accountability at the unions, the study found that 13% of the respondents felt accountability at the union is adhered to at a very high level while 57% felt accountability at the union is practiced at a high level. Of the others, 17% felt accountability at the union is practiced on a medium level, 10% felt accountability at the union is adhered to on a low level and 3% felt accountability at the unions is adhered to at a very low level. There is therefore accountability at most of the coffee unions, which is a good indicator of corporate governance. The finding agree with the works of Mutunga (2009) who observed that good corporate governance is based on efficient adherence to and respect for laws, rules and regulations, business ethics and codes of conduct, management; proper auditing and accountability, which are essential for the functioning of a healthy economy.

On the rating of the level of adherence to the rule of law, the study established that 34% of the respondents felt unions adhere to the rule of law at a very high level whereas 52% of the respondents felt the unions adhere to the rule of law at a high level. Once more, 10% of the respondents felt the unions follow the rule of law at a medium level and 2% of the respondents felt there is adherence to the rule of law at the unions to either a low level or a very low level. It can, therefore, be deduced that most of the coffee unions adhere to the rule of law. These findings agree with the works of Prakash (2014) who defines governance as "the reflection of the quality of management and the delivery of its services to the community efficiently and effectively". It means the way those with power use that power." Prakash additionally asserts that good governance emanates from good application and adherence to existing laws and by respecting the spirit behind these laws, which is also known as "the rule of law".

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TABLE 4.11: INSPECTION OF UNIONS' DOCUMENTS BY THE PUBLIC

Element	Yes		No	
	Freq	Percent	Freq	Percent
Inspection of union documents by the public	25	86	5	14

Regarding accessibility of documents enumerated under article 45 of the Cooperative Societies Rules, 86% of the respondents agreed that the cooperative unions allow members of the public to inspect the documents in case they show interest and pay the required fees. On the other hand, 14% of the respondents stated that the cooperative unions do not allow members of the public to inspect the documents in case they show interest. This therefore shows that there is a high level of transparency in most of the unions.

4.6 Effect of Capital Structure on sustainability of Coffee Cooperative Unions in Kenya

The study sought to establish the effect of capital structure on sustainability of coffee cooperative unions. The findings are presented in Table 4.12.

TABLE 4.12: EFFECT OF CAPITAL STRUCTURE ON THE SUSTAINABILITY OF COFFEE COOPERATIVE UNIONS

Elements	Very High		High		Medium		Low		Very Low	
	F	%	F	%	F	%	F	%	F	%
Extent that respondents agree that capital structure affects the sustainability of the coffee unions	12	40	13	43	3	10	1	4	1	3

Of the respondents who were interviewed, the study found out that 40% of the respondents felt capital structure affects coffee unions very highly whereas 43% of the respondents felt that capital structure affects coffee unions sustainability at a high level. 10% of the respondents indicated capital structure affects coffee cooperative sustainability at a medium level, 4% of the respondents felt that capital structure affects coffee unions sustainability at a low level and 3% felt it affects sustainability at a very

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low level. This is in line with the study done by Mwangi et al. (2014) on the "Relationship between Capital Structure and Performance of Non-Financial Companies Listed in the Nairobi Securities Exchange, Kenya". The authors in their introductory statement associated "Corporatefailure among companies in Kenya with the financing behaviour of the firms". The study recommended that managers of listed non-financial companies should reduce the reliance on long-term debt as a source of finance for their organizations.

TABLE 4.13: MAIN SOURCE OF CAPITAL FOR THE UNIONS' INVESTMENTS

Elements	Members' equity/ share capital		Bank loan		Grants from partners/ government		Private investors		Others	
	F	%	F	%	F	%	F	%	F	%
Main source of capital for the union investments	15	50	10	34	3	10	1	3	1	3

With regard to the main sources of the finances by the unions, the study established that 50% of the respondents indicated members' equity, 34% indicated bank loans, and 10% indicated grants from partners/government, 3% of the respondents indicated private investors while 2% indicated other methods. This therefore implies that unions have a range of sources of finances and as such, are in a better position to solve liquidity problems if they manage the finances well. The findings concur with the work of Li et al. (2014) who remarked that like their investor-owned counterparts, cooperatives must be profitable and competitive in the markets they face. Unfortunately, cooperatives face unique challenges in managing equity capital than the IOFs. They are also limited in their access to outside investments and have non-tradable stock as opposed to the IOFs. The main source of equity for cooperatives is member-provided equity through voting shares and equity accumulation through the allocation of profits as retained patronage.

TABLE 4.14: FEASIBILITY OF THE SELECTED SOURCE OF CAPITAL AND IMPLEMENTATION OF THE SET TARGET DEBT RATIO

Elements	Very High		High		Medium		Low		Very Low	
	F	%	F	%	F	%	F	%	F	%

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Rating on feasibility of selected source of capital for investment	2	7	12	40	8	27	7	23	1	3
Rating on the implementation of the set target debt ratio	3	10	12	40	9	30	4	13	2	7

On the rating on the feasibility of selected source of capital for investment, the study established that 4% of the respondents indicated there was a very high feasibility on using equity for investment, 46% of the respondents indicated a high feasibility and 30% of the respondents indicated a medium feasibility. Of the remaining respondents, 14% indicated a low feasibility and 2% of the respondents indicated a very low feasibility. The findings indicate that the selected method of finance has high feasibility for investment since it is internal and does not attractinterest. This agrees with the study carried out by Kiiru (2008) on "the effect of funding structure on the financial performance of deposit taking microfinance institutions in Kenya". The findings concluded that borrowings had negative significant correlation to return on assets (ROA).

Of the respondents who were interviewed, 44% of them agreed that coffee unions had in place set target debt ratio. Of these respondents, 14% believed it was very highly implemented, 50% of the respondents believed it was highly implemented, 18% believed the implementation was medium, 14% believed that the set debt target ratio was lowly implemented and 4% believed the set target ratio was very lowly implemented. It is important to note that debt ratio in the unions is equated to borrowing power. On the contrary, the fixing of the borrowing power should be informed by the established debt ratio.

TABLE 4.15: PROPORTION THAT SUFFERED FINANCIAL CRISIS

Elements	Yes		No	
	F	%	F	%
Financial crisis in last 25 years	22	73	8	27
Existence of a set target debt ratio at the union	14	47	16	53

From the Table 4.14 above, 73% of the respondents agreed that the unions had suffered financial crisis in the last 25 years, that is, after the onset of liberalization while 27% had

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not suffered a financial crisis in the last 25 years particularly because they were newly registered. These findings are consistent with the works of Karanja and Nyoro (2002) who in their study on "coffee prices and regulation and their impact on livelihoods of rural communities in Kenya". One of the key issues they captured as a challenge to the coffee cooperatives wasindebtedness, which had emanated from various government programmes and projects like Smallholder Coffee Improvement Project.

4.7 Effect of Organizational Culture on the Sustainability of coffee cooperative unions

The study sought to establish how organization culture affects sustainability of coffee cooperative unions. The findings are presented in Table 4.16.

TABLE 4.16: EFFECT OF ORGANIZATIONAL CULTURE ON THE SUSTAINABILITY OF COFFEE COOPERATIVE UNIONS

Elements	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
Organization culture affects the sustainability of the coffee unions	16	53	9	30	2	7	2	7	1	3
Organizational culture determines productivity and subsequent performance	13	45	12	40	3	9	1	3	1	3
Union has clearly established core values	9	30	15	50	4	13	1	4	1	3
Core values and principles are practiced	8	27	18	60	2	7	1	3	1	3
Personal values of members, leaders and staff are in line with current values and culture of the union	6	20	18	60	4	13	1	4	1	3
Strategic objectives to align priorities and guide the union activities on a day-to-day basis	11	30	10	44	4	8	4	10	1	2
The union artefacts contribute to sustainability of the union	8	27	13	43	6	20	2		1	
Union has in place a sustainability policy and strategy which are systematically implemented	6	20	12	40	7	23	3	10	2	7

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Regarding the effect of organizational culture on the sustainability of coffee unions in Kenya, the study established that 53% of the respondents strongly agreed, 30% agreed, 7% of the respondents were neutral while 2% disagreed and 3% strongly disagreed. This therefore means that organization culture has an effect on sustainability of coffee cooperatives.

Pertaining the degree of respondents' agreement that organizational culture determines the productivity and subsequent performance of the unions, the study established that 45% strongly agreed, 40% agreed with the statement, 9% were neutral and 3% disagreed or strongly disagreed with the statement. These findings are consistent with the works of Ojo (2009) who found out that productivity and performance are key in ensuring sustainability of an organization and therefore the findings of this study allude that there is a positive relationship between organization culture and sustainability.

On the extent to which respondents agreed that the union has clearly established core values including business ethics and principles, the study found out that 30% of the respondents strongly agreed, 50% agreed, 13% were neutral while 4% disagreed with 3% strongly disagreeing. The findings therefore clearly indicate that most of the coffee unions have established core values including business ethics and principles.

In respect to the extent of practice of the established core values and principles, the study established that 27% strongly agreed with the statement, 60% agreed with the statement, 7% were neutral and 3% either disagreed or strongly disagreed with the statement. This therefore implies that majority of the coffee unions practice the established core values and principles. These findings agree with the works of Gibson et al. (2012) who puts organization culture in summary as "what the employees perceive and how this perception creates a pattern of beliefs, values and expectations".

On the extent to which respondents agreed that personal values of members, leaders and staff are in line with current values and culture of the union, the study found out that 20% strongly agreed with the statement, 60% agreed with the statement, 13% were neutral on the statement, 4% disagreed with the statement and 3% strongly disagreed with the statement.

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The study further established that 36% of the respondents agreed that there exists underlying basic assumptions, which most likely would affect sustainability of the unions, 44% agreed, 8% were neutral while 10% and 2% either disagreed or strongly disagreed.

With regard to the extent to which respondents agree that the union artefacts contribute to sustainability of the union, the study established that 27% of the respondents strongly agreed with the statement, 43% agreed with the statement, 20% were neutral 7% of the respondents disagreed and 3% strongly disagreed with the statement. This therefore means that the union artefacts affect the sustainability of coffee cooperative unions.

These findings concur with the works of Bodla et al. (2013) on their study on "the Impact of organizational culture on performance of universities in Pakistan". The study concluded that organizational performance has significant correlation with the cultural dimensions of involvement, collaboration, transmission of information, learning, care about clients, strategic direction, reward and incentive system, system of control, communication, coordination and integration and all these cultural dimensions are shaped by shared values, artefacts and the underlying assumptions, which are part of the culture of an organization.

On the level of respondents' agreement that the unions have in place a sustainability policy and strategy, which are systematically implemented, the study found out that 20% of the respondents strongly agreed with the statement, 40% of the respondents agreed with the statement, 23% were either neutral while 10% and 7% disagreed or strongly disagreed respectively. The findings once again concur with the works of Bodla et al. (2013) who concluded that cultural dimensions are shaped by shared values, artefacts and the underlying assumptions, which are part of the culture of an organization.

4.8 Focus Group Discussions

The study further utilised focus group discussions for executive and supervisoryboard members. The advantage of (FGD) is that it was able to provide needed qualitative information which Zikmund et al. (2009) refer to as "an unstructured, free-flowing

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interview with a small group of people, usually between six and ten". Results of the findings are presented in subsequent sections.

4.8.1 Corporate governance and sustainability of coffee cooperative unions

The majority of the respondents who were interviewed indicated that important internal and external instruments are in place to enhance good governance. Of these instruments included: supervisory boards, internal checks and controls, Cooperative legislation, code of conduct and ethics besides internal and external audits. These instruments clearly indicate that most coffee cooperative unions are aware of the corporate governance instruments and their importance in the running and sustainability of coffee unions.

The study further established that there are mechanisms in place geared towards ensuring that members who are affiliates participate in the running of the unions. Among these mechanisms, include annual general meetings where annual budgets and annual accounts are passed, payment of annual subscriptions, the involvement of members in voting and decision making besides election of the board from members. However, some of the respondents felt that the participation is minimal due to representation through the annual delegates meeting which is done once or twice in a year. The delegates also represent hundreds or thousands of people in some cases and rarely do they provide feedback to the electorate.

The study also established that relevant information is displayed on notice boards for the public to access. For example, financial statements and other documents enumerated under Article 45 of Cooperative Societies Rules are accessible to members of the public after paying the required fee. This creates confidence and enhances transparency in the unions.

Concerning adherence to the rule of law by the union, the study established that proper mechanisms have been put in place to enhance this. The study found out that most coffee unions involve the government through the cooperative offices in decision-making. The union operations in most of the cases are carried out in within the confines of the legal, institutional and policy framework.

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Notwithstanding the foregoing, the areas that were cited to be weak in governance included lack of an advocate for cooperatives in the cabinet, review of cooperative legislation without adequate consultations to the detriment of the governed, leadership turnover, perception of the political class on cooperatives as political organizations, which affects the way they are treated by the political class. The attitude from the political end influences the formulation of legal, institutional and policy framework which at times is not very supportive of cooperative growth and sustainability as asserted by a respondent from one of the unions.

4.8.2 Capital structure and sustainability of coffee cooperatives

The study established that the unions do not have a set target debt ratio and instead they use the borrowing power to set the debt ceiling. The study established that the borrowing power is resolved during the annual general meetings and it is not based on any rationale and therefore cannot replace the financial ratios that reflect the health of organizations. The study established that some of the unions have become sceptical about borrowed funds from the past experiences and mainly rely on internal funding which limits the pace of development and the growth of these unions.

The study also found out that from the effects of liberalization, the focus of most of the unions has shifted with the priority being more on survival resulting in focusing on union investments for sustenance than service delivery to the affiliates. Affiliates too are supportive of unions, particularly on investments. Even with the newly registered coffee milling and marketing unions, it was observed that not all the affiliates had paid up their equity or weremilling with union mills.

The study further established that most of the unions had suffered from financial crisis in the last 25 years, which was after liberalization was introduced. This was characterised by inability to carry out their mandate to the affiliates and closure of some of the UBSs in the early 1990s after liquidity challenges. However, the financial crisis was resolved by the sale of some of the unions' assets, restructuring in some of the unions besides the government support. The study established that the government waivered the debts accumulated by the affected unions, which relieved them of the burden otherwise some of the unions were at the verge of collapse before the intervention of the government.

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4.8.3 Organizational culture and sustainability of coffee cooperatives

Most of the coffee unions have a strong organization culture in place where norms, values and principles are adhered. There is an induction programme in place for most of the unions where new members of staff and the board are incorporated into the union affairs through seminars, workshops and training sessions, which are organised by most of the unions. In most of the unions, members, employees and leaders values were found to be in line with the values and principles of the organization although, in a few occasions, there were lapses where personal interests at times were in conflict with the union values.

However, the study further found out that there was discomfort with change in some of the unions due to getting used to the traditional cooperative mode as opposed to the modern cooperative mode. This was evidenced in the limited innovation in terms of products/services and technology, leadership and management succession and office set-up. In such situations, where the status quo had been highly embraced, the risk of stagnation was evident.

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CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings, conclusion and recommendations of the study based on the research questions of the study. The purpose of this study was to investigate the organizational factors that affect the sustainability of coffee cooperative unions in the post-liberalization era in Kenya: a case of coffee cooperative unions in Embu and Meru regions.

5.2 Summary of the Findings

This section looks at the summary of the research findings based on each objective of the study as presented in subsequent subsections.

5.2.1 Effect of corporate governance on the sustainability of coffee cooperative unions

The study established that corporate governance plays a significant role in the sustainability of coffee unions in Kenya. The study further established that coffee unions in Kenya often adhere to corporate governance principles and there is a high level of transparency and accountability in most of the coffee unions. Furthermore, there is also a high level of adherence to the rule of law by most of the unions.

5.2.2 Effect of capital structure on the sustainability of coffee cooperative unions

The study established that capital structure has a high effect on the sustainability of coffee cooperative unions. The study established that most unions lack established debt ratios and instead rely on the borrowing power fixed by the members in the annual general meeting to manage debt. The study further found out that majority of the unions finance theiroperations from members' equity and retained earnings. The study also established that member's equity, as a method of finance is highly feasible for investment by the unions although the growth rate using this source is slow. Moreover, the support from the affiliates particularly after liberalization reduced drastically due to the poor performance of the coffee sector.

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5.2.3 Effect of organization culture on the sustainability of coffee cooperative unions

The study found out that organization culture affects the sustainability of coffee cooperatives very highly. The study further established that organizational culture determines productivity and subsequent performance of coffee unions. It was also established that Coffee unions have clearly established core values, including business ethics and principles. The study further found out that the established core values including business ethics and principles are practiced and largely guide behaviour in the coffee cooperative unions. It was further established that personal values of members, leaders and staff are in most cases in line with values and culture of the coffee cooperative unions. Besides, the study found out that most of the coffee cooperative unions have clearly established strategic objectives to align priorities and guide the union activities on a day-to-day basis as articulated in their strategic plans. In contrast, the underlying assumption that affiliates will always be loyal and support unions was already a challenge facing the unions.

5.3 Conclusion

From the findings, it can be concluded that corporate governance affects the sustainability of coffee cooperative unions. The researcher concludes that a high level of accountability at coffee cooperative unions affects their sustainability. Furthermore, higher levels of transparency and adherence to law by coffee cooperative unions affect the sustainability of the coffee cooperative unions. In addition, the level of participation by members affects the sustainability of coffee cooperative unions.

The study also concludes that capital structure affects the sustainability of coffee cooperative unions. The study further concludes that majority of the coffee unions have gone through financial crisis in the last 25 years, which is after liberalization was introduced in the coffee sector. The study further concludes that members' equity is a major source of capital for coffee cooperative unions. The study also concludes that most coffee unions do not have set target debt-equity ratios. Instead, they have set borrowing power, which is a requirement of the cooperative legislation, which they highly implement.

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The study concludes that organizational culture affects the sustainability of coffee cooperative unions in Kenya. The results of the study also indicated organizational culture affected productivity, performance and subsequently the sustainability of coffee cooperative unions. The study further concludes that most coffee cooperative unions have in place sustainability policies and strategies, which are implemented as, articulated in their strategic plans.

5.4 Recommendations for the Study

The following recommendations were made with reference to the study findings.

a. Coffee cooperative unions exist to provide services to their members. In order to expedite their mandate effectively and efficiently coffee cooperative unions should uphold and practice good corporate governance principles. The study, recommends that the roles of coffee cooperatives unions boards be clearly defined to enable regular appraisal of the performance of the board, which holds the key to good governance. It is also important for coffee cooperatives unions to enhance participation of members, adhere to high levels of accountability, transparency and the rule of law because this affects the sustainability of coffee cooperative unions.
b. A mix of debts and equity forming capital structure affects the sustainability of coffee cooperative unions. The study, therefore, recommends that coffee cooperative unions should establish the right mix between equity and debt at all times.The study recommends regular establishment of the debt ratio to ensure that the unions do not rely too much on debt and in order to be able to finance their operations and to avert financial crisis as the one experienced during the 1990s. The established debt ratio should be used to guide the fixing of the maximum borrowing power during the annual general meetings of the members. The study further recommends that all coffee cooperative unions should always assess the health of their organizations using both financial and non-financial measures and always take corrective action in order to avoid unforeseen financial crisis.
c. Availability of a set of values, beliefs and principles forming organization culture unique to every organization affects the sustainability of coffee cooperative unions. Coffee cooperative unions should embrace the tenets of modern cooperatives or

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better still new generation cooperatives that operate competitively in the market place and as a result are able to operate sustainably for the benefit of their members. The study also recommends pracice of positive values that are in line with the values and culture of the unions by all stakeholders and discourage interference of personal values in the operations of the unions. Coffee cooperatives should also ensure that they deliberately put in place sustainability policies and strategies and ensure systematic implementation to safeguard their long-term growth and survival.

5.5 Suggestions for Further Study

This study was carried out with a case of coffee cooperative unions in Embu and Meru regions. The research primarily focused on the factors influencing the sustainability of coffee cooperatives in the post-liberalization era. Future studies ought to be done by investigating the specific inherent factors and attributes that lead to sustainability in the Kenyan agriculture industry. Alternatively, similar studies carried out in different industries of the economy shall permit room for comparative analysis, which enhances proper decision-making.

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LIST OF APPENDICES

Appendix I: Introduction Letter

Wanjira P. C. Njeru,
St. Paul's University,
Machakos.
13th April 2016

To: Chief Executive Officer/Cooperative Officer
…….. ……..

Dear Sir/Madam,

RE: Letter of Introduction: Wanjira P. C. Njeru

I am a student of St. Paul's University pursuing a Master's Degree in Development studies specializing in organization Development. In partial fulfilment of the award of the degree, I am required to undertake a field research in a selected topic relevant to my area of study.

I have chosen to undertake a research on the "Investigation of the organizational factors that affect the sustainability of coffee cooperative unions in the post-liberalization era in Kenya: A case of Embu and Meru Regions." I am writing this letter to request you to assist me to collect the data required for my research. Be assured that the information you give will be confidential and will only be used for this academic research and not for any other purpose.

I will carry out personal interviews and therefore I will be calling on you to assist me in planning for the appropriate dates for the interviews and Focus Group Discussions.

Yours sincerely,

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Wanjira P. C. Njeru

Tel: +254 722679567/+254 738092009

Appendix II: Questionnaire for Management staff and Cooperative Officers

NB: Part 1 to be filled by the CEO

PART 1 Union Details		
1. Name of cooperative Union …… …….	2. County/sub-county ……	3. Year of registration ……..
4. Total no. of affiliate primary coffee cooperatives ……	5. Total no. of active primary coffee affiliates ……..	6. Total no. of dormant primary coffee affiliates ……
PART 11 Respondent's Details		
1. Department/section ……	2. Position ……	3. Gender ……
4. Age Bracket (i) 20 -29 [ ] (ii) 30 - 39 [ ] (iii)40 - 49 [ ] (iv)50 – 59 [ ] (v) 60 - 69 [ ]	5. Number of years of service (i) 1 - 10 [ ] (ii) 11 - 19 [ ] (iii)20 - 29 [ ] (iv)30 - 39 [ ] (v) 40 - 49 [ ]	6. Highest level of education attained (i) Master's & Above [ ] (ii) Undergraduate [ ] (iii)Diploma [ ] (iv)Certificate [ ] (v) Secondary [ ]
Part 111 Sustainability variables		
Corporate Governance		
1. To what extent do you agree that corporate governance	(i) Strongly agree [ ] (ii) Agree [ ]	

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affects the sustainability of the unions	(iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
2. List at least five (5) important internal/external instruments in place in the union to enhance good corporate governance	(i) …… (ii) …… (iii)…… (iv)…… (v) ……
3. In your opinion, how often does the union use the governance instruments listed above to enhance good corporate governance	(i) Always [ ] (ii) Very Often [ ] (iii) Often [ ] (iv)Rarely [ ] (v) Never [ ]
4. In what ways members/affiliates participate in the running of the union affairs?	(i) …… (ii) …… (iii)…… (iv)…… (v) ……
5. How would you rate the level of transparency in the union	(i) Very High [ ] (ii) High [ ] (iii)Medium [ ] (iv)Low [ ] **(v)** Very Low [ ]
Please explain	

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6. How would you rate the level of accountability in the union	(i) Very High [ ] (ii) High [ ] (iii)Medium [ ] (iv)Low [ ] (v) Very Low [ ]
7. Are members of the public allowed to inspect the documents enumerated under Article 45 of the Cooperative Societies Rules in case they show interest and pay the required fees (by-laws, annual returns, audited accounts & balance sheet and the register of charges)	(i) Yes [ ] (ii) No [ ]
Please explain	
8. How would you rate the level of adherence to the rule of law – respect for law by the union	(i) Very High [ ] (ii) High [ ] (iii)Medium [ ] (iv)Low [ ] (v) Very Low [ ]
Explain please	

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Capital structure	
1. To what extent do you agree that capital structure affects the sustainability of the union (Ratio of debt versus members equity)	(i) Very High [ ] (ii) High [ ] (iii)Medium [ ] (iv)Low [ ] (v) Very Low [ ]
2. Main source of capital for the union investments?	(i) Members equity/share capital [ ] (ii) Bank loans [ ] (iii)Grants from partners/government [ ] (iv)Private investors [ ] (v) Others (specify) [ ]
3. How do you rate the feasibility/viability of the selected source of capital for investment?	(i) Very High [ ] (ii) High [ ] (iii)Medium [ ] (iv)Low [ ] (v) Very Low [ ]
4. Does the union have a set target debt ratio	(i) Yes [ ] (ii) No [ ]
5. If yes, how would you rate the implementation of the set target debt ratio	(i) Very strict [ ] (ii) Strict [ ] (iii)Somehow strict [ ] (iv)Flexible [ ] (v) Very flexible [ ]

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Explain please	
6. Has the union experienced a financial crisis in the last 25 years	(i) Yes [ ] (ii) No [ ]
Explain the nature of the crisis	How did the union manage to recover from the crisis?
Organization culture	
1. To what extent do you agree that organization culture affects the sustainability of the union	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
2. To what degree do you agree that organization culture determines the productivity and the subsequent performance (results) of the union	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
3. To what extent do you agree that the Union has clearly established core values,	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ]

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including business ethics and principles	(iv)Disagree [ ] (v) Strongly disagree [ ]
4. In your opinion, to what extent do you agree that the established core values, including business ethics and principles, are practiced and largely guide behaviour in the union	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
5. To what extent do you agree that personal values of members, leaders and staff are in line with the current values and culture of the union	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
6. To what extent do you agree that the union has clearly established strategic objectives to align priorities and guide the union activities on a day-to-day basis	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
7. Are you aware of any underlying basic assumptions that most likely would affect the sustainability of the union	(i) Yes [ ] (ii) No [ ]
Explain please	

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8. To what extent do you agree that the union artifacts (total physical and socially constructed environment of the union e.g. office space, equipment, rules, systems and procedures) contribute to the sustainability of the union	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
9. To what level do you agree that the union has in place a sustainability policy and strategy which are systematically implemented	(i) Strongly agree [ ] (ii) Agree [ ] (iii)Neutral [ ] (iv)Disagree [ ] (v) Strongly disagree [ ]
General comments e.g. any other information that you think would add value to this research	

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