THE EFFECT OF GOVERNANCE ON THE GROWTH OF COLLECTIVE ENTREPRENEURSHIP IN THE COFFEE SECTOR IN KENYA

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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DEDICATION

To my wife Roselyn Beatrice Baby Makongoso

To my dear late parents Elizabeth and Simeon Ongoso Siseri.

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ABBREVIATIONS

ACE	Alternative Collective Enterprises
ADB	African Development Bank
AFGSR	African Financial Governance Status Report
AGM	Annual General Meetings
AMOS	Analysis of Moment Structures
BDS	Business Development Services
MCMs	Management Committee Members
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
Cov	Covariance
Df	Degree of Freedom
DFID	Department For International Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ESCAP	Economic and Social Commission for Asia and the Pacific
FAO	Food and Agricultural Organisation
FMS	Financial Management Systems
GA	General Assembly
GCE	Growth of Collective Entrepreneurship
GDP	Gross Domestic Product
$\mathbf{H_0}$	Null Hypothesis
$\mathbf{H_1}$	Alternate Hypothesis
HRI	Human Resource Intelligence
HRM	Human Resource Management
ICA	International Cooperative Alliance
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards
ISS	Institutional Shareholder Services
LoS	Length of Service

NSD	National Savings and Deposits
OD	Organisation Demography
PCA	Principal Component Analysis
POL	Policy
ROK	Republic of Kenya
SACCOs	Savings and Credit Cooperative Organisations
SCA	Sustained Competitive Advantage
SEM	Structural Equation Modelling
Sig	Significance
SHRM	Strategic Human Resource Management
SPSS	Statistical Package for Social Scientists
TC	Traditional Cooperative
TMT	Top Management Team
UN	United Nations
USA	United States of America

DEFINITION OF TERMS

Collective Entrepreneurship

Is about structures that afford the opportunity and the incentive to individuals both inside and outside conventional corporations as well as individuals across corporations to share and integrate technical and market information for the discovery and the exploitation of new business. It is an idea that although all ideas originate in some individuals mind, every individual recognizes that new opportunities appear in some social context and the idea that entrepreneurship becomes collective when opportunities are acted upon when new venture creation requires joint collective action. It associates individual team members bringing distinct institutional logics into the entrepreneurial process (Huybrechts, Mertens, & Rijpens, 2014).

Cooperative Society

An association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members actively participate A cooperative is not only a business firm but also a society with a dense inter-personal network. The network structure of a cooperative creates a platform for information sharing and exchange, which facilitate the interactions and knowledge transfer among the membership. For the cooperative as a whole, the close connections between members may have significant influence on the execution of Organisation activities (Chandra, Dubey, & Srivastava, 2014).

Entrepreneur Co-Operatives

These are cooperatives that are composed of employees or entrepreneurs in certain field of business in order to achieve negotiation power in a particular market and established from the initiative of small business entrepreneurs due to their resource dependencies, environmental uncertainties and external forces (Boland, Hogeland & Mckee, 2011).

Entrepreneurial Organisation

A business entity in which new ideas and creativity are expected, risk-taking is encouraged, failure is tolerated, learning is promoted, product, process and administrative innovations are championed, and continuous change is viewed as a conveyor of opportunities (Shepherd, Patzelt, & Haynie, 2012).

Entrepreneurial Skills

These are skills which enhance performance as knowledge is demonstrated by action. They are classified into mental ability to review operations in an Organisation, interpersonal skills being basically the ability to work with people and technical skillss being a knowledge and technique of specified discipline to attain objective. It is an ability, aptitude, experience, expertise, or talent to carry out a specific task or activity and that positive relationship exists between entrepreneurial skills and competitiveness (Chiekezie, Nzewi, & Ikemefuna, 2015).

Entrepreneurship

Defined as a field which seeks to understand how opportunities to create something new such as products or services, markets, production processes or uses of raw materials, ways of organizing existing technologies, discover (or create), use various means (especially launching new business ventures) to exploit or develop them thus producing a wide range of effects (Baron & Henry, 2011).

Financial Management Systems

Are the criteria that have to be met in pursuance of financial governance, they indicate effective financial governance that is established on effective systems and structures. The most effective ones are those which are able to achieve the goals set before them while using the least amount of resources. (Orlove, Afonin, Voronin, & Akopyan, 2015).

Governance

Is the system by which organisations are to be directed and controlled, it calls on management committee members' of directors to take responsibility of their firms by explicitly assuming leadership, stewardship, risk management and information. It is the process by which the management committee members, management and other personnel provide reasonable assurance regarding the achievement of objectives effectively and efficiently in operations, reliability of financial reporting, and compliance with applicable laws and regulations (Franck & Sundgren, 2012) and was adopted by this study. Governance refers to the whole system of rights, processes and controls established internally and externally over the management of a business entity with the objective of protecting the interests of all stakeholders and emphasizes giving overall direction to the enterprise (private actor),overseeing and controlling the executive actions of management (Ruhanen, Scott, Ritchie, & Tkacynski, 2014).

Growth

Is an evidence of the return of the entrepreneur's investment and self-fulfilment in an entrepreneurial firm. It is a condition of survival for young and small businesses, as growing firms are found less vulnerable to failure than non-growers. Resource endowment, capabilities and competitive advantages are major determinants of firm growth since resources are basis for profitability and growth. There are various stages of growth thus early growth where revenue begins to grow at an increasing rate, rapid growth where a business may seek opportunities for growth in new market segments, hire new people and expand the business, maturity is when the business has enough capital, support and backing so even if there is some instability in the market, the company can pull through and the speed at which the growth rate goes, stabilizes as revenue is constant and consistent and is very much profitable. The business has expanded in size, competence and capital. The decline stage is the point where a business will fail an existing business, even a mature one, can decline in profits, take heavy losses and eventually fail or completely shut down to avoid further losses (Lekhanya, 2015).

Human Resource Management

It is the retention of valuable employees by managers and Organisation leaders for sustainable competitive edge for Organisation to create workforces whose contributions are valuable, unique, and difficult for competitors to imitate. The ability of Organisation to compete in the global marketplace is all the more tied to the quality of their human resources. Many Organisation rely on the expertise of their employees to gain competitive advantage in global economies. It is the link between high performance, high commitment or high involvement work systems or work practices, and performance with the basic theme, namely, to postulate a relationship between high-performance work systems, high-performance work practices, performance-enhancing practices, high-performance work Organisation, new forms of work Organisation, high-involvement work systems, high-involvement work practices, and Organisation performance (Dirpal, 2015).

Organisation Demography

Organisation demography (age, size and tenure distribution) is a powerful means of linking observable demographic characteristics of management teams to Organisation outcomes, the tenure distribution of a top management team has implications for firm performance beyond its consequences for internal group processes; it affects how the firm interprets its environment and competitive situation, and therefore shapes resource allocation decisions. An organisation's capabilities are a function of the tenure distribution within the firm and that tenure of management teams leads to declines in organisation-environment fit over time. Organisation size not only has implications for structure but also a firm's relation to its environment. It indicates the number of members, employees and reflects resources available which influence the amount of economic activity a firm engages in. The age can affect the internal governance mechanisms and performance. Organisation's age can affect the ability to implement strategies and is associated with a firm's ability to innovate depending on how the knowledge is communicated (Length of Service) LOS distribution affects a wide variety of Organisation outcomes, including employee, Organisation innovation internal control structures, power distribution and inter Organisation relations and firm performance (Muir, 2014).

Policy

A legal and regulatory framework that is either formal or informal rule or a process that ensures competition and growth of businesses. It protects and enforces property rights and contracts, investment climate, competition and allows investors to predict the future. It pays adequate attention to enforcement, compliance and effectiveness, enables businesses to expand transactions and networks, safeguard economic activity and facilitates business operations, if poorly designed, can become obstacles to doing business (Muir, 2014).

ABSTRACT

The study investigated the effect of governance on the growth of collective entrepreneurship in the Agricultural Sector in Kenya with evidence from the Coffee Sector in Kenya. Entrepreneur cooperatives are volatile in adopting the best practices of governance. Organisation growth being a focus associated with entrepreneurship and governance, Agricultural Sector in Kenya have yet to execute its basic principles of transparency, equity, responsibility, and accountability. A myriad of hitches including mismanagement, financial scandals and failure of innovation have occurred in different entrepreneur cooperatives raising questions about the quality of governance. The concern being the legitimacy of management committee members, the low levels of member participation, effectiveness and inadequate expertise of senior managers in supervising, ensuring and protecting the interests of members and stakeholders. The producer owned agriculture cooperatives a practical example of collective entrepreneurship because their joint ownership by multiple producers has not yet given much attention to entrepreneurship as an important factor for economic development. The general objective of the study was to investigate the effects of governance on the growth of collective entrepreneurship in the Agricultural Sector in Kenya. The study used a descriptive research where the population was all Agricultural Sector in Kenya championing coffee. The sample frame was a list obtained from the Kenya National Bureau of Statistics. The accessible population was 202 entrepreneur Coffee co-operatives. By a multi-stage sampling, 137 coffee cooperatives in Kenya was the sample size. A questionnaire was the instrument for data collection. The secondary data was from existing reports, publications and the internet. Both qualitative and quantitative analysis was done using SPSS version 21 and Analysis of Moment Structures (AMOS) as an add-on module as a tool for analysis. The study established that financial management systems, organisation demography and Human Resource

Management positively influence the growth of collective entrepreneurship. The influence increases more whenever policy was introduced as a moderator. The study concluded that Agricultural Sector in Kenya did not have appropriate functional financial management systems to ensure consistent sound business practices and principles. The management committee members' members and their top management were rated moderately low in designing and diffusion of technologies. Majority did not have innovative products to sustain positions in the market. The key aspects of organisation demography such as size, age and managerial tenure distribution had a significant bearing and affected the growth of collective entrepreneurship in the sector. The human resource had not adequately developed and maintained competencies to acquire competitive position in the evolving market. Majority had inadequate skills or capacities required to embrace new ideas, change, innovation and teamwork where majority had not employed the right people. The study recommends implementation of complete and accurate accounting systems and internal control to ensure productivity. The management tenure or length of service by the top management should enhance innovative products and value addition. They should practice strategic Human Resource Management to support organisation change rather than functional focusing on individual performance and turnover. The taxation and infrastructure policies that impede the growth of Agricultural Sector in Kenya be reviewed. The Coffee Sector in Kenya should organize and intensify access to markets through collective entrepreneurship. The study recommends further study on factors that inhibit Agricultural Sector in Kenya from branding and quality strategies for differentiated products.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Governance is the system by which firms are directed and controlled and is a process influenced by the management committee members or management and other personnel assigned to provide reasonable assurance and achievement of objectives in effectiveness and efficiency in all operations, reliability of financial reporting and compliance with applicable laws and regulations (Frank & Sundgren, 2012). It is acting through different types of interactions and the extent to which the actors adhere to collective decisions, and a governance system, encompasses such values as participation, transparency, accountability, decency, sustainability or fairness. Thus, it inherently incorporates the systems principles of inter and trans disciplinarily. Beyond measures of process, effective governance yields positive outcomes and indeed, good governance provides a favourable context for sustainable development (Olveira, *et al.,* 2015).

Good governance stems from clearly defined roles and responsibilities of the management committee members, sub committees and senior managers. It also inaugurates codes of conduct from which directors and staff at every level signs and completes their task. In order to attain coordinate, strike a complex balance, motivate mechanisms in any governance of market structure, have hierarchy and network, directors need to balance the organisation's short, medium, and long-term interests. Governance is not only about doing but also ensuring things are done in regard to best practices. By inference, deployment of an efficient system ensuring things are done is implied as governance. It includes specific mechanisms with a component as an effecticve policy to be implemented within a framework of time, which is a certainity for a stable business enveirnoment (Grzeszczak, 2015). International Financial Reporting Standards (IFRS) have been applied as a proxy for high quality accounting standards guideline for financial management and analysis. Efficient deployment of appropriate modern Financial Management Systems are construed to represent sound financial management and good governance which include effective financial management systems and structures, budget preparation and execution, auditing and monitoring systems in order to avoid wasteful spending and corrupt practices. The governance assessment frameworks include budget planning, execution, internal control and monitoring thereby inferring the level of governance practised by an institution based on predefined systems. The requirements of governance and compliance with International Financial Reporting Standards (IFRS) are meant to enhance transparency and accountability, strengthen financial systems and manage financial crises.

In order to enhance transparency, priority is given to compliance and enforcement of high quality accounting standards to enhance the relevance, reliability, comparability and understand ability of financial reports (Outa, 2014). Financial Management Systems such as financial reporting, accounting records, documentation, internal and budget control must meet the criteria of governance. While there is, evidence to support the assertion that governance can positively affect an organisation's performance, good governance as prescribed by the codes of best practices are influenced by organisation demography with key aspects as size, age and managerial tenure distribution have a significant bearing on capacity of both human and governance within an organisation (Waelchli & Loderer, 2011). At all levels of governance whereas, functional Human Resource Management (FHRM) practices lead to superior and crucial role on general performance, strategic Human Resource Management (SHRM) enhances innovation, task accomplishment and performance. Indeed, both functional and strategic Human Resource Management practices influence Organisation performance (Byremo,2015). Agricultural Sector in Kenya are formal organisations deliberately planned, formed and concerned with co-ordination of activities. They are hierarchically structured with stated objectives, principles, specified tasks, defined authority and responsibility. They must practice good governance to enhance efficient management,utilization and increasing employees' abilities to achieve both individual and Organisation development. Good governance is that which rewards on performance, competences, enhances innovation, creativity and elasticity to improve competitiveness. It is that which applies new approaches to redesign job processes, achieves technological integration, plans and improves careers in order to get mobility within organisations by empowering employees and improving their relations.

Good governance signifies a participative manner of governing that functions in a responsible, accountable and transparent manner based on the principles of efficiency, legitimacy and consensus for the purpose of promoting the rights of individual citizens and the public interest (Mollah, 2014). Internal governance derives its' quality from favourable policies designed and implemented to drive and improve the cooperative sub sector whose growth is for the performance of the overall economy. The legal environment and appropriate government policies are important because they strongly influence the establishment and development of farmer cooperatives. The implementation of such specific laws standardizes and speeds up establishment of farmer cooperatives. Policy identifies the problems to be addressed, stipulates the objectives to be pursued and structures of the implementation process in a way that increases the chances of good performance. Policy is the outcome of a series of decisions on what constitutes a problem, what the possible solutions are, and how to implement the preferred solutions. In its most complete form, policy requires issue definition and the identification of the issue context, options or solutions, assessment of options, selection of the most suitable option(s), monitoring and assessment of implementation, learning for future policy making endeavours, and attaining increased efficiency, effectiveness and legitimacy (Garnevska, Liu, & Shadboltc, 2011). The International Cooperatives Alliance(2012) indicate that a cooperative business model applies to any business activity where one billion individuals are members and has generated over 100 million jobs worldwide, Cooperatives in Kenya, are organized by economic sectors and classified into both Coffee and non-Coffee. It also indicate that in Kenya, 1 out of every 5 or 5.9 million people is a member of a co-operative and that 20 million Kenyans directly or indirectly derive their livelihoods from the Co-operatives.

The cooperatives contribute about 45 percent of the Gross Domestic Product (GDP), 31 percent of National Savings and Deposits (NSD), controls 70 percent of the coffee market (CM) and employs more than 300,000 people. They are considered as economic and social organisations which play a significant role in rural development and poverty reduction. They however face critical challenges as inadequate acquisition and maintenance of sufficient equity capital to finance growth and provision of working capital (Aref, 2011). Coffee production often experiences a boom, especially in the crop, besides, the volatile prices of farm inputs and outputs, risk to producers resulting to the Agricultural Sector in Kenya and agribusinesses to add assets to the service needs of production (Kenkel & Park, 2011). Financial Management System is therefore a crucial factor for cooperatives to succeed or fail where indicators used to measure economic, business outcomes and success include; sound financial management, increased income, marketing capability, business planning and management (Garnevska, Liu, & Shadboltc, 2011). The Agricultural Sector in Kenya' vision of food secure and prosperous nation is not only appropriate, but also in tandem with vision 2030 of a globally competitive and prosperous nation in addition to ensuring food security and nutrition. The sector is expected to generate income and employment especially in the rural areas through an innovative and commercially oriented modern agriculture, ensure that farmers, producers, processors and marketers of Coffee produce employ contemporary methods and technologies (Republic of Kenya [ROK] 2013). The eentrepreneur co-operatives being the options that farm entrepreneurs have for survival in a concentrated and integrated global agriculture, must maintain high levels of income to enable small-scale farmers sustain rural livelihoods. The cooperatives must encourage democratic decision-making processes, leadership development and education practices, in order for the directors to gain the skills of running businesses.

The cooperatives' agribusinesses can increase crop yields while bolstering food quality and stability of international trade (Daschle & Glickman, 2015). A strong cooperative is able to overcome difficulties by offering variety of services which range from access to natural resources, information, communication, input and output markets, technologies collective purchasing, warehouses receipt systems innovation and adaptation to changing markets (Food and Agricultural Organisation, 2012). The producer owned firms has given not much attention to entrepreneurship being considered important for economic development. The Agricultural Sector in Kenya generally known for their collective entrepreneurship because of their multiple producers who jointly own the firm, have not embraced it. The collective entrepreneurship which dates back to Emelianoff (1942), involves an income-generating organisation governed by a plurality of stockholders, assigned with voting rights and distribution of residual income in proportion to their stockholdings. The primary aim of all cooperatives is to improve economic, social and cultural position of the members. They aspire to maximize benefits, achieve higher prices, sell large volumes, offer better services and minimize production costs. The cooperatives therefore can utilize resources more efficiently through collective entrepreneurship as a powerful tool for increasing intra-firm efficiency and reducing collective decision-making and agency costs (Panagiota & Nastis, 2011). In developing countries, responses to competitive forces include the growing trend of members leaving their cooperative to join out growers. In Africa, the Coffee co-operatives practice Agricultural input supply and output marketing. They implement the main task of organizing joint sales of farmers' produce, coordinating exchange of goods and services between farmers and purchasers.

As intermediary firms, they seek suppliers, find and encourage purchasers, organize transactions, keep records, hold inventories and supply liquidity. This requires professionally trained managers and other technically competent personnel recruited and provided with relevant cooperative training. The managers must acquire an appropriate competence in order to manage the businesses effectively (Shepherd & Haynie 2010). Agricultural Sector in Kenya, as member-owned and controlled agribusiness enterprises play an important role in upgrading socio-economic status of members, however, majority of them face severe financial problems, undermining their existence. In order to surpass the situation, the members often enhance their business dimension through collective entrepreneurship as a competitive form associated with transformation of traditional cooperatives into new generation ones to ensure development of members. Collective entrepreneurship empowers members' profits, local and regional development by adopting basic mechanisms like, strategic alliances focusing on common marketing plans, accessing technological innovations and resources (Panagiota & Nastis, 2011).

Individual entrepreneurship does not add up to collective entrepreneurship, but can influence the behaviour and attitudes of subordinates to create collective entrepreneurship. It directs the attention of the entrepreneur to focus on the work team, bearing in mind the fundamental aspects of creativity and innovation. The capability and creativity of an entrepreneur may be limited, but working together as members of an organisation contributes to innovation and so collective entrepreneurship emerges from collaboration of individuals without coercion or contracts. Collective entrepreneurship focuses on ownership structure and explores inter Organisation gains that can be achieved through strong cooperation and Organisation hybrids (networks, alliances and franchise agreements) in markets. It boosts innovation, commercialization, growth, and empowers members to integrate economic, social cultural and political goals (Franco & Haase, 2013).

In a global continuum they include non-profit organisations, cooperatives, voluntary organisations, public interest groups and social movements geared towards serving the members' interests and needs. It is the process by which investors, customers or suppliers, plan, finance, and establishes a business aimed at winning profits by promoting a value chain through production and marketing. It is also referred to as a set of actors with different individual capabilities with a focus on entrepreneurial teams whose skills, intelligence and experiences are integrated, with a strong collective capacity to create and innovate (Soriano & Urbano, 2010).

In Kenya, collective entrepreneurship is predominant in Agricultural Sector in Kenya where small producers work together to lower transaction costs, establish, monitor contracts and practice quality control of products through collection, sorting and grading (Diaz-Foncea, & Marcuello, 2013). They acquire and maintain adequate equity capital to finance growth, provide working capital, add assets to service, engage in production, maintain a strong balance sheet and improve profitability (Kenkel & Park, 2011), however, they face a myriad of challenges ranging from insufficient equity capital (internal sources) to debt (borrowing funds) because, commercial banks are uncomfortable with the co-operative business model (Zhao, 2011).

The collective entrepreneurship in Kenya involves community level entrepreneurial models which are appropriate for changing the community livelihoods through investments and mobilization of resources to access market. Although most Coffee co-operatives utilise the constitutional frameworks and by-laws, over 90 percent of the committee members claim that they understand the co-operative movement, whereas, a similar percentage do not understand the role of governance. The common perception among members is that they just take advantage to convene meetings primarily to claim attendance allowance but lack adequate skills and experience. Only about 10 percent have received trainings on governance and 12 percent have inadequate ability to make effective, timely decisions on retaining funds and managing and streamlining business operations (Kenkel & Park, 2011).

1.1.1 The Concept of Governance

Governance broadly concerns the agreed actions and means adopted to promote and deliver collective action and solutions in pursuit of common goals. It is formed at different levels of social organisations; where people seek to organize themselves achieve a common goal through agreed rules and procedures at different levels of decision-making and action. It is critical for sustaining human development where the state creates a conducive, political and legal environment and the private sector generates jobs and income, and civil society facilitates social interaction, mobilise groups to participate in economic, social and political activities (Hirst, 2013).

The appropriate criteria for assessing good governance should extend beyond measures of administrative, technical and economic competence. Governance simply means the manner in which power is exercised in the management of economic and social resources for development. Good governance signifies a participative manner of governing that functions in a responsible, accountable and transparent manner based on the principles of efficiency, legitimacy and consensus for the purpose of promoting the rights of individuals and the public interest. The core elements of good governance are accountability, transparency and rule of law. The eight criteria framework of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) is one example of broad-based principles that adequately capture the current terrain of good governance as shown in figure 2.1.

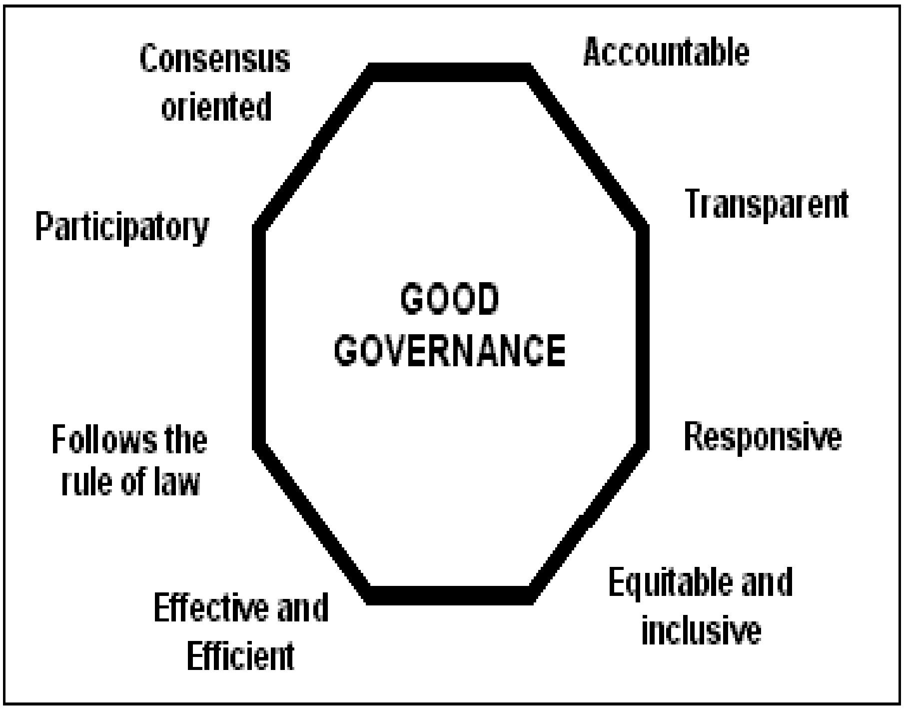

Figure 1.1: Terrain of Good Governance(UNESCAP, 2012; Hirst, 2013)

The (UN Economic and Social Commission for Asia and the Pacific [ESCAP], 2012; Hirst, 2013) identified eight complementary goals as criteria for assessing good governance, thus, accountability a requirement that officials answer to stakeholders on the disposal of their powers and duties, act on criticisms, requirements and accept responsibility for failure, incompetence or deceit. Transparency is sharing of information and acting in an open manner. By responsiveness, institutions and processes serve all stakeholders within a reasonable timeframe. Being effective and efficient means the capacity to realise organisation or individual objectives to make optimal use of available resources. Effectiveness requires competence, sensitivity and responsiveness to human concerns, formulation of goals, developing and implementing strategies. The rule of law is an equal protection and punishment under the law and is an essential precondition for accountability and predictability. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment. The participation by both men and women is a key cornerstone of good governance and could be either direct or through legitimate intermediate institutions or representatives.

It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making (Hirst, 2013). Equitable and inclusivity means that a society's well-being depends on ensuring that all members have a recognised stake and are not excluded from the mainstream. Participatory is where members have an adequate and equal opportunity to express their preferences about the outcome during decision-making, consensus and reach the best interest. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their wellbeing. The management committee members need to improve efficiency in responding to the members' needs, provide technical support in marketing and supply, enhance economic returns through value-addition, offer market information, demonstrate managerial efficiency and adopt open attitudes towards joint ventures and collaborations.

The leadership must be responsive to the needs and aspirations of the farmers, however, majority of the staff and management committee members' members lack managerial skills, inadequate training support making many business opportunities missed (Prakash, 2014). The high-level efficient internal management, transparency, democracy and excellent communication between members and management are important for the development of entrepreneur Agricultural Sector in Kenya. Management is a crucial factor to success or failure with indicators as sound finance, increased income, marketing capability, business planning and management and members' participation is a distinctive characteristic of this form of organisation. They participate either directly or indirectly as they guarantee its purpose or attend Annual General Meetings (AGM) (Didiera, Henninger & Akremihe, 2012). Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement.

The management committee members feel confident as they are provided with development opportunities, employees develop businesses, services hence personnel turnover is less. They simplify procedures, void bureaucratic wrangles, and develop strategies to respond to the needs and demands of co-operative members. The key governance challenge is identifying and recruiting directors with the essential mix of skills. They need to improve efficiency in responding to the members' needs, provide technical support in marketing and supply, enhance economic returns through value-addition, offer market information, demonstrate managerial efficiency and adopt open attitudes towards joint ventures and collaborations. The leadership must be responsive to the needs and aspirations of the farmers but, majority of the staff and board members lack managerial skills, inadequate training support making many business opportunities missed (Prakash, 2014). The management methods employed to operate a business through the organs of governance within the surrounding environment ensures efficiency and transparency for quality products and services for customer satisfaction level (Kenkel & Park, 2011) as shown in figure 2.2.

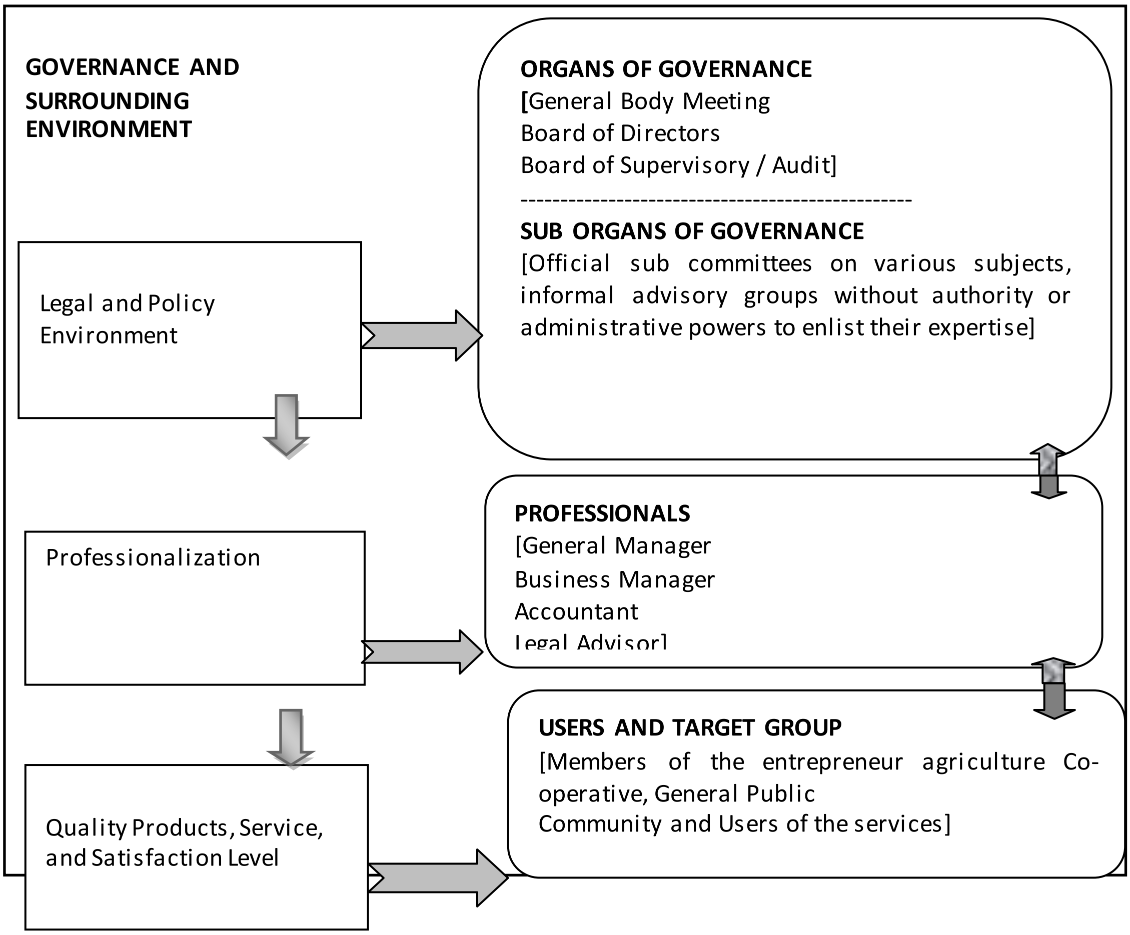

Figure 1.2: Organs of governance in a surrounding environment

Source**:** Adopted from (Prakash, 2014)

Once an institution is placed in the hands of professionals, its expansion in other functions is not only possible but also faster. Due to a high level of professionalization, members and users get better, value added services and their loyalty stays intact. When the professional employees and users are happy, the management committee member feels confident to take up additional activities with greater vigour (Prakash, 2014). Governance is how one gets to act, through the type of interactions and extent to which actors adhering to collective decisions. The governance structures organize negotiation processes, determine objectives, influence motivations, set standards, perform allocation functions, monitor compliance, impose penalties, reduce conflict, and resolve disputes among actors. In accordance with governance has attracted much attention in the past decade and increased coverage has turned transparency, managerial accountability, governance failures and weak management committee members, hostile takeovers, protection of minority shareholder and investor activism into household phrases. Severe and constant agency problems impair performance in both companies with strong managers and shareholders (Dakhelalla, 2014).

1.1.2 The Concept of Collective Entrepreneurship

The concept of collective entrepreneurship was in large part developed by Johannisson (1998) in Spear and Roger (2012) and Dufays and Huybrechts (2014) who cited that it is building on a tradition of acknowledging a collective aspect to the emergence of social enterprises and it is meant that the entrepreneur' often consists of a coalition of individuals or actors rather than just a single individual. Collective entrepreneurship includes among others the setting up of cooperatives. It demonstrates what insights gained when entrepreneurship is generically collective. The concept collective is well above individuals and refers to a joint effort of an association of individuals with an aim to further a common interest or secure a goal. It is an idea of every individual's recognition of new opportunities and thereafter entrepreneurship becomes collective when opportunities are acted upon because new venture creation requires joint collective action. Collective entrepreneurship occurs when an individual takes some element out of strict privacy and makes an intentional choice to focus others' attention on it. The concept is most evident, as organizing new ventures demand a collective effort, for instance, coordinated efforts from individuals to create new markets. It is the collective confidence with which the entrepreneur tests and conceptualizes business ideas and involves the study of opportunities, processes, and exploitation of opportunities and characteristics of individuals to discover, evaluate, and introduce new ideas in the market (Soriano & Urbano, 2010). The common example of collective entrepreneurship is the cooperative form of organisation and most of this type of organisation arises in the Agricultural sector, where cooperatives have more than a century of importance; the question is whether entrepreneurial activity (innovation, new products, and new market) occurs at the level of the collective as an organisation strategy or at the level of the individual member-farmer. Study by Burress and Cook (2012), indicate that Collective entrepreneurship suggests that emerging entrepreneurs utilize networks to access human and financial capital, as well as to transfer legitimacy to their ventures and that it empowers members' profit and development through strategic alliances focusing on marketing, technical innovations and resources. The actors who jointly seize an opportunity referred to as collective entrepreneurs (Iliopoulos, 2013).

Study by Peredo and Wurzelmann(2015) identified advantages of collective entrepreneurship over individual entrepreneurship as the ability to lend diverse sets of skill, extending Organisation and personal networks and increased legitimacy with disadvantages as additional effort and time required to develop strategies, different ideologies and policy change. Collective entrepreneurship involves an income generating organisation governed by a plurality of shareholders assigned voting rights and distribution of residual income in proportion to shareholding to generate income). Collective entrepreneurship can assume a dual meaning in the cooperative literature thus entrepreneurial action among multiple patrons and multiple organisations described as cooperation among cooperatives (Cook & Plunkett, 2012).

1.1.3 The Concept of Cooperatives

A cooperative enterprise is that which belongs to the people who use its services, own it and control is with the members. The gains are distributed to the members in proportion to the use of its services. It is a legal entity that accomplishes an economic objective through a joint participation of its members. The investment and operational risks, benefits gained, or losses incurred are shared equitably by its members. It is democratically controlled by members based on their status as users but not investors. It is formed and organized for marketing, processing and value addition (Hussain, 2014). It is an enterprise characterized as user owned because the users of the services own it meaning the users are the main providers of the equity capital, user controlled because the users of the services decide on the strategies and policies. The user benefits because all is distributed to the users based on their use; thus, individual benefit is in proportion to individual use (Gijselinckx & Bussels, 2012).

1.2 Statement of the problem

A strong equity base is an important factor indicating the cooperative is financially strong and the members have power to control the operations, unfortunately, members in the Agricultural Sector in Kenya have often faced difficulties in making investments for adequate equity base. Despite the significant contributions of the cooperatives which dominate the Agricultural Sector in Kenya, they face survival challenges due to governance problems leading to questioning the management committee members' governance quality and collective entrepreneurship. Majority have inadequate ability to lead and monitor business operations thus failing to recognize wrong developments, mismanagement and heavy losses in time. The cooperatives suffer from equity shortage, undesirable financial performance, no earnings hence no growth and constrained with small production quantity, poor quality of produce, limited access to input supplies, capital, market information and farm management skills and seldom move from subsistence to a more profitable value chains (Meier zu Selhausen, 2015).

The Agricultural Sector in Kenya being member-owned and controlled agribusiness enterprises play an important role in upgrading socio-economic status of members; however, they experience a myriad of hitches including mismanagement, financial scandals and inadequate innovation raising questions about the quality of governance where the concern is legitimacy of management committee members, scanty expertise and effectiveness of managers. The Agricultural Sector in Kenya are the practical example of collective entrepreneurship but pay little attention to entrepreneurship and seldom enhance business dimensions for competitiveness. Their performances continue to decline due to poor governance, weak capability building and financial systems. The management committee members either encouraged short-term thinking, risk averse or saw it happening but ignored the consequences. The share capital for coffee co-operatives decreased, by 35 percent in 2012 and 12 percent in 2013 and the market share dropped by 8.2 percent in 2013 from 10.5 percent in 2012. The overall share declined by 20.2 percent in 2013 and 22 percent in 2012. The value of marketed coffee contracted by 13.5 percent and the gross price per 100 kg paid to farmers decreased by 47 percent in 2012 (ROK, 2013). The dairy sub sector in the agriculture contributed between 14 to 15% of Agriculture Gross Domestic Product (GDP) and between 3.5 – 4% of the total GDP. A total of 10% of the total production is processed where the capacity utilization of processors is 50% of the total production.

The Agricultural Sector in Kenya increasingly imitates governance structures, eventually, leading to lower entrepreneurship. The concern is ineffectiveness, legitimacy of management committee members and inadequate expertise of senior managers to effectively supervise and ensure vertical growth (Maghsoudi, Hekmat & Davodi, 2012), resulting into a decrease in membership, capital, participation, availability of products and services.

As the performance of coffee sub sector deteriorate the cooperatives decline, and whereas the dairy sub sector increased its improvement on the variety of products from the raw milk, coffee remained without innovative products. As governance weakened, the Agricultural Sector in Kenya became susceptible to bankruptcy and eventually collapsed. The investors ceased to invest as the governing management committee members lacked business expertise needed for management strategy (Kenkel & Park, 2011). Research studies have been conducted to understand governance, however, gaps relating to the outcomes and outputs still existed. Currently there is inadequate local studies on the effect of governance on collective entrepreneurship in the agriculture sector dominated by the cooperatives. Gunga(2012) concentrated on the cooperative potential for enhancement of

Information Communication Technology (ICT) livelihoods and indicated that the cooperatives have become a success story mainly in the areas of disbursement of loans. Onchangwa and Memba (2012) focused on whether Savings and Credit Cooperative Organisations (SACCOs) have any effect on members' investment culture in Kenya. Gicheru (2012) studied engaging cooperatives in addressing local, global challenges and their role in generating sustainable livelihoods. Against the background, this study aims to fill this existing knowledge gap, by evaluating the effect of governance in the growth of collective entrepreneurship in the Agricultural Sector in Kenya.

1.3 General Objective

The general objective of this study was to investigate the effect of governance on the growth of collective entrepreneurship in the Agricultural Sector in Kenya

1.3.1 Specific Objectives

The study was guided by the following specific objectives;

1. To establish the influence of financial management systems on the growth of collective entrepreneurship in the Coffee Sector in Kenya
2. To determine the influence of Organisation demography on the growth of collective entrepreneurship in the Coffee Sector in Kenya
3. To find out how Human Resource Management influences the growth of collective entrepreneurship in the Coffee Sector in Kenya
4. To determine how policy moderates the growth of collective entrepreneurship in the Coffee Sector in Kenya.

1.4 Research Hypotheses

The study employed null hypotheses as follows:-

$H_{0:}$ Financial Management Systems do not influence the growth of collective entrepreneurship in the Coffee Sector in Kenya

$H_{0:}$ Organisation demography does not influence the growth of collective entrepreneurship in the agriculture in Kenya;

$H_{0:}$ Human Resource Management does not influence the growth of collective entrepreneurship in the Coffee Sector in Kenya

$H_{0:}$ Policy does not moderate the growth of collective entrepreneurship in the Coffee Sector in Kenya

1.5 Justification of the study

Cooperative business model is one of the options that farm entrepreneurs have for survival in a concentrated and integrated global agriculture. They enable members to enhance their status as entrepreneurs through vertical collective action. They must provide services that are either limited in the market or not available both in quantity and quality. This calls for a significant revitalization to perform functions such as value addition and marketing for vertical growth. The management need to embrace good governance and management practices with innovative strategies and diversify products and services. It is essential to develop reputable internal governance systems not only to survive the existing economic problems, but also compete in global economy (Barton, Boland, Chaddad, & Eversull, 2011).

Coffee Sector in Kenya, as member-owned and controlled agribusiness enterprises play an important role in upgrading the socio-economic status of their members; however, they face problems of financial management, sustainability strategies and poor governance undermining their existence. Organisation demography basically age of the firm, size and tenure distribution affects their characteristics. Scarce resources available do not significantly influence the activities of the organisation due to their sizes. The age of the organisations also continue to affect internal governance and performance. They seldom identify, plan and satisfy requirements for the human resource requirements and rarely forecast, recruit, retain, and optimize the deployment of the personnel needed to meet business requirements, objectives and to respond to competition. They have not adequately embraced collective entrepreneurship which is associated with transformation, new markets and development of members (Maertens, 2014). It was important to examine the influence of governance and its effects on the, composition, roles and relationships of management committee members and cooperatives.

The Coffee Sector in Kenya were chosen because of their rural influence where farmers concentrate on restructuring, ready to pool resources and increase negotiating power in the market and unique professional development systems albeit low levels of collective entrepreneurship. The poor governance has been with the coffee cooperative enterprises within the Agricultural Sector in Kenya. The findings and recommendations will provide investors and all stakeholders with complementary information about the entity and inform the Policy makers to develop innovations that can overcome barriers and enable innovative collective entrepreneurship, in relation to economy, to help in building the capacities of the leaders governance systems and farmers can increase their production capacity and market share. The recommendations will widen the knowledge of all stakeholders and enhance economic growth and the results will possibly be used, as a point of reference.

1.6 Scope of the study

The study covered Coffee Co-operatives registered under the Co-operative Society's Act Chapter 490 of the Laws of Kenya and was conducted in all coffee growing counties in Kenya, have been in the business for 20 years and above and employ between 10 and 99 employees. This was appropriate because problems associated with governance in Coffee Sector in Kenya are due to internal pressure arising from varied interests of members and management committee members as the cooperatives mature and expand into new areas of activity. The study investigated the effects of key determinants of governance being financial management systems, Organisation demography and Human Resource Management and policy among many dimensions of governance on the success of the Coffee Sector in Kenya being the key aspects of internal governance allocated to the management.

1.7 Limitations of the study

Generalizability of the findings was, reduced only to a sub sector in the larger Agricultural Sector in Kenya. Since the study only drew inferential conclusions from a sample data about a larger group, the findings may not have covered the global aspects of governance as they affect various categories of businesses. The size of the sample and the data collection method were also limitations in the study. It was not feasible to study all the determinants of governance that affect the growth of collective entrepreneurship in Coffee Sector in Kenya but concentrated on the basic ones that are significant economic development and contribute to sustained vertical growth processes, turnover, employment, increased productivity and access to financial services. The Coffee Sector in Kenya were chosen because they are capable of expanding market access by creating and capturing value in the chain. The generalizability of this research finding to other sectors was limited because of the specific characteristics of each sector, sources of information range in quality. The information presented may arouse curiosity because the study may not count on the information to be accurate and may lack the detail beyond the conclusions offered. The study may have also omitted any important details, alternative interpretations or other evidences for or against the conclusions presented. Some of the respondents may have had difficulty in understanding and comprehending the questionnaire.

The authors of secondary source may have described or interpreted the research results incorrectly or viewed the data from a single theoretical perspective, there might have been also some relevant factors which influence the growth of collective entrepreneurship and were not covered, but the findings formed a framework upon which further related studies may be conducted.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is organised in different parts where the first presented theoretical reviews and the second discussed the concept models on governance, collective entrepreneurship and cooperatives respectively. The third element elucidated a conceptual framework of this study depicting the effect of governance influencing the growth of collective entrepreneurship in the Agricultural Sector in Kenya. The fourth section expounded the empirical reviews of past studies conducted by other scholars on governance and collective entrepreneurship. The fifth component was the critique of the existing literature, summary and the identified research gaps in the study area.

2.2 Theoretical Framework

Before deriving the empirical and analytical discussions it was important to situate the argument within a theoretical context. The study presented different theories that deal with governance and collective entrepreneurship and offered a global perspective from classical to current theories. This included theories such as agency, resource dependency, stakeholder, collective entrepreneurship and Gibrat's theory.

2.2.1 Agency Theory

Financial Management Systems

Agency theory studies the problems and solutions linked to delegation of tasks from principals to agents. The theory addresses problems and examines conditions under which various kinds of incentive instruments and monitoring arrangements can be deployed to minimize loss (Ballwieser, *et al,* 2012). A key tenet of economics is that an individual may not engage in a particular task but to delegate to another specialized person. The set-up of the theory is that the principal delegates a physical or mental task to an agent. The principal (owner) has the ability to accumulate capital (wealth, resources) and the agents (management) have ideas to effectively use capital and get things done by allocating resources from the principals to the most effective use. They act as both intermediary and representatives of principals to ensure that capital is directed to the right purpose, voice of the principals' ideas, articulate the use of capital and make an accounting to the principals. Their core responsibilities comprise governance, setting strategic direction of the organisation and accomplishing the principals' direction. They shepherd resources, allocate duties, roles and responsibilities, monitor activities and are accountable for success. they account to the principals on the results of using their capital resources through measures of governance such as financial management system with a classification of financial reporting, accounting records and source documentation, internal control, budget control(Niamh, 2016).

The theory states that the principals on the other hand select the management committee members to ensure effective governance system, delegates the running of business to the agents and the relationship is predominantly applied to explain the contractual relationship between the directors and the principals (Panda,2016). Based on these arguments the study sought to establish influence of financial management systems on the growth of collective entrepreneurship on Agricultural Sector in Kenya, which must adopt International Financial Reporting Standards (IFRS) necessary for all firms (Alves, 2011).

2.2.2 Resource Dependence Theory

Organisation Demography and Human Resource Management

Stephan Nuesch (2010) classified demographic attributes into three categories thus attributes that describe immutable characteristics such as age, gender, and ethnicity; attributes that describe individuals' relationship with organisations, such as Organisation tenure and functional area; and attributes that identify individuals' positions within society, such as marital status. Since aspects like gender or ethnicity are irrelevant in the specific context, this study defines demography as age, size and tenure distribution. The standpoint of the theory is that the management committee members' is a way of reducing uncertainty by creating influential links between organisations and directorates. The main functions of the management committee members' are to maintain good relations with external stakeholders, ensure flow of resources into and from the organisation and respond to external change. They are elected for their external links, knowledge and seek external cooperation.

The theory states that whenever an organisation appoints an individual to a management committee members', the appointee is expected to support the organisation, solve its problems, create performance and add capital. This allows thinking at different stages where the young entrepreneurial firm, can look to its non-executive directors as a source of skills and expertise (Roberts, 2012). The theory further states that as organisations age, they experience changes in their internal routines, structures and relations with the external environment and may increase or reduce chances of failure explaining how and why Organisation mortality rates depend on their ages. Mortality rates decrease with Organisation age thus negative age dependence and may increase with age thus positive age dependence. The implication is that age dependence allows mortality rates to increase shortly during the first few months or years of operation and then decrease with subsequent Organisation age, yielding a negative pattern. The Organisation mortality depends on initial resource endowments depleted and may disappear as an organisation ages as misalignment is likely to increase with age, mortality rates are also thought to increase with Organisation age. In addition as a population (size) evolves and organisation density increases, the force of legitimating increases at a decreasing rate, whereas the force of competition increases at an increasing rate (Koufopoulos & Gkliatis, 2014). The theory is based on the assumption that the desired outcome of managerial effort within the firm is a Sustained Competitive Advantage (SCA) that allows the firm to earn above average returns. The performance of a firm not only depends on the industry structure within which a firm finds itself at a particular point in time but also on the path a firm followed through history to arrive where it is, thus path dependent.

The theory states that firm size influences governance quality, larger firms on one-hand face greater agency costs due to greater free cash flow, leading to voluntary adoption of better corporate governance practices. The theory states that managerial tenure distribution or Length of Service (LOS) affects a wide variety of Organisation outcomes, employee turnover, Organisation innovation, internal control structures and power distribution, inter Organisation relations and firm performance. As far as this theory is concerned this study sought to determine the influence of Organisation Demography and Human Resource Management on the growth of collective entrepreneurship on Coffee Sector in Kenya.

2.2.3 Stakeholder Theory

Human Resource Management

Stakeholder theory originally developed by Freeman in the 1980s is a set of influential ideas about governance and performance. The theory states that an organisation should be managed in the interests of all its stakeholders, employees, suppliers, customers and management committee members. It suggests a practical value of accountability to shareholders and a balanced scorecard that provides the managers with a way to explore customers' needs and sustainable competitive success (Wu & Wokutch,2015). The theory outlines that the focus should be maintaining and expanding customer base while maintaining and maximizing profit regardless of the size of the business, products or services.

The bottom line of an organisation is to focus on human resource management dimensions namely functional practices, more related with the daily operations with its activities as market performance, profitability and competitiveness in the marketplace and strategic practices which is linked to the progress or performance of the organisation with the activities as innovation performance, turnover and task accomplishment, in addition to quality, customer service, productivity, employee involvement, teamwork and input and output systems in the surrounding environment (Khawanja & Azhar, 2014), where input is the human competencies and output the performance of an organisation (Roberts, 2012). Study by Cox(2014) stated that the main responsibilities of human resource management are to ensure that employees have the skills required to execute a strategy and individuals with the required skills support the strategy and the stakeholder theory of governance explains how organisation can prioritise and manage relations with identified stakeholders.

2.2.4 Growth of Collective Entrepreneurship Theory

Collective Entrepreneurship Theory, Classical Theory of Entrepreneurship and Gibrat's theory on the Growth of Entrepreneurship

Collective entrepreneurship is geared towards serving the association of workers and the community's interests. Practical examples of collective entrepreneurship in the social economy include; non-profit organisations, cooperatives, foundations, voluntary organisations, public interest groups and social movements. It occurs on a continuum from private entrepreneurship that satisfies the needs of the owners for collective entrepreneurship geared towards serving the association of workers and the community's interests (Panagiota & Nastis, 2011). The theory states that commercialization is the outcome of a simultaneous decision-making behaviour of farm households in production and marketing. It is recognized as the key strategy for promoting accelerated modernization, sustainable growth and development (Poole, Chitundu & Msoni, 2013). Business development has the primary task of identifying and creating growth opportunities, generation of knowledge about own industry and the market.

The classical scholars of entrepreneurship introduced an entrepreneur as an innovator that brings change, an alert arbitrageur that acts on opportunities in an uneven economic system, a decision maker in pure uncertainty and a coordinator where the basic underlying thought is that entrepreneurs create opportunities

(Hoglund, 2013).In classical theory, entrepreneurship takes account of flexibility in operations and control systems with an aim to promote innovation. The mechanisms refer to administrative behaviour, which constitutes entrepreneurial culture, reward system, strategy, and people, hence, elements of entrepreneurship, Organisation culture, Organisation structure, strategic orientation, and reward system (Pratono & Mahmood, 2014). Classical economists viewed entrepreneurs as wealth creators and that their capabilities arise from the ability to identify opportunities and make decisions in an existing set of circumstances as economic development and predicting opportunities are discovered in the entrepreneurial process (Katsikis & Kyrgidou, 2014). Growth of an enterprise is an annual average greater than twenty percent per annum, over a three-year period with ten or more employees at the beginning of the observation period. Growth which is measured by the number of employees and turnover plays a key role in addressing important policy issues such as reducing unemployment and creating jobs. The assumption underlying firm growth in the model characterizing Gibrat's Law is that growth is normally distributed and occurs randomly. It is the framework provided by the knowledge of entrepreneurship, which focuses on how new knowledge can influence the cognitive decision making process inherent in the entrepreneurial decision to start a firm (Audretsh, 2012).

Jovanovich (1982) as cited in (Dawson, De Meza, & Arabsheibani, 2014) acknowledged that entrepreneurs are unsure about their ability to manage a new-firm start-up and their prospects for success only to discover their true ability in terms of managerial competence as they base the firm on a viable market once their business is established. The assumption underlying Gibrat's Law is that firm's growth is a stochastic process and is randomly distributed across firms, and that it is independent of firm-specific characteristics such as firm size, age, research and development, innovation and finance. The classic study by Penrose (1959) as cited in (Blundel, 2016) stated that management is a team effort in which individuals deploy specialized, functional specific team skills to enable collective coordination of many activities in a coherent manner. The knowledge that underlies these specific skills is tacit, and only learned experientially or by direct instruction from existing managers. The theory states that for a firm to expand, it needs to recruit managers to manage the process, offer productive services and take up productive opportunities through distinctive use of resources such as technologies. The cooperatives should organize and sustain activities because of their capacity to mobilize, deploy, convert and exchange resources. They depend on the nature of interactions with key players such as customers, distributors, suppliers, funders and competitors. They learn to solve problems, acquire competences and build assets. Penrose's recognition of entrepreneurial skills, outlook, and emergence of firms is concerned with collective structures and processes where individuals are agents of change. The theory is linked to growth of collective entrepreneurship in this study.

2.3 Conceptual Framework

It is described as a set of broad ideas and principles taken from relevant fields of study and are used to structure a subsequent presentation. It has a potential usefulness as a tool to research and, therefore, assists in making meaningful subsequent findings. It is intended as a starting point for the reflection about the research and its context. It also assists in developing awareness, understanding of a situation under scrutiny and communication (Dilanthi, 2015). Kombo and Tromp (2014) defined a conceptual framework as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. In this study the conceptual framework depicted determinants of governance as variables that influence the growth of collective entrepreneurship in the Coffee Sector in Kenya. It described a set of broad ideas and principles taken from relevant fields of study and were used to structure an ensuing presentation. It had a potential usefulness as a tool to research and assisted in making meaningful subsequent findings. It supported developing awareness, understanding of a situation and used in communicating results. The independent variables were determinants of governance thus Financial Management Systems, Organisation Demography and Human Resource Management that influence the Growth of Collective Entrepreneurship in Coffee sector in Kenya being the dependent variable, the strength moderated by Policy. It served as a pointer that developed a common understanding on the issues included in the assessment and provided a basis for selecting different groups that contributed to specific issues, linkages, combination of a logical analysis and overall assessment. The study was based on a conceptual framework which depicted both the independent and dependent variables and showed the relationship between variables graphically and diagrammatically. It was a hypothesized model that identified the concepts under study and their relationships as shown in figure 2.1.

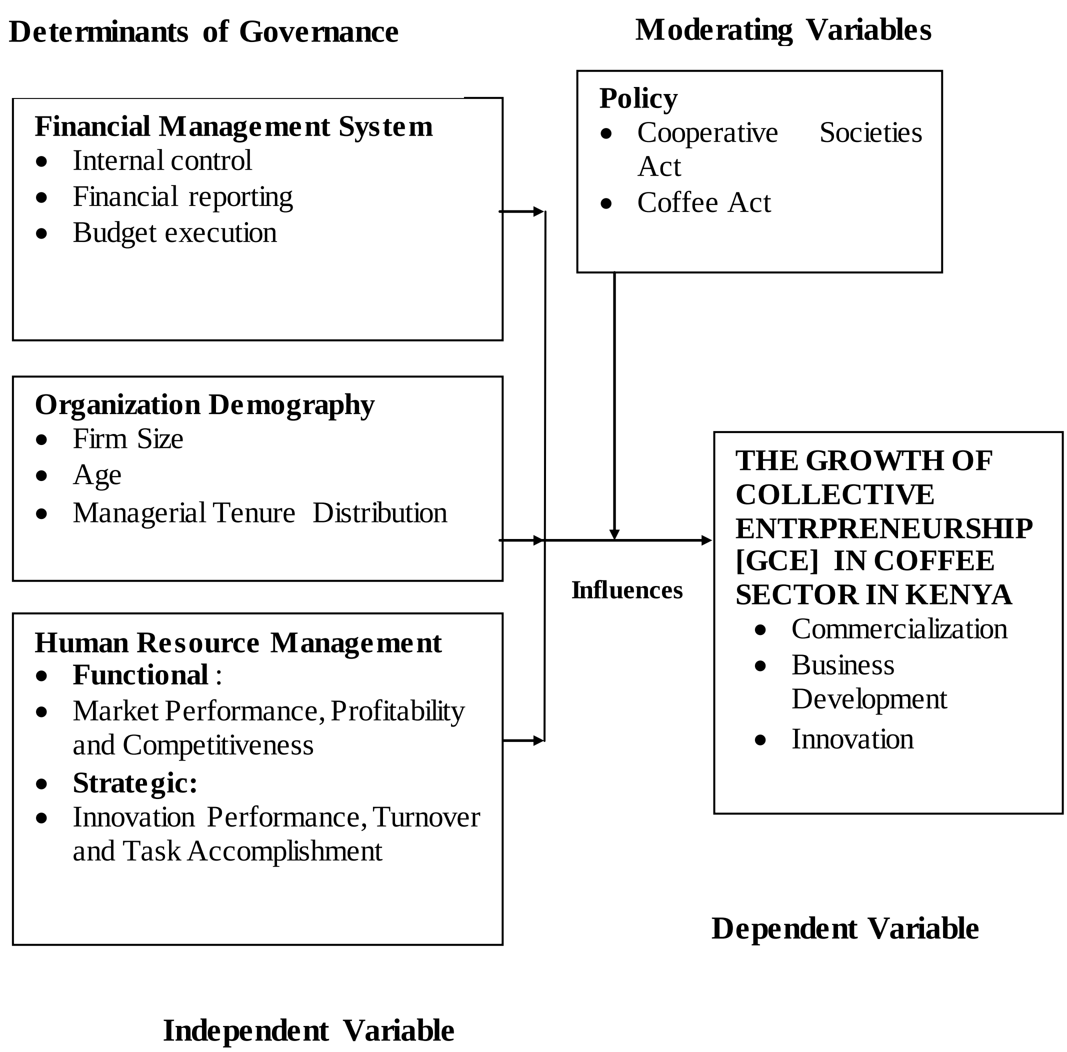

Figure 2.1: Conceptual Framework Adopted from (Navarro & Lario, 2011).

2.3.1 Financial Management Systems

Financial Management Systems ensure economic growth through competitive capital market system, promotion of high levels of savings, investment, employment, productivity and capital inflows thereby containing corruption, however, finance alone does not suggest that firms always maintain principles of honesty and fairness under unregulated environments (Valentzas & Broni, 2012). The cooperatives achieve economy of size; improve bargaining power when dealing with other business, purchasing in bulk to achieve lower prices and obtaining products and services otherwise unavailable. Cooperatives are seen as a medium through which services like provision of farm input, farm implements, farm mechanization, Coffee loans, Coffee extension, members' education, marketing of members' farm produce and other economic activities and services rendered to members (Innocent & adefila, 2014).

Governance through Financial Management Systems entails effective systems and structures that include internal control, accounting, auditing and monitoring and evaluation systems. In the absence of relevant information on such systems, users of the funds cannot be held to account, opening doors for wasteful spending and possible corrupt practices. Internal control quality is positively related to good governance and internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Suleiman & Dandago, 2014). Its effectiveness is positively, related to the efficiency of governance and that it is safe to infer that the strength of internal control with regard to project execution framework is positively related to overall good governance. The weak internal control systems create incentives for buyers to make side deals with vendors and or make side-payments to influence contracts. In a bid to ensure tight internal control systems and ultimate governance, provisions revolving around roles of management committee members, payments and financial accounting must relate to budget execution, the cooperatives must struggle to adopt management and accounting practices that reflect their ethics. They need to mainstream managerial practices that are often inadequate for management. The study found out that lack of education and training programs has several consequences such as long-term competitiveness (Zamagani, 2012). A measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions encompasses the four most common areas: budgeting, savings, borrowing, and investing (Eileen & Dahmen, 2014).

The primary duty of management committee is to oversee the firm's financial reporting process, including the integrity of financial statements, the effectiveness of internal controls and the monitoring of both internal and external auditors. It enhances the management committee members (principal)'s capacity to act as a monitor of management (agent) by providing more detailed knowledge and understanding of financial statements. Audit committee members lead to higher financial reporting quality and financial reporting quality increases with the presence of accounting experts in audit committee, which highlights the important role that expertise plays in management committee members' monitoring and governance. In addition, audit committee with accounting experts into several other components: those with accounting experts only; those with accounting and finance experts only; those with accounting and supervisory experts only; and those with all the three expertise. Financial reporting quality is only improved when the audit committee members also consist of members that possess other skill-set in terms of finance or supervisory expertise and this call for diversity of expertise in audit committee members (Kusnadi, 2015). The objective of financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. The framework identifies relevance, faithful representation, comparability, verifiability, timeliness as the characteristics that enhance the usefulness of financial information. It also includes aggregate measurements of financial statement elements, such as total assets, total liabilities, and net income and specifies that equity is the difference between assets and liabilities (Barth, 2013).

Study by Kofi(2014) indicate that financial statements are a means through which those in charge of the business entity report to stakeholders and information them about financial position, performance, cash flows, assets, liabilities, equity, income and expenditure. They are essential to the success of a small business and are used as a roadmap to steer the business in the right direction. They are considered complete if it includes balance sheet, income statement/profit and loss statement, cash flows, changes in owner's equity and accounting policies. The study further established that no business can succeed without knowing where its profits come from, what its expenses are and how much it is making. They are used by the owners and creditors to evaluate the business financial performance. Budget being a process of quantitatively expressing an organisation's strategy or the financial perspective of what an organisation seeks to achieve over a specific period is the heart of financial management function. They are financial plans, resulting from a preparation process and form the basis upon which subsequent performance is assessed (Horngren, Datar, & Foster, 2014). Study by Fiador (2013), showed that budgeting requires significant input from staff with clearly defined roles, duties, responsibilities, lines of supervision and limits of authority. The features in turn make the budget a performance monitoring tool for use by an organisation. Budget transparency contributes to success and is transparent when easily accessed by the participants involved in the decision making process. Budget execution is the phase where an organisation's resources are used to implement activities.

Study by (Ghazali & Abidin, 2014) indicated that efficient budget execution means implementation in line with the pre-set rules and authorization, changes or adaptations made by appropriate authority. This set up ensures that procurement and management of goods and services are efficient and prevents risk. The study established that successful budget execution includes written authorization, receipting of funds, timeliness and accuracy of financial reports and concluded that overall effective internal control systems in the budget execution process have strong links with governance. Gaist (2013), indicated that by budgeting and producing periodic financial reports, organisation constantly monitor revenue and costs to ensure sustainable operations, alignment of financial planning and budget to strategic intent of organisations with the key features like comprehensiveness, sources and uses of funds. A strong financial management system is critically important in achieving the strategic goals and objectives of firms and requires a series of realistic steps to accommodate role players and to manage relationships and is to improve outcomes in terms of linkage of policy priorities to budget planning, credible budget delivering predictable resources, improved internal controls to hold managers to account and integration of accountability and review processes for both financial and performance management (Abdullah & Valentine, 2015).

2.3.2 Organisation Demography

From an agency theory perspective, the management committee can be used as a monitoring device for shareholder interests to safeguard their investments. Organisation size indicates the number of members and employees and this reflects on the resources available which influence the amount of economic activity that a firm can engage in. The larger firms engage in larger volumes of activities that are diverse ,different products, markets and using financial marketing techniques agency theory supports that the firm needs directors to monitor and control the resources, and the resource dependency theory suggests need for environmental linkages (Koufopoulos & Gkliatis, 2014). Study by Owasu(2016) indicated that firm size influences governance quality, larger firms on one-hand face greater agency costs due to greater free cash flow, leading to voluntary adoption of better corporate governance practices in order to mitigate the problem. On the other hand, smaller firms expect to grow faster but need more external financing to drive better governance practices although corroborating evidence is that ownership concentration drives firms to adopt better corporate governance practices. Duke II, Kankpang, and Okonkwo (2012) in their analysis of governance in Coffee Sector in Kenya established that management committee members' size, dual status of a chief executive officer (CEO), internal audit or directors of the management committee members' have positive association with organisation efficiency of firms. By using output per staff, cost per service provided and cost per client served as proxies for measurement, the study established a positive relationship between code of governance and organisation efficiency in firms and the size of the management committee members found to have an impact on organisation efficiency of firms. The structure, size and composition of the management committee members' determine and affect organisations by creating necessary conditions for business approaches.

The management committee members' protects and promote the interest of shareholders and are internal central unit that builds entrepreneurial organisations. In addition the size of the management committee members' influences Organisation entrepreneurial activities and it affects their ability to process entrepreneurial information. The smaller sizes participate and promote frequent communication encouraging cohesion; too small sizes lack expertise and skill diversity, large sizes have with various functional backgrounds, education and experience conducive for entrepreneurship activities (Johl, Bruce & Binks, 2011). As membership involvement is essential, governance structures seek out an optimal balance between stakeholder involvement and decision-making. The management committee members and the General Assembly (GA) are installed to manage governance issues, but as the issue of commitment becomes more precarious and size of the cooperative increases, a response to the challenges is inevitable. The larger the cooperative and the longer the distance of the members, the tougher it becomes to engage members, pulverizing member commitment, enforcing the need to implement innovative governance structures, channels of communication and decision-making (Gijselinckx & Bussels, 2012). Study by Arosa and Maseda(2013) stated that committee members size can have a positive association with performance and that a larger committee members will bring together a greater depth of intellectual knowledge and therefore improves the quality of strategic decisions that ultimately impact on performance. Besides, the advisory role they bring in human capital to the organisation, information and specific knowledge about the business. This contributes to the efficiency of the advisory role and better firm performance. However, while the abilities of the committee members can increase with more directors, the benefits can be outweighed by the costs in terms of the poorer communication and decision-making associated with larger groups. Large corporate committee members may be less efficient due to difficulties in solving the agency problem among the members of the committee members. As groups increase in size they become less effective because the coordination and process problems overwhelm the advantages from having more people to draw on. There is also evidence that small committee members are more effective and that firms achieve higher market value. Thus, the effect of committee members' size on firm performance is a trade-off between benefits and drawbacks (Arosa & Maseda, 2013).

The age of an organisation is the number of years that and it exists and is an indicator of accumulated knowledge and experience, reliance on rules and it increases as organisation ages resulting to an internal consistency and homogeneity amongst members. The age can affect the ability to implement strategies and is associated with a firm's ability to innovate depending on how the knowledge is communicated. It is therefore that if age creates firmness, older organisations may be less innovative. As competencies increase with time, older organisations are more efficient than younger ones because of greater experience in production and customers relationships and the newly established firms have higher propensity to die because of lack of knowhow and understanding of processes and structures (Koufopoulos & Gkliatis, 2014).

Study by Liang, Huang, Lu, and Wang (2015) established that the age of a firm is a standard measure of reputation in capital structure models. As a firm continues longer it establishes itself and increases its capacity to take on more debt and even banks before granting any loan tend to evaluate the creditworthiness of entrepreneurs. In order to overcome problems associated with evaluation of creditworthiness, the study recommended the use of a firm reputation as being a good name that a firm has built over the years. The directors concerned with a firm's reputation act more prudently to avoid risky projects, reduce debt and temptation to gamble. The study concluded that a firm's or an entrepreneur's valuable asset in the management is reputation and age. Study by Waelchli and Loderer (2011), indicated that as organisations age, governance structures deteriorate and the complexity of expansion contributes to weaker monitoring systems ultimately leading to poor governance and are likely to have anti-takeover mechanisms, which ultimately create lower governance and as a firm grows, it gets better implying that governance improves as firm ages. The old organisations develop better capabilities and acquire more positional advantages that allow patent innovations at a higher rate than young organisations.

The study established that mortality rate decrease (negative age dependence) and increase (positive age dependence) depends on Organisation age where the first is based on liability of newness and the latter on depletion of resource endowments. They further established that mortality rates decline with age and dysfunctional capabilities increase with the organisation's age. The study recommended that organisations should have better capabilities to avoid failures and mortality rates. Resource availability is an essential aspect of entrepreneurship and the most important types of economic strength of organisation resources include membership, size and age which often determine survival. The management support for new ideas and projects, participation in decision making and autonomy are only some examples for structural organisation elements associated with entrepreneurship. Organisation Demography described as a key factor of entrepreneurship within a firm can encourage or discourage business-related risk-taking. Organisations have to integrate innovation as a strategic key element within the mainstream. Thus, the likelihood of entrepreneurship to succeed depends not only on the effective management of single projects, but also on the effective management of new stream therefore organisations must establish entrepreneurship committees, teams and managers (Heilbrunn, 2013). Age could actually help firms become more efficient. Over time, firms discover what they are good at and learn how to do things better. They specialize and find ways to standardize, coordinate, and speed up their production processes, as well as to reduce costs and improve quality. The old age, however, may also make knowledge, abilities, and skills obsolete and induce Organisation decay. Age can have adverse effects on performance also because of the Organisation rigidities and inertia it brings about. Age could harm performance is the associated seniority rules in the organisation. In many firms, seniority decides how things are done, who does them, and when. Under a seniority principle, individuals who have been with the organisation longer are granted preferential treatment when setting compensation and perks, and when assigning responsibilities and tasks. The other is financial frictions, firms do not raise all the funds necessary for the marginal product of capital to equal its opportunity cost. Consequently, as capital increases over time, its marginal product declines, and so does the firm's rate of growth and also tenure of the managers within the organisation (Waelchli & Loderer 2011).

Whitaker and Richard (2014) indicated that demography a combination of characteristics of individual members of an entity focuses on distribution of persons, especially the tenure or Length of Service (LOS) which affects a wide variety of Organisation outcomes, employee turnover, organisation innovation, internal control structures and power distribution; inter Organisation relations and firm performance. It is associated with movement between jobs both internal and external mobility. They concluded that mobility within an organisation adopts either an individualistic or a structural view for conditions to create internal career paths. Study by Sorensen (2011) indicated that managerial tenure distributions (MTD) is beneficial to organisations because it exposes a firm to a variety of influences making it more responsive to environmental changes, creates high growth rates and reduces group disintegration. It influences Organisation performance, increases top managers' commitment to the Organisation status, makes individuals more risk averse, open to new information and increases the likelihood to emulate the behaviour of other organisations in their industry. Study by Omar, Lim and Basirudin (2014) indicated that evaluation of Top Management Team (TMT) is through demographic characteristics of tenure, diversity of positions occupied by professional careers. The profiles include general management, marketing, financing, production, research, development, Human Resource Management and education. The study realised that in order to determine innovative capacity, they are evaluated on three variables directly related to innovative performance namely; number of new products, improved products and registered patents.

2.3.3 Human Resource Management

Human Resource Management Systems are designed to shape desired employee behaviours and attitudes by forming psychological links between Organisation and employee goals. The employees' commitment to the organisation is derived from their perceptions of the employers' commitment to and support of them. An organisation must take the steps necessary to develop the perception of involvement among low and high level employees and also build a more inclusive and less bureaucratic culture (Muir, 2014). Study by Boland, Hogeland, and Mckee (2011) indicated that attracting and maintaining quality human resource is important for Coffee Sector in Kenya and that director and chief executive are essential for strategy development with planning role as the management team. The management committee members' represents the membership and is accountable for any actions. Their succession is difficult because they are elected, however non-existing remuneration often leads to continual turn over, chief executive officers are also critical because of their experiences. The study concluded that employees contribute to the success of cooperatives and are the primary means by which member interact with the firm and need to emphasize principles of training and personnel development so as to successfully implement the strategies. All firms face competitive pressure that can shape their strategies and as competitors must improve efficiency, adopt the same technology (leftward direction), differentiate products (rightward direction) or compete for the current market (upward direction). In order to achieve higher margins, brand image alone is not sufficient; but have competencies in marketing, product and process innovation. The study established that product differentiation gives firms a competitive advantage because of unique attributes and capabilities which are not easily duplicated by competitors. The study concluded that the image of enduring quality gives consumers trust and loyalty and so the firms must constantly have innovative products so as to compete (Gehlhar, Stefanou, Zouma, & Regmi, 2014). The human resource management objectives are to achieve the desired results of the collective efforts of staff conduct and to supply of staff at low cost, nurture and develop the talents and skills of people, maintaining of competent personnel good and create of relations between them, providing material and spiritual needs of staff satisfaction that to be created necessary alignment between their personal goals and objectives of the organisation (Rafiei & Davana, 2015).

Strategic Human Resource goal of any business is workforce alignment and a firm with an aligned workforce has the right type of people in the right places at the right times, doing the right things right. They have employees with the knowledge and skills necessary to achieve its goals and effectively utilize them. They are more likely to develop and deliver high quality products, services and new products, satisfy customers, effectively market products or services, achieve sales growth, operate profitably, and capture market share than those with less aligned workforces (Muir, 2014). Schuler and Susan(2014) indicated three sets of linkages thus innovation strategy include: a high degree of creative behaviour; a longer term focus; a relatively high amount of cooperation; a moderate concern for quality and quantity; greater risk taking ,a cost reduction strategy which include: rather repetitive and predictable behaviours, a short-term focus, primarily individual-based job designs; modest concern for quality; high concern for quantity and results; low risk-taking and high degree of comfort with stability and quality-enhancement strategy include: relatively repetitive and predictable behaviour; an intermediate to longer-term perspective; modest amounts of cooperation; high concern for quality; modest concern for quantity, high concern for process; low risk-taking; and greater commitment to the firm. A firm can ensure, it has the right type of people by hiring the right type where the strategies used include, emphasizing on the person-job fit, person-organisation and person-future fit where the latter works best because it strongly and positively relate to workforce alignment. Firms that emphasize person-future fit are more likely to have aligned workforces than those that emphasize either person-job fit or person-organisation fit.

The most important way is to manage effectively by emphasizing formal processes and procedures for job duties and descriptions. In so doing the employees know their roles, responsibilities and do direct monitoring. They rely on professional standards, emphasize culture and peer pressure where employees track one another and provide feedback. The study concluded that the best strategy is to apply formal processes, procedures and professional standards as they strongly and positively relate to workforce alignment (Moodley, Loughman & Naidoo,2015). Study by Trussa, *et al*(2013), indicated that high competition, environmental changes, accelerated trends and new management techniques have caused enterprises to evolve in structure, culture and Human Resource Management and that the use of technology requires hiring highly skilled employees leading to higher expectations and their increased. The study established that Human Resource Management plays a major role in increasing satisfaction, loyalty and relationship between employees and employers depending on the goal and the approach employed. They indicated that the new functions of Human Resource Management include; efficient management, utilization of employees, increasing abilities, rewarding performance and competences and enhancing innovation and creativity. The others are to apply new approaches, redesign job processes, achieve technological integration, improve careers and mobility, empower and improve relations with employees. They concluded that such functions help bridge the gap between employees and employers and develops a dialogue and cooperation culture within organisations. Study by Kiyoshi (2013) indicated that far sighted management committee members, invest for the future, engage in long-term employment and offer vocational trainings, whereas short sighted management apply wages based on seniority and ability, just in time hiring, emphasise wage based on performance. The study concluded that management who favour short sighted type insist on economic globalization, want to train employees just to meet needs, apply just-in-time strategy by hiring people needed and linking their wages with the organisation's performance and would rather hire part-time than full time workers.

The study recommended that firms should hire based on the management principles and policies, give preference on hiring based on long-term perspective, discourage excessive hiring, establish work rules and standardize wages. The collectively owned enterprises are under transformation into shareholding or multiple-ownership systems with entrepreneurial approaches to start their new businesses, renew their human resource strategies and develop high-performance culture. They have significant entrepreneurial features thus high growth, usually with several employees and rapid businesses. Team-based firms mostly transform from collective-systems to shareholding firms with entrepreneur team development, multi-business, diversified business models and new forms of Organisation, their competitiveness and innovativeness. An organisation's high level of pay and / or benefits relative to that of competitors can ensure that it attracts and retains high quality employees, elicits specific activities and level of performance from the employees Booth and Hamer(2013). An existence of Human Resource Management practice refers to job satisfaction where seniority and individual performance related schemes are in place and pay is a strong determinant of job satisfaction. Paying higher wage can increase workers' loyalty, productivity and reduces firms' turnover and recruitment costs. If the employees have high wages the organisations will have lower levels of turnover. This means that employees are less likely to leave the organisation if paid fairly and that the higher the satisfaction or financial rewards, the lower the level of turnover (Booth & Hamer, 2013). Kapoor and Sheriff (2012) established that despite the current economic downturn and unemployment, most countries face long term talent shortages mainly due to ageing and retirement and that there are more workers retiring than entering the labour force and the shortage is predicted across most industries. The study established that innovations can be duplicated easily and quickly with effective Human Resource Management. The study, recommended that organisations need to place greater emphasis on attracting human capital rather than financial capital since the latter is broadly available from investors and lenders.

Study by Ajah (2012) stated that in order to realise good governance in the Coffee Sector in Kenya, farmers' abilities need to be enhanced in order to understand and evaluate new production techniques. The study realised that exposure to education increases the farmer's ability to obtain, process and use information relevant to the adoption of improved Coffee technologies, acquire knowledge, make better use of natural resources and protect the environment. This facilitates a change in attitude and encourages increased production. Study by Imonikhe (2010), indicated that education enhances farmers' ability to make accurate and meaningful management decisions. This is possible because the level of education of a farmer is an important factor that determines his/her ability to understand the policies and programmes that affect farming. Empirical evidence attests that education has impact on agriculture, increased productivity with additional benefits in the form of increased modernization of Coffee production incentives, marketing facilities, and distribution of seeds, fertilizers and access to extension programmes. Gibcus, deKok, Snijders, Smit and Linder (2012) in their study indicated that Coffee Sector in Kenya highly need entrepreneurial expertise and skills of human capital, managers and the management committee members' members with specific business skills. The study found out that education is important for economic development and embedment of creativity, innovation and entrepreneurship.

2.3.4. Policy

The key factors that influence the successful development of cooperatives include legal environment and government policy, governance, training and education. A stable legal environment and appropriate government policy are important for the successful development of the Coffee Sector in Kenya. The implementation of the law speeds up and standardizes the establishment of farmer cooperatives. The cooperatives would successfully develop only if members work for the community instead of just for their own gains. The government continues to support such policies aimed at fostering the Coffee cooperative development but some farmers only join without being fully committed to the cooperative and its operations (Garnevska, Liub,& Shadboltc,2011). Despite the important role played by the Coffee Sector in Kenya in economic development in Kenya with past efforts to steer it, the sector has continued to perform poorly due to various constraints that include inappropriate and outdated legal and regulatory framework. The others are trade and effective competition, mismanagement of most institutions, affordable credit to only a small proportion of smallholder farmers to high lending rates and multiple numbers of taxes from local authorities and government departments. These have contributed to a reduction of the net farm incomes and created distortions in marketing structures. In addition, high cost and increased adulteration of key inputs have made farmers substantially reduce the use of quality inputs. They have also experienced escalating international prices, high cost of inputs, transportation, inefficient marketing, and distribution systems (Gitau, *et al,*2011).

Study by King and Ortmann (2011) realised that inadequate access to resources, poor availability of social services and poorly organized coffee marketing information and infrastructure are some of the causes of cooperative failures. In addition proactive role played by the government in creating a legal environment to promote private initiatives and mobilize capital and formation of Coffee Sector in Kenya is not sufficient and recommended government commitment to create and focus scarce resources on physical and infrastructure, reduce transaction costs, risks and improve access to inputs. The development of the industry is also affected by legal measures such as taxation, foreign exchange, labour regulation, land control, intellectual property rights and registration of businesses. The Coffee Act on one hand provides regulations of the industry on control of production, marketing and export (Republic Kenya, 2013).

The Cooperative Society's Act on the other hand sets out the functions and status of cooperatives, the right of members, allocation of profits and arrangements for indivisible funds. The government regards it as a national policy to support Coffee Sector in Kenya to realise their goals. The legislation stipulates the role of the government in creating policy and legal framework for the development, improving the growth and providing the requisite services for their organisation (Wanyama, 2012). However, in the absence of policy there can be scanty setting up of new practices, new standards and improvement of markets. Lack of it drives both current and potential customers away to competitors and this creates a negative impact on profitability. Policy frameworks play important roles in supporting innovations that overcome barriers and enables collective entrepreneurship.

2.3.5 Growth of Collective Entrepreneurship in Coffee Sector in Kenya

Growth is considered to be an indicator of innovative activity and is measured in terms of change in employment, sales or assets over a period of time. Firms that do survive tend to exhibit higher rates of growth and innovative activity, being the main performance criteria for entrepreneurship (Audretsch, 2012). Study by Henehan and Pelsue (2013) described the factors that significantly and consistently place a cooperative on relative growth with indicators as number of employees, members, sales volume, assets, earnings, and return on investment and absolute growth as market share, price, innovation, and market value of stock. Economic theory suggests that businesses that serve local markets gain competitive advantages by responding quickly to customers. The dynamic economic theory suggests that growth requires strategic flexibility and ability to introduce new products or new markets. The Organisations driven only by what the current market wants, lack innovation and may not abandon producing their traditional products. They are less likely to shift from one product to another because of their specialization and use of their specific expertise and competencies. However, the organisations that are not are more likely to make decisions based on what the market wants and may never achieve economic profits (Gehlhar, *et al*, 2014). Coffee commercialization refers to the process of increasing the proportion of coffee production that is sold by farmers. It is a characteristic of coffee which is present to a certain extent in a production system. It can be either on the output side of production with increased marketed surplus or input side with increased use of inputs. Commercialization is the outcome of a simultaneous decision-making behaviour of farm households in production and marketing. It is recognized that Coffee commercialization and investment are the key strategies for promoting accelerated modernization, sustainable growth and development and, hence, poverty reduction in the sector (Poole, Chitundu & Msoni, 2013).

Business development has the primary task of identifying and creating growth opportunities, generation of knowledge about own industry and the market. It is also concerned with development and establishment of collaborations, building partnerships and maintaining strong networks. It has a range of tasks such as growth, market, policy issues and innovation. It has a strong strategic orientation with guidelines for the creation of growth on products, processes and innovations. The product innovation is the most relevant and emphasized by older organisations, as younger ones assign importance to business model innovation (Halecker, Holzer, & Sittner, 2014). Study by Bastian, Sittner and Holzler(2014), indicated that business development is closely linked to the development of an organisation with the task of identifying and creating growth opportunities, direction, vision, and strategy development regardless of the size, delivery of services such as training, advising, and communication being the factors that affect the business performance of a collective entrepreneur cooperatives.

Study by Amha(2015) indicated that the availability of access to efficient high quality products and business development are essential for co-operative entrepreneurs to acquire new skills, products, know-how, technology and markets in an increasingly competitive domestic and global environment. Study by Ritossa and Bulgacov(2013) indicated that for cooperatives to suceessfully compete in a global system, they must develop businesses to take advantage of opportunities, enhance members services and earning since they are perceived as reliable, quality suppliers and ethical business partners with easier working relationships. The study concluded that designing products to fit the demand niches within global system require decentralised decision making, innovation, creativity, production, distribution and network instead of domesticating resources that inhibit international investment. They recommended diversification of Coffee activities, act globally, expand beyond national borders, think locally, globally and act locally to neutralize competition, customize local demands, develop structures, share services and adopt aggressive growth strategies.

Agbo and Salani(2014) established the main strategies that a firm has in the market are market-seeking (looking for a considerable market for products), efficiency seeking (research and development) and resource seeking (getting access to raw material or inputs) that provide cost reduction and lowers operation costs and the decision involves the commitment of the management. The study realised that the future of cooperatives depends on the ability of managers to create a structure to match competition by offering multiple commodities and high value products on a global basis. They found out that the agriculture cooperatives which concentrated on sale of unprocessed products and low level of processing had limited growth, whereas those with differentiated products had greater rewards. The study recommended that the cooperatives need to diversify and satisfy consumers' needs in order to reach higher levels of the value chain. Study by Halecker, Holzer and Sittner (2014) found out that business development has many different fields of activity associated with it. The most important task assigned to it, is identification and creation of opportunities for growth, development of the industry and market knowledge. It has high relevance on direction, vision, and strategy development, regardless of size of the organisation and other functions. They established that the opportunities for growth are associated with the development of new processes, products, solutions and business model innovations. They further indicated that partnerships and strong net-works enhance identification of appropriate potentials and needs with the tasks concentrated on growth, knowledge and strategy. They added that marketing, sales, diversification play a greater role with product innovation having the greatest relevance to a business.

Study by Snow *et al(*2011) indicated that a firm can select to adopt a number of business-level strategic positions and orientations such as competitive position leading to aggressive lowest cost, differentiation leading to development of distinctive capability perceived unique by customers and industry wide, focus leading to concentration of strength by a certain segment or niche by targeting particular customers, limited geographical areas, and narrow product and service ranges and dynamic interaction which fits in its environment (external fit),internal structure and process (internal fit) and maintaining fit over a period of time (dynamic fit). The other strategies are creation of new market space, creating and capturing new demand, spending more on research and product development and promotion. Bondarev (2015), established that new technologies result from research and development investment of innovating firms and are continuously improved by vertical innovations with a limited improvement due to competitive pressure.

The investment in higher quality technology ends at a certain point in time and firms with research and development invest in newly created technologies for quality enhancement that generate growth. Study by Panagiota and Nastis (2011) established that the viability of cooperatives is difficult because they have not yet adapted constantly evolving globalized environment. The study realised their main effort is to access local markets, promote products, and acquire strong brand names, tangible and intangible resources. The study concluded that the cooperatives are the impetus of collective entrepreneurship for new markets and recommended creating new opportunities for growth and empowerment to insulate members from competitions by fostering product differentiation and providing market access, being the difference between survival and death (Boland, Hogeland & McKee, 2011). Innovation in an organisation is the successful use of processes or products which are new to the organisation and is the result or consequence of decisions taken. It is the creation of a product, service or process which is new for the business unit and involves the adoption of a new idea. It has three dimensions namely new products, services and processes. It creates many opportunities not only to improve current business operations and competitive advantages but also engage in new ones resulting in higher business growth performance. At the present firms are increasingly relying on innovation to stand out from competitors, create value for customers and increase their growth. It therefore demands strong managerial support and resource commitment (Forsman & Temel, 2011). Firms with high business growth performance are considered to have a competitive advantage due to valuable, unique, and difficult to imitate resources and capabilities where sustainability of its competitive advantage depends on its innovative capacity (Cromer, Dibrell & Craig, 2011).

Study by Spear and Roger(2012) showed that innovation in work routines and management practices improves productivity and efficiency. They established that classic innovation process involves technology push which drives the process and change and market pull which enhances entrepreneurs to identify needs and innovation to fulfil them. Arslan (2011) established that in order to sustain a successful innovation management; organisations are required to develop a sound strategic approach to innovation, transformational leadership and strategic planning. The study established that cooperatives face challenges such as managerial practices, inadequate educational and training programmes, low adoption practices and tools that are inconsistent with their mission while seeking to remain faithful to their values and founding principles. Zhao (2011) attributed the challenges to conflict amongst members, poor delivery of services, lack of funds, inexperience and inadequate training in business management, capital formation, marketing and accounting. The study recommended that firms should adopt management and accounting practices that reflect ethics. Grunfeld, Jakobsen, Kaloudis, Skogli and Olsen (2011) established that the most commonly applied performance and capability indicators based on number of new products, patents and services are important output indicators of innovation. They concluded that improved entrepreneurship capabilities, firm survival, commercialization, breakthrough in the market, improved recruitment, increased job satisfaction of employees and technology are the measures for achievement of goals and performance. Gijselinckx and Bussels (2012) indicated that networking is a crucial innovative strategy where cooperatives broaden their basis for human capital exchange, information, joint learning, and engagement in research and improvement on inputs and outputs in order to significantly benefit members. Study by Oke (2014) established that the impetus of innovation management is the employees' motivation and recommended that firms should focus on norms that support creativity and build an innovative culture that rewards employees. Study by Halecker, Holzer and Sittner (2014) established the forms of innovation available to firms as product, process, and business model with different degrees of relevance depending on the size of a firm.

2.4 The Empirical Literature Reviews

Empirical studies regarding governance and collective entrepreneurship was presented. Duke II, Kankpang,and Okonkwo(2012) in their study on governance as a driver of organisation efficiency in courier service firms in Nigeria found out that governance failure has accounted for the financial crises experienced by a wide array of firms especially in the last decade. Irrespective of the level of economic development of the country, firms in various industrial sectors become susceptible to bankruptcy and eventual collapse once governance weakens. The results also imply that the governance guidelines and rules notwithstanding, Organisation failure has continued to be a significant concern for stakeholders. These governance frameworks have basically been designed to achieve reduction of waste on non-productive activities and elimination of shirking, excessive executive remuneration, underserved privileges, asset-stripping,tunneling,related transactions and other means of diverting the firm's assets and cash flows. Study by Omar, Lim and Basirudin (2014) stated that governance is highly associated with good performance and director's compensation and found out that there is positive relationship between governance of manufacturing industries with return on equity, net profit margin, and dividends being measures of performance implying that good governance has a positive impact on firm performance. Chagwiza, Muradian, Ruben,and Tessema(2011) in their study of how collective entrepreneurship capacities can transform production, found out that it is a key component of economic growth and development. They described it as a process by which entrepreneurs engage in economic and social betterment implying an increase in the ability of each member. They concluded that it evolved as a strategy to overcome business challenges. Study by Franco and Haase (2013) indicated that firms face complex and turbulent business environments with increased competition. They realised that entrepreneurship is a means to sustain the continuity and growth of businesses. It is aimed at discovering, evaluating and exploiting new business opportunities.

The study established that firms that recognize entrepreneurial behaviour and opportunities by scanning the external environment for new markets identify unmet needs and existing problems in work processes and develop new product ideas, have greater profitability and growth than firms without entrepreneurial systems. They recommended that entrepreneurship is a permanent attitude that firms should develop and absorb to increase knowledge, improve innovative potential, co-operation and collaboration among many parties, inside the organisation among employees and teams as collective entrepreneurship. They indicated that firms are considered entrepreneurial if they show themselves to be innovative and pro-active by forming cooperative relationships. Alvarez, Amoros and Urbano (2014), indicated that the concept of collective entrepreneurship is based on the creation of something of economic value arising out of new and jointly created idea that emerge from sharing of information and knowledge. It is generally accepted that effective knowledge management depends heavily on the ability to collaborate outside the organisation.

2.5 Critique of Existing Literature

The existing studies have concentrated more on the cooperative's role and impact in the market place. Majority of the research recorded have analysed the structure and the performance of the cooperatives, including financial structure, taxation, marketing activities, strategy and membership involvement. The interest of Coffee economists in Coffee Sector in Kenya is understandable and appropriate. The cooperative business model creates unique challenges and economic questions which Coffee economists are positioned to address. In addition, since Agricultural Sector in Kenya are owned by and designed to benefit producers, cooperative related research has the potential to benefit a large number of farmers. The cooperative business model has different structures for equity creation, profit distribution and governance relative to investor-owned firms. The economic relationship between a cooperative and its members and users is different from that of an investor owned firm (Kenkel & Park, 2011). This leads to challenges and opportunities for cooperative leaders and are not adequately addressed in the literature.

It is important to analyse cooperatives that have had prominence in so far as they constitute an Organisation form with particular characteristics, also being worth special studies. Cornforth (2010) evaluated that more studies are required to deal with the governance in cooperatives because governance of entrepreneur cooperatives is relatively under theorized in comparison to other business corporations. Governance through Financial Management Systems entails effective systems and structures that include internal control, accounting, auditing and monitoring and evaluation systems. In the absence of relevant information on such systems, users of the funds cannot be held to account, opening doors for wasteful spending and possible corrupt practices. This requires internal control which is positively related to good governance. It helps an organisation to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Suleiman & Dandago, 2014).The role of management committee memebrs will ensure internal control and the cooperatives must adopt management and accounting practices for ethics and they must undertand financial concepts, make decisions and plan. The study addressed internal control generally and not in the cooperative sector. Omar, Lim and Basirudin (2014) concentrated on governance with the unit of analysis being manufacturing industries with return on equity, net profit margin, and dividends being measures of performance implying that good governance has a positive impact on firm performance. Study by Owasu(2016) indicated that firm size influences governance quality, larger firms on one-hand face greater agency costs due to greater free cash flow, leading to voluntary adoption of better corporate governance practices in order to mitigate the problem. On the other hand, smaller firms expect to grow faster but need more external financing to drive better governance practices although corroborating evidence is that ownership concentration drives firms to adopt better corporate governance practices.

Organisation's age can affect the ability to implement strategies and is associated with a firm's ability to innovate depending on how the knowledge is communicated. It is therefore that if age creates firmness, older organisations may be less innovative. As competencies increase with time, older organisations are more efficient than younger ones because of greater experience in production and customers relationships and the newly established firms have higher propensity to die because of lack of knowhow and understanding of processes and structures (Koufopoulos & Gkliatis, 2014). The study did not address that as organisations age, governance structures also deteriorate and that governance improves as firm ages. Whitaker and Richard (2014) indicated that demography a combination of characteristics of individual members of an entity focuses on distribution of persons, especially the tenure or Length of Service (LOS) which affects a wide variety of organisation outcomes, employee turnover, innovation, internal control structures and power distribution and that Managerial Tenure Distributions influence organisation performance. Muir(2014) stated that Strategic Human Resource goal is workforce alignment and a firm with it has the right type of people in the right places at the right times, doing the right things right and employees with knowledge and necessary skills be utilized effectively to achieve goals. They can develop and deliver high quality products, services, satisfy customers, achieve sales growth, operate profitably, and capture market share than those with less aligned workforces, therefore firms should hire based on the management principles and policies. Study by Ajah (2012) realised that for good governance in the Agricultural Sector in Kenya, farmers' abilities need to be enhanced to understand and evaluate new production techniques.

Empirical evidence attests that education has impact on agriculture, increased productivity with additional benefits in the form of increased modernization of coffee production incentives, marketing facilities. Amoros and Urbano (2014), indicated that collective entrepreneurship is based on the creation of economic value arising out of new and jointly created idea. (Audretsch, 2012) stated that growth is an indicator of innovative activity and firms that survive exhibit higher rates of growth and innovative activity as performance criteria for entrepreneurship. Agbo and Salani(2014) established the main strategies that a firm has are market-seeking, efficiency seeking and resource seeking that provide cost reduction and lowers operation costs. This involves the commitment of the management and so the future of cooperatives depends on the ability of managers to create a structure to match competition.

2.6 Summary of the Literature Review

The literature has provided grounds to diagnose effects of governance framework. The theories with reference to governance and collective entrepreneurship in Coffee cooperative have indicated the importance of good governance and the fact that Coffee Sector in Kenya are governed by producer-members is both a key strength and a key challenge for cooperatives. Financial Management Systems have long been cited as a problem for co-operatives. The difficulties co-operatives face in raising funds is receiving increasing attention as co-operatives diversify their operations to include further processing activities. Internal control is at times a major challenge for co-operatives, which often appear to be undercapitalized due to the co-operative property rights structure.

Weak management has several negative consequences thus it encourages cooperatives to mimic the practices of investor-owned enterprises; it hinders cooperatives from exploiting their key advantages, especially those resulting from the strong and active engagement of members and it stimulates demutualization.

Good financial management is not only a significant contributor to sound fiscal management, effective and efficient resource use but also depicts transparency and accountability. Internal control quality is positively related to good governance and efficiency of the management committee members. In order to sustain a successful Human Resource Management, survive and grow in the new era characterized by deregulation, licensing, liberalization, privatization, and globalization the cooperatives need to develop a sound strategic approach to innovation. The Coffee Sector in Kenya needs to be managed by professional managers and management committee members in order to be effective in the undertaking and empowering rural population by establishing entrepreneurship cooperatives are recognized as an important approach in developing. It is recognized that globalization confronts cooperatives with challenges relating to competition and market demands and that they can insulate members from such competition by fostering product differentiation and providing market access, which may be the difference between surviving, or not. The Human Resource Management is an important determinant among efficiency-seeking firms that require a skilled workforce with key input is to influence and capture new markets by using specific capabilities. The leadership should coordinate education and offer choices of products to customers, despite the economic down turn and unemployment due to shortage of talent, ageing and retirement of skilled workers. Firm size influence governance quality in which large firms face greater costs as small ones need more external funding. The larger the cooperative, the tougher it becomes to engage members and the longer the distance between the members and the management the more it remains an area of weakness. The management committee members' size has an association with the organisation efficiency. For the cooperatives to succeed they need professional servant leader model of management, those managed by poor skilled management often fail. The age of a firm is a standard measure for reputation, as it continues longer in business it establishes increased capacity upon which even the banks evaluates their credit worthiness as a good name is built over the years but as it ages governance structure also deteriorates.

2.7 Research gap

The previous studies have concentrated on general governance, and have not yet adequately covered the governance in coffee co-operatives specifically on collective entrepreneurship. Rogna(2012) investigated the role that cooperatives have on rural development and poverty alleviation respect to other forms of business organisations. Study by Conforth(2010) on making sense of co-operative governance delved on competing models and tensions. Study by Abdulquadri & Mohammed(2011) was on the roles of coffee mechanization in Nigeria. Ghiasy, Hosseini, Malekmohammadi and Hossein (2012), researched on factors that influence entrepreneurship in Iran's Coffee. Heilbrunn(2013) studied governance perspective on the role of cooperatives in rural development but did not focus on collective entrepreneurship in coffee sector. This study presents effects of governance in the growth of collective entrepreneurship in Coffee Sector in Kenya. Wambugu(2014) concentrated on productivity trends and performance of dairy farming in Kenya. Study by Yamusa (2014) on agricultural Sector in Kenya, focused on the role of cooperatives on food security and rural development. The study realised that cooperatives can provide a decentralized system of food security, employment, different strategy distinct from the traditional member patronage type to a member investor co-operative type and their study did not cover governance in the Coffee Sector in Kenya. Omar, Lim and Basirudin (2014) stated that governance is highly associated with good performance and director's compensation and found out that there is positive relationship between governance of manufacturing industries. Bastian, Sittner and Holzler(2014), indicated that business development is closely linked to the development of an organisation with the task of identifying and creating growth opportunities, but did not explore the agricultural cooperatives in Kenya. Kapoor and Sheriff (2012) established that despite the current economic downturn and unemployment, most countries face long term talent shortages mainly due to ageing and retirement and that there are more workers retiring than entering the labour force and the shortage is predicted across most industries, however the study did not cover the coffee sector in Kenya. This study therefore intends to fill the gap and contribute to the knowledge in the coffee sector in Kenya.

CHAPTER THREE

METHODOLOGY

3.1. Introduction

This Chapter outlined the research methodology used in this study. Specifically it covered various sections: research philosophy, research design, population, sampling design, sampling frame, data collection instruments, data collection procedure, pilot tests, measurement and scaling techniques, finally data processing and analysis. This study adopted a positivist position because it is deductive, rather than inductive and theory building, rather than theory. It was characterised by the testing of hypothesis developed from existing theory, hence deductive or theory testing which related very well in the Organisation context, as it assumed that what truly happens in Organisation can only be discovered through categorisation and scientific measurement of the behaviour of people and the system (Scotland, 2012). The study required participation of a large population sample, amount of numerical and statistical data and information, to be analysed, therefore positivism was an appropriate philosophical approach to meet the objectives of this study.

3.1.1 Research philosophy

When undertaking research it is important to consider different research paradigms, matters of ontology and epistemology which relate to the development of knowledge and nature of the knowledge and assumptions about the way researchers view and examine it (Sunders, 2014). They describe perceptions, beliefs, assumptions, nature of reality, truth and influence the way in which research is undertaken, from design to conclusions. The aspects must be understood in order to ensure that the researcher's biases are understood, exposed and minimised. If not, the methods incompatible with the researcher's stance may be adopted, and the result challenged due to lack of coherence (Dirpal, 2015). Dilanthi(2015) drew attention that different paradigms encourage researchers to study phenomena in three different perspectives namely ontology, epistemology and reality. Ontology is described as the science of being and it encompasses claims about what exists, how it looks like, what units makes it up, and how they interact with each other. It depicts the nature of reality, whether objective (objectivism) or subjective (subjectivism) created in the mind through experience. As a result, deeply embedded ontological assumptions affect views on what is real and if not identified, implicitly assumed, taken for granted, not opened to question, considered and discussed the researcher may be sightless to certain aspects of inquiry or phenomena. They are concerned with what constitutes reality (what it is), therefore researchers need to take a position regarding perceptions of how things really are and work (Scotland, 2012).

Epistemology considers what constitutes reality, views about appropriate ways of enquiring into the nature of the world and what knowledge is, its sources and limits (Hook, 2015. It is described as the theory or science of methods or grounds of knowledge expanding into claims or assumptions about possible ways to gain knowledge of reality, how, what exists, what may be known what can be known, and what criteria must be satisfied in order to be described as knowledge (Cohen, Manion, & Morrison, 2014). Epistemology asks the question, what the nature of relationship between the would-be knower is and what can be known. The data collected from objects that exist must be less open to bias and more objective, and that if social phenomena are studied, they must be presented in a statistical, rather than narrative, form in order to hold any authority and this leads to a research paradigm or philosophy (Scotland, 2012). There are three epistemological considerations namely positivism, interpretivism and realism Positivist position is characterised by testing developed hypothesis relating to Organisation context, stating what truly happens in Organisation and discovered through categorisation and scientific measurement of the behaviour of people and systems. Interpretivism described as post-positivism conveys that individuals and groups make sense of situations based upon their experiences, memories and expectations meaning constant re-construction through experience resulting in many differing interpretations. The multiple interpretations create a social reality in which people act and considered as multiple realities by interpretivists. Since all knowledge is relative to the knower interpretivists aim to work alongside others as they make sense of, draw meaning from, create their realities in order to understand their points of view, interpret the experiences with steps to avoid bias.

Positivists hold that direct causal relationships exist; realists hold that real structures exist independent of human consciousness and that knowledge is socially created and is a result of social conditioning. Realism is concerned with what kinds of things there are and how they behave (Bryman & Bell, 2011). From an organisation perspective, realist enquires into the mechanisms and structures that underlie institutional forms and practices, how they emerge over time, empower and constrain social actors and can be critiqued and changed. Since realists take the view that researching from different angles and multiple levels contribute to understanding, researchers need to take a position regarding their perceptions of how things really work. Different paradigms inherently contain differing ontological and epistemological views; therefore, they have differing assumptions of reality and knowledge, which underpin their particular research approach. It is impossible to engage in any form of research without committing to ontological and epistemological positions (Scotland, 2012).

3.2 Research Design

Research design is the logic or master plan of a research that throws light on how the study is to be conducted and shows how the major parts of the study such as the samples, measures, treatments or programs work together to address the research questions. It is an actualisation of logic in a set of procedures that optimises the validity of data for a given research problem. The study applied it to plan, structure, execute the research, maximise the validity of the findings and gave directions from the underlying philosophical assumptions and data collection. It enabled the study to come up with solutions to problems. It is an 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. It provides a framework for the data collection and data analysis, which basically encompasses all the aspects involved in planning and executing a research from identifying the problem to reporting the results and it contains the key components in a research thus purpose to be answered by the research hypothesis, theory which acts as a guideline in understanding the findings and methods which specifies the technique in data collection and sampling strategy which informs from whom the data are sought, when and where (Kutnohorska, 2013).

Study by Bryman (2012) states that, the choice of research design reflects decisions about the priority to dimensions of a research process, including the importance attached to causal connections between variables, generalizing it to larger group of individuals forming part of the investigation, understanding the behaviour and its specific social context. A number of different research designs can be applied to answer research problems. They include experimental which follow scientific designs to examine changes by manipulating other variables where subjects are randomized to establish cause and effects, non-experimental which include exploratory, analytical and descriptive which describes a population or phenomena evaluated over a period of time through sampling subjects, describing rather than comparing results of surveys and providing the norms of population. Cooper and Schindler (2014) stated that descriptive study is formularized and typically structured with hypotheses or research questions. Ghiasy and Hosseini (2010) applied descriptive design in their study titled challenges in developing entrepreneurship in Iran's Coffee co-operatives. Duke II, Kankpang and Okonkwo (2012) used it to investigate governance as a driver of organisation efficiency in courier service firms. Maghsoudi, Hekmat and Davodi (2012) also used it to investigate supporting the entrepreneurship development in the agriculture production cooperatives. Descriptive research designs are further classified as quantitative which explains differences and determines causal relationships and qualitative which distinguishes processes and meanings and describes a phenomenon (Page, 2012). The study adopted descriptive research design, which in essence describes data and characteristics about the population or phenomena being studied. It helped to obtain information concerning the status of the phenomena, described what exists in respect to variables or conditions in Coffee Sector in Kenya, understand the phenomenon about the situation and gain in-depth evidence. The design provided a picture of a situation as it naturally happens and was used to justify the current practice and making judgment.

3.3 Population

Kombo and Tromp (2014) stated that population is a group of individuals, objects or items from which samples are taken for measurement. It is a collection of objects with similar, common characteristics and binding traits for a scientific query. Bryman and Bell (2011) define population as the universe of units from which a sample is to be selected. The two types of population are target population which refers to the entire group of objects from which researchers generalize conclusions and accessible or study population being a subset of the target population from which researchers draw samples and apply conclusions. The requirement being obtaining a list of individuals (units), sample of the units from the population and ensuring everyone is provided a chance for selection. The target population for the study was comprised of Coffee Sector in Kenya societies. The sampling frame being a list from which the sample is drawn is the basis for the selection process of a sample and is a complete case in the population from which the study drew a sample A sampling frame is the source material or device from which a sample is drawn. A sampling frame includes the actual list of individuals included in the population which, in this study was composed of all the Coffee Sector in Kenya (Saunders, Lewis, & Thornhill, 2015).

3.4 Sample Size and Sampling Technique

A sample is described as an unbiased representative and subset of elements drawn from a larger population. The most common sampling methods are simple random sampling, systematic sampling, stratified sampling and cluster sampling and used to ensure adequate reflection of the nature of current practice (Suresh, Thomas, & Sureh, 2011). Ghiasy and Hosseini(2010) used a simple random sampling technique in their study of challenges in developing entrepreneurship in Iran's Coffee Co-operatives. Couderc and Marchini(2011) applied a sample size of 27 wine co-operatives in an analysis of Italian and French wine producing regions on governance, commercial strategies and performances. Garnevska, Liub and Shadboltc (2011) and Agbo and Chidebelu (2010) in their study on descriptive factors for successful development of farmer cooperatives in Northwest China and Socio-economic determinants of cooperative societies' access to the services of the Nigerian Coffee Cooperative and Rural Development Bank respectively used multistage sampling and randomly where the latter selected six states; sixty cooperative societies for study. The study used multistage sampling technique thus in stage one; the co-operatives were put in strata and stratification done coffee growing counties in Kenya and the Coffee Sector in Kenya as follows:-

Table 3.1: Stratified Cooperatives as per coffee producing regions in Kenya

Region	**Number of Cooperatives**	**Sample Size**
Western	15	67/100*15 = 11
Nyanza	35	67/100*35 = 24
Eastern	41	67/100*41 = 27
Central	60	67/100*62 = 40
Coast	4	67/100*4 = 4
Rift Valley	47	67/100*47 = 31
Total	**202**	**137**

A simple random sampling was done for each stratum in a proportional way (declaring a sampling fraction). In stage three, the study performed simple random sampling on the chosen cooperatives and the sample size was computed by the formula adopted from (Kothari, 2008).

Thus

$$\frac{Z^2pq}{e^2}$$

Where:

n = sample size,

Z= 1.96, that is the value of Z corresponding to the 95% confidence level,

p = 0.5 (50%),

q = 1-p (1-0.5) = 0.5,

e = 0.05 (5% error margin)

N = Population (202).

The calculation was essential to reduce cost and prove hypothesis effectively (Kothari, 2013). The formula made it possible to compute a sample size that has a probability to detect an effective investigation. It was used because it is naturally neither practical nor feasible to study the whole population but select a set of participants from the population which is less in number but adequately represent the population. In order to arrive at the sample size the calculation was done by substitution method as follows:

$$n = \frac{(1.96 \text{ X } 1.96) \text{ X } (0.5 \text{ X } 0.5)}{(0.05 \text{ X } 0.05)}$$

$$= 384$$

Since the target population is less tha10, 000 a smaller sample size was use and adjusted without affecting the precision as follows

$$n = \frac{n}{1 + \frac{n-1}{N}}$$

$$= \frac{384}{1 + \frac{384-1}{202}}$$

$$= 137$$

The sample size of 137 is representative enough since it is 67 percent of the target population as in table 3.1.

The sample size was therefore 137 respondents drawn from the Coffee Sector in Kenya. The sampling frame for this study was a list of licensed coffee co-operative societies registered under the cooperative societies Act Chapter 490 of the laws of Kenya and has between 10 and 99 employees obtained from the Ministry of Industrialization and Enterprise Development, Kenya. The target population was 421 Coffee Sector in Kenya and the unit of analysis was the management committee members who drive the Coffee Sector in Kenya (ROK, 2014). The units of observation for this study were the Coffee Sector in Kenya. They were identified as such because they are the business entities that are susceptible to the governance by the management committee members.

3.5 Data Collection Instruments

The various types of data collection instruments include structured interview schedule which is developed to collect details from a nominated study contact, observation checklists, questionnaires which provide an efficient way of collecting responses from a large sample where each respondent is asked to respond to the same set of questions (Saunders, Lewis, & Thornhill, 2015). Iyer, Bamber, and Griffin (2013) in their study to examine the characteristics of audit committee as financial experts, used a questionnaire in 167 companies and the result showed that accounting knowledge and audit experience are valuable for better internal control. The instrument used in this study was a questionnaire which consisted of three sections. The first section measured individual's background, second covered understanding and perceptions about the effects of the three determinants of governance under study and third comprised policy and growth of entrepreneurship in the Coffee Sector in Kenya answered by all the respondents. The study applied both quantitative and qualitative data collection techniques. The interviews were conducted to the respondents who were Coffee cooperative society leaders and the key informants mainly government employees.

The questionnaire was preferred because of its ability to collect data from a large group within a short period. The questions fashioned and framed in both structured (closed-ended) and semi structured (open-ended) were self-administered to elicit information on the determinants of governance about financial management systems, Organisation demography and Human Resource Management under study.

The Procedures for data collection and reporting provide guidelines for the collection, processing, analysis and reporting. They are intended to improve the usefulness, timeliness, accuracy and comparability. Data collection on the other hand is where feasible provision of multiple options is availed to the respondents to submit data. The main purpose for the procedure is to ensure that reports are accurate, complete, and easy to interpret, and address only issues that directly relate to the data being reported (Garnevska, Liub & Shadboltc, 2011). The procedure was necessary in order to detect errors in the data collection process, whether intentional (deliberate falsifications) or not (systematic or random errors) and apply quality assurance and quality control to preserve data integrity and scientific validity of study results .

The data collected were both primary and secondary data. The former which were sourced through a questionnaire, facilitated accurate information and appropriate clarity. The latter were from publications such as books, journals and reports where reviews from both existing empirical and theoretical literature provided a more systematic understanding. Study by Didiera, Henninger and Akremic (2012) support this in their study on the relationship between the members' trust, participation in the governance of cooperatives and the role of Organisation commitment.

3.6 Measurement of variables and Scaling Technique

Measurement is the process of linking abstract concepts to empirical indicators. The study adopted both deductive and inductive models of reasoning which involves deriving a specific hypothesis from the general ideas. Deduction is a form of inference that purports to be conclusive and whose conclusion must follow the reasons given (Abott & Bordens, 2013). Deduction is a process by which we arrive at a reasoned conclusion by logical generalization of a known fact, induction is a process where we observe certain phenomena, and on this basis, we arrive at the conclusion. Inductive reasoning moves from facts to general but tentative conclusions and regards statistical inferences as an application of inductive reasoning (Sekaran, 2015).

Didiera, Henninger, and Akremic (2012) in their study covering the relationship between members' trust and participation in governance of cooperatives and the role of Organisation commitment on the french Coffee Sector in Kenya, used a 5 point Likert scale ranging from strongly disagree to strongly agree. The result showed that affective commitment had a mediating role in the relationship between trust and participation in the governance of cooperatives. In order to measure the variables for the independent, dependent and moderating variables, the study used various indicators and also open-ended questions on rating scale popularly known as the Likert scale which is a widely used measurement in research and provides a series of statements to which the respondents can indicate degrees of agreement or disagreement. A five point Likert scale measured all the objectives. The variables were then measured on a five- point Likert scale ranging from "Strongly agree" to "Strongly disagree" where point 1 was assigned to strongly disagree showing respondents' disagreement with the statement while point 5 was assigned to strongly agree indicating that the respondent was in agreement. The study adopted the Likert scale since the data from it is usually ordinal and is equal in weight (Bryman, 2012). All the hypotheses to test the relationship between the independent and dependent variables being determinants of governance and the growth of collective entrepreneurship were measured through linear regression analysis and also estimate the regression coefficient matrix of the parameters or the conditional distribution given the responses.

The study used cross-sectional survey comprising structured scale items and open-ended questions. Scale items were measured on the standard 5 point, Likert scale ranging from strongly agree (1) to strongly disagree (5), with all the hypothesis to test the relationship between. Fiador(2013)in pursuance of measures of governance proposed 5 point, Likert scale for financial Management Systems with a classification of financial reporting, accounting records and source documentation, internal control, budget control, cost allowance and cash management and compliance frameworks. Horngren, Datar and Foster (2013) indicated that governance is through financial Management Systems, which require effective systems and structures such as budget preparation, budget execution, internal control and accounting, reporting, auditing and monitoring systems. The study measured Financial Management Systems through accounting records, budget control, internal control and monitoring and evaluations mechanisms within the Organisation.

Organisation Demography was determined through firm size, managerial tenure distribution and age. (Silveira, Barros, Camara & Silva, 2014) indicated that firm size influences governance quality. Duke II, Kankpang, and Okonkwo (2012) in their analysis of governance in agriculture cooperatives established that management committee members' size, have positive association with organisation efficiency of firms. Their study used output per staff, cost per service provided and cost per client for measurement. The size of the management committee members was found to have an impact on organisation efficiency of firms. Hall, Hutchinson and Michaelas(2014) cited that age of the firm is a standard measure of reputation in capital structure models. The study determined the relationship between growth and age of the firm. Human Resource Management practices was determined by adoption of functional and strategic practices and how they respond to the market. Khawanja and Azhar,(2014) indicated that there are mainly two dimensions of Human Resource Management practices thus functional and strategic Human Resource Management practices. The former related with the daily operations while the latter linked with company-level progress or Organisation performance.

Gehlhar, Stefanou, Zouma, and Regmi (2014) indicated that businesses gain competitive advantages by responding quickly to customers and having access to networks. This requires strategic flexibility and the ability to change market focus, which may require introducing new products or entering new markets and recognizes a shift from one product to another as the market changes. A firm must make strategic decisions based on its inventory of specific skills, technologies, resources and economic profits. The dependent variable in this study was the growth of collective entrepreneurship in Coffee Sector in Kenya. It was measured through Commercialization, Business Development (Vertical Growth) and Technology Innovation. Cook and Plunkett (2012) points out that for any form of a collective organisation to achieve the highest performance, members` decisions about their own on-farm activities and investments must be aligned with the cooperative.

Collective entrepreneurship is a key component of economic growth and development, the organisation`s entrepreneurship co-aligns it with the market conditions by building and modifying organisation`s resources, competences, and Organisation architecture to respond and influence market conditions and development Collective entrepreneurship can be characterized as persons conducting business together with at least one partner sharing ownership with them. It describes the source and structure of economic development, whether an individual, family, a group of unrelated people, or government that formed a business venture and the form of development undertaken being a reflection of culture, economic conditions, and public policy. Collective entrepreneurship, therefore, plays a part in a nation's institutional capacity for adaptation and on the other hand, it plays the role in the capital accumulation process and innovation Edobor and Ogunleye (2015). This phenomenon described as a process by which entrepreneurs engage in collective action for the economic and social betterment of a locality by means of some transformation of social norms, values, and networks for the production of goods or services Chagwiza, Muradian, Ruben, & Tessema(2011).

Normally, organisations such as cooperatives begin as a small group of like-minded individuals who solve an important problem through a solution referred to as an innovation. The firms must innovate, or else they fail to thrive and innovation allows them to compete with established companies. At the outset, individuals in small groups handle all tasks, and at some point, it becomes successful enough to warrant additional employees to handle the non-innovative tasks considered routine but nonetheless essential by innovators. The focus, as measured by the number of staff hours spent doing the various tasks, shifts from innovating to staying profitable. As soon as there are more people in the company spending more time doing anything other than innovating, the company change and the shift is palpable to anyone and innovators remain focused on innovation by developing the next generation product (Redwood, 2012).

3.7 Pilot Study

A pilot study represents a fundamental phase of the research process. It is an essential initial step in exploring a novel or an innovative application of an intervention. The purpose of conducting it is to examine the feasibility of an approach that is intended to be used in a larger scale, detect weaknesses in a design and provide proxy in the collection of data (Cooper & Schindler, 2014).The results can inform feasibility and identify modifications needed in the design of a larger questionnaire to ensue hypothesis testing (Leon, Davis, & Kraemer, 2011). It is a small-scale test of the methods and procedures to be used on a larger scale and also helps in clarifying instructions, determining appropriate levels of independent variables, reliability and validity of a questionnaire (Abbott & Bordens, 2013). The pre-test sample is between 1 percent and 10 percent (Mugenda & Mugenda, 2013) of the sample size and may range between 25 to 100 subjects but the respondents need not be selected statistically (Cooper & Schindler, 2014). This study conducted it to locate the elements of the study population and identify units of analysis which is an entity about whom or which the researcher gathers information.

In this study they were management committee members (management committee members), and chief executive officers of the entrepreneur Coffee Sector in Kenya and the units of observation were the Coffee Sector in Kenya. It also assisted in determining the proximity, cost and time needed to carry out the research. It helped establish procedures, materials and parameters necessary for the full study, obtain the necessary information concerning the phenomena to describe what exists with respect to variables or conditions of the target population and to identify image building and problems of wording.

The study was conducted in the month of November / December 2014 in Kisii region where a total of 25 respondents forming 20 percent of the sample size of the Coffee Sector in Kenya completed a self-administered questionnaire. The data collection took three months due to the slow pace in response by the respondents. During the survey, the questions were pretested in order to identify deficiencies and ambiguities. Based on expert evaluation the vague and repetitive questions were discarded and / or rephrased and those realistic were improved so as to acquire the appropriate precision and improved the validity of the instrument.

3.8 Data Processing and Analysis

In the context of quantitative research, data processing cycle refers to the process of presenting and interpreting the data. A number of steps such as editing, coding and analysis were included in the data processing cycle to ensure available format that could be interpreted (Kumar, 2013). Editing detected errors and omissions which were corrected and coding was done by assigning numbers to answers and grouped the responses into a limited number of categories. It involved assigning numeral codes to all responses for each question in the survey. Data analysis involved reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques. Statistical Package for Social Sciences (SPSS) version 21 and Analysis of Moment Structures (AMOS) software package were used as a tool to analyse data.

The variables were dichotomised (partitioned into two levels) and cross tabulation was done. Cross tabulation was used to determine if associations existed between various variables. It is a technique applied to compare two variables using tables with rows and columns that correspond to the level or values of each variable

(Cooper & Schindler, 2011). The study used descriptive statistics in the form of percentages, means and measures of dispersion; which allows for presentation of data in a more meaningful way and thus simpler interpretation of data. The use of percentages is important as they simplify data by reducing all the numbers to a range between 0 and 100, and help translate the data into standard form with a base of 100 for relative comparisons and easier interpretations (Cooper & Schindler, 2011). Since the response variables are dichotomous (that is, they have only two possible outcomes), it is inappropriate to assume that they are normally distributed. The most common method to use for analysing data with dichotomous response variables is logistic regression and the predictions that may be made for the dichotomous outcome is success / failure or improved / not-improved.

3.8.1 Reliability and Validity of Data Collection Instrument

The procedure is expected to yield the same results on repeated trials and the common approaches are test-retest method which involves administering the same test twice separated by a relative interval. The correlations between the scores in the two administrations are calculated to measure the reliability coefficient. The prerequisite being conducting the second administration within a small time frame before the concept being measured change. The alternate approach requires two testing situations with the same people. The alternate form of the same test is administered and the correlation to provide the estimate of reliability. The split-half technique is used to obtain a measure of reliability. The scores of the halves are correlated and must be equal to the reliability coefficient Kesleman, *et al* (2016).

The main methods under certain circumstances are content validity which deals with how adequately the content of a test samples the knowledge, skills or behaviours that the test is intended to measure and in order to ensure content validity, the questionnaire is subjected to the experts who are a panel of peers to assess whether the questions in the questionnaire is essential, useful but not essential or not necessary (Cooper & Schindler, 2011). The others are criterion-related validity which refers to the correlations where the higher the correlation the more valid is the measure for a particular criterion and construct validity which is concerned with the extent to which a particular measure relates to other measurements concerning the construct (Abott & Bordens, 2013).The internal consistency reliability coefficient in Cronbach's Alpha is where the calculation of alpha is based on the inter item correlations among all the items of the scale. The higher the alpha, the higher is the reliability and the reliability coefficient is computed by correlating the scores obtained from the two administrations should range from 0 to 1 (Abott & Bordens, 2013). The reliability coefficient computed to indicate how reliable the data for each variable confirms that a coefficient of 0.8 and above indicate a high degree of reliability of data Mugenda (2011). Study by Dakhelalla (2014) on governance and chief executive officer's (CEO) pay and performance in a non - profit Organisation used a subset of 50 respondents to re test the reliability of responses received found no problems emerged and nothing to suggest that the instrument is unreliable meaning it measured what it was intended to measure.

3.8.2 Sample Size and adequacy test

Prior to the extraction of the factors, several tests are used to assess the suitability of the respondent data for factor analysis. They include Kaiser-Meyer-Olkin (KMO), Measure of Sampling Adequacy (MSA) and Bartlett's Test of Sphericity (BTS). The KMO index ranges from 0 to 1, where 0.50 is considered suitable for factor analysis. The Bartlett's Test of Sphericity be significant at ($p<.05$) for factor analysis (Williams, Brown, & Onsman, 2010). The study tested the sample adequacy of each objective under the Kaiser- Meyer- Olkin Measure of Sample adequacy as shown in table 3.2. Kaiser-Meyer-Olkin Measure of sampling adequacy are categorised in the 0.90 as marvellous, 0.80's as meritorious, 0.70's as middling, 0.60's as mediocre, 0.50's as miserable and below 0.50 as unacceptable.

3.8.3 Factor Loadings

Factor analysis is commonly used and considered as the method of choice for interpreting self-reporting questionnaires. It is a multivariate statistical procedure that reduces a large number of variables into a smaller set of variables (also referred to as factors), establishes underlying dimensions between measured variables and latent constructs, thereby allowing the formation and refinement. It provides construct validity evidence and addresses multicollinearity (two or more variables that are correlated). The ways used to extract factors include; Principal Components Analysis (PCA), Principal Axis Factoring (PAF), Image Factoring (IF), Maximum Likelihood (ML), Alpha Factoring (AF) and Canonical (C). The most common extraction methods are Principal Components Analysis (PCA) and Principal Axis Factoring (PAF) (Williams, Brown, & Onsman, 2010). This study therefore adopted the Principal Component nalysis.

3.8.4 Descriptive statistics

The study conducted descriptive statistics to show, summarize, organize and simplify data in a meaningful way. The number of cases in the data set was recorded under the columns and the average was contained in the Mean column. Variability can be assessed by examining the values in the Standard Deviation column appendix 4. If skewness = 0, the data are perfectly symmetrical, less than −1 or greater than +1, the distribution is highly skewed, between −1 and − 0.5 or between + 0.5 and +1, the distribution is moderately skewed, between − 0.5 and +0.5, the distribution is approximately symmetric. Bulmer,(2011) indicated that if all the variables reached the normality threshold the skewness is between -1 and +1 and can therefore be acceptable and fit for analysis.

3.8.5 Test of Assumption on the Variables.

The study was to establish whether or not the measures are related and should not be related. The study established that none of the variables were related that is to say there was no multicollinearity hence valid for analysis. Multicollinearity is viewed as an interdependency condition. It is defined in terms of a lack of independence, or of the presence of interdependence signified by high inter-correlations. From the component correlation matrix the result show that there is no multicollinearity since all of the correlation coefficients were below 0.5.The study therefore concluded that it is fit. It is on an assumption that data follows a normal distribution that is, it is expected that the populations from which the samples are taken are normally distributed. Normality is taken seriously, for if it does not hold, it is impossible to draw accurate and reliable conclusions about reality. The main tests for the assessment of normality are Kolmogorov-Smirnov (K-S) test, Lilliefors corrected K-S test, Shapiro-Wilk test, Anderson Darling test, Cramer-von Mises test, D'Agostino skewness test, Anscombe-Glynn kurtosis test, D'Agostino-Pearson omnibus test and the Jarque-Bera test. Kolmogorov-Smirnov (K-S) and Shapiro-Wilk tests can be conducted in the SPSS by an Explore Procedure (Analyse → Descriptive Statistics → Explore → Plots → Normality plots with tests), however, limitation of the K-S test is its high sensitivity to extreme values and low power but the Lilliefors correction renders this test less conservative. Shapiro-Wilk test is based on the correlation between the data and the corresponding normal scores and provides better power than the K-S test even after the Lilliefors correction (Ghaseni & Zahediasol, 2012).

The study therefore applied the Shapiro-Wilk test recommended as a superior method for testing normality of a data. The study determined the critical point of the Shapiro-Wilk test with the observations and compared the Shapiro-Wilk statistic (W) against the level of significance value of 0.05. Abbott, and Bordens (2013) indicated that if the test statistic exceeds the critical point, accept normality as a reasonable model for the underlying population; however, reject if less. Appendix 3 shows the test statistics of the significance levels. The normal distribution curves show that all the variables were normally distributed; this is consistent with the Shapiro-Wilk test and the skewness values. The study therefore concludes that that they are fit for analysis.

3.8.6 Regression Analysis (Variable identification and assignment)

For this study, the main objective was to investigate the effects of governance on the growth of collective entrepreneurship in Coffee Sector in Kenya. Accordingly, in this objective regression and correlation analysis was useful. In objective one, the study set out to establish whether Financial Management Systems influence the growth of collective entrepreneurship in the Coffee Sector in Kenya. By its description a simple linear regression model was fitted. Conventionally the study involved two variables x and y therefore a linear regression model was fitted and the result was in the form of:

$$Y = \beta_0 + \beta_1 X_1 + \mathcal{E} \ldots\ldots \text{Equation [1]}$$

Where: Y = the response variable, X_1 = the explanatory variable and $\mathcal{E}$ = was an error term. The task in fitting such a model as to find the optimal values of the regression coefficients β_0 and β_1 and briefly commented on the behaviour of $\mathcal{E}$. In objective two the study set out to determine whether Organisation demography influences the growth of collective entrepreneurship in the Coffee Sector in Kenya. In this objective a simple linear regression model was fitted. Conventionally the result was in the form of:

$$Y = \beta_0 + \beta_2 X_2 + \mathcal{E} \ldots\ldots \text{Equation [2]}$$

In objective three the task of the study was to find out how Human Resource Management influences the growth of collective entrepreneurship in the Coffee Sector in Kenya. The established the degree or extent to which the two variables fluctuate with respect to each other. Product moment correlation coefficient also known as Karl Pear- sons Coefficient of Correlation was applied. It measured the strength of the association between dependent and independent variables and conventionally the result was established by:

$$r = \frac{\text{Cov }(xy)}{S_x\, S_y} \ldots\ldots \text{Equation [3]}$$

Where: Cov (x, y) is the co-variance between the variables Human Resource Management (x) and growth of collective entrepreneurship in Coffee Sector in Kenya (y). S_x and S_y are standard deviations of x and y respectively. r - was computed and the value found to be +1, which means that there was a perfect positive correlation between the two. Otherwise other values were such that $- 1 \leq r = 1$.

3.8.7 Structural Model and the Testing of Hypotheses

In objective four the study sought to investigate the impact of a moderating on the explanatory variables in the first three objectives. It was upon this understanding that; the study carried out ANOVA on the regression coefficient and a post hoc analysis on the regression coefficient. In order to assess how the moderating variable affects the strength of the relationship between each of the variables in the effect of governance, the study used a Multiple Regression Model in which a moderating variable was included in the form of:

Predicted $Y_1 = \beta_0 + \beta_1*X + \beta_2*Z + \beta_3*X*Z$...............................Equation [4]

Predicted $Y_2 = \beta_0 + \beta_2*Z + (\beta_1 + \beta_3*Z)*X$.................................Equation [5]

Where: - Y - Growth of collective entrepreneurship. X - Effect of governance on the Growth of Collective Entrepreneurship and Z - Hypothesised moderating variable assumed to have linear relationship with the Growth of Collective Entrepreneurship. $(\beta_1 + \beta_3*Z)$ is the slope of the relationships of Y and X at Z and is the effect X has on Y as is dictated by the interaction variable Z and changed linearly as Z changed.

The growth of collective entrepreneurship in the Coffee Sector in Kenya, the study first identified all the determinants of governance and identified which actually influenced governance as a single variable. The study therefore applied formula thus Principal Component Analysis

(PCA)…..Equation [6]

The identified variables were then regressed onto the growth of collective entrepreneurship variable and the result found. During the model fitting stage after the identification of the regressors, the study in view of the moderating variables used the LOGIT and PROBIT models as the fits. The tests of measurement Model fit were, conducted to ensure reliability and validity of the variables by using Analysis of Moment Structures (AMOS). Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM) inferred causal relationships among factors and confirmed correlations. Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI) were also applied. Reliability referred to as internal consistency was exhibited by variables in the structural equation model. Validity on the other hand reflected the degree to which the indicators represent construct they purport to measure.

3.9 Summary

The questionnaire was preferred in data collection because of its ability to collect data from a large group within a short period. The questions were fashioned and framed in both structured (closed-ended) and semi structured (open-ended) were self-administered. As was anticipated the pilot results revealed that the models and the research design used were appropriate. This study conducted it to locate the elements of the study population and identify units of analysis which is an entity about whom or which the researcher gathers information. The study carried out the test by Kaiser- Meyer- Olkin measure of sampling adequacy for the sample adequacy. The test results showed that all the objectives were above 70 percent and rated as middling except policy which was 80 percent and was rated meritorious. The study therefore concluded that the samples were adequate as none was mediocre. Accordingly regression and correlation analysis were useful and the study used a Multiple Regression Model in which a moderating variable was included. During the model fitting stage after the identification of the regressors, the study in view of the moderating variables used the LOGIT and PROBIT models as the fits and were found fit. The study also carried out ANOVA on the regression coefficient and a post hoc analysis on the regression coefficient and that none of the variables were related that is to say there was no multicollinearity hence valid for analysis. Factor analysis was commonly used and considered as the method of choice for interpreting self-reporting questionnaires. It provided construct validity evidence and addressed multicollinearity. In order to measure the variables for the independent, dependent and moderating variables, the study used various indicators and open-ended questions on rating scale popularly known as the Likert scale and a five point Likert scale measured all the objectives.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter reports on the study findings by discussing comprehensive analysis on the effects of governance on the growth of collective entrepreneurship in the Coffee Sector in Kenya. The result combined both qualitative and quantitative approaches. The main areas of discussion were focused on the determinants of governance thus financial management systems, Organisation demography, and Human Resource Management and policy interventions as a moderating factor.

4.2 Response rate

Table 4.1 shows the response rate, 1.6 percent was discarded due to anomalies raging from incompleteness to untargeted population. A total of 86.7 percent of the respondents accurately completed questionnaires used in the analysis. The response was significant taking into consideration such factors as infrequent availability and vocational nature of their duties as they double up with private engagements.

Table 4.1: Response rate

Questionnaires	Number	Percent
Returned	108	89
Unreturned	26	18
Spoilt	3	2
Processed	105	76
Issued	137	100

4.3 Sample Description

In the analysis of the responses, it is important to demonstrate an in depth understanding of the sample population as a whole and in order to achieve this, descriptive statistics is used to summarize the characteristics of the respondents by determining the statistical central tendency in terms of mean and standard deviation and statistical information such as frequency and percentages (Kothari, 2013).

4.3.1 Gender Distribution

Table 4.2 shows that Coffee Sector in Kenya were male dominated with higher mean and percentage respectively; this shows that the females were not as much attracted in the business as their counterparts. Overall, retention is lower for women than for men. This arises for a variety of reasons, such as: low association as in members in male-majority work settings, domestic responsibilities / obligations that are poorly accommodated for by the cooperative societies, lower pay, sparser opportunities, career obstacles for women. Gender is an organizing principle in almost every farming system, with women and men frequently taking on distinct responsibilities for particular tasks within a farming system. Any intervention in the sector can be shaped by gender relations as part of an approach to improving Coffee and development outcomes. The study posits that effective partnership between women and men is likely to result in higher productivity.

4.3.2 Age Distribution

In general majority of the members were 50 years and above with only a paltry number below 35years; those above 51 years dominated the business as indicated by highest mean value and standard deviation this means that Coffee Sector in Kenya face massive ageing and insignificant youthful membership. This leaves a question as to whether the general membership has the capability to set standards and perform such functions that could monitor compliance.

Table 4.2: Demographic distribution of the respondents

Variable	Frequency	Percent	Mean
Gender:			
Male	176907	63.8	1684.83
Female	83820	36.2	798.8
Age Cohorts:			
18 – 35	70403	20.4	670.5
36 – 50	156484	38.8	1490.32
51 and Above	161505	40.8	1538.14

4.3.3 Education Background

Table 4.3 shows that majority of the management committee members have ordinary and advance levels making a total of 57.2 percent and those with degree and diploma levels formed a total of 37.1 percent. Those with primary education and other certificates formed a total of 5.7 percent. The study established that the management committee members had a mix of qualifications and skills with majority having basic qualifications which do not match the job requirement and provision of technical support that can enhance economic returns through value-addition. The study also realised they have inadequate ability to innovate and improve on value addition of the products. The findings are corroborated with Imonikhe (2010), who indicated that education enhances the ability to make accurate and meaningful management decisions, understand policies or programmes and increased productivity and marketing. Ajah(2012) found out that it enhance farmers' abilities to understand and evaluate new production techniques, process and increased productivity. The study therefore concluded that low levels of education and mix levels of qualifications thus completion of secondary, graduate or post-graduate education affect the growth prospect the coffee cooperative business in the Coffee Sector in Kenya since formal higher education can be linked with higher incidence of business success and growth.

Table 4.3: Qualification of the Management Committee Members

Qualifications	Frequency	Percent
Kenya Certificate of Primary Education	1	1.0
Ordinary Level (O 'Level)	47	44.8
Advanced Level (A' Level)	13	12.4
Diploma	20	19.0
Bachelors	19	18.1
Other Certificate	5	4.8
Total	**105**	**100.0**

Table 4.4 shows education levels of the senior staff employed by the Coffee Sector in Kenya. The result shows that the majority of staff has ordinary level and other certificates forming 86.6 percent. The study established that only 1 percent had degree and masters certificates with a paltry number with diploma levels. The respondents cited that engaging personnel with low qualifications was due to inadequate finance for professional managers and those with post-secondary education were not interested in Coffee Sector in Kenya. The level of education indicates potential of human capital, encourages diversification and makes use of opportunities and whereas, low qualifications, varying degree of knowledge and skills affect the capacity of the personnel to generate creative and innovative solutions, high level of education team result in awareness to change and innovate. The findings are in agreement with Gibcus, *et al(*2012) who cited that education is important for economic development, embedment of creativity, innovation and entrepreneurship. The study therefore concluded that majority of Coffee Sector in Kenya do not seize opportunities that are important for the survival and growth because of low education of the employees.

Table 4.4: Qualification of Senior Staff Members

Qualifications	**Percent**
Ordinary Level (O'Level)	59.7
Advanced Level (A' Level)	8.4
Diploma	5.0
Bachelor's Degree	0.8
Master's Degree	0.2
Certificates	25.9
Total	**100**

Table 4.5 shows the membership, activities and services offered by the Coffee Sector in Kenya. The result shows that 64.6 percent of the registered membership was active which they delivered the produce to the cooperative. The dormant ones had not delivered their produce in the last three crop years. Governance begins from the general membership as a governing body expected to be energetic and entrepreneurial to actively participate in decision making at the general meetings but if ageing may not interact and actively participate.

This finding is in agreement with Duke II, *et al* (2012) that governance is how one gets to act, through the type of interactions and extent to which actors adhere to collective decisions. The study therefore concludes that the ageing membership lacked specific expertise and competencies to utilise opportunities as much as the entrepreneurs would to bring new business ideas. Table 4.5 shows that majority of the Coffee Sector in Kenya engage in processing and marketing through agents. A paltry number engaged in input supply by maintaining nursery and seedling to their members. Education to members was not given much attention it deserves as only 26 percent offered this service; the rest indicated that farmers had negative attitude about education despite its important role in the entrepreneurial activities in cooperatives. A total of 7 percent of the respondents did not state clearly what activities they are involved in. Crambo(2011) alluded that entrepreneur cooperatives are the options that farm entrepreneurs have for survival and must maintain higher levels of income to enable small scale farmers sustain livelihoods. Buress and Cook,(2012) indicated that cooperatives improve economic, social and cultural position of the members. They aspire to maximize benefits, achieve higher prices, sell large volumes, offer better services and minimize production costs. Food and agricultural Organisation (2012) indicated that strong cooperatives overcome difficulties by offering variety of services ranging from input and output markets to collective purchasing and innovation. Wilson, Hall and Fields(2011) cited not only products and services but also the levels of quality. The study therefore concluded that the Coffee Sector in Kenya did not engage in competitive and prosperous activities and services through innovative and commercial agriculture to generate income and employment and did not go beyond mere processing and marketing through agents.

Table 4.5: Membership, Main Activities and Services offered by Coffee Sector in Kenya

4.3.4 Number of years the Coffee cooperative has been in business

Variable	Frequency	Percent
Membership:		
Active	403780	64.6
Dormant	143053	35.4
Activities and services:		
Processing of coffee through agents	51	54
Education to members	24	26
Provision of farm inputs	17	18
Marketing members' produce through agents	45	48
Coffee seedlings (coffee nursery)	2	2
Transporting coffee	5	4
Not clearly stated	6	7

Table 4.6 shows the number of years the cooperative has been in business. The result shows the number of years the coffee cooperative has been in business this is in conformity with (Hall, Hutchinson and Michaelas 2014) who established that the age of a firm, is a standard measure of reputation in capital structure models. The

study established that majority had above 51 years, whereas only a small number had experience ranging from 21 - 30 years. It is expected, that as a firm grows it gets better, implying that governance must improve as firms age. Waechli and Loderer (2011) alluded that old organisations develop better capabilities and acquire more positional advantages that allows patent innovations at a higher rate, than young organisations. This implies that, majority forming 52.4 percent of the firms with experience of between 40 and 51 and above years in the Coffee Sector in Kenya could form a large number with patent innovations and reputation. Waelchli and Loderer (2011), indicated that as organisations age, their governance structures deteriorate and the complexity of expansion contributes to weaker monitoring systems ultimately leading to poor governance. The study concluded that with the number of years of experience majority have no innovations and do not use reputation gained in years of experience to sustain collective entrepreneurship.

Table 4.6: Number of years in business

Years in Business	Frequency	Percent
10 – 20	29	27.6
21 – 30	7	6.7
31 – 40	14	13.3
41 – 50	12	11.4
51 and Above	43	41.0
Total	**105**	**100.0**

4.3.5The Outliers

Adikaram(2014) defined an outlier as an observation or a subset of observation, which appears to be inconsistent with the remainder of that set of a data. They are of two types, thus contaminant which is a value that comes from a different distribution and is not necessarily an extreme value. The other type refers to a value that is either low or extremely high but still from the same distribution as the other values and it is important to correct or delete them from further analyses. Bates(2015) indicated that outliers be identified to investigate potential recording errors and statistical analysis is repeated with or without an outlier to make sure the results are not overly sensitive to a single observation and recommended eliminating them and reporting and analysis without an outlier because they mislead.

The study inspected and detected the outliers on the scatter plot produced using a standard parametric analyses as observed in the Mann Whitney Wilcoxon test executed in an SPSS as shown in appendix 1. The results show that the outliers were either low or extremely high from the same distributions. Table 4.7 shows outliers handling and the result were that, Financial Management Systems had 4 outliers forming 3.8 percent, Organisation demography and Human Resource Management had no outliers forming 0 percent, policy had 1 outlier which formed 0.95 percent and the growth of collective entrepreneurship had 1 outlier forming 0.95 percent respectively. They were to be removed since the outliers have to be excluded before running an independent sample.

Table 4.7: Outliers handling

Variable	**Observations**	**Outliers mentioned**	**Outliers removed**
Financial Management Systems	105	4 (3.8%)	4 (3.8%)
Organisation Demography	105	0 (0.0%)	0 (0.0%)
Human Resource Management	105	0 (0.0%)	0 (0.0%)
Policy	105	1(0.95%)	1(0.95%)
Growth of Collective Entrepreneurship	105	1(0.95%)	1(0.95%)

After detecting the outliers they were deleted and the result of the analysis indicate a normal distribution as shown in appendix 2.

4.4 Reliability and Validity

This study adopted test-retest method and the questionnaires were administered to a group of respondents at two different times under similar conditions. The test-retest period was two weeks after the initial test-retest test where the participants responded in the same way on the repeated administration. The study used content validity, which included validity strategy and focused on the content of the test. To demonstrate content validity, the study investigated the degree to which the representative sample of the objectives test what they were originally designed to measure. The expert group of specialists critically reviewed it for relevance and comprehensibility. All the essential responses on each item from each of the panellists were, evaluated by a content validity ratio and those which met statistical significance values were retained and those which did not were removed.

4.5 Construct reliability

Table 4.8 shows a result of a Cronbach's Alpha reliability coefficient of the variables in each number of items computed on the determinants of governance thus financial management systems, Organisation demography and Human Resource Management as independent variables, growth of collective entrepreneurship as a dependent variable and policy as a moderating variable. The results show that the coefficient of reliability ranged from 0.742 to 0.988. This is significant and is in agreement with Abott and Bordens(2013), that a reliability coefficient when computed by correlating the scores should range from 0 to 1. The study therefore concluded that the reliability is high as the coefficient indicates a high degree of reliability of data. Validity of a measure is the extent to which it measures what it intends to measure. It is the ability of the research instrument to measure what the researcher intends to measure (Cooper & Schindler, 2011).

Table 4.8: Construct Reliability

Factor	Items	Items	Cronbach's Alpha
Financial Management Systems	Factors influencing choice of capital	8	0.899
	Effects of finance issues	5	0.715
	Internal control to ensure compliance	7	0.801
Organisation Demography	Governance issues	5	0.715
	Innovation management	6	0.761
	Products and services	4	0.703
	Management team distribution	5	0.947
Human Resource Management	Emphasis to attract human capital	5	0.988
	Employees recruitment and retention	4	0.952
	Issues to attract employees	5	0.988
	Motivational factors emphasized	5	0.947
	Strategies to face competitors industry	4	0.943
Policy	Policies that enhance cooperatives	5	0.773
	Effects of Coffee Act	3	0.742
Growth of Collective Entrepreneurship	Relationship cooperatives / members	5	0.762
	Factors limiting growth Entrepreneurship.	7	0.950

4.5.1 Sample Size Adequacy Test

Table 4.9 shows Sample adequacy test. The result shows that financial management systems, Organisation demography, Human Resource Management and growth of collective entrepreneurship are on the middling that is to say above 70 percent, whereas policy is on the meritorious that is to say 80 percent of the variance. This means that none of the determinants was miserable or unacceptable and that they meet the minimum criteria. The study therefore concluded that the sample size was adequate and representative enough to the population and for the entire scale; the values are interpreted as acceptable.

Table 4.9: Sample adequacy test

Main Factor	Kaiser-Meyer-Olkin Measure of Sample adequacy	Bartlett's Test of Sphericity			
		Approximate Chi-square	Df	Sig.	Percent of Variance
Financial management systems	0.616	1479	595	0.000	70.161
Organisation Demography	0.635	991.017	276	0.000	72.434
Human Resource Management	0.787	2224.647	210	0.000	75.327
Policy	0.600	528.057	231	0.000	80.247
Growth of Collective Entrepreneurship	0.763	1188.846	120	0.000	73.605

4.5.2 Factor Loadings

The study used factor analysis to reduce the number of variables, group variables of similar characteristics together and explain the observed variance from the large data for analysis. The result was that first a correlation matrix was generated to get correlation coefficients of the variables, second factors were extracted and third factors were rotated to maximize the relationship between the variables using SPSS version 20 and results shown in each of the variables. Appendix 4 shows the descriptive statistics output for the determinants of governance for Factor Analysis of all the variables under the study. Typically the result show the mean, standard deviation, skewness, kurtosis and the number of the respondents who participated in the study. The study established that the mean of all the variables were reasonably high with a unified skewness, which for a normal distribution should be zero, any symmetric data should have skewness near zero as indicated by in each variable. Kurtosis characterizes the relative flatness of a distribution and since a positive kurtosis indicates a relatively peaked distribution, the study concluded that the variables are reliable and fit to use as both the skewness and kurtosis values show that the factors were normal distribution since their values were lying between -1 and +1.as depicted in appendix 4. The study also generated Communalities and appendix 5 shows the communalities extracted through the Principal Component Analysis (PCA) method.

The result shows that in each extraction, there were no small values and as such none was dropped for analysis. All the extracted values were greater than 1. This shows that all were fit and acceptable which means that they are good, reliable and should be analysed. For this case the extracted variations of initial value 1, none of the factors was below 0.05 indicating that all the factors were responsible for the total variation. The study further generated Total Variance Explained where a straight line was drawn through the smaller eigenvalues where a departure occurs. This point highlights where the break occurs. The point above this break indicates the number of factors to be retained. Appendix3 shows the total variance explained and the extraction sums of the squared loadings together with their eigenvalues, the percent of variance attributed to each factor and the cumulative variance. The study established that the first factor accounts for 16.462 percent, the second 14.313, and the third 11.919 up to the ninth 4.787 with cumulative of 82.353 percent. The eigenvalues produced a departure from linearity coinciding with a 9 factor result. Therefore this test indicated that the data was analysed for 9 factors. All the remaining was not significant and that there were 22 factors but were constrained to 9 factor. The study concluded that the 9 factors are sufficient as depicted in appendix 6. The Component Correlation Matrixes shown in appendix 7 was subjected through rotation method oblimim with Kaiser Normalization.

4.6 Descriptive Statistics

The number of cases in the data set were recorded under the column labelled N and the average is contained in the Mean column. Variability was assessed by examining the values in the Standard Deviation column. The result show that skewness was between + 0.5 and +1, and therefore the distribution were moderately skewed. The table shows that all the variables reached the normality threshold where the skewness is between -1 and +1 therefore acceptable and fit for analysis this is agreement with (Bulmer 2011). Appendix 4 shows the kurtosis values which indicate that the variables were normally distributed as a further confirmation for normality test.

Table 4.10: Descriptive Statistics

	N	Mean	Std. Dev.	Skewness		Kurtosis	
Factor	**Stat**	**Stat**	**Stat**	**Stat**	**Std. Error**	**Stat**	**Std. Error**
Financial Management Systems	105	3.0818	.46514	0.620	.236	0.849	.467
Organisation Demography	105	2.6736	.33695	0.285	.236	-.195	.467
Human Resource Management	105	2.9157	.51586	0.176	.236	-.204	.467
Policy	105	3.9910	.55909	0.004	.236	-.063	.467
Growth of Collective Entrepreneurship	105	3.3506	.33964	.062	.236	.666	.467

4.6.1 Financial Management Systems

Table 4.11 shows that sale of coffee was the predominant source of economic growth followed by investments and disposal of obsolete assets. A total of 27 percent of the respondents abstained from disclosing the source of economic growth for the cooperative and only a paltry number cited levels of savings. A total of 7 percent stated productivity and capital inflows for income generating activities indicating that majority of the Coffee Sector in Kenya did very little or no value addition of their products. The cooperatives achieve economy of size, when dealing in other businesses, purchasing in bulk to achieve lower prices and obtaining products and services otherwise unavailable (Innocent & adefila, 2014). The implication is that the cooperatives concentrated greatly on selling raw coffee and have not anticipated processing and packaging.

Table 4.11: Source of Economic Growth in Coffee Sector in Kenya

Economic growth	Frequency	Percent
Sale of Coffee	47	45
Investments	19	18
Productivity and capital inflows	7	7
Levels of Savings	2	3
Source not stated	29	27
Total	**105**	**100.0**

Table 4.12 shows the products services offered by the Coffee Sector in Kenya. The result shows that majority do pulping using wet method. They do drying to separate the hulls from the coffee beans; followed by marketing of coffee on behalf of the members through auctioneering. A paltry number cited supplying farm input as service offered followed by education to members. They also provide farm inputs to the members; this finding is in agreement with Innocent & Adefila(2014) who found out that cooperatives are seen as a medium through which services like provision of farm input, farm implements, farm mechanization, Coffee loans, Coffee extension, members education, marketing of members farm produce and other economic activities and services are rendered to members Wilson, Hall and Fields(2011) indicated that Coffee Sector in Kenya provide products and services to meet the needs of the market. The study concluded that farmer co-operatives provide small-holder farmers with economies of scale by facilitating cheaper and more efficient access to inputs, improved production techniques, and information about markets and can play a vital role in achieving sustainable rural development, but need to include the use of appropriate technology, innovative ideas, and sound technical advice in order to increase their Coffee productivity and incomes.

Table 4.12: Products and services offered by the Coffee Sector in Kenya

Products and Services	Frequency	Percent
Processing of coffee	57	54.3
Education to members	28	26.7
Provision of farm inputs	19	18.1
Marketing members' produce	51	48.6

Table 4.13 shows Effective financial management systems and structures for governance. The result show that majority of the respondents had a budget execution system, accounting and auditing structure, however, internal control and reporting was not practised by majority. The findings agree with that ofSuleiman and Dandago(2014) who cited that it helps an organisation to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of control, and governance processes. Horngren, Datar and Foster(2015) alluded that in the absence of relevant information obtained from the systems, users of the funds cannot be held to account, opening doors for wasteful spending and possible corrupt practices. Budget being a process of quantitatively expressing an organisation’s strategy or the financial perspective of what an organisation seeks to achieve over a specific period of time typically form the basis upon which subsequent performance may be assessed. Gaist(2013) indicated budgeting and production of periodic financial reports, Organisation constantly monitor their revenue and costs to ensure that operations are sustained.

Fiador (2013), expounded that budget execution is the phase where an organisation’s resources are used in implementing activities and focuses compliance by an internal control system. The weak internal control systems create incentives for side deals and payments to influence contracts. Abdullah and Valentine, 2015 indicated that a strong financial management system is critically important to improve outcomes and delivering predictable resources, improved internal controls to hold managers to account and to integrate accountability. The study therefore concluded that Coffee Sector in Kenya lacked effective internal control systems, budget execution, and low integration of accountability hence low growth of collective entrepreneurship in the Coffee Sector in Kenya

Table 4.13: Effective financial management systems and structures for governance

Systems and Structures	Percent	
	Functional	Not functional
Budget Execution	70.5	29.5
Internal Control and Reporting	44.8	55.2
Accounting and Auditing	70.5	29.5

Table 4.14 shows the quality of internal controls. The result shows that majority cited purchasing and cash management with the highest mean, followed by employee recruitment and payroll were not properly managed and the respondents stated that their management was substandard. Bank accounts with the highest mean and standard deviation in that order, whereas purchasing processes with equally high mean. A significant number of respondents indicated that sales internal control was practised. Payroll which is expected to be of quality in order to attract and retain qualified human resource was not qualitatively practised suggesting chances of fraud discouraging employees. The ideal situation is quality of internal control that ensures efficient procurement and management of procured goods and services, prevents risk and contributes to accountability of resources. Elbannan (2009) indicated that quality of internal control must positively relate to good governance. The study therefore concluded that management committee members lack quality internal controls to ensure accurate, timely and complete accounting records.

Table 4.14: Quality internal controls practised within the Coffee Sector in Kenya

Internal Control	Practised	Not practised	Mean	Std.Dev
Cash management	44.1	55.2	4.10	1.365
Bank Accounts	49.6	51.4	4.10	1.197
Physical assets	69.5	30.5	3.73	1.171
Purchasing	29.5	70.5	3.67	1.182
Sales	77.1	22.9	3.43	1.292
Employee recruitment	32.4	68.6	3.47	1.294
Payroll	38.1	62.9	3.63	1.416

Table 4.15 shows that although extraction of trial balance, central bookkeeping and economic reporting was done by majority of the respondents, 24 percent of the respondents had no internal controls. They only utilize trial balance as an internal control tool to compare actual income and expenditure with the approved budgets and detection of variances. Only a paltry number produced economic reports to gauge performances. This shows that the management committee members had no internal control, ways to assess performance and this opened doors for wasteful spending and possible corrupt practices. Gaist (2013), alluded that financial planning and budget preparation must be present. The findings are in agreement with the findings of Horngren, Datar, and Foster(2012) who cited that , financial tools, assist in a preparation process and typically form the basis upon which subsequent performance may be assessed. The study therefore concluded that weak internal control systems create incentives for bad governance.

Table 4.15: Internal controls to ensure compliance with an approved budget

Internal Controls	Count	Percent
Trial Balance	39	37.1
Economic Reporting	17	16.2
Auditing	05	4.8
None	26	24.8
Procurement Procedures	01	1.0
Centralized Book Keeping	17	16.2

Table 4.16 shows the mechanisms implemented by the Coffee Sector in Kenya to enhance capital formation. The study established that non-member capital and retained patronage followed by direct investment and majority of the respondents cited multiple revolving funds as very low. However, 30 percent of the respondents indicated direct investment as high as high mechanism for capital information whereas, retained patronage and multiple revolving funds had a total of 22 percent and 23.8 percent respectively as high a paltry number of 17.2 percent indicated that non- member equity capital was a high mechanism utilized for capital formation in the agriculture sector. Ideally non- member equity would be a high source of capital formation but the Coffee Sector in Kenya prefers mobilizing funds through the existing members. In the absence of direct investment, retained patronage and multiple revolving funds the Coffee Sector in Kenya practice very limited sources for capital formation. Zhao (2011), alluded that there are only three customary forms of member capitalization that exist in co-operatives namely, member shares, membership fees, and surplus retention as the creation of institutional capital as is decided by the co-operative entrepreneurs who are generally growers and sell their products to the Coffee co-operatives. The study therefore concludes that majority of the Coffee Sector in Kenya have not prioritized direct investment which is most often used when a new member joins the cooperatives and thus would strengthen the financial condition and supplement the member equity. The only investments but are not large enough and are collectively owned is non-refundable funds namely, member shares and membership fees which is not large enough to obtain equity base.

Table 4.16: Mechanisms enhancing capital formation

Mechanism	Very Low	Low	High	Fairly High	Highest
Direct investment	43.8	25.7	10.5	10.5	9.5
Retained patronage	45.7	32.4	8.6	10.5	2.9
Non-member equity capital	50.5	32.4	9.5	6.7	1.0
Multiple revolving fund	37.1	33.3	5.7	17.1	6.7

Table 4.17 show the level of importance of the factors that influence the choice of capital structure in the Coffee Sector in Kenya. The respondents were asked to rate each factor in the level of importance beginning from not important to highly important. The study established that sales stability is highly important with a significant number of respondents cited it as important bringing the total percent of importance to 91.5 percent , followed by management attitude with a total of 90 percent and growth rate with 85.2 percent respondents respectively. From table 4.17 the result shows that taxes, profitability, operating leverage as well as asset structure were also rated as highly important with market conditions trailing with a total of 68.5 percent in the important and highly important category. This means that sales stability; management attitude and growth rate determine the growth or collapse of coffee cooperative organisations and influence to a larger extent the choice of capital structure in the organisations. Niamh (2016) alluded that Financial Management Systems ensure growth. The study therefore concluded that management committees play important role in financial management.

Table 4.17: Factors that influence the choice of capital structure

Factor	Percent				
	Not important	**Less important**	**Fairly important**	**Important**	**Highly important**
Sales stability	5.7	1.0	1.9	26.7	64.8
Asset structure	4.8	7.5	5.7	49.5	32.4
Operating leverage	9.5	8.6	4.8	40.0	37.1
Growth rate	5.7	8.6	0.0	39.0	46.7
Profitability	9.5	9.5	1.9	29.5	49.5
Taxes	13.3	16.2	0.0	31.4	39.0
Management attitudes	4.8	3.8	1.0	23.3	66.7
Market conditions	8.6	11.4	11.4	11.4	57.1

Figure 4.1 shows the instances of fraud in the Coffee Sector in Kenya. The result show that majority of the respondents indicated that no one or more employees committed any fraud. A significant number of the respondents cited that there were frauds committed in the past three years. A further 2 percent of the respondents

abstained. This shows weak internal control and failure to keep financial records, reporting and monitirng tools. This findings are in agreement with Khanchel (2007) that firms with effective monitoring systems score best on governance and effective monitoring is a core requisite for effective governance. The study therefore concluded that report on internal control of financial reporting should be along the readability, reliability, and liability dimensions and that management committee members did not have sensitivity to fraud, and this causes low confidence on the members support.

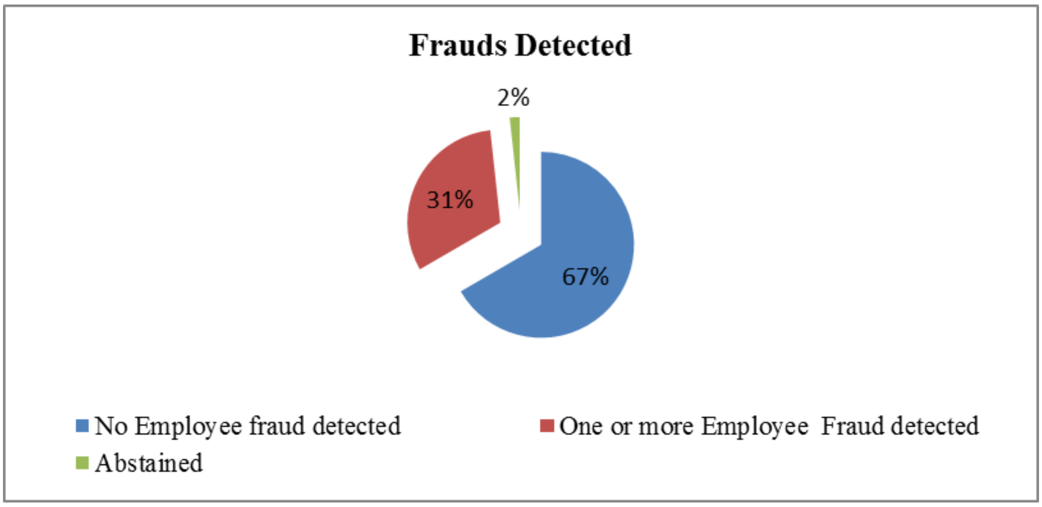

Figure 4.1:Instances of fraud in the Coffee Sector in Kenya

Table 4.18 shows the financial systems used in financial reporting by the Coffee Sector in Kenya. The result indicates that majority of the respondents use source documents while significant number do not. The study also established that although majority used accounting recording a large percentage did not. A significant number ignored financial reporting which raises questions of transparency and accountability levels. Majority of the respondents did not effectively practice cash management despite its effective contribution to sound financial management vested in the management committee members. This shows that sound Financial Management Systems are not exhibited with the majority of the respondents portraying poor governance. Barth(2013) alluded that the objective of financial reporting is to provide financial information that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity . Study by Kofi(2014) indicate that financial statements are a means through which those in charge of the business entity report to stakeholders and information to them about financial position and performance, The study therefore concluded that majority of the Coffee Sector in Kenya do not practice financial management systems with effective structures and therefore have inadequate means to depress corruption and fraud.

Table 4.18: Financial Systems used in Reporting

Financial Systems used in reporting	**Percent**	
	Used	**Not used**
Source Document	51.4	48.6
Accounting Recording	77.1	22.9
Financial Reporting	51.4	48.6
Cash Management	41.9	58.1

Table 4.19 shows Factors that inhibit successful execution of budgets. The respondents were asked to state the factors that inhibit budget execution and the result indicate that majority cited preparation process is long and tedious and that they have inadequate alignment of financial planning and budget. The study established that there is usually insignificant input from staff members. The findings are in agreement with Fiador (2013) who established that budgeting requires significant input from the fiscal staff with clearly defined roles and responsibilities. Horngren, Datar, & Foster(2014) also alluded to this when they indicated that budget to be executed well it needs to go through a preparation process the basis upon which subsequent performance may be assessed. Inadequate budget transparency was mentioned by 17.2 percent of the respondents as a factor that inhibits budget execution. The implication is that if it is not easily accessible by those involved in the decision making process where an organisation's resources are used to implement activities then this affects the growth of collective entrepreneurship. The study concluded that the management committee members of Coffee Sector in Kenya do not practice efficient budget execution and implementing it in line with the set rules and authorization.

Table 4.19: Factors that Inhibit Successful Execution of Budgets

Factor	**Frequency**	**Percent**
Preparation process	25	23.8
Insignificant input from staff	22	20.9
Inadequate budget transparency	18	17.2
Lack of implementation pre-set rules and authority	16	15.2
Inadequate alignment of financial planning and budget	24	22.9
Total	**105**	**100**

Table 4.20 indicates the results of the effects of finance issues on the Coffee Sector in Kenya. The study found out that debt equity was mentioned by a total of 60 percent of the respondents as the severe and most severe issue that affects the growth of Coffee Sector in Kenya, taxation formed a total (severe and most severe) 53.4 percent and financial competency was mentioned by 53.3 percent of the respondents. The cooperative equity, which is adequate, was cited by 47.1 percent as affecting governance in the agriculture cooperative. This shows that governance through financial management systems entails effective systems and structures. Good financial governance, is not only significant for good management, effective and efficient resource use, but also strengthens transparency and accountability. Financial competency of both the manager and management board is extremely important its absence was cited by majority of the respondents that their effect is most severe, Kenkel and Park (2011) corroborated these findings. The findings are also in agreement with Pretorius and Pretorius (2008) who found out that effective financial governance systems are required in the quest to maximize efficient use of resources, high level of transparency and accountability in an organisation's financing for long-term economic success. The study concluded that without enough capital, the Coffee Sector in Kenya cannot provide good services to the members and as debt capital increases the participation of members is decreased and the external financier influences decisions.

Table 4.20: Effects of Finance issues on Coffee Sector in Kenya

	Percent				
Effects of finance issues	**Not Severe**	**Slightly Severe**	**Moderately Severe**	**Severe**	**Most Severe**
Tax	12.4	5.7	28.6	21.9	31.4
Adequate cooperative equity	19.0	4.8	28.6	26.7	21.0
Risk Management	19.0	9.5	31.4	18.1	21.9
Financial competency	18.1	4.8	23.8	33.3	20.0
Debt equity	13.3	6.7	20.0	22.9	37.1

4.6.2 Organisation Demography

Table 4.21 shows the distribution of management and supervisory committee members. The result show that both committees are male dominated at 82.90 and 82.70 percent respectively. Gijselinckx & Bussels(2012) alluded that governance structures seeks out an optimal balance between stakeholders involvement for decision-making. The implication of the unbalanced gender representation indicates no equality in decision making. The ideal situation is balanced composition. The findings are in agreement with Johl, Bruce and Binks (2011) that structure and composition of the management committee members' determines the conduct of the directors and affects the organisation's business approaches. The study therefore concluded that composition of the management and supervisory committee members negatively influence governance quality in the Coffee Sector in Kenya and that a greater female representation on management committee members not only increases the size of the human capital pool from which directors can be drawn, but also provides some additional skills and perspectives that may not be possible with all-male management committee members.

Table 4.21: Distribution of Management and Supervisory Committee Members

Distribution	Frequency	Percent
Management Committee:		
Male	529	82.90
Female	109	17.10
Supervisory Committee:		
Male	224	82.70
Female	47	17.30

Table 4.22 shows the influence of the size of the management committee members on entrepreneurial activities. The result show that majority of the respondents indicated that the size of management committee members has influence on entrepreneurial activities. The implication is that board size may suffer from impaired coordination and communication problems and thus influence board effectiveness and that board size can also facilitate board effectiveness to enhance firm performance. This finding is alluded to by Johl, Bruce and Binks(2011) who established that smaller sizes participate and promote frequent communication encouraging cohesion, too small sizes lack expertise and skill diversity. The study therefore concluded that management committee members' size influences the cooperatives efficiency.

Table 4.22: Influence of the size of the management committee members

	Percent	
Influence of the size of the management committee members	**Influence**	**No influence**
Ability to process entrepreneurial information	40	60
Promotion of frequent communication encouraging cohesion	23	77
Expertise and skill diversity	24	76
Experience that is conducive for entrepreneurship activities	44	56
Implementing effective accountability structures	23	77

In Table 4.23 the study established that there are varied communication methods applied by the Coffee Sector in Kenya. Majority of the respondents embrace a mix of traditional and technological methods. The traditional methods grouped as others included face to face meetings, letters and personal interactions and forms a total of 40 percent of less and frequently used. Modern methods that include emails, websites, and newsletters were not frequently used despite their flexibility, speed and low cost. Meetings and phone calls are the most frequently used methods. The highest mode of communication was through the phone calls with a mean of 2.74, with a standard deviation of 0.665. The other mode was through meetings had a mean of 2.76 with a standard deviation of 0.807 and the website was hardly used. The findings are in agreement with the study by Bond and Bhuyan(2011) who established that, in spite of many benefits that digital communication methods can provide, leaders, are cautioned to use technology The study therefore concluded that leaders are content with the current traditional methods.

Table 4.23: Methods of Communication with Members

Method	Percent		Statistics	
	Not frequent	Frequent	Mean	Std. Dev.
Website	85.7	14.3	1.27	0.750
Email	45.7	54.3	1.98	1.0278
Phone calls	22.8	77.2	2.74	0.665
Meetings	13.3	86.7	2.66	0.807
Newsletter	38.1	62.9	2.15	1.1.08
Other	40.0	60.0	2.07	1.077

Table 4.24 shows that small size farms, ageing farmers, transfer of business and farm mechanization, part time workers were a challenge to the Coffee Sector in Kenya. Barton (2016) indicated that failures of cooperatives were contributed by lack of funds and access to capital. Boland, *et al*(2011) indicated that planning horizon of cooperatives is often constrained by older farmer-members who control most of the management seats and can thwart change as their limited vision inhibits cooperatives from growth. The study therefore concluded that solving governance

problems that riddle the development of the cooperatives is not largely looked and overcome for the success of collective entrepreneurship.

Table 4.24: Constraints experienced by the Coffee Sector in Kenya

Constraint	Not Experienced	Experienced
Inadequate access to Coffee input	29.9	72.1
Small size farms	32.4	67.6
Ageing farmers	36.2	62.9
Part time workers	50.5	49.5
Farm mechanization	42.0	60.0
Transfer of business	40.0	60.0

The study set out to establish the ratings on the top management committee members on their innovation management capabilities. Table 4.25 shows the management committee members' knowledge regarding innovation management in the Coffee Sector in Kenya. The result indicates that majority are very low in designing, diffusion, planning and organizing. However, they were, rated high in organizing and planning. It is, expected that besides the average education and various categories of the training, the top management teams need innovation management knowledge in order to contribute immensely to the growth of collective entrepreneurship and influences performance in the Coffee Sector in Kenya. Spear and Roger(2012) found out that innovation needs a creative stage where a need is identified and an idea generated to address it. The study therefore concluded that the members of anagement, have to show vision,mangement capability,enthusisatic inninnovators and communicate the skills. Majority were poor in diffusion that is in agreement withby Waelchli and Loderer (2011), who indicated that as organisations age, governance structures deteriorate and that old organisations develop better capabilities and acquire more positional advantages that allow patent innovations at a higher rate than young organisations.

Table 4.25: The management committee members' knowledge regarding innovation

Innovation management	Percent			
	Very low	High	Mean	Std. Dev.
Designing	65.7	37.4	3.10	1.009
Planning	47.6	55.9	3.48	0.942
Organizing	53.4	49.9	3.29	1.044
Diffusion	80.9	21.7	2.63	1.085

Table 4.26 show the effects of age and cooperative performance. The study sought to establish the effect of Organisation age on the performance of the Coffee Sector in Kenya. The result show 60 percent of the respondents reckoned that the age has made knowledge, abilities and skills to decay, 32 percent cited financial friction and 31 percent indicated that products decline. The implication is that as the coffee cooperative society's rate of growth and tenure of the manager's decline. These findings are in agreement with the finding of Waelchli and Loderer (2011) who indicated that as firms age and capital increases overtime there is marginal products decline. The study concluded that as organisations age, governance structures deteriorate.

Table 4.26: Effects of age of the Cooperatives and Performance

Performance	Frequency	Percent
Knowledge, abilities and skills	60	57
Organisation rigidity and inertia	12	11
Preferential treatment of senior staff	10	9
Financial friction	34	32
Products	33	31

Table 4.27 indicates that majority of the respoendent cooperatives were on short term debt ratio. The medium and large term debt ratios were also high forming a total of 45.7 percent and a paltry number indicated none of the terms of the debt ratio due to education levels,tenure and age. This shows that the longer the Coffee cooperative was in operation the more it is exposed to more variety of influences

making its reputation evident and giving room for acquring debt capital. The debt ratio therefore were shaped by the past experience and the cohorts to which the agricultual cooperative belonged. The findings conform with, Hall, Hutchinson, and Michaelas (2014), who established that the age of a firm, is a standard measure of reputation in capital structure models and increases its capacity to take on more debt. The study further realised that age is positively related to long-term debt but negatively related to short-term debt of an organisation. The study therefore concluded that assets are preferred than debts for raising capital.

Table 4.27: The Debt Ratio of the Coffee Sector in Kenya

	Frequency	Percent
Short term	49	46.7
Medium term	29	27.6
Long term	19	18.1
None	8	7.6
Total	105	100

Table 4.28 show the elements associated with entrepreneurship as the coffee cooperative society's age. The study sought to establish whether the age of the cooperative have contributed to the elements of entrepreneurship. The result indicates that all the respondents had not established entrepreneurship committees, teams and managers. A paltry 13percent had effective production and customer relationship and further insignificant 12 percent respondents had effective management of new projects. These findings were alluded to by Heilbrunn,(2013) who recommended that for entrepreneurship to succeed organisations must establish such committees, teams and managers. The study concluded that despite the age of the cooperatives they do not encourage or discourage business-related risk-taking so that they should not just depend on management of single projects.

Table 4.28: Elements of Entrepreneurship associated with the age of Cooperatives

Element of Entrepreneurship	Frequency	Percent
Effective management of single projects	79	75
Effective management of new projects	12	12
Established entrepreneurship committees, teams and managers	0	0
Effective Production and customers relationship	14	13
Total	**105**	**100**

Table 4.29 shows that management tenure distribution or length of service affect internal control structures followed by organisation innovation, employee turnover and power distribution as cited by a significant number of respondents. The respondents when probed further cited that a renewable term of three years was typical and added that it pauses a challenge to find talents among members. The findings are in agreement with what Whitaker and Richard(2014) found that in an organisation, management tenure distribution or length of service (LOS) in an organisation affects a wide variety of Organisation outcomes, employee turnover, Organisation innovation internal control structures and power distribution. The study therefore concludes that length of tenure in the Coffee cooperative affect the internal control structures and innovation, although continuity is critical for sound guidance Coffee Sector in Kenya may experience lack of new ideas from the members.

Table 4.29: Influence of Management Tenure Distribution or Length of Service

Influence of Management Tenure Distribution	Mean	Std. Deviation	Variance
Wide Variety of Organisation Outcomes	2.71	1.335	1.783
Employee Turnover	2.86	1.470	2.162
Organisation Innovation	3.05	1.396	1.950
Internal Control Structures	3.07	1.430	2.044
Power Distribution	2.78	1.301	1.692

Table 4.30 shows the governance issues that affect the Coffee Sector in Kenya. The study established that management committee members' competency and recruitment severely affect the governance in the Coffee Sector in Kenya. The other governance issues were balancing cooperatives and members management committee members' member orientation respectively. The scores shows the governance issues affect Coffee Sector in Kenya. The findings are in agreement with Kenkel and Park(2011) who stated that the governance issues were most critical challenges to the cooperative business model. The study therefore concluded good governance is a crucial requirement for the success of the Coffee Sector in Kenya.

Table 4.30: Governance Issues that Affect Coffee Sector in Kenya

Governance issue	Frequency	Percent
Balancing cooperatives and members	18	17.2
Management committee members' dedication	11	10.5
Management committee members' competency	27	25.7
Management committee members recruitment	26	24.7
Member involvement	10	9.5
Management committee members' orientation	13	12.4
Total	**105**	**100**

Table 4.31 shows that majority of the staff had not acquired information communication and technology, business linkages, increasing financial resources and quality management systems. The implication is that service delivery and market access is not effective. Dakkhelalla (2014) alluded that it is unlikely for cooperatives to succeed in the current highly competitive environment without professional leaders, managers, or chief executive officers identified, developed and encouraged. The study therefore concluded that limited skills and knowledge contributes to exploitation in the Coffee Sector in Kenya.

Table 4.31: Professional skills acquired by senior staff in the last three years

Professional skills acquired	Acquired	Not acquired
Information communication and technology	42.9	57.1
Quality management systems	61.9	38.1
Increasing financial resources	58.1	41.9
Business linkages	55.2	44.8

Table 4.32 show increased dormant members due to poor and delayed payment, poor sales, and conflicts arising from the previous committee members. The findings are in agreement with what Chibbada, Ortman and Lyne,(2009) indicated as failure of members to understand their obligations and rights, business management, provision of transport for delivery of members' produce, lack of training in business management, marketing and accounting, conflict among members and lack of funds have hindered the performance of entrepreneur cooperatives. The study therefore concluded that the facets of cooperative business and the management committee members' members are not alert enough to govern Coffee Sector in Kenya with essential success capable of facing increasingly global market challenges.

Table 4.32: Critical challenges faced by the Coffee Sector in Kenya

Critical Challenge	Count	Percent
Poor Sales of Coffee	25	23.9
Poor Payment to Members	30	28.5
Increased Dormant Members	21	20.0
Conflicts	5	4.5
Poor Access to Credit	11	10.7
Poor Production	13	12.4
Total	**105**	**100**

Table 4.33 shows that majority of the Coffee Sector in Kenya moderately emphasize customer satisfaction and quality of products when evaluating management committee members. Whereas, an insignificant number of respondents indicated quality of service and customer satisfaction were highly emphasized there was none for quality of products. The study also established that majority of the respondents indicated that customer satisfaction, quality of products and quality of

service had both low and very low emphasis only a negligible number cited the perimeters as high emphasis in evaluating top management. The ideal situation is that customer satisfaction, quality of products and quality of service are essential parameters upon which the performance of a firm should be evaluated. The findings are corroborated by Arslan(2011) who found out that customer focus and people involvement is the key elements in innovative management. The study therefore concluded that management committee members of the Coffee Sector in Kenya cannot be pinned down on failure to create value because they are not evaluated moreover they do not serve their customers differently.

Table 4.33: Evaluation of top management teams in the Coffee Sector in Kenya

	Percent				
	Very Low	**Low**	**Moderate**	**High**	**Very high**
Customer Satisfaction	3.8	32.7	58.7	2.9	1.9
Quality of Products	8.6	32.4	54.3	4.8	0.0
Quality of Service	13.5	44.2	32.7	3.8	5.8

Table 4.31 shows the innovative performance indicators upon which the management committee members are evaluated. The result shows majority of the respondents are not evaluated on the basis of the indicators of innovative performance. The implication is that in the absence of innovation which covers acquisition of new products and services an organisation innovative status cannot be enhanced. The ideal situation is that top management should accept risk involved, develop new products, support an entrepreneurial culture and promote entrepreneurial behaviour to improve on firm performance. This finding is in agreement with Cromer, *et al* (2011) who established that firms were non - innovative and had high number of patents with few new or improved products. The study concluded that management committee members of Coffee Sector in Kenya have not yet practiced innovation processes as well as new products and services. They rarely seek creative, unusual and novel solutions to problems and needs.

Table 4.34: Evaluation indicators of innovative performance

Indicator of performance	Percent	
	Evaluated on	Not evaluated on
Number of new products	20	80
Registered and utilized patents	28	72
Improved Products	42	58
Total	**100**	**100**

4.6.3 Human Resource Management

Table 4.35 shows strategies or Human Resource Management practices employed by the Coffee Sector in Kenya as a strategy for human resource practices for staff recruitment. This means that majority of the management committee members fell did not use person future fit followed by person job fit and person Organisation fit in that order. Ideally, firms that emphasize person-future fit when selecting new employees are more likely to have aligned workforce than those that emphasize either person-job fit or person-organisation fit. The findings are agreement with Moodley, Loughman and Naidoo(2015) who indicated that selection strategy which works best is person-future fit because it is strongly and positively related to workforce alignment and that person-job fit and person-organisation fit are not related to. The study therefore concluded that Coffee Sector in Kenya have yet to adopt strategies related workforce alignment and human resource practices to select and place their employees at the right place and do the right thing for the organisation's performance.

Table 4.35: Human Resource Management Strategies for Staff Recruitment

Strategies	Frequency	Percent
Match job applicant's knowledge and skills (person-job fit)	33	31
Focus on individual's fitness to the firm's culture (person-organisation fit)	42	40
Focus on applicant's potential long-term contribution (person-future fit)	30	29
Total	**105**	**100**

Table 4.36 shows the strategies that are emphasized by Coffee Sector in Kenya to retain and manage human capital. The result shows that formal processes and procedures, monitoring own performance basically professional standards was emphasized by the majority of the respondents. The study found out that culture and peer pressure where employees track one another's work and provide feedback was cited by only 15 percent of the respondents. It is expected that for the firms to retain the human capital emphasis should be more on formal processes and procedures for job duties and descriptions where roles and responsibilities are well defined however mentioned by a paltry 27 percent of the respondents Muir(2014) alluded that, the human resource utilization strategy which works best is formal processes, procedures and professional standards and Schuler and Susan(2014),cited that Human Resource Management practices are linked with Organisation performance indicators thus high degree of creative behaviour, cost reduction and quality and quantity. (Moodley,Loughman and Naidoo,2015) confirmed that an organisations high level of pay and / or benefits relative to that of competitors can ensure that it attracts and retains high quality employees. The study therefore concluded that Coffee Sector in Kenya do not emphasize strategies that retain the human capital and do not have high concern for quality.

Table 4.36: Strategies for retaining human capital in Coffee Sector in Kenya

Strategies emphasized	Percent
Formal processes and procedures (performance appraisal)	27
Direct monitoring (control of pace and schedules)	28
Monitor own performance (professional standards)	30
Culture and peer pressure (track one another and provide feedback)	15
Total	**100**

Table 4.37 shows that job satisfaction for the worker followed by human resource ideas and loyalty devotion and trust were cited by the respondents as highly however a significant number were neutral. This shows that majority of the employers in the Coffee Sector in Kenya do not emphasize the important factors when employing for the purposes of retention of their employees. The findigs are corroborated by Boland, Hogeland, and Mckee (2011) indicated that attracting and maintaining quality human resource is an extremely important issue for Coffee cooperative. Trussa, *et al*(2013), alluded that high competition and new management techniques have caused enterprises to evolve with human resources. The study therefore concluded that cooperatives do not place greater emphasis on attracting human capital.

Table 4.37: Emphasis weighted by the Coffee sector to attract Human Capital

Factor	Not	Fairly	Neutral	Weighted	Highly	Mean	Std Dev.	Skewness
Behavioural Approaches	10.5	28.6	21.9	26.7	12.4	3.02	1.217	0.028
Human Resource Ideas	6.7	34.3	20.0	25.7	13.3	3.05	1.188	0.152
Loyalty Devotion and Trust	9.5	25.7	25.7	28.6	10.5	3.05	1.163	-0.057
Dialogue Cooperation Culture	7.0	32.4	21.9	24.8	13.3	3.04	1.192	0.134
Job Satisfaction for the Worker	8.6	23.8	28.6	25.7	13.3	3.11	1.171	-0.043

Table 4.38 shows that type iii – long-term employment but with ability based principle and type ii- long-term employment and ability based principle were cited by the majority of the respondents as not implemented. The type iv casual based was highly practiced with the highest mean of 1.73 and a standard deviation of 0.444. The study further established that although majority do not implement type I, which is long-term employment, and seniority based principle quite a significant number implement it. The findings are in agreement with the study by Kiyoshi (2013) which indicated that far sighted management committee members invest for the future, engage in long-term employment and offer vocational trainings. Those management committee members which are short sighted apply wages based on seniority and ability, just in time hiring, emphasises wages based on performance and would rather hire part-time than full time workers. The study therefore concluded that management committee members rely on casual based wages and deprive workers of job security and decent remuneration hence losses on diversified business models, competitiveness and innovativeness.

Table 4.38: Type of Wages implemented by the Coffee Sector in Kenya

Type of wages	Percent		Statistics	
	Implemented	Not Implemented	Mean	Std. Dev
Type I - Long term employment and seniority based	46.6	53.3	1.54	0.501
Type II - Long term employment and ability based	29.5	70.5	1.59	0.494
Type III Long term employment but with ability based	26.7	73.3	1.70	0.458
Type IV – Casual	41.0	59.0	1.73	0.444

In Table 4.39 the results show that introducing new products was not practised by majority of the respondents followed by access to networks. The study realised that majority of the management committee members do not use responding quickly to customers and entering new markets as a strategy to change market focus. The study therefore concluded that Coffee Sector in Kenya do not have strategies to have new products and enter new markets; this testifies the importance of having market knowledgeable management committee members that can translate market information and solve problems.

Table 4.39: Strategies used to change market focus by Coffee Sector in Kenya

Strategy	Applied	Not Applied
Introducing New Products	23.8	76.2
Entering New Markets	43.8	56.2
Responding Quickly to Customers	41.0	59.0
Access to Net Works	29.5	70.5

Table 4.40 shows that majority of the management committee members does not have any succession plans. A negligible number had cited that they would develop the existing employees, only 34 percent mentioned that they have plans to encourage the youth to join the cooperatives. The ideal situation is that human

capital from the chief executive to director level is essential for the growth of an organisation. The findings were corroborated by that of Boland, Hogeland, and Mckee (2011) who indicated that succession planning for the management committee members is more difficult in a cooperative because they are elected from the producer membership. The succession of the chief executive officer is another critical issue for Coffee Sector in Kenya as there are mixed or negative experiences in hiring managers who do not have experience with the cooperative business form. The study therefore concluded that since the management committee members has low remuneration leading to high turnover, failure to have succession plan results to unsuccessful implementation of the strategies, which are typically the role of the management team.

Table 4.40: The current succession plans by the coffee sector in Kenya

Plan	Count	Percent
Youth encouraged	36	34.3
No succession plan	66	62.9
Develop the existing employees	3	2.9

Table 4.41 shows the strategies to face competitors in the same industry. The result show that majority of the Coffee Sector in Kenya just produced for the current market, although they differentiated their products from competitors for right ward direction only 36 percent maintained brand image alone and paltry 22 percent adopted new technology to improve efficiency (leftward direction). The findings are in agreement with Gehlhar, Stefanou, Zouma and Regmi(2014) who in their study found out that all firms face competitive pressures and need strategies to face competitors in the same industry. The new products aid a firm to attain product category leadership and higher margins, brand image alone is no longer sufficient to remain competitive. The study therefore concluded that the Coffee Sector in Kenya must adopt technology to improve efficiency and differentiate their products and maintain brand image for competiveness and innovativeness.

Table 4.41: Strategies to face competitors in the same industry

Strategy	Frequency	Percent
Adopt new technology to improve efficiency (leftward direction)	24	22
Differentiate products from competitors (rightward direction)	48	45
Produce for the current market (upward direction)	62	59
Maintain brand image alone	38	36

In Table 4.42 shows the factors that are emphasized in order to motivate employees. The study established that efficient management and utilization of employees and increasing abilities were never emphasized by the majority of the management committee members. However they did indicate that rewarding performance and improving competitiveness was emphasized by the majority of the management committee members. Enhancing innovation was emphasized by almost equivalent number not emphasizing it. This shows that majority of the Coffee Sector in Kenya have yet to adopt the necessary motivational factors in order to retain their employees. The findings by Sayl and Gormus(2014) confirmed that functions of Human Resource Management helps to bridge the gap between employees and employers, and develops a dialogue and cooperation culture within organisations. The study concluded that the Coffee Sector in Kenya have yet to apply the human resource motivating factors to increase the level of satisfaction and loyalty of employees and relationships between employees and employers.

Table 4.42: Motivational factors emphasized by the Coffee Sector in Kenya

Motivational Factor	Percent Not Emphasised	Percent Emphasised
Efficient utilization of employees	54.8	45.2
Increasing abilities	61.2	38.8
Rewarding performance	46.6	54.4
Enhancing innovation	50.5	49.5
Improving competitiveness	45.6	54.4

In Table 4.43 shows the rate of labour turnover in the Coffee Sector in Kenya. The result show that majority of the respondents cited labour turnover a labour turnover with a total of moderate and high at 39 percent whereas, low turnover was mentioned by only 24 percent. A significant number of the respondents who abstained and were not aware of the labour turnover formed a total 38.6 percent with a paltry number reported no labour turnover. Since employees are critical for the success of a coffee cooperative and the primary means by which the members interact with the firm the level of labour turnover was high amongst the Coffee Sector in Kenya indicating inadequate incentives to retain employees. The findings are in agreement with the study of Boland, Hogeland, and Mckee (2011) who found out that attracting and maintaining quality human resource is important for Coffee Sector in Kenya and essential strategy. The study therefore concluded that poor performance of Coffee Sector in Kenya is contributed by high labour turnover.

Table 4.43: The rate of labour turnover in the Coffee Sector in Kenya

Level of labour turnover	Count	Percent
High	21	20.0
Moderate	20	19.0
Low	26	24.8
Abstained	17	16.2
Not Aware	13	12.4
Nil	8	7.6

Table 4.44 shows that majority of the respondents did not have management style to curb the labour turnover, a negligible number indicated training of staff and an insignificant number of confirmed retention of staff by offering good remuneration and a further similar number indicated continuous improvement of better terms and conditions of service. The study also established that allowing for dialogue through collecting bargaining and adoption of piece work rate was practiced by a section of the Coffee Sector in Kenya. The other respondents cited appropriate deployment. The expectation is a positive effect that maintains job satisfaction for the workers, good remuneration and better terms of conditions to increase workers' loyalty, productivity and reduces firms' turnover. Booth and Hamer(2013) alluded that employees are less likely to leave an organisation if they believe that they are paid

fairly and the higher the satisfaction with pay or financial reward, the lower the level of turnover behaviour. The study therefore concluded that the Coffee Sector in Kenya do not practice better and appropriate methods that can increase workers loyalty and productivity to curb labour turnover.

Table 4.44: Curbing Labour Turnover in the Coffee Sector in Kenya

Strategy	Count	Percent
No management style	70	67.3
Training staff	11	10.6
Good remuneration to the employees	7	6.7
Continuous improvement of terms and conditions of service	7	6.7
Practice collective bargaining	6	5.8
Deploy staff appropriately	2	1.9
Adopt piece work rate	1	1.0
Total	**105**	**100**

Table 4.45 shows that majority of the respondents have been trained in governance with a very high number lacking accounts and management. The result also show that quite a negligible number have acquired entrepreneurship. Product and process innovation is competency that would be necessary for the management committee members however majority have not acquired this competency. The majority of the respondents have already achieved good business practices. Majority of the management committee members' have not acquired marketing management with a mean of 0.501 this shows that the management committee members have not improved their skills on marketing management as it is skewed to -0.135. The findings, are in agreement with (Gibcus, *et al.*, 2012) who found out that as in any other enterprise technical, entrepreneurial expertise and skills are highly needed in the cooperatives. They also cited that either intra Organisation (human capital of staff, managers and the management committee members' members) or extra Organisation their business models require specific business skills and knowledge. They cited that it is unlikely that Coffee Sector in Kenya can succeed in the current highly competitive environment without professional leaders, managers, or chief

executive officers identified, developed and encouraged to join cooperatives. Prakash,(2014) realised that leadership must be responsive to the needs and aspirations of the farmers but, majority of the staff and management committee members' members lack managerial skills and have inadequate training support making many business opportunities missed. The study concludes that these specific skills are important for economic development and embedment of creativity, innovation and entrepreneurship.

Table 4.45: Competencies acquired by Management Committee in the last three years

Competency	Acquired	Not acquired	Mean	Std. Deviation	Skewness
Governance	69.5	30.5	1.30	0.463	0.861
Entrepreneurship	38.1	61.9	1.62	0.488	-0.497
Good Business Practices	55.2	44.8	1.45	0.500	0.214
Accounts and management	37.1	62.9	1.63	0.486	-0.540
Marketing management	46.7	55.3	1.53	0.501	-0.136
Product and Process innovation	41.0	59.0	1.59	0.494	-0.373

The table 4.46 depicts that majority of the respondents cited availability of skilled workers to hire, high labour turnover, limited resource as the highest contributor to the provision of little or no training in that order. Use of technology in the cooperatives was cited by majority of the respondents as a reason contributing to little or no training.

Table 4.46: Reasons for inadequate or no training in the Coffee Sector in Kenya

Reason	Contributed	Do not Contribute
Limited resources	72.4	27.6
High labour turnover	78.1	21.9
Use of technology in the cooperatives	53.3	46.7
Skilled workers available for hire	81.9	18.1

4.6.4 Policy

Table 4.47 shows the policies that enhance the success of Coffee Sector in Kenya. The result shows that majority mentioned that both Financial and Marketing policies enhance the success of Coffee Sector in Kenya. Infrastructure and licensing were mentioned to enhance the success of Coffee Sector in Kenya but to a lesser extent. Only a paltry number of respondents cited taxation policy means that taxation, licensing and infrastructure policies do not enhance the success of the Coffee Sector in Kenya and contributed significantly to lack of growth of collective entrepreneurship in the Coffee Sector in Kenya. King and Ortmann(2012) alluded that inadequate access to resources such as land; capital and infrastructure are the causes of cooperative failures. Garnevska, Liub, and Shadboltc(2011) also realised that stable legal environment and appropriate policies are important for the successful development of the Coffee Sector in Kenya. The study therefore concluded that policies as financial support, creating a favourable environment and foster the growth of Coffee Sector in Kenya.

Table 4.47: Policies that enhance the success of Coffee Sector in Kenya

Policy	Frequency	Percent
Financial	71	67
Marketing	64	60
Infrastructure	54	51
Licensing	54	51
Taxation	34	32
Total	**105**	**100**

Table 4.48 shows that majority of the respondents cited that Coffee Act in the overall affects production, affect marketing and export of coffee with 19.6 percent cited that it does not affect coffee production. The result also shows that majority being 15.5 percent of the respondents indicated that coffee act affects marketing of coffee. A total of 41.7 cited that it does not affect. The result further shows that a total of 63.7 percent indicated that Coffee Act affects the performance of export of

coffee and 36.3 percent cited that it does not. The findings are in agreement with the study by Gitau, Kimenju, Kibaara, Nyoro, Bruntrup and Zimmermann(2011) which indicate that due to high cost farmers have substantially reduced use of quality inputs such as seed, fertilizer, and pesticides in addition to escalating prices, high cost of Coffee inputs and an inefficient marketing and distribution system. The implication is that the coffee Act provides control of marketing and export of coffee to an extent that compromise competition of the product. The study therefore concluded that Coffee Act does not wholly facilitate enabling business environment as required by the small scale farmers in the Coffee sector.

Table 4.48: Effects of Coffee ACT on the Performance of Coffee Sector in Kenya

			Percent		
Performance	**Do not affect**	**Partially affect**	**Affects**	**Affects More**	**Affects Most**
Production	20.6	29.4	17.6	4.9	27.5
Marketing	41.7	25.2	15.5	5.8	11.8
Export of Coffee	36.3	15.7	19.6	13.7	14.7

Table 4.49 shows Factors enhanced by the Cooperative Societies' Act for the success of Coffee Sector in Kenya. The result show that that majority of the respondents cited that Cooperative Societies Act enhances delivery of products precisely on time, delivery of zero defect products, delivery of value added products in that order. A paltry number of the respondents indicated that the Act minimizes total product cost and minimizes all types of waste. The findings are in agreement with Nyoro and Ngugi (2007) who established that weak legal and regulatory framework rarely enforce contracts or punish those who breach the contracts and this affects Coffee Sector in Kenya. The study therefore concludes that cooperative societies' act does not enhances Coffee Sector in Kenya.

Table 4.49: Cooperatives Societies' ACT on the growth of Coffee Sector in Kenya

Factor	Frequency	Percent
Deliver zero defect products	37	35
Deliver value added services	33	31
Deliver products precisely on time	44	41
Minimizes total product cost	24	22
Minimizes all types of waste	20	19

Table 4.50 shows the factors that influence the effectiveness of policies in the Coffee Sector in Kenya. The result show that majority of the respondents strongly agreed and agree with efficient dissemination of information, high demand for Coffee produce, value addition leading to improved income and availability of improved technology. The study established that very negligible number strongly disagreed and disagreed. The study therefore concluded that policy and legal framework for co-operatives need more design and constant review work guided by the members so that the members are free to mobilize resources for expansion of the Coffee enterprises.

Table 4.50: Factors that Influence Effectiveness of Policies for Coffee Sector in Kenya

Factors	Strongly disagree	Dis agree	Percent Partially agree	Agree	Strongly agree
High demand for Coffee produce	4.8	12.4	12.4	38.1	32.4
Availability of improved technology	5.7	14.3	13.3	45.7	21.0
Efficient dissemination of information	6.7	7.6	10.5	44.8	30.5
Value addition for improved income	6.7	11.4	9.5	42.9	9.5

Table 4.51 show that majority of the respondents agreed followed by those who strongly agreed that instability of the political climate, insecurity of investment, non-standardized product quality, non-competitive products and inadequate

processing facilities are factors responsible for the ineffectiveness and regulation of policies. A combined 35.4 percent of the respondents strongly disagreed and disagreed that non-standardized product quality and a combined 28.5 percent disagreed and strongly disagreed that non-competitive products are factors responsible for ineffectiveness and regulation of policies. This shows that with good cooperative policy there can be standardized product quality, security of investment and competitive products. The study therefore concluded that current form of policy fell short of the capacity to improve the quality of the products effectively.

Table 4.51: Reasons for the ineffectiveness of Policies

			Percent		
	Strongly disagree	**Disagree**	**Partially agree**	**Agree**	**Strongly agree**
Instability of the political climate	14.3	11.4	14.3	34.3	25.7
Insecurity of investment	12.4	20.0	10.5	42.9	14.3
Non standardized product quality	12.4	22.9	10.5	42.9	11.4
Non-competitive products	11.4	17.1	6.7	44.8	20.0
Inadequate processing facilities	11.4	20.0	7.6	40.0	21.0

4.6.5 Growth of collective entrepreneurship in the Coffee Sector in Kenya

Table 4.52 shows the growth of business in the Coffee Sector in Kenya. The results indicate that the Coffee Sector in Kenya registered a decline in the last two years. The respondents argued that the labour and other extra cost of production were high and very minimal innovation is practised which could increase sales volume. The findings are in agreement with that of Henehan and Pelsue (2013) who indicated that factors that significantly and consistently place an individual cooperative on a growth group include sales volume, assets, earnings, and return on investment. The implication is that collective entrepreneurship is declining, stagnant and registering slow growth. The study therefore recommends that the cooperatives exhibit innovative activities for the growth of collective entrepreneurship.

Table 4.52: The status of business growth in the last three years of operation

Status / Year	2013	2014	2015
Production (Tons) ‘1000	5470	4555	3670
Sales (Kshs)‘1000	7,111,000	5,921,500	4,771,000

Table 4.53 shows that majority of the respondents indicated that profitability, new employees and acquisition of assets have decreased and been stagnant in the last three years. The study established that although majority indicated that new employees increased a significant number cited that it decreased and became stagnate for the past three years. Audretsch (2012) corroborates the findings that growth is considered a manifestation of innovative activity, measured in terms of change in employment, sales or assets over a period and Henehan and Pelsue (2013) indicated that factors which significantly place a cooperative on a growth grid are number of employees, number of members, sales volume, assets, earnings and return on investment or absolute such as market share, price leadership, innovations and market value of stock. The study therefore concluded that the Coffee Sector in Kenya do not exhibit growth and innovative activity causing minimal performance in collective entrepreneurship.

Table 4.53:Trend of Growth for the Last three Years

Determinant of growth	2013	2014	2015
Profitability	25.5	17.1	12.4
Number of new employees	14.3	44.8	41.0
Number of New members	5.7	27.6	66.7
New assets acquired	21.9	38.1	40.0

Table 4.54 shows that majority of the respondents did not have any approaches to globalization, offer trainings to members, produce quality products, eliminate cartels, certified International Organisation of Standards (ISO), intensify value addition, embrace technology and linkages and networking as mentioned by the respondents as the approaches that for globalization markets for the Coffee Sector in Kenya. Agbo, Rouseli and Salani(2014) indicated that the cooperative segments have concentrated on the sale of unprocessed products with low level of processing and limited possibility of growth as some of the producers prefer to sell a part (or all) of their production directly to end consumers. Birchall (2015) suggested that cooperative to think locally and act globally through joint ventures. Panagiota and Nastis (2011) stated that the main targets of cooperatives' efforts are access to local markets, promoting of products and transformation into business organisations. Gijselinckx and Bussels (2012) alluded that networking is a crucial innovative strategy where cooperatives broaden their basis to improve inputs and outputs. The study therefore concluded that Coffee Sector in Kenya have yet to reach higher levels of the value chain through diversification, productivity and technological advances for global markets.

Table 4.54: Approach to globalization on competition and market demands

	Count	Percent
Elimination of cartels	9	8.7
Offering training to members	22	21.4
Intensify value addition	5	4.90
Produce quality coffee	20	19.4
Linkages and networking	4	3.90
No Approaches to globalization	33	32.0
Embrace technology	4	3.90
Planning for ISO certification	6	5.80

Table 4.55 shows that majority of the respondents strongly agreed and agreed with high mean scores that there is relationship between the Coffee Sector in Kenya and

customers because resolutions are viewed as an opportunity for improvement, delivery of products on time, members' satisfaction are integrated, improve resolutions and they monitor customer satisfaction. The rest either partially, strongly disagreed or disagreed. The implication is that the Coffee Sector in Kenya diverge their attention and do not motivate the producers and add value to their products. The study therefore concluded that Coffee Sector in Kenya are missing opportunities to build reputation with their customers and to realise more members' active participation.

Table 4.55: Relationship between the Coffee Sector in Kenya and customers

	Percent					Statistics	
Factor	**Strongly disagree**	**Disagree**	**Partially agree**	**Agree**	**Strongly agree**	**Mean**	**Std. Dev.**
Deliver products on time	3.8	8.6	4.8	44.8	38.1	4.05	1.060
Monitor customer satisfaction	2.9	15.2	5.7	56.2	20.0	3.75	1.036
Improve customers satisfaction	2.9	9.5	3.8	58.1	25.7	3.94	0.969
Resolutions for improvement	3.8	4.8	1.9	45.7	43.8	4.21	0.978
Members' satisfaction integrated	41	42	2.9	5.7	7.6	4.04	1.168

Table 4.56 shows that majority of Coffee Sector in Kenya do not utilize innovation indicators to evaluate their management committee members. The ideal situation is that innovative indicators are used to measure performance since innovation guarantees revenue and profitably. This shows that the Coffee Sector in Kenya have not yet commercialized the market with new products through innovations. Grunfeld, *et al*(2011), found out that the most commonly applied performance and capability indicators are based on number of new products, patents, and business development of new products or services. The study therefore concluded that the Coffee Sector in Kenya have not yet improved on entrepreneurship capabilities to diversify the products and sustain their firms.

Table 4.56: Indicators of innovation utilized to evaluate management

	Percent	
Indicator of innovation	**Utilized**	**Not utilized**
Number of new products	27.9	72.1
Number of improved products	44.2	55.8
Number of registered patents	17.5	82.5

Table 4.57 shows the factors affecting the growth of collective entrepreneurship in the Coffee Sector in Kenya as existing policies and regulations, level of technology and human capital and investment capital are severe constraints that inhibit the growth of climate that personal characteristic of the management committee members'. The others were failure to listen to customer requirements, financial structure and productivity. A total of 22.8 percent of the respondents indicated that inadequate labour affects the growth of collective entrepreneurship. The implication is that the existing policies and regulations do not favour the growth of collective entrepreneurship. The finding agrees with those of Wanyama (2012) who found out that legislation stipulates creating policy and legal framework for development, improving the growth and providing the requisite services for organisations. The study therefore concluded that Coffee Sector in Kenya needs to support innovations that overcome barriers to enable the growth of collective entrepreneurship.

Table 4.57: Factors affecting the growth of collective entrepreneurship in coffee sector in Kenya

Factors	Frequency	Percent
Investment climate	25	23.8
Level of technology and human capital	32	30.4
Existing policies and regulations	40	38
Financial structure and productivity	45	42.8
Inadequate skilled labour	24	22.8
characteristics of management committee members'	44	41.9

Table 4.58 shows that majority have no essential business development for identifying and creating growth opportunities. The respondents were asked to indicate the business development strategies that have been developed in the organisation in the last three years, only a paltry 34 percent have developed networks. Gijselinckx and Bussels (2012) indicated that networking is a crucial innovative strategy where cooperatives broaden their basis for human capital exchange information, learn jointly, engage in research and improve on inputs. Partnerships were very low and that of collaborations in businesses. Ideally business development is closely linked to the development of an organisation in the absence it implies that the cooperatives may not have high quality products. This finding is in agreement with Amha (2015) who found out that business development is essential for co-operative entrepreneurs to acquire new skills, products, know-how, technology and markets in an increasingly competitive domestic and global environment. The cooperatives must develop businesses to take advantage of opportunities, enhance services for the members. The study concluded that the cooperatives need, distribution, network, range of tasks to focus on growth and this involves the commitment of the management committee members.

Table 4.58: Business Development strategies in the last three years by the cooperative

Business strategy	Percent	
	Developed	**Not Developed**
Collaborations	20	80
Partnerships	12	88
Networks	34	66

Table 4.59 shows the strategies that the cooperatives have to offer high value products in the market. The result show that majority do market seeking, however a paltry 2 percent had involved in research and development as majority also engage on the strategy of cost reduction and lowering operation costs and resource seeking. In business development it is important to create structures that match competition

by offering multiple commodities, Majority of the Coffee Sector in Kenya do not engage in research to offer multiple products and high value products for competition. These findings are in agreement with Agbo and Salani(2014) 2ho stated that the cooperatives have concentrated on the sale of unprocessed products with low level of processing and limited possibility of growth. Business development, according to most respondents, has the primary task to identify and create growth opportunities. The implication is that there is limited growth of collective entrepreneurship. The study therefore concluded that cooperatives need to diversify, be closer to consumers and reach higher levels of the value chain.

Table 4.59: Strategies the cooperatives have to offer high value products

Strategies that the firm has in a market	Percent	
	Created	Not created
Market seeking (looking for considerable market)	96	4
Efficiency Seeking (Research and Development)	2	98
Resource seeking (Access to raw material or inputs)	87	13
Cost reduction and lowering operation costs	77	23

Table 4.60 shows the innovation dimensions that the cooperatives have committed resources on in order to create value for their customers and also to increase growth. The result show that majority of the cooperatives only commit resources on Improved current business operations and competitive advantage and minority of a paltry 5.5 percent commit resources on creation and acquisition a product or service and only 10 percent have committed resources on new processes and products. This shows that majority have the same products and services they had even after many years of incorporation as business entities. The findings are alluded to by Forsman and Temel (2011) who concluded that innovation thus covers creation and acquisition of a product or service and has three dimensions namely new product to the business unit and processes and therefore the study concluded that the cooperative have not focused on valuable, unique, and difficult to imitate products.

Table 4.60: Innovation that the Cooperative Committed Resources on

Innovation Dimension	Percent
New Processes or products	10
Adoption of new ideas	23.5
Creation and acquisition of a product or service	5.5
Improved current business operations and competitive advantage	72

Table 61 shows the challenges faced by the cooperatives in adopting innovative practices. The result show that majority was on financial fund and capital resources and minority were on inadequate educational and training programmes. The findings are in agreement with Zhao (2011) who attributed the challenges to conflict amongst members, poor delivery of services, lack of funds, inexperience and inadequate training in business management, capital formation, marketing and accounting. Arslan (2011) further established that cooperatives face challenges such as managerial practices, inadequate educational and training programmes and low adoption practices. The study therefore concluded that the finding and developing new innovation is a challenge for the growth of the cooperatives. They must therefore develop a sound strategic approach to the innovation support and resource commitment.

Table 4.61: The Challenges Cooperatives face in Adopting Innovative practices

Challenge	Percent
Managerial practices	25
Financial fund and capital resources	31.5
Inadequate educational and training programmes	5.5
Low adoption practices	25.5
Conflict amongst members	12.5

Table 4.62 shows the forms of innovations practiced by the cooperatives. The result shows that majority of the cooperatives practice business model innovation with minority practice process innovation. The findings were alluded to by Halecker, Holzer and Sittner (2014) who established that three forms of innovation available

to firms thus product innovation, process innovation, and business model innovation and have different degrees of relevance depending on the size of a firm. The study therefore concluded that the cooperatives have not focused on creating value and increasing growth. Organisations with high business growth are innovative and have competitive advantage. At the present firms are increasingly relying on innovation to stand out from competitors, create value for customers, and increase their growth.

Table 4.62: Forms of innovation is practiced by the cooperative

Form of innovation	Percent	
	Practiced	**Not practiced**
Product Innovation	24	76
Process Innovation	14	86
Business Model Innovation	62	38

4.7 Correlation Analysis

Appendix 8 depicts the correlations between the determinants of governance and the growth of collective entrepreneurship in the Coffee Sector in Kenya Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together where a positive one indicates the extent to which variables increase or decrease and a negative show the extent to which one increases as the other decreases. The values close to +1 indicate a high-degree of positive correlation, close to -1 indicate a high degree of negative correlation and close to zero indicate poor correlation and 0 no correlation at all. The study applied Pearson's correlation 2-tailed to determine the extent of correlations. The result revealed a correlation between the determinants of governance and the growth of collective entrepreneurship where Financial Management Systems was at 0.559 (55.9 percent), Organisation demography stood at 0.363 (36.3 percent) and Human Resource Management inclined at 0.468 (46.8 percent).

The study therefore concluded that since the correlation is significant at 0.01 levels (2tailed) as revealed in the table, there was a strong and positive correlation between the determinants of governance and growth of collective entrepreneurship in the Coffee Sector in Kenya as shown in the Appendix 8.This means that in such a perfect positive correlation, expressed as +1, an increase in each of the determinants of governance predicts the same directional change for the growth of collective entrepreneurship in the Coffee Sector in Kenya. It also demonstrates that they move in the same direction, fluctuate together and have a tendency in which a change in one causes a change in the other. Appendix 9 shows the strength of the relations between determinants of governance with the moderator policy and the growth of collective entrepreneurship in the Coffee Sector in Kenya. The result shows that Financial Management Systems increased to 0.575 (57.5 percent), Organisation demography improved to 0.454 (45.4 percent), and the influence of the Human Resource Management increased to 0.560 (56.0 percent) at a significance level of 0.000 upon introduction of the moderating variable policy. This shows that whenever a moderating variable policy is introduced the growth of collective entrepreneurship also increases. The study therefore concluded that the influence on the growth of collective entrepreneurship increased with an introduction of policy on the determinants of governance on the Coffee Sector in Kenya.

4.8 Regression Analysis

4.8.1 Financial management systems

Figure 4.4 shows the scatter plot and the line of best fit and the result shows that the estimate line positively increases implying that there is a positive linear relationship between Financial Management Systems and the growth of collective entrepreneurship in the Coffee Sector in Kenya.

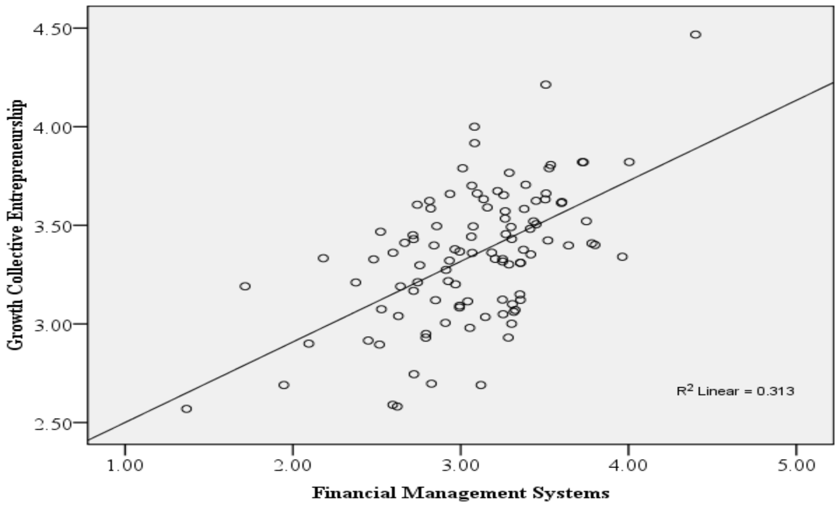

Figure 4.2: Line of best fit for Financial Management Systems and GCE

In objective one, the study sought to establish the relationship between Financial Management Systems and the growth of collective entrepreneurship given by the model

$Y = \beta_0 + \beta_1 X_1$, where

X_1 = Financial management systems

Y = Growth of Collective Entrepreneurship

Table 4.63 shows that the R square value is 0.313 which indicates the extent to which Financial Management Systems affect growth of collective entrepreneurship in the agriculture sector. The adjusted R-square value was 30.6 which designates that 30.6 percent of the growth of collective entrepreneurship in the agriculture sector is influenced by Financial Management Systems with a standard error estimate shown. R^2 assumes that every single variable explains the variation in the dependent variable, while the adjusted R^2 explains the percentage of variation explained by only the independent variables that actually affect the dependent variable.

Table 4.63: Regression 1: Model Summary for Financial management systems

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.559[a]	.313	.306	.28292

Table 4.64 shows Analysis of Variance (ANOVA) for financial management systems. The study sought to test the hypothesis that: *$H_{0:}$ Financial Management Systems do not influence the growth of collective entrepreneurship in the Coffee Sector in Kenya.*

The result shows that p value 0.000 < 0.05 being the criterion for deciding to reject the null hypothesis. If the p-value < $\alpha \Rightarrow$ reject H_0 at significance level α. When the *p* value is less than 5% ($p < .05$), we reject the null hypothesis, however when the > .05), value is greater than 5% or we retain the null hypothesis. The study therefore rejected the H_0 hypothesis and adopted the H_1 hypothesis which states that Financial Management Systems influence the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya.

Table 4.64: ANOVA[b] for Financial Management Systems

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.752	1	11.997	46.875	000[a]
	Residual	8.245	103	.080		
	Total	11.997	104			

a. Predictors: (Constant), Financial Management Systems

b. Dependent Variable: Growth of Collective Entrepreneurship

Table 4.65 shows Coefficients for Financial Management Systems. The result shows that the coefficients of the Financial Management Systems show a positive value of 2.092 as the intercept. This means that even in the absence of change in Financial Management Systems there still existed a positive change in the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. The relationship given by the model:

$Y = \beta_0 + \beta_1 X_1$……………………………………………..Equation [7]

Where

Y = Growth of Collective Entrepreneurship,

X_1 = Financial management systems,

β_0 = 2.092,

β_1 = 0.408

P value = 0.000 <0.005 and by inference the study found out that $Y = 2.092 + 0.408X_1$. This implies that for every unit value of financial management systems(X_1) the value of the growth of collective entrepreneurship (Y) value increases by 0.408 or 40.8 percent indicating a significant effect.

Table 4.65: Coefficients[a] for Financial Management Systems

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1	(Constant)	2.092	.186		11.256	.000
	Financial Management Systems	.408	.060	.559	6.847	.000

a. Dependent Variable: Growth of Collective Entrepreneurship

4.8.2 Organisation Demography

Figure 4.3 shows the line of fit for the organisation development (OD) and the growth of collective entrepreneurship (GCE) in the Coffee Sector in Kenya. The scatter plot positively increases and this suggests that there exists a linear relationship between the Organisation demography and the growth of collective entrepreneurship in the Coffee Sector in Kenya.

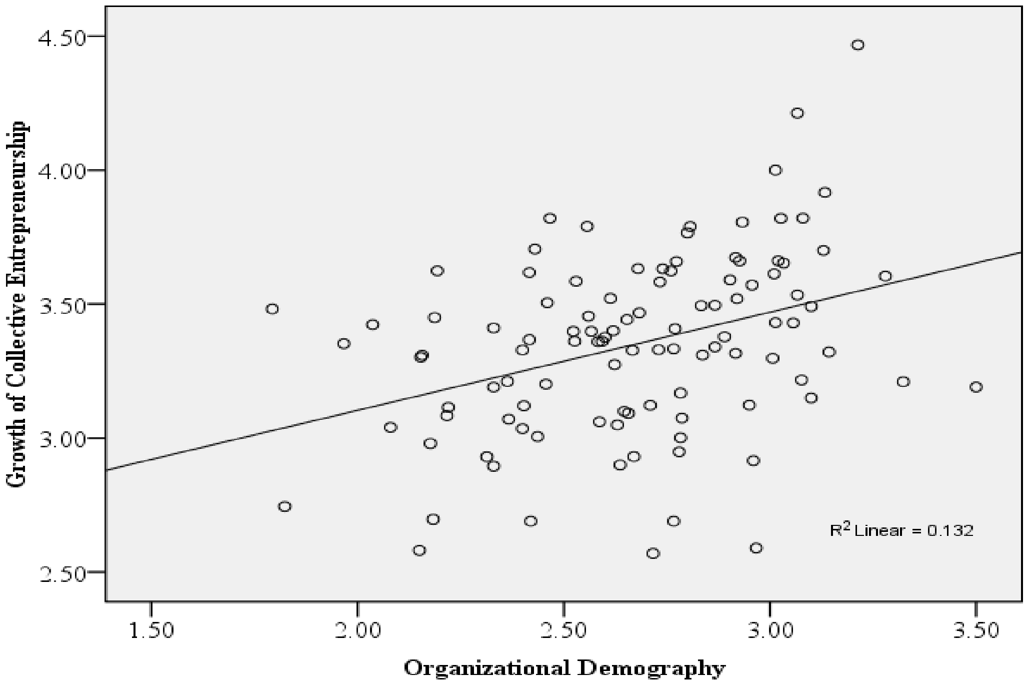

Figure 4.3: Lines of Best Fit for Organisation Demography and GCE

Table 4.66 shows the Model Summary and Coefficients of Organisation Demography and Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. In objective two, the study sought to determine the extent of influence of Organisation Demography on the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya given by the model

$Y = \beta_0 + \beta_2 X_2$ where

Y = Growth of Collective Entrepreneurship

X_2 == Organisation Demography.

The R^2 assumes that for every single variable explains the variation in the dependent variable; while the adjusted R^2 explains the percentage of variation explained by only the independent variables that actually affect the growth of collective entrepreneurship. The R square value of 13.2 designates the proportion to which Organisation demography affect the growth of collective entrepreneurship in the Coffee Sector in Kenya. The adjusted R square value was 0.124 which shows that 12.4 percent of the growth of collective entrepreneurship is influenced by Organisation demography with a standard error estimate shown. The relationship between Organisation Demography and the Growth of Collective Entrepreneurship was $Y= 2.371 + 0.366X_{2.}$ Waelchli and Loderer(2011) found out that good governance as prescribed by the codes of best practices are influenced by Organisation Demography with key aspects as size, age and managerial tenure distribution have a significant bearing on capacity of both human and level of governance within an organisation. The study concluded that organisation demography positively contributes to the growth of collective entrepreneurship.

Table 4.66: Model Summary for Organisation Demography

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.363[a]	.132	.124	.31795

a. Predictors: (Constant), Organisation Demography

The study sought to test the hypothesis that:-

$H_{0:}$ Organisation Demography does not influence the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya.

Table 4.67 ANOVA for Organisation Demography .The result shows that P value was $0.000 < 0.05$ being the criterion for deciding to reject the null hypothesis. If the p-value $< \alpha \Rightarrow$ reject H_0 at significance level α. When the *p* value is less than 5% (*p*

< .05), we reject the null hypothesis. When the P value is greater than 5% (P > .05), we retain the null hypothesis. The result show that the P value 0.000< 0.05. The study therefore rejected the $H_{0:}$ Hypothesis and adopted $H_{1.}$which states that Organisation Demography influences the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. This means that there is a significant relationship between Organisation Demography and the growth of collective entrepreneurship.

Table 4.67: ANOVA[b] for Organisation Demography

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.585	1	1.585	15.675	.000[a]
	Residual	10.412	103	.101		
	Total	11.997	104			

a. Predictors: (Constant), Organisation Demography

b. Dependent Variable: Growth of Collective Entrepreneurship

Table 4.68 shows the Coefficients for Organisation Demography. The result shows that the positive value of 2.371 was an intercept showing that even in the absence of change in Organisation Demography there was still a positive change in the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. The relationship between the coefficients[a] for Organisation Demography and the Growth of Collective Entrepreneurship given by the model:

$Y = \beta_0 + \beta_2 X_2$… …….....................…………………… ……….Equation [8]

Where:

Y= Growth of Collective Entrepreneurship, X_2 = Organisation Demography,

$\beta_0 = 2.371$, $\beta_2 = 0.366$ P = 0.000 < 0.005

Therefore by inference the value was $Y = 2.371 + 0.366X_2$. This implies that for every unit value of Organisation Demography (X_2) the value of the Growth of Collective Entrepreneurship (Y) in the coffee cooperative society's increases by 0.366 indicating a positive influence. Johl, Bruce and Binks (2011), stated that the structure, size and composition of the management committee members' determines and affects organisations by creating conditions necessary for business approaches and promotion of entrepreneurial activities. The study concluded that Organisation Demography positively influence the Growth of Collective Entrepreneurship.

Table 4.68: Coefficients[a] for Organisation Demography

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.371	.249		9.511	.000
	Organisation Demography	.366	.093	.363	3.959	.000

a. Dependent Variable: Growth of Collective Entrepreneurship

4.8.3 Human Resource Management

Figure 4.6 shows the line of fit for the Human Resource Management (HRM) and the Growth of Collective Entrepreneurship (GCE) in the Coffee Sector in Kenya. The result shows that when the human resource is regressed against the growth of collective entrepreneurship estimate line show that as the Human Resource Management increases the growth of collective also increase implying a positive linear relationship between Human Resource Management and growth of collective entrepreneurship in the Coffee Sector in Kenya.

Figure 4.4: The line of best-fit for Human Resource Management and GCE

In objective three the study sought to find out how Human Resource Management influences the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya given by the model:

$$Y = \beta_0 + \beta_3 X_3.$$

Where

Y = Growth of Collective Entrepreneurship

X_3 = Human Resource Management.

The R^2 assumes that for every single variable explains the variation in the dependent variable; while the adjusted R^2 explains the percentage of variation explained by only the independent variables that actually affect the dependent variable. The result shows that R square value of 0.219 indicate that Human Resource Management affect, the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. The adjusted R square value of 0.211 means that 21.1 percent with a standard error estimate of the Growth of Collective Entrepreneurship is influenced by Human Resource Management .

Table 4.69 shows Model Summary for Human Resource Management. The study sought to test the null hypothesis that: *$H_{0:}$ Human Resource Management does not influence the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya.*

The result shows that P value 0.000 < 0.05 being the criterion for deciding to reject the null hypothesis, If the P -value < $\alpha \Rightarrow$ reject H_0 at significance level α. When the P value is greater than 5% (P > .05), retain the null hypothesis. The result show that the P value 0.000 < 0.05 therefore the study rejected the $H_{0:}$ Hypothesis and adopted $H_{1:}$ Human Resource Management influences the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya depicting a significant relationship Between Human Resource Management (HRM) and the Growth of Collective Entrepreneurship (GCE) in the Coffee Sector in Kenya. Table 4.69 shows the model summary, coefficients and the ANOVA for the Human Resource Management with the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya.

Table 4.69: Model Summary for Human Resource Management

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.468[a]	.219	.211	.30167

a. Predictors: (Constant), x_2 (where x_2 = Human Resource Management)

Table 4.70 ANOVA shows that the model fitted is significant which means that 0.000 < 0.05 and since the P value 0.000< 0.05 the study therefore concluded that there is a significant relationship between the combined financial management systems, organisation demography and human resource management and the growth of collective entrepreneurship in the Coffee Sector in Kenya

Table 4.70: ANOVA[b] for Human Resource Management

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.623	1	2.623	28.826	.000[a]
	Residual	9.373	103	.091		
	Total	11.997	104			

a. Predictors: (Constant), Human Resource Management

b. Dependent Variable: Growth of Collective Entrepreneurship

Table 4.71 shows a positive value of 2.453 as the intercept. This depicts that even in the absence of change in Human Resource Management there is a positive change in the Growth of Collective Entrepreneurship in the agriculture sector. The relationship between the coefficients[a] for human resource management is given by the model:

$$Y = \beta_0 + \beta_3 X_3 \text{...Equation [9]}$$

where Y = the Growth of Collective Entrepreneurship, X_3 = the Human Resource Management, $\beta_0 = 2.453$, $\beta_3 = 0.308X_3$ and p value $0.000 < 0.005$, by inference therefore $Y = 2.453 + 0.308X_3$. This implies that for every unit value of Human Resource Management (X_3) the Growth of Collective Entrepreneurship in the Coffee sector (Y) value increases by 0.308 or 30.8 percent indicating a positive influence.

Table 4.71:Coefficients[a] for Human Resource Management

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.453	.170		14.449	.000
	Human Resource Management	.308	.057	.468	5.369	.000

a. Dependent Variable: growth of collective entrepreneurship

Table 4.72 the summary and coefficients of all the combined determinants of governance namely Financial Management Systems and Organisation Demography and the Growth of Collective Entrepreneurship given by the model:

$$y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 \ldots\ldots\ldots\ldots\ldots\text{Equation [10]}$$

Where,

X1 = Financial management systems

X2 = Organisation Demography

X3 = Human Resource Management

Y = Growth of Collective Entrepreneurship.

Since $\beta_0 = 0.235$, $\beta_1 = 0.414$, $\beta_2 = 0.342$, $\beta_3 = 0.318$ therefore the relationship between the combined determinants and the GCE by inference shows that (y) =

$0.235 + 0.346x_1 + 0.342x_2 + 0.318x_3$, this means that for every unit of x_1, x_2 and x_3 there is an increase of Y by 0.346, 0.342 and 0.318 respectively. However, with a zero increase in x_1, x_2 and x_3 the unit growth remains at a constant of 0.235.The study therefore concluded that the determinants of governance Financial Management Systems, Organisation Demography and Human Resource

Management positively influence the Growth of Collective Entrepreneurship in the Coffee sector. The model fitted is significant which means that 0.000 < 0.05 and since the P value 0.000 < 0.05 the study therefore concluded that there is a significant relationship between the combined Financial Management Systems, Organisation Demography and Human Resource Management and the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya.

a. Dependent Variable: Growth of Collective Entrepreneurship

Table 4.72: Coefficients[a] for all the Determinants of Governance that influence GCE

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.235	.230		1.024	.308
	Financial Management Systems	.414	.042	.567	9.840	.000
	Organisation Demography	.342	.058	.339	5.890	.000
	Human Resource Management	.318	.038	.483	8.388	.000

4.8.4 Regression of all the factors together with the moderator

Table 4.73 the model summary shows the strength to which the determinants of governance being Financial Management Systems, Organisation Development, Human Resource Management with Policy as a moderator, affects the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. The relationship is, explained by the value of R square. The study established that with policy the effect increased to 76.1 percent up from 66.6 percent as shown in table 4.73. This is a very high effect and the findings agree with the study by Abor and Biekpe(2007) who found out that there is evidence to support the assertion that governance can positively affect an organisation's performance. This indicates that there is high and positive relationship between the determinants of governance with policy and collective entrepreneurship. The study concluded that there is high and positive relationship between the Determinants of Governance with Policy and the Growth of Collective Entrepreneurship.

Table 4.73: Model Summary of all the Determinants of Governance with Policy and GCE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.876[a]	.768	.761	.16613

a. Predictors: (Constant), x_1z, x_2z, x_3z (where x_1- Financial Management Systems, x_2- Organisation Demography, x_3 Human Resource Management and z - policy)

Table 4.74 the AVOVA table shows that the model fitted is significant which means that 0.000 is less than the 0.05, so the study concluded that since the P value 0.000< 0.05 there is a significant relationship between financial management systems, organisation demography, Human Resource Management and policy on the growth of collective entrepreneurship in the Coffee Sector in Kenya.

Table 4.74: ANOVAa for all the determinants of governance and the moderator

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.209	3	3.070	111.229	.000[a]
	Residual	2.787	101	.028		
	Total	11.997	104			

a. Predictors: (Constant), x_3z, x_1z, x_2z (where x_1 = Financial Management Systems, x_2 = Organisation Demography, x_3 = Human Resource Management and z - Policy)

b. Dependent Variable: Y (where Y = Growth of Collective Entrepreneurship)

Table 4.75 shows the coefficients of the combined determinants of governance and the growth of collective entrepreneurship with moderator. From the coefficient the model relationship between combination of financial management systems, organisation demography and Human Resource Management and the growth of collective entrepreneurship was obtained. The model given by the formula $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$ where y = growth of collective entrepreneurship, β_0 = 1.650, β_1= 0.053, β_2= 0.039, β_3= 0.054, x_1 = Financial Management Systems, x_2 = Organisation Demography, x_3= Human Resource Management and z = Policy and y = Growth of Collective Entrepreneurship and therefore $y = 1.650 + 0.053X_1 + 0.039X_2 + 0.054X_3$.

Table 4.75: Coefficients[a] for all the determinants of Governance with policy and GCE

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.650	.097		16.983	.000
	x_1z	.053	.007	.432	7.209	.000
	x_2z	.039	.010	.233	3.803	.000
	x_3z	.054	.007	.411	7.372	.000

a. Dependent Variable: Y- (Y- Growth of collective entrepreneurship)

4.8.5 Moderating Stepwise

The study adopted a stepwise regression method in order to measure the impact of the determinants of governance (Financial Management Systems, Organisation Demography and Human Resource Management) together with Moderator Policy and the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. The stepwise systematically removed the least significant variables during each step.

Table 4.76 shows the result of the influence of Policy and Financial Management Systems on the Growth of Collective Entrepreneurship given by the model:

$$y = \beta_0 + \beta_1 x_1 z \text{ ………................ ....Equation [12]}$$

The study established that in the first step x_1 (Financial Management System) with z (Policy) influences the growth of collective entrepreneurship (y) to an extent of the R square value of 0.551 with an adjusted R square of 0.546 which means that Financial Management Systems with a moderator Policy influence 54.6 percent of the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya with a standard error of the estimate of 0. 22873. The second step combined Financial Management Systems with policy and Human Resource Management with policy regressed against the growth of collective entrepreneurship as given by the model:

$$y = \beta_0 + \beta_1 x_1 z + \beta_2 x_3 z \text{ ……………………..………..………..…Equation [13]}$$

The result show that both Financial Management Systems with policy and Human Resource Management with policy influence the growth to the level of R square value of 0.734 and at an adjusted R square value 0.729 which depicts they influence up to 72.9 percent with a standard error of the estimate at 0.17676. The third step was a combination of financial management systems, Human Resource Management and Organisation demography all with policy regressed against the growth of collective entrepreneurship and given by the model:

$$y = \beta_0 + \beta_1 x_1 z + \beta_2 x_2 z + \beta_3 x_3 z \text{……………….……………..……Equation [14]}$$

The result show that they influence the growth of collective entrepreneurship to the level of R square value of 0.768 and at an adjusted R square value of 0.761 indicating that when all the determinants are combined with policy they influence 76.1 percent of the growth of collective entrepreneurship in the Coffee Sector in Kenya in which the standard error of the estimate of 0. 16613.

Table 4.76: Model Summary of all determinants of governance with policy and GCE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742[a]	.551	.546	.22873
2	.857[b]	.734	.729	.17676
3	.876[c]	.768	.761	.16613

a. Predictors: (Constant), $x_1z = y = \beta_0 + \beta_1 x_1 z$

b. Predictors: (Constant), x_1z, $x_3z = y = \beta_0 + \beta_1 x_1 z + \beta_2 x_3 z$

c. Predictors: (Constant), x_1z, x_3z, $x_2z = y = \beta_0 + \beta_1 x_1 z + \beta_2 x_2 z + \beta_3 x_3 z$

In objective four the study sought to test the hypothesis $H_{0:}$ *Policy does not moderate the influence of governance on the growth of collective entrepreneurship in the Coffee Sector in Kenya.* Table 4.77 ANOVA shows that, the model fitted is significant since the p value 0.000 < 0.05 being the criterion for deciding to reject the null hypothesis. The result shows that there is a significant relationship between x_1 (Financial management systems), x_2 (Organisation Demography) and x_3 (Human Resource Management) with the moderating variable (z) Policy and (y) the growth of collective entrepreneurship in the Coffee Sector in Kenya Since the P value 0.000 < 0.05 the study rejects H_0 and adopts H_1 which states that policy moderates the influence of governance on the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya.

Table 4.77: ANOVA of all Determinants of Governance with Policy and GCE

		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.608	1	6.608	126.312	.000[a]
	Residual	5.389	103	.052		
	Total	11.997	104			
2	Regression	8.810	2	4.405	140.995	.000[b]
	Residual	3.187	102	.031		
	Total	11.997	104			
3	Regression	9.209	3	3.070	111.229	.000[c]
	Residual	2.787	101	.028		
	Total	11.997	104			

a. Predictors: (constant), x_1z

b. Predictors: (constant), x_1z, x_3z

c. Predictors: (constant), x_1z, x_3z, x_2z

d. Dependent variable: y Growth of Collective Entrepreneurship

Table 4.78 shows the coefficients of the determinants of governance, the moderating policy and dependent variable being the Growth of Collective Entrepreneurship, where, β_0 = constant, x_1 = Financial Management Systems, x_2 = Organisation Demography, X_3 = Human Resource Management and Y = Growth of Collective entrepreneurship and Z = Policy as the moderator thus in inference the study established that:-

Model 1: $Y= \beta_0 + \beta_1 X_1 Z$ …………………….………………Equation [1]

$= 2.219 + 0.092X_1Z$

Model 2: $Y = \beta_0 + \beta_1 X_1 Z + \beta_2 X_3 Z$…………….…………......Equation [2]

$= 1.808 + 0.066X_1Z + 0.062X_3Z$

Model 3: $Y = \beta_0 + \beta_1X_1 Z + \beta_2X_2 Z + \beta_3X_3 Z$……………………Equation [3]

		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.219	.103		21.511	.000
	X_1Z	.092	.008	.742	11.239	.000
2	(Constant)	1.808	.094		19.325	.000
	X_1Z	.066	.007	.537	9.500	.000
	X_3Z	.062	.007	.475	8.395	.000
3	(Constant)	1.650	.097		16.983	.000
	X_1Z	.053	.007	.432	7.209	.000
	X_3Z	.054	.007	.411	7.372	.000
	X_2Z	.039	.010	.233	3.803	.000

$= 1.650 + 0.053 + 0.054 + 0.039.$

Table 4.78: Coefficientsa of policy with the Growth of Collective Entrepreneurship

a. Dependent Variable: Y (Y- Growth of collective entrepreneurship)

Table 4.79 shows the coefficients of the combined determinants of governance and the growth of collective entrepreneurship. From the coefficient, we obtained the model relationship between combination of financial management, organisation demography and Human Resource Management and the Growth of Collective Entrepreneurship. The model given by the formula $y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3$ where y= growth of collective entrepreneurship, $\beta_0 = 1.650$, $\beta_1 = 0.053$, $\beta_2 = 0.039$, $\beta_3 = 0.054$, x_1 = Financial management systems, x_2 = Organisation Demography, x_3= Human Resource Management and Z = Policy and Y= Growth of Collective Entrepreneurship and therefore $Y = 1.650 + 0.053X_1 + 0.039X_2 + 0.054X_3$.

Table 4.79: Coefficients[a] for all the factors with moderating policy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.650	.097		16.983	.000
	x_1z	.053	.007	.432	7.209	.000
	x_2z	.039	.010	.233	3.803	.000
	x_3z	.054	.007	.411	7.372	.000

Dependent Variable (Y) Growth of Collective Entrepreneurship

4.9 Structural Equation Model

The study alternatively applied AMOS (Analysis of Moment Structures) software package for structural equation modelling to estimate, assess, and present the model in a path diagram to show the relationships among variables. The Structural Equation Modeling (SEM) established the goodness of fit of the variables and the result is as shown in figure 4.7. The strength of all the direct paths was varied from 0.32 to 0.34 to 0.41. Table 4.79 shows the excluded variables of dimensions of governance with policy on their influence on the growth of collective entrepreneurship. The study fitted a stepwise regression and the result showed the significant determinants extracted and those that were eliminated. The study realised that the model became better as the number of variables increased. The R square value increased.

For each of the three output measured, the final model p-value, the coefficients of dimensions of governance (R square value), the independent variables their regression coefficients (Beta coefficient) the p-values for the independent variables were reported. The study realised that all were significant with a $p < 0.000$ significance level. The study therefore concluded that the model was fit.

Table 4.80: Excluded Values of the determinants of governance with policy on GCE

Model		Beta in	T	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	X_2Z	.369[a]	5.118	.000	.452	.675
	X_3Z	.475[a]	8.395	.000	.639	.814
2	X_2Z	.233[b]	3.803	.000	.354	.614

a. Predictors in the Model: (Constant), X_1Z

b. Predictors in the Model: (Constant), X_1Z, X_3Z

c. Dependent Variable: (Y) Growth of Collective Entrepreneurship

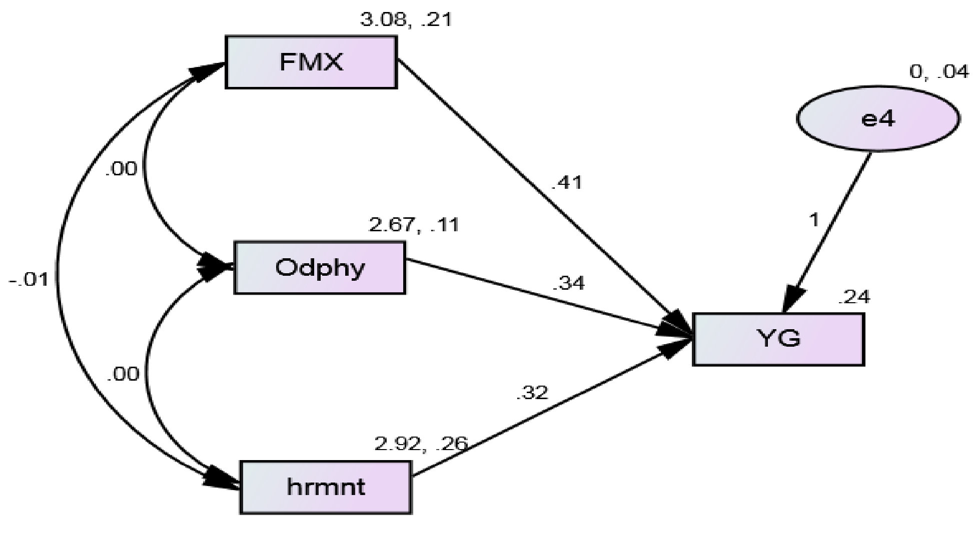

Figure 4.5: The Structural Equation Modelling (SEM) for goodness of fit

Table 4.81: Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
GCE	<---	HRM	.32	.04	8.51	***	
GCE	<---	OD	.34	.06	5.98	***	
GCE	<---	FMS	.41	.04	9.98	***	
GCE			24	23	1.04	30	

Intercepts: (Group Number 1 - Default Model)

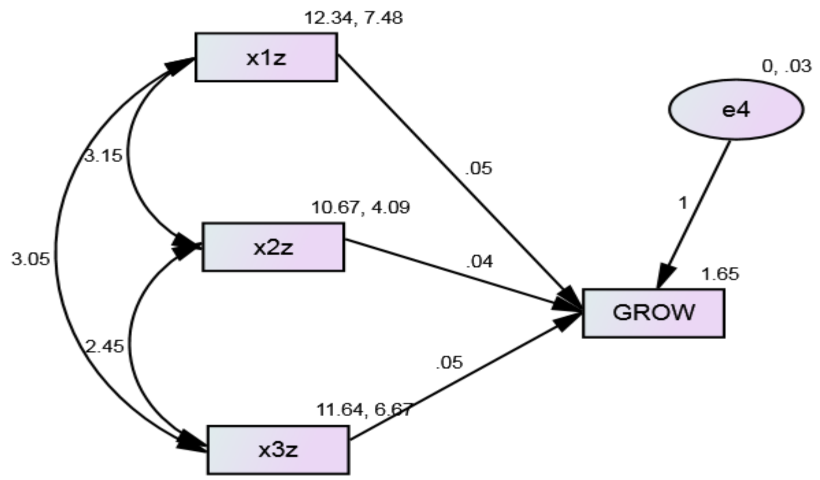

Figure 4.6: Structural Equation Modelling (SEM) with Policy for goodness of fit

Table 4.82: Regression Weights: (Group number 2 - Default Model)

			Estimate	S.E.	C.R.	P	Label
GCE	<---	X_3Z	.05	.01	7.48	***	
GCE	<---	X_2Z	.04	.01	3.86	***	
GCE	<---	X_1Z	.05	.01	7.32	***	
GCE			1.65	.10	17.23	***	

Intercepts: (Group Number 1 - Default Model)

4.10 Model Fit Summary

The Tucker-Lewis Index (TLI) coefficient as discussed by Bentler and Bonett (1980) in the context of analysis of moment structures was used to determine the goodness of fit. The typical range for TLI lies between 0 and 1 but it is not limited to that range. TLI values close to 1 indicate a very good fit. The Incremental Fit Index (IFI) is also another fit index used to determine the goodness of fit where by values range between 0 and 1 (Bollen, 1989). Specifically values close to 1 indicates a very good fit, therefore based on the result the model was fit. Lastly, Comparative Fit Index (CFI) Bentler(1990) measures was also used to check the goodness of fit. CFI values close to 1 indicate a very good fit. In this study the condition for the three fit indices was met hence the model was fit.The study used Multiple Fit Indices to test whether the model is fit enough. There were various fit indices chosen thus Incremental Fit Index (IFI), Tucker-Lewis Index (TLI) and Comparative Fit Index (CFI), the result show goodness of fit and that the model was found to be fit when all the variables are analysed with and without the moderator. The result shows that in each category the model was fit. Using the equation model the same model as linear regression was generated and the result shown in figure 4.7 and figure 4.8 were the same as the regression weight table.

Table 4.83: Models Fit Summary Without Moderator

Model	IFI Delta2	TLI rho2	CFI
Default model	1.00	0.97	1.00
Saturated model	1.00	0.99	1.00
Independence model	.00	.00	.00

Model Fit Summary (With Moderator)

Model	IFI Delta2	TLI rho2	CFI
Default model	1.00	0.99	1.00
Saturated model	1.00	1.00	1.00
Independence model	.00	.00	.00

4.11 Optimal Model

The model optimization was carried out based on the results of multiple regressions shown on table 4.74 and the results of figure 4.5 the resulting coefficients corroborated the linear regression results which revealed that all variables were significant with a P- value of less than 0.05 yielding a multiple linear regression equation model: $y = 1.650 + 0.053x_1 + 0.039x_2 + 0.054x_3$.

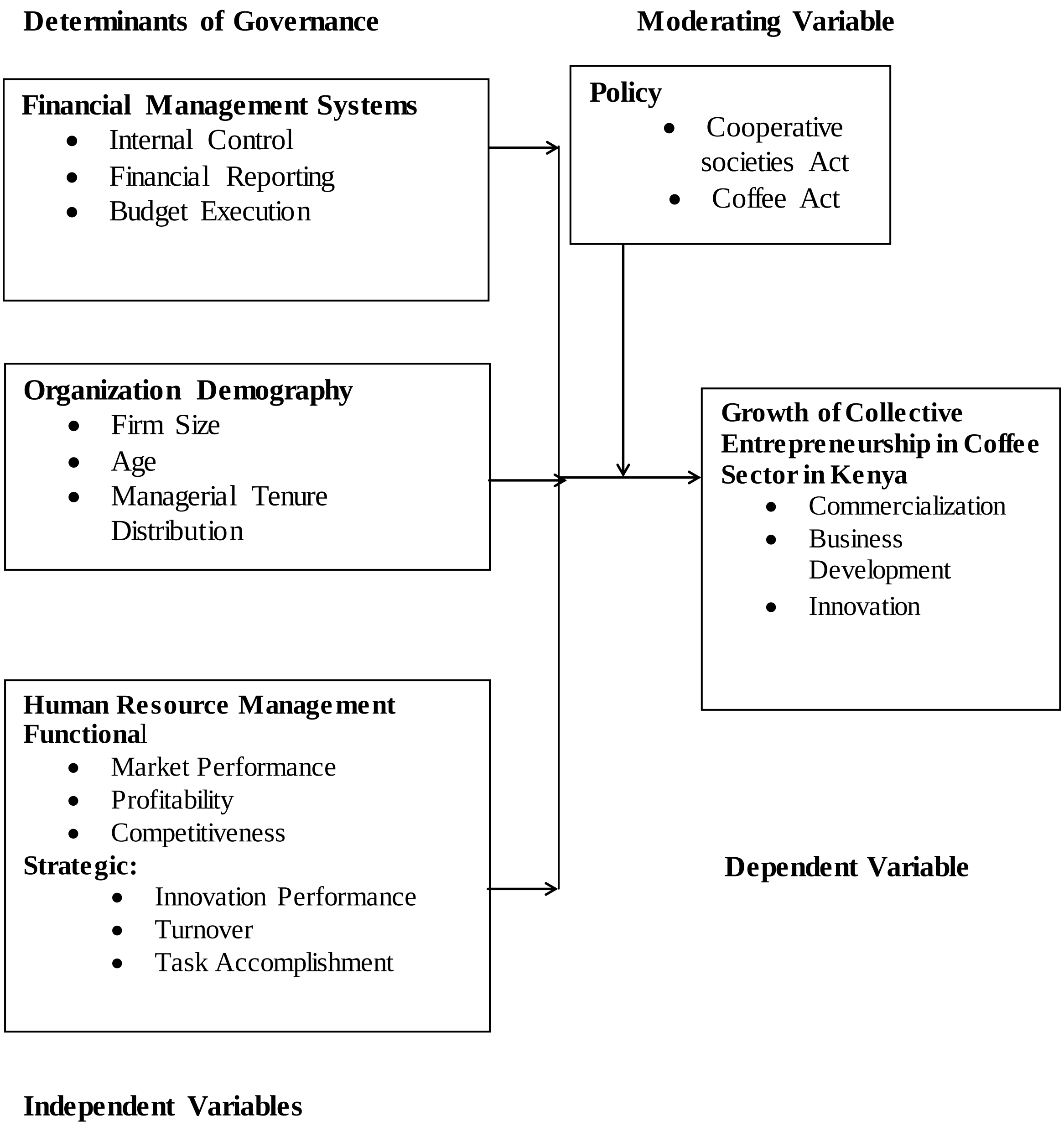

Figure 4.7: Optimal Conceptual Framework

CHAPTER FIVE

SUMMARY, CONCLUSSIONS AND RECOMMENDATIONS

5.1 Introduction

The main objective of this study was to investigate the effects of governance on the growth of collective entrepreneurship in the Coffee Sector in Kenya. The chapter therefore presents the summary, conclusion, recommendations on the effects of collective entrepreneurship in the Coffee Sector in Kenya and also expounded on the areas of further study.

5.2 Summary

Majority of the Coffee Sector in Kenya utilised source documents, however, accounting records and financial reporting was not updated this meant that they ignored transparency and accountability levels leading to poor governance and economic growth. They did not have functional budget structures such as internal control, reporting and execution. In addition Accounting and Auditing were not functional leading to wasteful spending and possible corrupt practices. Majority of the management committee members did not have appropriate structures to safeguard assets and ensure effective governance systems as delegated by the principals. The capital formation was rated very low limiting sources to only shares and membership fees. In addition, cash management was not effectively practiced despite its effective contribution to sound financial management and had no future plans to realise maximum returns on investment as growth was severely affected by debt equity, taxation and financial incompetency. Internal controls implemented to ensure compliance with the approved budgets were extraction of trial balance, central book keeping, and economic appraisals but there were cases of frauds committed in the past three years. The study established that both the management and audit committee members are gender imbalanced as they are male dominated indicating unbalanced mix of members. The management committee members infrequently conducted meetings limiting opportunities. The management tenure distribution or length of service affected internal control structures, organisation innovation, employee turnover, power distribution and finding talents. The indefinite stay in power by leaders affected a wide variety of Organisation outcomes and new ideas. The governance issues such as management committee members' competency, recruitment, dedication severely affected collective entrepreneurship in the Coffee Sector in Kenya. Majority of the top management committee members were rated high in organizing but moderately low in designing and diffusion. They lacked innovation management knowledge, which contributes immensely to the growth of collective entrepreneurship. They hardly had innovative products for sustainable position in the market.

The Coffee Sector in Kenya experienced challenges including inadequate access to input ageing farmers, farm mechanization and part time workers. Planning was often constrained by older farmer-members who controlled management seats sine they had the authority to thwart change with limited vision and this inhibited investments in value addition. Majority of the staff had not acquired such skills as communication and technology, business linkages and quality management systems proving ineffectiveness and unsustainability for cooperatives in the competitive environment. Majority of the Coffee Sector in Kenya had long experience in the business model which is a standard measure of reputation but governance structures had deteriorated where only a low percentage had short term debt ratio. The management teams were evaluated only on customer satisfaction but not quality of service and products despite being essential parameters of the performance of a firm. The tenure of distribution of the management committee members made them remained non-innovative as they were neither evaluated on the indicators of innovative performance nor practiced innovative processes. Hence majority of management committee members did not demonstrate effective and efficient governance. The Organisation Demography affects the growth of entrepreneurship in the Coffee sector. The elements as size, age and managerial tenure distribution have a significant bearing. The model fitted showed a significant relationship and revealed a percentage that could be explained. It showed that for every unit value there was an increase in the growth of collective entrepreneurship. There is a linear relationship between Organisation demography and the growth of collective entrepreneurship in the Coffee Sector in Kenya.

A total of 12.4 percent of the growth of collective entrepreneurship is explained by organisation democracy and that the heterogeneity in the LOS distribution affects outcomes, such as the turnover in the Coffee Sector in Kenya. The model fitted was significant and the coefficient indicates that for every unit value of Organisation demography the value of the growth of collective entrepreneurship increases however the combined determinants of governance affect the growth of entrepreneurship in the Coffee Sector in Kenya up to 66.6 percent. The model fitted is significant and it showed an increase when combined with policy it increase an evidence to support the assertion that governance positively affects an organisation's performance. Majority of the Coffee Sector in Kenya never applied performance appraisal processes, professional standards and regular schedule of feedback. They never emphasized on job satisfaction for their workers and strategies to develop the existing employees for succession and respond to labour turnover. The management committee members and their managers had not acquired relevant competencies such as entrepreneurial skills, marketing management and continued to struggle for continuous quality improvement to succeed in a highly competitive environment. Majority provide very little or no training at all due to the availability of skilled workers and high labour turnover. The respondents strongly agreed that financial and marketing policies enhanced the success of Coffee Sector in Kenya, whereas taxation; licensing and infrastructure policies were an impediment. They indicated that inadequate access to resources such as capital and markets for the products contributes to minimal success. The Coffee Act affected both production and marketing and highly affected export performance. The Act did not protect the farmers from high cost and increased adulteration of key inputs, escalating international prices and inefficient distribution systems. Majority of the respondents agreed that the cooperative societies Act played an important role in delivery of zero defect products, value added services and products precisely on time but strongly disagreed that it helped to minimize total product costs and all types of waste.

The respondents strongly agreed that efficient dissemination of information, high demand for Coffee produce, value addition and availability of improved technology influence the effectiveness of policies in the Coffee Sector in Kenya. Other factors such as instability of political climate, insecurity of investment, non-standardized product quality, non-competitive products and inadequate processing facilities are responsible for ineffectiveness and regulation of policies. The Coffee Sector in Kenya registered a decline and stagnation in the last three years in terms of profitability, new employees and acquisition of assets. Appropriate approaches to globalization were not practiced showing the sale of unprocessed products and low level of processing. Although relationship between of the management committee members and members was evident monitoring of customer satisfaction was not frequent and they seldom informed members of customers' changing needs hence no value added to add value of the products. The members delivered their produce on time but rejection was often experienced which shows that members did not observe quality of their products. Evaluation of the management committee members was never based on such indicators of performance as number of improved new products and registered patterns indicating low entrepreneurship capabilities. According to the findings, Financial Management Systems have a positive effect on the growth of collective entrepreneurship and that for every unit value Financial Management Systems there is an increase in the growth of collective entrepreneurship and the strength of the influence increases more with an introduction of policy.

5.3 Conclusions

The study sought to establish the influence of Financial Management Systems in the growth of collective entrepreneurship in the Coffee Sector in Kenya. The key aspects of Financial Management Systems studied were internal control, financial reporting and budget execution. The study realised that Financial Management Systems influence the growth of collective entrepreneurship in the Coffee Sector in Kenya. The percentage variation of Financial Management Systems influences the Growth of Collective Entrepreneurship. The relationship means that for every unit value of financial management systems the Growth of Collective Entrepreneurship increases and in the absence the value of the Growth of Collective Entrepreneurship remains constant. The study therefore concluded that governance through Financial Management Systems entails effective systems and structures that include budget preparation and execution, internal control and reporting, accounting and auditing and monitoring and evaluation systems. In the absence of such systems, users of the funds cannot be held to account, opening doors for wasteful spending and possible corrupt practices. An effective internal control system has strong links with governance and promotes collective entrepreneurship. The study sought to determine the influence of Organisation demography on the growth of collective entrepreneurship in the Coffee Sector in Kenya. The key aspects of Organisation Demography as age, size and managerial tenure distribution were considered. The study realised that there is a percentage variation of Organisation Demography that influence the Growth of Collective Entrepreneurship in the Coffee Sector in Kenya. The relationship shows that for every unit value of Organisation Demography the Growth of Collective Entrepreneurship increases by 0.366 and in its absence the value of the growth of collective entrepreneurship is constant. The study therefore concluded that sizes influence Organisation entrepreneurial activities and affect their ability to process entrepreneurial information. Tenure or Length of Service (LOS) affects organisation outcomes. As the Coffee Sector in Kenya aged, governance structures deteriorated and this led to poor governance.

The study sought to find out how Human Resource Management influences the growth of collective entrepreneurship in the Coffee Sector in Kenya. Human Resource Management influenced the Growth of Collective Entrepreneurship as explained by the percentage variation. Indeed there is a positive relationship between Human Resource Management and the Growth of Collective

Entrepreneurship. The study realised that for every unit value of Human Resource Management there is an increase of the Growth of Collective Entrepreneurship at a significant value of 0.308 whereas, in the absence of Human Resource Management the Growth of Collective Entrepreneurship remained constant. The study therefore concluded that the Coffee Sector in Kenya needs entrepreneurial expertise from both the managers and the management committee members' members. Determinants of governance being financial management systems, Organisation development, and Human Resource Management when combined with a moderating policy increase the effect on growth of collective entrepreneurship in the Coffee Sector in Kenya.

5.4 Recommendations

The following recommendations were made by the study:-

1. The Coffee Sector in Kenya should embrace effective financial governance systems such as internal controls, budgeting and financial reporting to ensure economic.

2. The management tenure distribution or length of service affects the internal control structures and organisation innovation thus creating employee turnover. The top management committee members should be competent in designing and diffusion so as to have innovative products and invest in value addition that can find a sustainable position in the market.

3. The Coffee Sector in Kenya should embrace Human Resource Management practice to enhance the level of progress and performance since Functional Human Resources management affected individual performance and turnover.

4. Collective Entrepreneurship be practiced effectively so as to realise high level performance through strategic Human Resource Management practices

programmes as opposed to functional Human Resource Management aimed at increasing capacities, skills to enhance survival and success.

5. Policy should reflect on the target groups' requirements and they be equipped with the skills needed to engage in entrepreneurial actions. The policies such as taxation; licensing and infrastructure which are impediment to the success of Coffee Sector in Kenya be reviewed.

5.5. Areas of further study

Coffee Sector in Kenya can build a brand development strategy based on various quality assurance systems (QAS) implemented by the food industry in order to ensure food safety by maintaining a minimum specification level. This will accelerate not only the compliance with production standards, farming methods, product origin, but also certifications in order to satisfy both internal and external needs of the Coffee Sector in Kenya. Coffee sector firms need to adopt QAS in order to achieve strategic goals pertaining to customers, partners and suppliers. The study recommends a future study to establish factors inhibiting Coffee Sector in Kenya from branded their products as this is crucial in the market.

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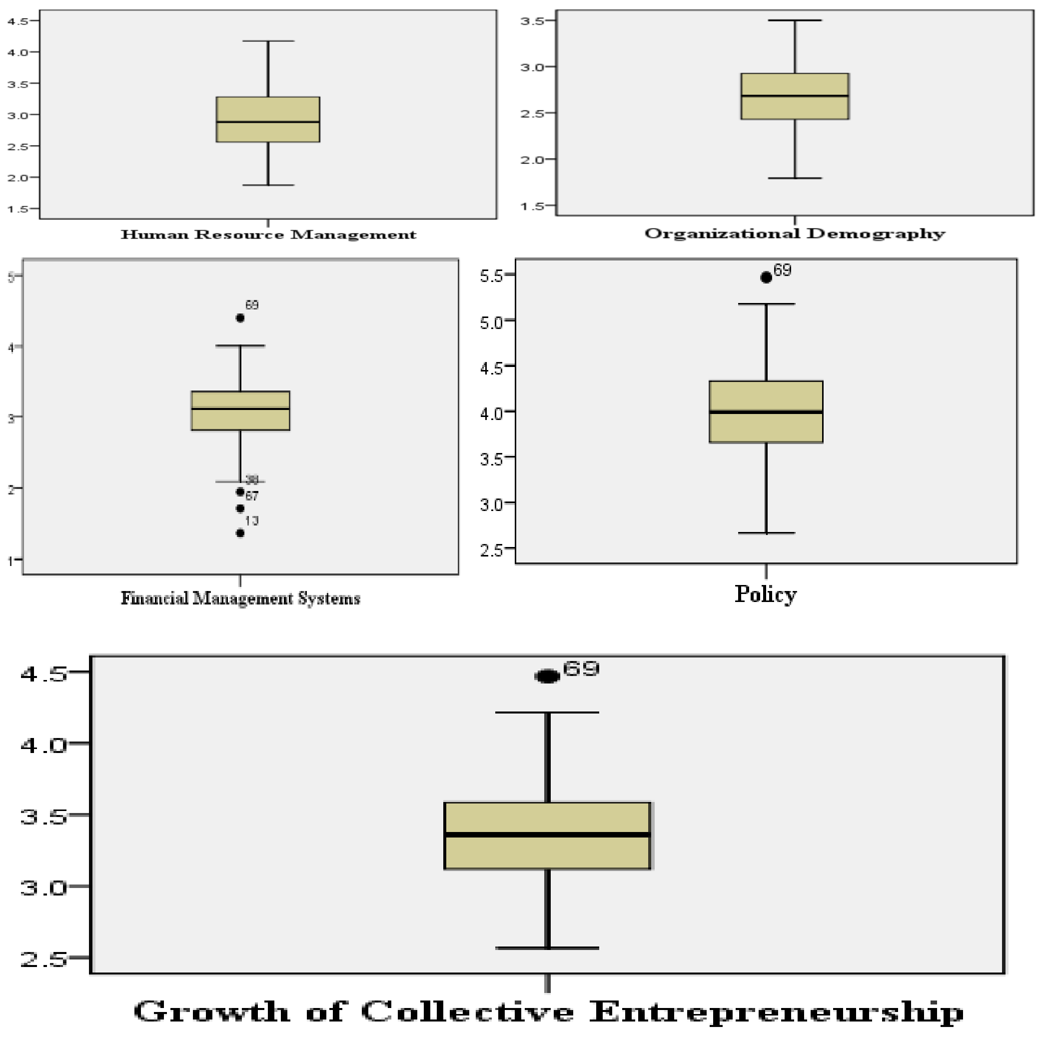
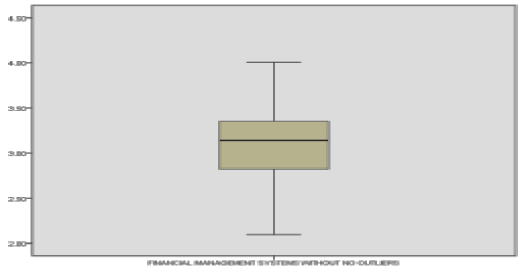
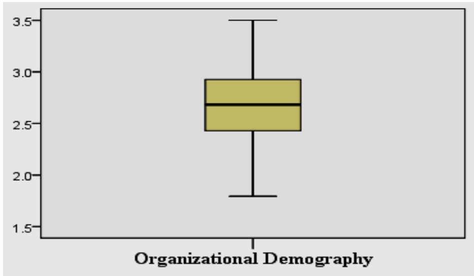
APPENDICES

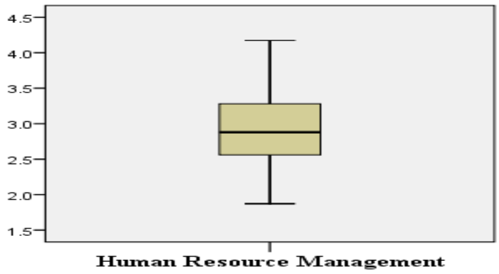
Appendix 1: Outliers detected using Mann Whitney Wilcox on test

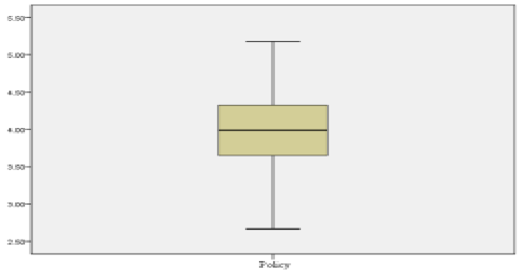


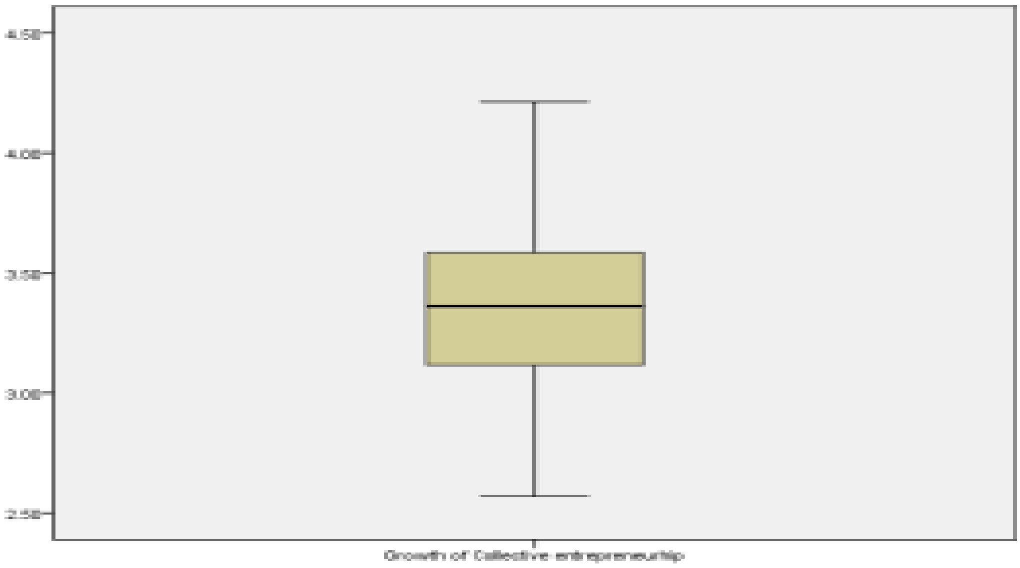
Appendix 2 Distribution after Deletion of Outliers



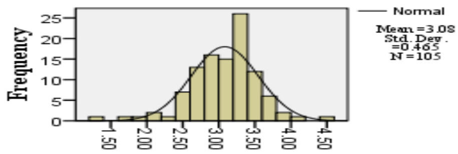
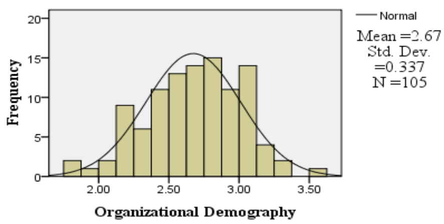
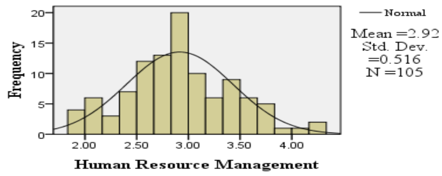
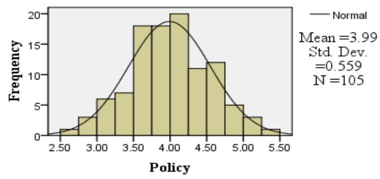
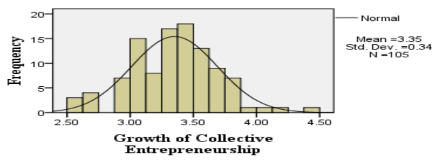








Appendix 3: Normality test for all the factors that influence collective entrepreneurship

Factors	Kolmogorov-Smirnov[a] Stat	Df	Sig.	Shapiro-Wilk Stat	df	Sig.	Normal Distribution
Financial Management Systems	.079	105	.113	.968	105	.013	
Organisation Demography	.050	105	.200*	.988	105	.0509	
Human Resource Management	.063	105	.200*	.988	105	.0460	
Policy	.059	105	.200*	.994	105	.0920	
Growth of Collective Entrepreneurship	.076	105	.150	.984	105	.0261	

a. Lilliefors Significance Correction
*. This is a lower bound of the true significance.

Appendix 4: Descriptive statistics for all determinants of governance for Factor Analysis

		N	Mean	Std. Dev.	Skewness		Kurtosis	
Factor	Item	Stat	Stat	Stat	Stat	Std. Error	Stat	Std. Error
Financial management systems(FMS)	FMS 1	25	1.5200	.31391	-.574	.464	-.647	.902
	FMS 2	25	3.7850	.79264	0.677	.464	0.320	.902
	FMS 3	25	2.4480	.69828	.044	.464	-.200	.902
	FMS 4	25	3.6743	.99533	-.447	.464	-.757	.902
Organisation Demography (OD)	OD 1	25	2.1867	.40632	-.039	.464	.938	.902
	OD 2	25	2.4333	.83333	.164	.464	-.610	.902
	OD 3	25	3.2100	.64823	.113	.464	-.960	.902
	OD 4	25	2.6000	.60093	-.139	.464	1.682	.902
	OD 5	25	2.5120	0.60035	.226	.464	0.735	.902
Human Resource Management (HRM)	HRM 1	25	2.3867	.52423	.622	.464	-.854	.902
	HRM 2	25	2.2100	.86506	.409	.464	-.054	.902
	HRM 3	25	2.7760	0.62359	.410	.464	-.783	.902
	HRM 4	25	3.1000	.80364	-.648	.464	-.880	.902
	HRM 5	25	2.5760	.79230	.503	.464	-.037	.902
Policy (POL)	POL 1	25	3.2720	.75251	0.004	.464	.146	.902
	POL 2	25	2.7733	.97998	.054	.464	-.796	.902
	POL 3	25	3.2480	.75339	.209	.464	-.902	.902
	POL 4	25	3.4900	.76879	-.922	.464	.764	.902
	POL 5	25	3.5760	.73783	0.082	.464	0.883	.902
Growth of Collective Entrepreneurship (GCE)	GCE 1	25	1.8000	.46771	-.149	.464	-.435	.902
	GCE 2	25	4.6640	.85385	-0.061	.464	.482	.902
	GCE 3	25	3.7257	.92299	-.455	.464	-.482	.902

Appendix 5: Communalities for all the determinants of governance

Factor	Item	Initial	Extraction
Financial Management Systems (FMS)	FMS1	1.000	.795
	FMS2	1.000	.863
	FMS3	1.000	.846
	FMS4	1.000	.824
Organisation Demography (OD)	OD1	1.000	.833
	OD2	1.000	.882
	OD3	1.000	.881
	OD4	1.000	.627
	OD5	1.000	.738
Human Resource Management (HRM)	HRM1	1.000	.829
	HRM2	1.000	.783
	HRM3	1.000	.924
	HRM4	1.000	.846
	HRM5	1.000	.761
Policy (POL)	POL1	1.000	.856
	POL2	1.000	.874
	POL3	1.000	.803
	POL4	1.000	.758
	POL5	1.000	.778
Growth of Collective Entrepreneurship(GCE)	GCE1	1.000	.932
	GCE2	1.000	.843
	GCE3	1.000	.840

Extraction Method: Principal Component Analysis

.

Appendix 6: Total Variance Explained for Extracted

Component	Initial Eigenvalues Total	% of Variance	Cumulative %	Extraction Sums of Squared Loadings Total	% of Variance	Cumulative %
1	3.622	16.462	16.462	3.622	16.462	16.462
2	3.149	14.313	30.774	3.149	14.313	30.774
3	2.639	11.994	42.768	2.639	11.994	42.768
4	1.937	8.803	51.571	1.937	8.803	51.571
5	1.719	7.811	59.382	1.719	7.811	59.382
6	1.606	7.302	66.684	1.606	7.302	66.684
7	1.231	5.594	72.278	1.231	5.594	72.278
8	1.163	5.288	77.566	1.163	5.288	77.566
9	1.053	4.787	82.353	1.053	4.787	82.353
10	.912	4.147	86.501			
11	.661	3.004	89.505			
12	.489	2.223	91.727			
13	.454	2.062	93.789			
14	.421	1.914	95.703			
15	.295	1.340	97.042			
16	.210	.956	97.999			
17	.143	.648	98.647			
18	.126	.574	99.221			
19	.082	.374	99.595			
20	.051	.234	99.829			
21	.020	.093	99.922			
22	.017	.078	100.000			

Extraction Method: Principal Component Analysis

Appendix 7: Component Correlation Matrixes

Component	1	2	3	4	5	6	7	8	9
1	1.000	-.065	-.014	.004	.002	-.203	-.121	.112	-.013
2	-.065	1.000	-.0 69	.007	-.180	-.084	-.032	-.157	-.170
3	-.014	-.069	1.000	-.011	.054	.100	.129	.002	-.089
4	.004	.007	-.011	1.000	-.009	-.020	.024	-.094	.060
5	.002	-.180	.054	-.009	1.000	.072	-.060	.088	-.012
6	-.203	-.084	.100	-.020	.072	1.000	.065	.001	.131
7	-.121	-.032	.129	.024	-.060	.065	1.000	-.032	-.003
8	.112	-.157	.002	-.094	.088	.001	-.032	1.000	.135
9	-.013	-.170	-.089	.060	-.012	.131	-.003	.135	1.000

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimim with Kaiser Normalization.

Appendix 8: Correlation between governance and GCE

Factor	Correlation	Financial management systems	Organisation Demography	Human Resource Management	Growth of Collective Entrepreneurship
Financial management systems	Pearson Correlation	1	.030	-.036	.559**
	Sig. (2-tailed)		.762	.714	.000
	N	105	105	105	105
Organisation demography	Pearson Correlation	.030	1	.016	.363**
	Sig. (2-tailed)	.762		.875	.000
	N	105	105	105	105
Human Resource Management	Pearson Correlation	-.036	.016	1	.468**
	Sig. (2-tailed)	.714	.875		.000
	N	105	105	105	105
Growth of Collective Entrepreneurship	Pearson Correlation	.559**	.363**	.468**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	105	105	105	105

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

Appendix 9: Correlation for Governance with Policy and GCE

Control Variables			Financial Management Systems	Organisation Demography	Human Resource Management	**Growth Collective Entrep.**
Policy	Financial management systems	Correlation	1.000	.033	-.039	**.575**
		Significance (2-tailed)	.	.738	.695	**.000**
		Df	0	102	102	**102**
	Organisation Demography	Correlation	.033	1.000	.016	**.454**
		Significance (2-tailed)	.738	.	.874	**.000**
		Df	102	0	102	**102**
	Human Resource Management	Correlation	-.039	.016	1.000	**.560**
		Significance (2-tailed)	.695	.874	.	**.000**
		Df	102	102	0	**102**
	Growth of Collective Entrepreneurship	Correlation	.575	.454	.560	**1.000**
		Significance (2-tailed)	.000	.000	.000	**.**
		Df	102	102	102	**0**

Appendix 10: Questionnaire

Name of Co-operative Society…………………………………….…………….
Telephone Number…………………………………………………………….
Address: P.O. Box ….…………………………………………………………
E- Mail………………………County………………Sub County…..………….
Contact Person……………………………………………………….…….
Telephnone Number ………………………….…………………...……………

SECTION 1: BACKGROUND INFORMATION

Q1. How many registered members does the cooperative society have?

____

Q2. How many of the registered members in terms of gender are active?

Gender	**Number of members**
Male	
Female	

Q3. Indicate the number of members who are within the following age cohorts?

Age Cohort	**Number of Members**
18 – 35	
36 - 50	
51 and above	

Q4. Indicate the level of education of the management committee members and senior staff?

Level of education	**Management committee**	**Senior Staff**
O 'Level		
Certificate		
Diploma		
Bachelor's Degree		
Master's Degree		
Doctorate Degree		

Q5. Which of the following main activities are offered by your Cooperative?

Main Activities	**Offered by the cooperative**
Processing of coffee	
Education to members	
Marketing of the produce	
Transport	
Education to members	
Provision of farm inputs	
None	

Q6. Indicate the number years that the cooperative has been in business?

Years	
10 - 20	
21 - 30	
31- 40	
41- 50	
51 and Above	

SECTION 2: GOVERNANCE

2.1 Financial Management Systems

Q1. Indicate which of the following sources of economic growth dis applied by the cooperative

Source of economic growth	**Applied**
Sale of Coffee	
Investment	
Productivity and Capital inflows	
Savings	
Source not stated	

Q2. Which of the following effective financial management systems is functional in your cooperative?

Financial Management system	**Functional**	**Not Functional**
Budget Execution		
Internal control and reporting		
Accounting and Auditing		
Other		

Q3. On likert scale of 1-5 indicate the level of quality controls practised in the cooperative?

Quality Control	**Very poor**	**poor**	**Fair**	**Very good**	**Good**
Cash Management					
Bank Accounts					
Physical Assets Management					
Purchasing					
Sales					
Employee Recruitment					
Payroll					

Q4. Which internal control systems does your cooperative apply to ensure compliance with approved budgets?

Q5. In your opinion in a scale of 1- 5 (where 1- very low and 5 is highest) rate the mechanism that enhances capital formation in the agriculture co-operative?

Mechanism that enhance capital formation	**1**	**2**	**3**	**4**	**5**
	Very Low	**Low**	**High**	**Fairly High**	**Highest**
Direct investment					
Retained patronage					
Non-member equity capital					
Multiple revolving funds					

Q6. How do you rate the following factors in influencing the choice of your capital structure?

Factor	**Rating**				
	1	**2**	**3**	**4**	**5**
	Not Importan t	**Less Important**	**Fairly Important**	**Important**	**Highly Importan t**
Sales Stability					
Asset Structure					

(Collateral)					
Operating Leverage					
Growth Rate					
Profitability					
Taxes					
Management Attitudes					
Market conditions					

Q7. On the scale of 1 – 5 how do you rate the effect of the following finance issues in your Coffee cooperative society?

Effects of the finance issues	**1** **Not severe**	**2** **Slightly severe**	**3** **Moderately severe**	**4** **Severe**	**5** **Most Severe**
Tax					
Adequate cooperative equity					
Risk management					
Financial Competency					
Debt equity					

Q8. On a dichotomous (YES / NO) (where 0 - NO Employee fraud and 1 - ONE or MORE employee fraud), indicate uncovered instances of fraud committed by an employee or employees in the past three years

FRAUD	**YES**	**NO**
No employee fraud		
One or more employee fraud		

Q9. On a scale of 1- 5-item Likert-type scale anchored at both ends (where 1 – very poor and 5– very good) rate the quality of internal controls within the Coffee cooperative on the following Financial Management issues

Financial Management Issues	**1** **Very Poor**	**2** **Poor**	**3** **Fair**	**4** **Good**	**5** **Very Good**
Cash management					
Bank Accounts					
Physical Assets					
Purchasing					
Sales					
Employee Recruitment					
Payroll					

2. 2.Organisation Demography

Q1. How many members of the management and Audit committee does the agriculture cooperative have?

Committee	Male	Female	Total
Management			
Audit (Supervisory)			
Total			

Q2 On the scale of 1-5 (where 1-no influence and 5 highly influence) indicate the level at which the size of the management committee influence the following entrepreneurial activities

Entrepreneurial activity	No influence	Influence	Fair influence	Moderate influence	High influence
Ability to process entrepreneurial information					
Promotion of frequent communication encouraging cohesion					
Expertise and skill diversity					
Conducive entrepreneurial activities					
Implementing effective accountability					

Q3. How often does the Coffee cooperative apply the following methods in communicating with the members?

Option	1 Not used	2 Less Frequent	3 Frequently used	4 More Frequent	5 Most Frequent
Website					
Email					
Phone call					
Meetings					
Newsletter					

Others					

Q4. Indicate which of the following constraints is experienced by your cooperative society?

Constraint	Experienced	Not experienced
Inadequate access inputs		
Small-sized farms		
Ageing farmer population		
Part-time workers		
Farm mechanization		
Transfer of business		

Q5. On a scale of 1-5 (Where 1- very low and 5 – very high), How do you rate Management Committee Members knowledge regarding innovation

	1	2	3	4	5
Factor	**Very Low**	**Low**	**Moderate**	**High**	**Very High**
Designing					
Planning					
Organizing					
Diffusion					

Q6 In your opinion which of the following performance indicators is as a result of the age of the cooperatives

Performance indicator	Affected	Not affected
Knowledge abilities and skills		
Organisation rigidity and inertia		
Preferential treatment of senior staff		
Financial friction		
Products		

Q7. In your own assessment what is the current debt ratio of the cooperative?

Debt ratio	
Short term	
Medium term	
Long term	
None	

Q8 Indicate which of the following elements of entrepreneurship is within your cooperative due to its age in business

Element of entrepreneurship	**Associated**	**Not associated**
Effective management of single projects		
Effective management of new projects		
Established entrepreneurship committees, teams and managers		
Effective production and customers relationship		

Q9. On the scale of 1- 5 (where 1- Strongly Disagree and 5- Strongly agree) indicate the level of agreement on the effect of management Tenure Distribution or Length of Service (LOS) in your organisation thus it affects:-

Effect of management tenure	**1** Strongly Disagree	**2** Disagree	**3** Neutral	**4** Agree	**5** Strongly Agree
Wide variety of Organisation outcomes					
Employee turnover					
Organisation innovations					
Internal control structures					
Power distribution					

Q10.On a scale of 1- 5 (where 1- Not severe and 5- Most Severe), indicate the effect of governance on the agriculture cooperative

Governance issue	**1** Not severe	**2** Moderate Severe	**3** Severe	**4** More Severe	**5** Most Severe
Balancing cooperative and members					
Management Committee Members' Dedication					
Management Committee Members' Competency					

Management Committee Members' Members Recruitment					
Member Involvement					
Management Committee Members' Orientation					

Q11. Indicate the professional skills acquired by senior staff in the last three years on the following competences?

Professional skills	**Acquired**	**Not Acquired**
Information Communication Technology		
Quality Management Systems		
Increasing Financial Resources		
Business Linkages		

Q12. In your opinion which is the critical challenges facing the cooperative?

____

Q13. On a scale of 1- 5 (where 1- Very Low and 5- Very High) evaluate customer satisfaction, quality of the products and services offered by the cooperative?

Factor	**1**	**2**	**3**	**4**	**5**
	Very low	**Low**	**Moderate**	**High**	**Very High**
Customer satisfaction					
Quality of products					
Quality of services					

Q14. Indicate whether or not the management committee members' performance and capability is evaluated directly on the following indicators of innovation?

Innovation Indicator	**1.**	**2.**
	Evaluated	**Not Evaluated**
Number of New Products		
Improved Products		
Registered and Utilized Patents		

2.3. Human Resource Management

Q1. On a scale of 1 – 5 indicate the strategies or sets of human resource practices that your cooperative society use when recruiting employees

Strategy	1 **Very Low**	2 **Low**	3 **Fair**	4 **High**	5 **Very High**
Match job applicant's knowledge and skills to the requirements (person-job fit)					
Focus on how well the individual fits with the culture or values of the firm (person-organisation fit)					
Focus on the potential long-term contribution of applicants (person-future fit)					

Q2 In a scale of 1- 5 indicate level of strategies used by the management to retain employees in the cooperative?

Strategy	1 Very Low	2 Low	3 Fair	4 High	5 Very High
Emphasize formal processes and procedures (roles and responsibilities / performance appraisal)					
Direct monitoring closely the day-to-day activities of employees (Tight control of Pace and Schedules)					
Employees' discretion, monitor own performance do right without oversight (professional standards)					
Emphasize culture, peer pressure to employees (employees track one another , Provide Feedback)					

Q3. Which of the following Human Resource Management issues does your Coffee cooperative society emphasise in order to attract effective human capital?

Human Resource Management Issue	1 Not Emphasized	2 Slightly Emphasized	3 Fairly Emphasized	4 Emphasized	5 Highly emphasized
Behavioural approaches					
Human resource ideas					
Loyalty, devotion and trust					
Dialogue and cooperation					
Job satisfaction for the					

worker					

Q4. Indicate the type of wages that the cooperative apply to remunerate her employees?

Type of wage	**Implemented**	**Not implemented**
Type I - long-term employment and seniority-based wages		
Type II - long-term employment and ability-based pay		
Type III -long-term employment but with ability-based pay		
Type IV -Casual wages		

Q5. Which of the following strategies does the cooperative apply to change market focus?

Strategy	**Applied**	**Not Applied**
Introducing new products		
Entering new markets		
Responding quickly to customers		
Access to networks		

Q6. Comment briefly on the current succession plans that your Coffee cooperative has?

____

Q7. On a scale of 1-5 indicate the level of application of the strategies by your Coffee cooperative in order to face competitors in the same industry?

	1	**2**	**3**	**4**	**5**
Strategy	**Very Low**	**Low**	**Moderate**	**High**	**Very High**
Adopt new technology for improving efficiency (Leftward Direction)					
Differentiate products from competitors (Rightward Direction)					

Produce for the current market (Upward Direction)					
Maintain brand image alone					

Q8. On a scale of 1- 5 (where 1 – not emphasized and 5- most emphasized indicate the level of emphasis that your Coffee cooperative gives to the following motivational factors?

Motivational factors	**1**	**2**	**3**	**4**	**5**
	Not Emphasized	**Moderately Emphasized**	**Emphasized**	**More Emphasized**	**Most Emphasized**
Efficient management and utilization of employees					
Increase employees' abilities					
Reward performance and competences					
Enhance innovation and creativity					
Improving competitiveness and mobility					

Q9. What is the rate in terms of percentage of labour turnover in your Coffee cooperative?

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Q10.How does the Management Committee Members curb labour turnover in the Coffee cooperative.

____

Q11.Which of the following competences has your management committee members acquired in the last three years?

Competences	**Acquired**	**Not Acquired**
Governance		

Entrepreneurship Training		
Good Business Practices And Ethics		
Accounts and Management		
Marketing Management		
Product and Process Innovation		

Q12. Indicate which of the following reasons has contributed to minimal provision or no training by the Coffee cooperative?

The cooperative has limited resources [ ]

There is high labour turnover [ ]

The cooperative uses technology, so learning-by-doing is sufficient; [ ]

The Skilled workers are readily hired [ ]

2.4 Policy

Q1. Using a 5 point scale 1- 5 on the gradual level of agreement, indicate in your view whether the following policies enhance the success of your Coffee cooperative?

	1	2	3	4	5
Policy	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Financial					
Marketing					
Infrastructure					
Licensing					
Taxation					

Q2. Using the scale point of (1- 5), indicate the level at which Coffee Act affects the performance of your Coffee cooperative on the following areas:-

Area of Performance	**1**	**2**	**3**	**4**	**5**
	Do not affect	**Partially affect**	**Affect**	**Affect more**	**Affect most**
Production					
Marketing					
Export of Coffee					

Q3. Indicate which of the following performance areas of the Coffee Sector in Kenya is enhanced by the Cooperative Society's Act

Area of performance	
Deliver Zero-Defect Products	

Deliver value-added Services	
Deliver products precisely on-Time	
Minimize total product cost	
Minimize all types of waste	

Q4 On a scale of 1-5, indicate, the level of your agreement or disagreement whether the following factors influence the effectiveness of policies on agriculture cooperatives:-

Factors influencing effectiveness of policies	**1**	**2**	**3**	**4**	**5**
	Strongly disagree	**Disagree**	**Partially agree**	**Agree**	**Strongly agree**
High demand for agricultural produce					
Availability of improved technology					
Efficient dissemination of information					
Value addition leading to improved income					

Q5 On a scale of 1-5 indicate your level of agreement or disagreement with the reasons for ineffectiveness of policies on the segment of agriculture

Factor	**1**	**2**	**3**	**4**	**5**
	Strongly Disagree	**Disagree**	**Partially Agree**	**Agree**	**Strongly Agree**
Instability of the political climate					
Insecurity of investment					
Non-standardized product quality					
Non-competitive nature of Coffee products (export)					
Inadequate processing facilities					

2.5 Growth of Collective entrepreneurship in Coffee Sector in Kenya

Q1. Indicate the levels of production and the sales turnover in the last three years?

Activity	**2013**	**2014**	**2015**
Production in tons			
Sales turnover (Kshs)			

Q2. Indicate the trend on the following determinants of growth in your cooperative society in the last three years

Determinant of growth	**2013**	**2014**	**2015**
Profitability			
Number of Employees			
Number of Members			
Sales Volumes			
New Assets acquired			

Q3Which of the following factors of competition and market demand approaches does your cooperative apply to face globalization

Factor of competition and Market demand approaches	**Applied**	**Not Applied**
Elimination of Cartels		
Offering training to members		
Intensify value addition		
Produce quality value coffee		
Linkages and net working		
Embracing technology		
Planning for ISO certification		
No approaches applied		

Q4. On the scale of 1- 5 (where 1- strongly disagree and 5– strongly agree) indicate your agreement or disagreement of the relationship your cooperative has with its customers

	1	**2**	**3**	**4**	**5**
Relationship with members	**Strongly disagree**	**Disagre e**	**Partiall y agree**	**Agre e**	**Strongl y agree**
Deliver product on time					

Frequently monitor customer satisfaction					
improve customer satisfaction					
Resolutions are opportunities for improvement					
Member's satisfaction integrated into goals					

Q5. Indicate whether or not the top management team is evaluated on performance and capability on the following innovation indicators by the agriculture cooperative

	1	**2**
Innovation Indicator	**Utilized**	**Not Utilized**
The number of new products		
The number of improved products		
The number of registered patents		

Q6 Which of the following factors affect the growth of your collective entrepreneurship in the cooperative?

Factor	**Affecting**	**Not Affecting**
Investment climate		
Level of technology and human capital		
Existing policies and regulations		
Inadequate skilled labour		
Characteristic s of management committee members		

Q7 Indicate which of the following business development strategies have been developed in your organisation in the last three years?

Business strategy	**Developed**	**Not Developed**
Collaborations		
Partnerships		
Networks		

Q8 Which of the following Strategies does your cooperative have to match competition and offer high value products?

Strategies that the firm has in a market	Created	Not created
Market seeking (looking for considerable market)		

Efficiency Seeking (Research and Development)		
Resource seeking (Access to raw material or inputs)		
Cost reduction and lowering operation costs		

Q9 Indicate the level of investment in new technologies by the cooperative in the last three years

____

Q10. Which of the following impetus of collective entrepreneurship for new markets have your cooperative society adapted for growth and empowering members?

Impetus for collective entrepreneurship	Adapted	Not adapted
Promoting products		
Acquired strong brand names		
Tangible and intangible resources		
Fostering product differentiation		
Providing market access		

Q11 Indicate the innovation dimensions that your cooperative society has committed resources on in order to create value for customers and increase growth

Innovation dimension	**Committed resources on**
New Processes or products	
Adoption of new ideas	
Creation and acquisition of a product or service	
Improved current business operations and competitive advantage	

Q12 Indicate which of the following challenges are faced by your cooperatives society in adopting innovative practices

Challenge	**Faced in adopting innovation**
Managerial practices	
Inadequate educational and training programmes	
Low adoption practices	
Poor delivery of services	
Conflict amongst members	

Q13.Which of the following form of innovation is practised by your cooperative society?

Form of innovation	Practised	Not practised
Product innovation		
Process innovation		
Business model innovation		
None		