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STRATEGIC PLANNING

INFLUENCE OF STRATEGIC PLANNING ON THE GROWTH OF THE DAIRY COOPERATIVE SOCIETIES IN NANDI COUNTY

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ABSTRACT

Statement of The Problem: It is worth noting that the dairy cooperative society is crucial, which is even more apparent in the value chain of the milk industry. With the production up to marketing process, it is concerned with the feeding, and puts much emphasis on the distribution of processed products.

Purpose of the Study: This paper examines how strategic planning influence the growth of dairy cooperative societies in Nandi County.

Methodology: The theory that was applied in the paper was the Resource-Based View theory. This study was an attempt to undertake a quantitative and qualitative research. The survey design used was descriptive where the population was 21 dairy farmers cooperatives. The sample of 5 respondents was selected by usage the purposive sampling method using each dairy cooperative society. Primary data was utilized. Data collection was done through a questionnaire, which was evaluated using descriptive and inferential statistics. Pearson Product-Moment Correlation Coefficient (r) was used in the analysis of correlation between the variables of the study to determine the degree of correlation. Regression analysis was used as well. The target population was further divided into registered organizations in Nandi County which collects, bulk and trade milk to small holder farmers.

Findings: The research results proved that strategic planning has a significantly positive influence on cooperative growth. In the correlation analysis, there were moderate and strong positive correlations between these factors and growth ($r = 0.617$, $p < 0.05$). The regression equation was found to be significant (F4, 76, 5 = 48.335, $p < 0.001$) with an R 2 of 0.718 meaning that the four predictors had a combined effect on the amount of variation in growth, which was 71.8%.

Conclusion and Recommendation: The findings indicate that the strategic planning is a performance and sustainability enhancing factor in dairy cooperative societies. According to these results, the research suggests developing a greater strategic planning potential.

Keywords: *Strategic Planning, Growth, Dairy Cooperative Societies, Nandi County*

INTRODUCTION

Dairy cooperatives are milk producer cooperative societies, where the farmers' pooled resources are used for milk production, processing, marketing, and sales, to realize better prices and to improve their livelihoods. The form, scale, and economic role of these agri loop cooperatives differ worldwide, depending on the management practices, market conditions and government policies that shape their operations (Buller & McEvoy, 2018). This growth is evident in terms of membership base, milk production volumes, market penetration, product diversification, infrastructure development, and financial sustainability in the long run (Gamage et al., 2020). It uses strategic planning to pursue high-growth markets for instance China and the Middle East while investing in innovation, organic, and lactose-free products. Hedging against milk price volatility is a component of risk management. Arla Foods Annual Report 2023 Revenue was €13.3 billion in 2023 and produced with a 5-7% profit margin. By ensuring streamlined resource management, processing, and governance of member-driven decisions, continuous dividends are about €0.02-€0.03 per liter (Gamage et al., 2020). In dairy cooperatives, these strategies help improve resource utilization, strengthen market competitiveness, support innovation besides enhancing operational efficiency. As a result, cooperatives are able to expand their membership, increase milk production, diversify products, improve market access, and achieve sustainable growth (David et al., 2024; OECD, 2023).

Successful dairy cooperatives across the world have demonstrated the value of strategic management in promoting growth and competitiveness. Through effective planning, innovation, market diversification, and technology adoption, these cooperatives have been able to respond to changing consumer demands and dynamic market conditions. Such practices have contributed to improved productivity, stronger market presence, and long-term sustainability within the dairy sector (FAO, 2023). Aligning strategic planning with performance goals boosts growth, whereas compliance imposes small costs that reduce margins. Kenyan dairy industry is amongst key pathways to improving livelihoods through better farmer incomes, revenue streams from exports of milk products, job creation, food security and nutrition (Tegemeo, 2024). Industry value chain includes input in addition to service providers, farmers, logistics personnel, traders, dairy farmers' cooperative societies, milk processors, distributors besides retailers (Otieno et al. 2022).

Co-operatives can increase productivity in the smallholder sector and increase farmers' market participation (Birthal, Joshi & Gulati, 2015). Dairying co-operatives organize farmers in the dairy area which has many benefits compared to individual farming besides marketing. Kenyan dairy industry is amongst key pathways to improving livelihoods through better farmer incomes, revenue streams from exports of milk products, job creation, food security and nutrition (Tegemeo, 2024). Industry value chain includes input in addition to service providers, farmers, logistics personnel, traders, dairy farmers' cooperative societies, milk processors, distributors besides retailers (Otieno et al. 2022).

PROBLEM STATEMENT

Dairy cooperative societies in Nandi County, Kenya, are significant assets in the region, promoting milk marketing for smallholder farmers and increasing their income while contributing to local development. Nandi County produces an average of 16 million litres per month. The average production per cow is 4.5 litres. There are 21 dairy cooperatives with an average installed capacity of 155,000 litres per day. However, despite their importance, many of these cooperatives exhibit poor financial performance, struggling with low profitability, unstable revenue streams, and limited ability to pay dividends to members. In addition, reports indicate that more than 43 cooperative societies in Kenya have become inactive or collapsed, prompting government interventions aimed at revitalizing the cooperative movement (Kenya Tribune, 2025). The collapse of these cooperatives has been attributed to challenges such as weak governance structures, poor financial management, limited market access, and ineffective leadership.

Recent improvements, such as the near completion of the Nandi Dairy Cooperative Factory with a target of processing over 200,000 liters of milk, indicate growth potential. Nevertheless, financial sustainability poses challenges for many societies. Global dairy cooperatives have demonstrated that key management practices, including goal/objectives setting, resource allocation effectiveness and clarity, drive growth, as seen in models like Amul in India and Fonterra in New Zealand. However, the adoption and effectiveness of such practices in Nandi County remains poorly understood.

Despite the critical role played by dairy cooperative societies in supporting smallholder farmers and the increasing investments in the dairy sector, many cooperatives in Nandi County continue to experience slow growth, declining profitability, limited market expansion, and weak financial sustainability, raising concerns about the effectiveness of the strategic planning currently being adopted. While strategic planning have been associated with organizational growth in other sectors and regions, it remains unclear whether these strategic planning significantly influence dairy cooperative societies' growth in Nandi County, thereby creating a knowledge gap that warrants investigation.

RESEARCH OBJECTIVE

To examine how strategic planning influences the growth of the dairy cooperative societies in Nandi County.

HYPOTHESES OF THE STUDY

$H0_1$: Strategic planning has no statistically significant effects on the growth of dairy cooperative societies growth in Nandi County.

LITERATURE REVIEW

Koech and Kiprotich (2023) examined the influence of strategic planning practices on the performance of agricultural cooperatives in Kenya. The study found that cooperatives with clearly defined strategic plans, measurable objectives, and regular performance reviews recorded higher growth in revenue, improved operational efficiency and stronger market competitiveness compared to those operating without formal strategic plans. The researchers concluded that strategic planning enhances resource allocation, guides organizational decision-making, and supports long-term growth.

Wambui, Muturi, and Njeru (2022) investigated the relationship between strategic management practices and cooperative performance among dairy cooperatives in Central Kenya. Using survey data collected from cooperative managers, the study established that strategic planning significantly influenced revenue growth, profitability, and member satisfaction. The findings further indicated that cooperatives that regularly reviewed their strategic objectives were more adaptable to changes in the business environment and achieved better growth outcomes.

Kimani and Karanja (2024) examined the contribution of strategic planning to organizational growth among agricultural cooperatives in Kenya. The study revealed that strategic planning improved coordination of activities, strengthened financial management, and enhanced market expansion efforts. The researchers observed that cooperatives with effective planning systems demonstrated greater resilience and sustained growth compared to those without structured planning processes.

Important gaps are identified specific to Nandi County, Kenya, albeit the reviewed studies provide insightful reflections on the nexus between strategic planning and dairy cooperatives' growth. Most studies are based on other Kenyan counties (Nakuru, Kiambu, Meru, etc.), among others or global examples such as Amul in India, Dairy Farmers of America, which are not comparable to Nandi County's socio-economic conditions, infrastructure, or scale. Nandi County's rural nature, dependence on smallholder farmers, and recent events like the near completion of the Nandi Dairy Plant provide a context not adequately covered in the literature.

As the county struggles with well-documented barriers to success, including mismanagement and restricted access to lucrative market opportunities, strategic planning holds tremendous potential for transformative development. However, no empirical research has examined local relationships between such planning and performance. Moreover, this strategic planning is unexamined with Nandi's specific opportunities, such as new infrastructure, or constraints, such as rural logistics. Therefore, the niche in research is limited by the lack of a demarcated study that looks at how strategic planning improves the expansion of dairy cooperative societies in Nandi County, Kenya, as a rural phenomenon, as well as a new formation by stakeholders in Nandi County. Although previous studies have demonstrated the importance of strategic planning in enhancing cooperative performance, most have been conducted outside Nandi County and have focused largely on financial performance rather than growth indicators.

THEORETICAL REVIEW

The Balanced Scorecard (BSC) framework was applied. Kaplan and Norton (1992) introduced the BSC, a tool for measuring and improving organizational performance from various perspectives. Unlike traditional growth metrics, BSC draws on financial and non-financial considerations to give you a fuller picture of how an organization is performing. The Balanced Scorecard (BSC) Framework serves as a tool for evaluating strategic management practices and financial sustainability in dairy cooperatives. Focusing on its financial health, customer satisfaction, operational efficiency, and employee development, cooperatives can secure their long-term success and innovation in the dairy sector. The Balanced Scorecard Framework connects competitive positioning strategies and innovation strategies by offering a multidimensional measurement and management system across financial, customer, internal process, and learning perspectives. Through this integration, strategic positioning such as differentiation via quality and innovation, e.g., new products/processes, is helped to be aligned to help drive financial sustainability, providing a hands-on and theory-founded performance management tool for Nandi County dairy cooperatives.

RESEARCH METHODOLOGY

The research employed descriptive and correlational designs. The descriptive aspect provided an overview of dairy cooperatives' strategic management practices and growth metrics. The correlational aspect aims to evaluate how strongly and in what direction strategic management practices (independent variable) are related and growth (dependent variable). The selected target population included organized formal dairy in Nandi County that collects, processes, and markets milk for small-scale farmers. These included 21 registered dairy cooperative societies active in Nandi County. From these dairies, the targeted respondents were management members, including the chief executive officer, marketing, finance, human resources, and quality assurance managers.

The selection of these respondents involved purposive sampling, because of the given that they had adequate knowledge about the strategic management practices at their dairy cooperative societies. Hence, there were 105 respondents drawn from the 21 dairy cooperative societies. Structured and semi-structured questionnaires was formulated to collect quantitative as well as qualitative data from the dairy cooperatives. The quantitatively significant data was examined with descriptive as well as inferential statistics by the researcher. Descriptive statistics comprised summary statistics and inferential statistics comprised regression analysis. Statistical Package for Social Sciences (SPSS) Version 27 in addition to Excel were further utilized by the research as tools for data analysis.

DATA ANALYSIS AND FINDINGS

Founded on the results, survey participants expressed agreement that for the last three years, their dairy cooperative societies had formal strategic plan with clear financial goals. This is based on mean score of 3.7654. This was critical for this study in targeting the dairy cooperative societies adopting various strategic management practices including strategic planning. The respondents were however neutral when asked whether strategic planning had helped their cooperative societies increase revenue from milk sales. This is according to mean score of 3.1481. This is could potentially indicate that not all dairy cooperative societies had resulted in increased revenue due to strategic planning. Regarding whether, the dairy cooperative societies had set goals to improve cost efficiency resulting in enhanced profitability, the respondents strongly agreed, according to mean score of 4.0864. In addition, respondents agreed that planning for market expansion had improved their financial sustainability according to mean score of 3.8519. Finally, the respondents where neutral in that their cooperative societies' strategic plans ensured consistent dividends for members according to mean score of 2.7556.

Table 1: Strategic Planning on The Growth

Statement	Mean	Std. Deviation
Our cooperative has a formal strategic plan with clear financial goals.	3.7654	1.121
Strategic planning has helped us increase revenue from milk sales.	3.1481	1.0620
We set goals to improve cost efficiency, which has enhanced profitability.	4.0864	0.6928
Planning for market expansion has improved our financial sustainability.	3.8519	0.9098
Our strategic plan ensures consistent dividends for members.	2.7556	0.5244

In describing the strategic planning initiatives implemented by their cooperatives and their impact on financial performance, respondents reported that several cooperatives had developed market access strategies aimed at improving access to domestic markets. These strategies were designed to address challenges such as market fluctuations and exploitation by middlemen, ultimately improving farmers' livelihoods and ensuring long-term sustainability. Other cooperatives implemented strategies to ensure prompt and competitive milk payments to farmers and suppliers. Some also invested in the purchase of milk trucks to facilitate market access, undertook market research, and pursued diversification and value addition initiatives, including the installation of pasteurizers and milk dispensers to expand market opportunities and secure better prices. Additionally, cooperatives invested in capacity building for farmers on animal husbandry and value addition. They also focused on increasing milk volumes through farmer training and by offering free transport of milk from farmers' households to the cooling plant. These interventions collectively contributed to increased milk volumes and, in turn, enhanced the financial performance of the cooperatives.

Strategic planning had moderately strong positive significant correlations with growth of dairy cooperative societies ($0.3 <$ correlation coefficient $(r) < 0.7$) of 0.617 (p-value < 0.001). Further, when all the factors are held constant, a unit change in strategic planning would change the growth of dairy cooperative societies by 0.203 units. The regression results revealed a p-value of 0.000, which was below the 0.05 level of significance. Therefore, the null hypothesis was rejected. The findings indicate that strategic planning has a statistically significant positive influence on the growth of dairy cooperative societies in Nandi County, Kenya. Strategic planning contributes to improved organizational performance and growth through clear goal setting and effective resource allocation.

CONCLUSIONS

Strategic planning has a positive and significant influence on the growth of dairy cooperative societies in Nandi County. This an indication that strategic planning plays a significant role in the growth of dairy cooperative societies. Specifically, the existence of formal strategic plans with clear financial objectives has provided a structured framework for guiding operations and decision-making within the cooperatives. Further, although the effect of strategic planning on increasing revenue from milk sales appears moderate, strategic planning has been instrumental in enhancing cost efficiency, profitability, and financial sustainability. Overall, the study concludes that effective strategic planning contributes to the organizational growth and stability of dairy cooperative societies.

RECOMMENDATIONS

Strategic planning positively influence growth, the study recommends that dairy cooperatives strengthen their capacity in strategic planning. Cooperatives should develop and periodically review strategic plans with clear financial goals, cost-efficiency targets, and market expansion strategies to improve profitability and ensure consistent member dividends. Future studies should examine the long-term influence of strategic planning practices on the growth and sustainability of dairy cooperative societies using longitudinal research designs to establish causal relationships over time.

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