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The Role of Market Innovation in Shaping Organizational Performance of Dairy Cooperatives

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Abstract

Market-oriented organizational strategies in the production, communication, and capture of value have intensified competitiveness in agricultural markets, where performance is no longer determined solely by production capacity but by the ability to generate and communicate value. This shift raises a critical question: to what extent does market innovation influence performance in historically production-oriented cooperative models? This study addresses this question by examining how market innovation shapes organizational performance of dairy cooperatives. Grounded in the Resource-Based View and Dynamic Capabilities Theory, market innovation was operationalized through branding practices, social media activity, and sales channel diversification, while performance was measured using sales growth, return on assets, and market share. The study adopted a positivist philosophy and a descriptive-correlational design. Primary data were collected using structured questionnaires from 416 respondents drawn from a target population of 165 dairy cooperatives (from an initial sample frame of 494 potential respondents), achieving an 84% response rate. The cooperative was the unit of analysis, with respondents drawn from management and operational staff. Reliability and validity were confirmed using Cronbach's Alpha ($\alpha = 0.864$) and factor analysis (KMO = 0.790; Bartlett's test $p = 0.001$). Data were analysed using descriptive statistics, Pearson correlation, and multiple regression analysis. The findings reveal a high level of market innovation practices (M = 3.89), particularly in digital marketing and branding. Correlation results indicate a strong, positive, and statistically significant relationship between market innovation and organizational performance ($r = 0.845$, $p < 0.01$), while simple linear regression results confirm a positive and significant effect ($\beta = 0.845$, $p < 0.001$), with market innovation explaining approximately 71.4% of the variance in organizational performance ($R^2 = 0.714$). The study concludes that market innovation is a critical strategic capability that enhances financial and competitive outcomes in dairy cooperatives.

Keywords: *Market innovation; Organizational performance; Dairy cooperatives; Branding strategies; Digital marketing; Sales channel diversification; Resource-Based View; Dynamic capabilities; Kenya.*

1.0 Introduction

Competition in the modern business world has undergone a dramatic transformation from production systems to market systems in the generation of value for customers, the ability to create, communicate and capture customer value being the most important factor determining organizational performance (Porter, 1985). The traditional notions of competitiveness based on production efficiency and cost advantage have been superseded by those based on customer contact, brand differentiation and market responsiveness (OECD, 2005). This has led to the emergence of the so-called market innovation which refers to the introduction of new marketing practices that involve substantial modifications in product design, branding, advertising, or channel of distribution in order to better meet customer needs and performance of the firm (OECD, 2005).

The rising competition in the market, globalization and high rate of technological change have resulted in market innovation becoming a major strategic capability in the developed and emerging economies (Teece, 2007). Specifically, in the area of marketing, the use of new marketing strategies has been enhanced by digital transformation, such as social media usage, targeting customers based on data, and multichannel distribution systems (Kwaramba et al., 2023). This has changed the nature of interaction between organizations and their customers, whereby, the organizations are not only involved in transactional exchanges but in the processes of co-creating values (Gereffi et al., 2005). Therefore, firms with a higher propensity to implement market innovation strategies more effectively tend to have better financial performance, market expansion and customer loyalty (Quaye & Mensah, 2019).

The dimensions that are being used to operationalize market innovation are branding strategies, digital marketing practices and diversification of sales channels. By using the strategy of branding the organization can make its products different, and build a customers' recognition, which will be better in positioning the competition (Porter, 1985). The use of digital marketing, especially on social media platforms, allows the company to engage customers in real time and reach a larger market (had it not been introduced) due to geographical boundaries (Karanja and Mwaura, 2022). The diversification in sales channels, such as direct-to-consumer models and online distribution systems, increases the product accessibility and revenue streams as it targets wider and more segmented markets (Zhang et al., 2025). Each of these are termed as “dynamic capabilities”, which allow organizations to create a market sense of opportunity, secure it by a strategic action and restructure their internal processes so as to stay competitive (Teece, 2007).

Organizational performance on the contrary is a multidimensional concept that involves financial, operational and market-based performance like increase in revenue growth, return on assets and increase in market share (Barney, 1991). The Resource Based View predicts that performance is a result of the effective use of valuable, rare and inimitable resources, such as intangible assets like brand or customer relationships (Wernerfelt, 1984). This argument is further reinforced by Dynamic Capabilities Theory where the focus is on the fact that sustained performance is not just based on resource possession, but also the capacity of the organization to change and restructure these resources to its environment (Teece et al., 1997). Market innovation is one of the most important means on the part of companies to translate their internal assets into measurable results.

Empirical studies also have demonstrated a significant and positive relationship between market innovation and organizational performance in various industries around the globe. Examples of manufacturing and agribusiness organizations where research reveals that the adoption of new marketing practices brings with it greater profits, retention of customers, and competitive advantages (Migdabi, 2022). Similarly, research conducted in a developing market shows that the ability to use digital marketing and branding can significantly contribute to the firm's visibility and market penetration; particularly in a very competitive industry where the products are homogeneous (Quaye & Mensah, 2019). The findings stress the growing relevance of market oriented policies in shaping the performance outcomes in addition to the traditional production-oriented policies.

Within the African context, market innovation has become increasingly important due to structural factors such as market fragmentation, inadequate infrastructure and dependence on primary production (Kilelu et al., 2020). Traditionally, agricultural enterprises have focused on efficiency, but have not invested enough in marketing skills, leading to low value added and market competitiveness, particularly in the domestic and international markets (FAO, 2023). Recent studies however point to a slow movement towards market oriented strategies such as branding, online interaction and value chain integration that have been associated with improved performance of agricultural cooperatives (Karanja and Mwaura, 2022).

Dairy sector is one of the most critical sectors of the Kenyan agricultural economy, contributing significantly to the country's Gross Domestic Product (GDP), employment and household income (KNBS, 2024). The main actors in this industry are the dairy cooperatives who bundle up milk from the smallholder farmers and initiate the processing activities, and then introduce the milk into the market (MoALF, 2023). There are, however, a significant number of cooperatives that are still operating along traditional production based systems, with an emphasis on the volumes of milk they collect, instead of value addition and market differentiation (Olwande et al., 2021). This has limited their ability to compete in the ever-changing competitive markets in which they operate which are driven by the changing wishes of consumers and technological disruptions.

While there is a growing focus on the importance of innovation, most of the existing research on the Kenyan dairy sector has concentrated on the technological side of innovation, governance frameworks and efficiencies at the production level, and not paid significant attention to market innovation as an enabler of performance (Mwangi & Kamau, 2023). Further, little empirical evidence exists of the impacts of branding strategies, digital marketing and diversification of sales channel on cooperative performance. This is an especially important gap in the context of the growing importance of digital platforms and market-driven competition in the development of agricultural value chains.

In this background, the current study focused on the effects of market innovation on the performance of dairy co-operatives in Kenya. The study highlights the dimensions of market innovation – branding, digital marketing and diversification of sales channels – and empirically examines their impact on financial and competitive performance via market-based capabilities. The research also has implications for theory, as the authors combine the Resource Based View and Dynamic Capabilities Theory to conceptualize market innovation as a strategic capability which is capable of improving performance in cooperative enterprises.

1.1 Statement of the Problem

The past performance of agricultural cooperatives organizations has been evaluated in terms of their efficiency of production, having been very quantitative in terms of volume of production and provision of supplies. This model that is production-focused has been prevalent in cooperative production in the dairy industry whereby the key focus has been on milk collection, processing capacity, and logistical coordination (Olwande et al., 2021). This approach has maintained the basic sustainability of the operation, but is currently not sustainable in the current markets where the consumer tastes and preferences are shifting, the competition is increasing and technology is evolving rapidly (FAO, 2023). As a result, many dairy cooperatives remain stagnant in growth, are unable to expand markets and find themselves facing low profitability no matter how much they produce (KNBS, 2024).

New work in the strategic management literature suggests that organizational performance is no longer a reflection of what an organization produces, but rather on the ability to add, transfer and capture value through market-oriented approaches (Porter, 1985). It has been revealed that market innovation, which comes in the form of branding, digital marketing, and diversification of sales channels is a major source of competitive advantage and performance in contemporary organizations (OECD, 2005). The findings of empirical studies conducted in developed and emerging economies show that companies that undertake innovative marketing behaviors can benefit from higher revenue growth, higher level of customers' loyalty and market position (Quaye and Mensah, 2019). However, in agricultural cooperatives, particularly in Sub-Saharan Africa, agricultural market innovation is not uniform, and is underdeveloped (Kilelu et al., 2020).

Although literature on Kenya's dairy cooperatives has focused on the adoption of technology, governance structures and operational efficiency (Mwangi and Kamau, 2023), empirical studies have largely overlooked market-oriented innovation as a strategic performance driver. The extent of the dairy financial and competitive performance outcomes resulting from the use of branding strategies, digital marketing practices, and sales channel diversification is not supported by limited quantitative evidence to date, especially in the dairy cooperatives. This is a specific and measurable knowledge void, which this study aims to fill.

Although there has been increased appreciation of the role of innovation, the role of market innovation as a specific strategic capability in the cooperative setting has not been fully studied. This is significant as the agriculture markets are becoming more consumer-centric, product differentiated and digitalized, beyond the traditional production indicators (Kwaramba et al., 2023). Lack of a good knowledge about the impacts of market innovation on performance can make cooperative leadership and policymakers still stick to the idea of expanding production at the cost of market competitiveness.

Thus, the research question answered by the present study is the lack of empirical knowledge of the role of market innovation in determining organizational performance of dairy cooperatives in Kenya. It is unclear, in particular, how much market-oriented measures, such as branding, digital promotion, and diversification of sales channels, are responsible for these key performance indicators such as revenue growth, the use of assets, or market share. This gap needs to be closed to help inform strategic decision making and to boost the competitiveness of dairy cooperatives in a more dynamic and market-oriented agricultural economy.

1.2 Research Objective

The purpose of this study was to examine the role of market innovation in shaping organizational performance of dairy cooperatives in Kenya. Specifically, the study sought to determine how market-oriented strategies—namely branding practices, digital marketing, and sales channel diversification—contribute to key performance outcomes, including revenue growth, return on assets, and market share. The study was guided by the Resource-Based View and Dynamic Capabilities Theory, which posit that internally developed capabilities, particularly those aligned with changing market conditions, are critical drivers of sustained organizational performance (Barney, 1991; Teece et al., 1997).

2.0 Methodology

This study adopted a positivist research philosophy and a descriptive-correlational research design to examine the relationship between market innovation and organizational performance of dairy cooperatives in Kenya. The positivist approach was appropriate as the study sought to test hypothesized relationships using quantitative data and statistical analysis, while the descriptive-correlational design enabled the assessment of both the extent of market innovation practices and their influence on performance outcomes (Creswell, 2014).

The target population comprised dairy cooperatives registered with the Dairy Development Authority (DDA) across Kenya. A sample of 416 respondents was drawn using stratified random sampling, stratified by cooperative size (small, medium, and large), to ensure proportional and adequate representation across the population. The sample size was determined using the Yamane (1967) formula applied to a target frame of 494 potential respondents, yielding a theoretical minimum of 221 and a working sample of 416 to account for non-response. Respondents comprised management and operational staff within the cooperatives, with the cooperative as the unit of analysis. Primary data were collected using structured questionnaires administered to management and operational staff within the cooperatives. The instrument captured key constructs of market innovation—branding strategies, social media marketing, and sales channel diversification—as well as organizational performance indicators, including sales revenue, return on assets, and market share.

To ensure the quality of the measurement instrument, reliability and validity tests were conducted prior to analysis. Internal consistency was assessed using Cronbach's Alpha, which yielded a coefficient of 0.864, exceeding the recommended threshold of 0.70 (Hair et al., 2019). Construct validity was evaluated using factor analysis, with the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy recorded at 0.790 and Bartlett's Test of Sphericity found to be statistically significant ($p < 0.001$), confirming the suitability of the data for factor analysis.

Data analysis was conducted using statistical techniques appropriate for testing relationships between variables. Descriptive statistics, including means and standard deviations, were used to summarize the extent of market innovation practices. Pearson's Product–Moment Correlation Coefficient was employed to examine the strength and direction of the relationship between market innovation and organizational performance. Simple linear regression analysis was then conducted to determine the extent to which market innovation, as a composite independent variable, predicts organizational performance. Although market innovation was operationalized through three dimensions (branding, digital marketing, and sales channel diversification), the regression model treated the composite market innovation score as a single predictor, consistent with the study's focus on the overall construct.

The regression model was specified with organizational performance as the dependent variable and market innovation as the independent variable. Statistical significance was evaluated at the 0.05 level. The use of correlation and regression analysis enabled the study to establish both the existence and magnitude of the relationship between market innovation and performance, thereby providing empirical evidence to support the study's theoretical framework.

3.0 Results and Discussion

3.1 Descriptive Analysis

The study examined the extent to which dairy cooperatives in Kenya have transitioned from traditional production-oriented models toward market-oriented strategic practices. Market innovation was operationalized through branding strategies, social media engagement, and diversification of sales channels, reflecting the evolving nature of competition in contemporary agricultural markets. The descriptive results, based on responses from 416 participants, reveal a consistent and high level of engagement across all dimensions of market innovation.

Table 1: Descriptive Statistics on Market Innovation

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Std. Dev.
Our cooperative has implemented creative branding strategies that have effectively differentiated our dairy products in the market.	2 (0.5%)	60 (14.4%)	0 (0.0%)	346 (83.2%)	8 (1.9%)	3.72	0.75
The use of innovative branding has significantly improved customer loyalty and product recognition for our cooperative.	51 (12.3%)	11 (2.6%)	0 (0.0%)	193 (46.4%)	161 (38.7%)	3.97	1.26
Our cooperative actively engages in social media marketing to promote dairy products and build a stronger brand presence.	9 (2.2%)	53 (12.7%)	0 (0.0%)	154 (37.0%)	200 (48.1%)	4.16	1.08

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Std. Dev.
Social media marketing has proven to be an effective tool for expanding our customer base and increasing sales.	21 (5.0%)	41 (9.9%)	1 (0.2%)	271 (65.1%)	82 (19.7%)	3.85	1.01
Our cooperative has successfully diversified its sales channels to reach a broader range of customers.	24 (5.8%)	38 (9.1%)	1 (0.2%)	283 (68.0%)	70 (16.8%)	3.81	1.01
The introduction of new sales channels has positively impacted our revenue growth.	23 (5.5%)	39 (9.4%)	1 (0.2%)	262 (63.0%)	91 (21.9%)	3.86	1.04
Overall Mean / Std. Dev.						**3.89**	**1.05**

The overall mean score of 3.89 (Std. Dev. = 1.05) indicates that market innovation is not a peripheral activity but a central strategic orientation within the cooperatives studied. This pattern suggests that dairy cooperatives are increasingly redefining their competitive logic from volume-based production to value-based market positioning. A substantial majority of respondents affirmed the adoption of creative branding strategies, with agreement levels exceeding 80 percent, indicating that cooperatives are actively pursuing differentiation as a pathway to competitiveness. In practical terms, branding is no longer treated as a cosmetic activity but as a strategic instrument for shaping customer perception and strengthening market identity. This aligns with the argument that differentiation enhances competitive advantage by enabling firms to command recognition and loyalty within saturated markets (Porter, 1985; Quaye & Mensah, 2019).

Beyond differentiation, the findings indicate that branding has begun to assume the characteristics of a strategic asset. High levels of agreement on the role of branding in improving customer loyalty and product recognition suggest that cooperatives are cultivating intangible resources that extend beyond physical production. From a Resource-Based View perspective, such assets are valuable and difficult to replicate, thereby forming the foundation of sustained competitive advantage (Barney, 1991). The consistency of responses further indicates that this is not an isolated practice but a sector-wide shift toward market-oriented thinking within dairy cooperatives.

The adoption of digital marketing practices represents a further evolution in this transformation. The relatively high mean score of 4.16 for social media engagement reflects strong integration of digital platforms into cooperative marketing strategies. This indicates that cooperatives are increasingly leveraging digital tools to bridge the gap between production and consumption, thereby enhancing visibility and customer interaction. The high level of agreement regarding the effectiveness of social media in expanding customer bases and increasing sales suggests that digital

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Volume 10||Issue 3 ||Page 45-57||July|2026|
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engagement is not only widespread but also yielding tangible outcomes. These findings support emerging evidence that digital platforms are redefining market access and enabling firms to interact with consumers in more direct and dynamic ways (Gideon, 2024; Shepherd et al., 2025).

Equally important is the evidence on sales channel diversification, which demonstrates that cooperatives are actively restructuring their distribution systems to align with changing market dynamics. High agreement levels indicate that cooperatives are moving beyond traditional distribution models toward more flexible and diversified channels. This shift reflects an understanding that market access is not static but requires continuous adaptation to consumer behavior and market structures. The positive perception of revenue growth associated with new sales channels further reinforces the practical value of this strategic adjustment. In line with global value chain perspectives, diversified market linkages enhance resilience and competitiveness by reducing dependency on single distribution pathways (Gereffi et al., 2005).

Taken together, the descriptive findings reveal a deeper structural transformation within the dairy cooperative sector. Market innovation appears not merely as a set of isolated practices but as an emerging strategic paradigm through which cooperatives reinterpret their role in the value chain. Rather than functioning solely as aggregators of raw milk, cooperatives are increasingly positioning themselves as market-oriented enterprises capable of generating, communicating, and capturing value. This transition reflects the logic of Dynamic Capabilities Theory, where organizations continuously reconfigure their strategies to align with evolving environmental conditions (Teece, 2007).

Overall, the findings suggest that market innovation has become embedded within the strategic fabric of dairy cooperatives in Kenya. The convergence of branding, digital engagement, and distribution restructuring indicates a coordinated response to competitive pressures and changing consumer expectations. This pattern provides a strong empirical foundation for further analysis, particularly in examining how these market-oriented capabilities translate into measurable organizational performance outcomes.

3.2 Inferential Analysis

3.2.1 Correlation Analysis

Correlation analysis was conducted to examine the strength and direction of the relationship between market innovation and organizational performance of dairy cooperatives. The results indicate a strong, positive, and statistically significant relationship between the two variables ($r = 0.845$, $p < 0.01$). This coefficient suggests a very high degree of association, implying that increases in market innovation are closely aligned with improvements in organizational performance.

Table 2: Correlation Analysis

		Market Innovation	Organizational Performance
Market Innovation	Pearson Correlation	1.000	.845**
	Sig. (2-tailed)		0.000
Organizational Performance	Pearson Correlation	.845**	1.000

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	Sig. (2-tailed)	0.000
** Correlation is significant at the 0.01 level (2-tailed).		

The magnitude of the correlation is particularly noteworthy. In organizational and strategic management research, correlation coefficients above 0.70 are generally considered strong, and values approaching 0.80 and above indicate a substantial linear relationship. The observed coefficient of 0.845 therefore reflects a robust association, suggesting that market innovation is not merely related to performance but is strongly embedded within the mechanisms that drive performance outcomes.

Conceptually, this finding reinforces the argument that market-oriented capabilities—such as branding strategies, digital marketing, and diversified sales channels—play a central role in shaping competitive positioning and financial outcomes. The strength of the relationship indicates that cooperatives that actively engage in market innovation are significantly more likely to achieve higher levels of revenue growth, improved asset utilization, and expanded market share. This aligns with the theoretical premise that value creation in modern markets is increasingly driven by the ability to engage and respond to customers rather than by production capacity alone.

3.2.2 Regression Analysis

To further examine the predictive power of market innovation on organizational performance, a simple linear regression analysis was conducted. The results reveal a strong model fit, with a correlation coefficient (R) of 0.845 and a coefficient of determination (R^2) of 0.714. This indicates that approximately 71.4 percent of the variation in organizational performance is explained by market innovation alone.

The explanatory power of the model is exceptionally high, particularly within the context of organizational research where performance is typically influenced by multiple interacting factors.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845[a]	.714	.713	.64744
a. Predictors: (Constant), Market Innovation				

An R^2 value exceeding 0.70 suggests that market innovation is not just one of several contributing factors but a dominant determinant of performance outcomes in dairy cooperatives. The adjusted R^2 of 0.713 further confirms the stability of the model, indicating minimal shrinkage and reinforcing the reliability of the predictive relationship. The ANOVA results provide additional confirmation of the model's statistical significance;

Table 4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	432.616	1	432.616	1032.068	.000[b]

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Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
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Email: info@stratfordjournals.org ISSN: 2616-8472

	Sum of Squares	df	Mean Square	F	Sig.
Residual	173.538	414	.419		
Total	606.154	415			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Market Innovation

The regression model produced an F-statistic of 1032.068 with a significance level of $p < 0.001$, indicating that the model is highly significant and provides a substantially better fit than a null model with no predictors. The large F-value reflects the strong explanatory capacity of market innovation in accounting for variations in organizational performance.

The coefficient results offer deeper insight into the nature of this relationship. Market innovation exhibits a positive and statistically significant effect on organizational performance ($\beta = 0.845$, $p < 0.001$). The standardized beta coefficient indicates a very strong effect size, suggesting that a one standard deviation increase in market innovation leads to a corresponding 0.845 standard deviation increase in organizational performance. The unstandardized coefficient ($B = 0.718$) further implies that a unit increase in market innovation is associated with a 0.718 unit increase in performance, holding all else constant.

Table 5: Coefficient of Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.957	.074		12.970	.000
	Market Innovation	.718	.022	.845	32.126	.000

a. Dependent Variable: Organizational Performance

The magnitude of this coefficient underscores the strategic importance of market innovation as a performance driver. Unlike marginal predictors that contribute incrementally, market innovation demonstrates a substantial and direct impact on performance outcomes. This suggests that branding strategies, digital engagement, and sales channel diversification are not auxiliary functions but central mechanisms through which cooperatives generate and sustain competitive advantage.

From a theoretical perspective, these findings strongly support the Resource-Based View, which posits that valuable and difficult-to-imitate capabilities—such as brand equity and customer engagement systems—are key determinants of superior performance. At the same time, the results align with Dynamic Capabilities Theory, as they demonstrate that the ability to continuously adapt marketing strategies to changing consumer preferences significantly enhances organizational outcomes.

Overall, the regression results confirm that market innovation is a powerful and statistically significant predictor of organizational performance among dairy cooperatives in Kenya. The strength of both the correlation and regression findings indicates that performance improvements in this sector are fundamentally linked to the ability of cooperatives to generate, communicate, and capture value through market-oriented strategies.

4.0 Discussion of Findings

This study shows that market innovation is a significant contributor to organizational performance of dairy cooperatives. The positive correlation found between the market-oriented capabilities of the co-ops—branding, digital engagement, and sales channel diversification—and their performance outcomes ($r = 0.845$; $\beta = 0.845$) highlights the growing importance of these three emerging capacities in terms of co-ops' competitive positioning. The results confirm the theoretical position that intangible capabilities can affect customer perceptions, access to markets, and value captured which is a source of competitive advantage in contemporary markets (Barney, 1991; Porter, 1985). However, given the single-predictor model used in this study, results are viewed as indicative of the role of market innovation in explaining cooperative performance and not as evidence that it is the only factor impacting cooperative performance.

This coefficient of determination (R2 = 0.714) also suggests that there is a significant share of the variance related to organizational performance that is explained by market innovation. Again, caution should be used when stating that this explanatory power is due entirely to one construct because cooperative performance is inherently multidimensional; nevertheless, this magnitude of the relationship does indicate that the sector is not being explained by a marginal component, but is a structurally important one when considering market-oriented strategy. If the definition of dynamic capabilities is that for a cooperative to improve its performance it must be able to perceive market opportunities, act on them in an adaptive way with marketing plans, and reconfigure its distribution and branding systems, then these cooperatives are more likely to continue to make performance gains (Teece, 2007).

The results offer important counterpoints to the generally accepted notion that cooperative performance is limited by production inefficiency or scarcity of resources. In this case, the evidence indicates that a critical differentiator is whether the market is positioned or not, not only the scale of production. Branding, utilizing digital channels and diversifying distribution strategies are indicators of cooperatives that have an increased ability to turn productive activity into economic value. This makes the cooperative model go from a production-based approach to a business-oriented approach in which competitiveness is defined by offering responsiveness to consumers behaviour behaviour and market dynamics. Based on this study, it is concluded that market innovation capability is an effective factor affecting sustainable performance of the dairy cooperatives in addition to the production efficiency and not as a substitute for it.

5.0 Conclusion

The study aimed at investigating the role of market innovation on the performance of dairy cooperatives in Kenya. The results are clear and compelling that the outcomes of market innovation are dominant and statistically significant. The positive results obtained and the high percentage of variance explained show that the use of branding strategies, digital marketing and sales channel diversification is not a secondary issue, it is one of the main strategies cooperatives can utilize to earn revenue, expand market share and optimize use of assets.

It is thus concluded that in the study, production capacity or aggregation efficiency is no longer the major determinant of dairy cooperative performance. Instead, it is becoming more and more determined by value creation, value communication, and value capture in competitive and dynamic

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 45-57||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

markets. Market innovation is a strategic resource and an adaptive capability that can help the cooperatives adjust their activities to market structures and consumer preferences. In this context, market-oriented repositioning of cooperatives is more likely to lead to continued growth and competitiveness.

In general, the study suggests that market innovation is one of the most important approaches dairy cooperatives can take with regard to the shift from production focus to a value-driven, competitive approach. This evidence emphasises the need to invest in market oriented capacity building to deliver long-term performance and sustainability in the dairy sector. The practical implications of these findings are significant in the areas of cooperative leadership and for policy makers. Cooperative managers need to invest in brand building, digital marketing infrastructure and diversified distribution channels as strategic investments, as opposed to afterthoughts. Policymakers, on their part, need to create support structures that will facilitate the development and maintenance of market-oriented capacities on a large scale, within the cooperative sector. There are limitations to this study. Although this may have theoretical reasons for using a single independent variable in the regression model, a more comprehensive explanation of the various factors that affect cooperative performance is not possible. There is a need for future studies to be based on multivariate approaches which include governance structures, technological adoption, and macro-economic factors together with market innovation. Longitudinal designs would also enhance causal inference, as they would allow for tracking of performance changes over time as a result of changes in market innovation practices. Within East Africa, cross-country comparative studies would help to clarify whether the patterns observed are unique to the Kenyan situation or whether they can be replicated in other cooperative economies.

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