

Influences Of Cost Leadership Strategy On Organizational Performance Of Agricultural Cooperatives In Homa Bay County, Kenya

Nicholas Ayieta Odawo¹, Dr. Mark Obonyo Ouche² & Dr. Simon Nyakwara³

Graduate Student, Tom Mboya University, Kenya, P.O. Box 199-40300, Homa Bay, Kenya
Faculty Of Business And Economics, Tom Mboya University, Kenya, P.O. Box 199-40300, Homa Bay, Kenya
Faculty Of Business And Economics, Tom Mboya University, Kenya, P.O. Box 199-40300, Homa Bay, Kenya

Abstract

Background: This study examined the influence of cost leadership strategy on the organizational performance of agricultural cooperatives in Homa Bay County, Kenya. Drawing on the resource-based view (RBV) theory, the study investigated how cost leadership practices such as cost reduction, strict financial controls, and adoption of affordable technology affect cooperative performance.

Materials and Methods: The research employed a correlational design. Data were collected from 114 sampled respondents across cooperative leadership, management, and operational staff using structured questionnaires.

Results: Findings revealed that cost leadership significantly enhances financial performance, competitiveness, and member satisfaction. Regression analysis showed that cost leadership had the strongest positive effect compared to differentiation and focus strategies, accounting for a large proportion of performance variance.

Conclusion: Agricultural cooperatives can sustainably improve competitiveness by institutionalizing cost control measures, scaling affordable technologies, and deepening stakeholder engagement. Recommendations are made for cooperatives to prioritize technology adoption, enhance branding efforts, and pursue strategic partnerships to overcome operational challenges.

Keywords: Cost Leadership, Strategy, Organizational Performance, Agricultural Cooperatives

Date of Submission: 17-08-2025

Date of Acceptance: 27-08-2025

I. Introduction

Agricultural cooperatives play a pivotal role in Kenya's socio-economic development, providing critical support to smallholder farmers through collective marketing, input procurement, financial services, and value addition. Despite their potential, many cooperatives in Kenya face declining performance due to challenges such as resource mismanagement, poor strategic direction, and market inefficiencies. According to the Kenya National Bureau of Statistics (1), the agricultural sector's growth declined steadily from 3.5% in 2020 to 3.01% in 2022. In Homa Bay County, agricultural cooperatives are crucial for improving farmer livelihoods, yet they struggle with profitability, membership retention, and operational efficiency. The extent to which competitive strategies, specifically cost leadership, shape their performance remains underexplored. This study investigates how cost leadership strategy influences the organizational performance of agricultural cooperatives in Homa Bay County. Beyond their economic role, cooperatives are also key instruments for social inclusion, poverty reduction, and rural development. In Kenya, agricultural cooperatives provide smallholder farmers with access to credit, extension services, and collective bargaining power, making them central actors in the agricultural value chain (2). However, many cooperatives struggle with sustainability due to weak governance, limited technological adoption, and inadequate competitive strategies. Cost leadership, as one of Porter's generic strategies, offers cooperatives a pathway to lower production costs and maintain competitive pricing, thus improving member welfare (3). The relevance of this strategy is heightened in Homa Bay County where agricultural productivity is constrained by high input costs, fluctuating market prices, and infrastructural deficits. This study situates cost leadership as a vital lens for understanding how cooperatives can achieve organizational efficiency and resilience in a challenging market environment.

II. Literature Review

Theoretical Review

This study was guided by the Resource-Based View (RBV) theory (4), which posits that organizations achieve sustainable competitive advantage by leveraging valuable, rare, inimitable, and non-substitutable (VRIN) resources. Cost leadership is considered a strategic capability that allows organizations to minimize production and operational costs, thereby enhancing competitiveness and long-term performance. According to

Taher (5), capabilities represent an organization's ability to deploy resources efficiently, while Fitzroy and Hulbert (6) emphasize that competitive strategies such as cost leadership allow firms to deliver value to customers at lower costs than competitors. The RBV emphasizes that organizations must identify and deploy internal resources in ways that create sustainable competitive advantage. According to Wernerfelt (7), resources that are valuable, rare, inimitable, and non-substitutable (VRIN) become the cornerstone of competitive positioning. For cooperatives, this may include unique social capital, collective bargaining power, and local market knowledge, all of which can be leveraged through cost leadership. Critics of RBV argue that it focuses too heavily on internal resources while underestimating the role of dynamic market conditions (8). Nevertheless, when contextualized within agricultural cooperatives, RBV provides a compelling framework for explaining how cooperatives convert collective resources into sustained cost advantages. This theory thus grounds the study's investigation into how cooperatives in Homa Bay deploy cost leadership strategies to enhance performance.

Empirical Review

Empirical studies consistently highlight the significance of cost leadership in enhancing organizational performance. Nnaji (9) notes that cost reduction enables firms to achieve price competitiveness, attracting more customers and boosting profitability. Ogbari, Dayo, and Ibidunni (10) found that cost leadership significantly influences goal achievement among multinational firms in Nigeria. Similarly, Atikiya (11) revealed that cost leadership strategy had a strong positive effect on the performance of Kenyan manufacturing firms. In the cooperative sector, Ondiek (12) emphasized that service delivery channels and strict cost monitoring contribute to SME banking competitiveness, while Omwoyo (13) found that cost leadership in Kenya's airline industry enhanced efficiency and customer satisfaction. These studies demonstrate that cost leadership, when effectively institutionalized, has a direct and positive impact on organizational performance. International studies further underscore the role of cost leadership in cooperative performance. For example, Leal, Martinez, and Leitner (14) found that SMEs in Australia employing hybrid strategies that combined cost leadership with differentiation achieved superior growth compared to those pursuing a single strategy. In the United States, Nohong et al. (15) established that competitive strategies significantly enhanced efficiency and customer satisfaction across industries. In Greece, Vlachvei, Notta, and Demiri (16) noted that competitive strategies had more pronounced effects in larger enterprises, highlighting scale as a moderating factor. In Africa, Atikiya (11) and Wakhu & Bett (17) emphasized that competitive strategies, including cost leadership, are vital for survival in highly competitive and resource-scarce environments. Closer to Kenya, studies by Wanjiku (18) and Ondiek (12) showed that cost management and strict monitoring of operational costs significantly improved performance in both manufacturing and banking industries. Despite these insights, there remains a scarcity of localized research focusing on agricultural cooperatives in Kenya, particularly in counties such as Homa Bay. This study fills that gap by analyzing how cost leadership directly affects cooperative sustainability, profitability, and member satisfaction in this context.

III. Material And Methods

The study adopted a correlational research design to examine the influence of cost leadership on organizational performance. The target population comprised 543 respondents from 181 cooperatives in Homa Bay County, including Chairpersons/Directors, Managers/CEOs, and Cooperative Officers. Using Huang, Ma, and Chen's (not in refs, so skip numbering) formula, a sample of 114 respondents was selected. Primary data were collected through structured questionnaires using a five-point Likert scale. Validity of instruments was ensured through expert review, while reliability was established via pilot testing and Pearson's correlation. Ethical considerations included informed consent, confidentiality, and voluntary participation.

IV. Research Findings

The study targeted 114 respondents comprising Chairpersons, Directors, Managers, Chief Executive Officers (CEOs), and Cooperative Officers from agricultural cooperatives in Homa Bay County. Out of these, 93 completed and returned questionnaires, representing a response rate of **81.6%**. Mugenda and Mugenda (2003) recommend a minimum of 70% as adequate for academic research; hence the achieved rate is considered excellent. The high return enhances validity and reliability by capturing perspectives across governance and management levels, reducing bias, and enabling generalization to similar cooperatives within the County and comparable regions in Kenya.

The respondents comprised both governance and management representatives, with 57.9% serving as Chairpersons and 42.1% as Directors, while 65.8% were Managers and 28.9% Chief Executive Officers (CEOs), complemented by Cooperative Officers who contributed operational insights. This balance ensured that both policy-level and implementation-level perspectives were captured in assessing cooperative performance. In terms of tenure, 44.7% had served between two and five years, 31.6% for more than five years, and 23.7% less

than two years, meaning that over 76% had at least two years of service and were therefore adequately familiar with cooperative operations and strategic practices. Similarly, 91% had accumulated more than three years of cooperative experience, while more than half of the cooperatives (52.6%) had operated for over ten years, reflecting maturity, stability, and strategic grounding. Product distribution showed sugarcane, dairy, and coffee as dominant activities, with horticulture and mixed produce representing niche segments, highlighting the diverse market dynamics across cooperatives and underscoring the need for tailored strategies to enhance competitiveness.

The study achieved an 81.6% response rate, with 93 respondents providing valid data for analysis. Findings revealed a strong emphasis on cost leadership across governance, management, and operational levels. Governance leaders prioritized reducing operational costs ($M=4.11$) and enforcing strict financial controls ($M=4.08$), Managers and CEOs emphasized efficiency as a competitive advantage ($M=4.26$) alongside competitive pricing, while Cooperative Officers highlighted strong farmer relationships ($M=4.26$) as critical for cost savings and reliability. Although the adoption of affordable technologies scored moderately ($M\approx 3.9$), suggesting room for improvement, respondents agreed that cost leadership enhanced financial performance, competitiveness, and member satisfaction. Regression analysis confirmed that competitive strategies significantly influenced organizational performance ($R^2=0.637$; $F=28.45$, $p<0.001$), with cost leadership having the strongest effect ($\beta=0.492$, $p<0.001$), followed by differentiation ($\beta=0.376$, $p=0.002$) and focus strategies ($\beta=0.204$, $p=0.041$). Together, these strategies explained 63.7% of performance variance, affirming the applicability of Porter's framework in cooperative contexts. While cost leadership remains central, differentiation and focus strategies also contribute meaningfully, indicating that strengthening cost control, scaling affordable technologies, and refining market specialization are essential for sustained cooperative performance.

V. Conclusion

The findings confirm that cost leadership strategy significantly influences organizational performance of agricultural cooperatives in Homa Bay County. Strong emphasis on cost reduction, financial controls, and stakeholder engagement enhanced profitability, competitiveness, and member satisfaction. However, gaps remain in the adoption of automation and affordable technologies, which could further strengthen performance outcomes. The study concludes that cost leadership is the most effective competitive strategy for cooperatives in resource-constrained agricultural settings.

VI. Recommendations

1. Agricultural cooperatives should increase adoption of affordable technologies and automation to enhance efficiency.
2. Investments should be made in branding, marketing, and packaging to complement cost leadership with stronger market visibility.
3. Cooperatives should strengthen distribution networks and logistics to expand market reach.
4. Strategic partnerships with government, private sector, and NGOs should be pursued to access resources and technical support.
5. Policymakers should design supportive frameworks that reduce production costs, such as subsidies for farm inputs and investments in rural infrastructure.

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