

**UNIVERSITY OF NAIROBI  
INSTITUTE FOR DEVELOPMENT STUDIES**

**The Relationship between Resources and Market Innovation in Smallholder  
Agricultural Cooperatives based in Mchinji District, Malawi**

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## DECLARATION

### Declaration of Originality Form

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## **DEDICATION**

To God Almighty, the stronghold of my life.

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## ACRONYMS

COPAC	Committee for the Promotion and Advancement of Cooperatives
BR	Brand Reputation
CARD	Churches Action in Relief and Development
CDI	Clinton Development Initiative
ED	Education
FA	Farmer's Associations
FGD	Focus Group Discussion
FNRPAN	Food Agricultural and Natural Resources Policy Analysis Network
GOM	Government of Malawi
ICA	International Cooperative Alliance
IMF	International Monetary Fund
KII	Key Informant Interview
MDGs	Millennium Development Goals
MGDS	Malawi Growth and Development Strategy
MPRSP	Malawi Poverty Reduction Strategy Paper
MR	Member Relationship
NASFAM	National Smallholder Farmers Association of Malawi
NSO	National Statistical Office
OECD	Organization for Economic Cooperation and Development
PT	Patent
RBV	Resource Based View
RLEEP	Rural Livelihood Economic Enhancement Programme
SACs	Smallholder Agricultural Cooperatives
SK	Skill
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organisation
US-SBA	United States Small Business Administration

## ABSTRACT

*Market innovation is a fundamental component of achieving growth and sustainability for SACs. However, currently little is known in terms of nature of market innovation in SACs and how availability of intangible resources affect adoption and levels of market innovation in SACs.*

*Overall, this study found that SACs in Mchinji District in Malawi have some levels of intangible resources as well as varying forms of market innovation. The results showed that all SACs have some level of intangible resources such as members' relationship, attitude, and reputation of brand as well as education and skills. However, patent was not present in all SACs as an intangible resource. The extent to which the SACs have these intangible resources varied across the three categories of market innovation namely; product design, product distribution, and product promotion.*

*In addition, the study found existence of market innovation with the SACs. In terms of product/design innovation, SACs reported some level of innovation to add value to their groundnuts and this is mostly in terms of selling shelled, graded, flour, butter, oil, feed cake. In terms of product distribution all SACs reported they innovate to increase numbers of distribution channels, mainly in terms of buyers coming, institutions helping, using middlemen and members searching for market. In terms of product promotion innovation results, SACs showed some level of innovation and this is mainly in terms of radio, verbal and displays, agencies/ through institutions, trade fare, and through phone text messages. The extent to which the SACs reported market innovation in terms of prevalence and diversity of what constitute market innovation varied across the three categories of market innovation namely product design, product distribution, and product promotion.*

*Further, the study sought to establish whether intangible resources had a direct impact on marketing innovation (i.e. in terms of product design, distribution and promotion). Using the Bivariate/Pearson's correlation and scatter plots the results showed that there exist a positive relationship between intangible resources and product design innovation as well as product promotion innovation. The study found no relation between intangible resources and product distribution innovation. However, although the Pearson estimates could not be tested for statistical significance, due to the limited sample size of this study, the qualitative findings confirmed of SACs reports of positive relationship between intangible resources and market innovation.*

*Overall, this study provided evidence that SACs in Mchinji District in Malawi need additional support to developing their existing intangible resources so they can be more effective in adopting relevant forms of market innovation. Based on results of this study, it cannot be denied that in future, only SACs with skills, brand reputation, effective memberships, and attitude will have the competitive advantage to adopt and implement effective forms of market innovation for their products to achieve growth and sustainability.*

## DEFINITION OF KEY TERMS

### **Intangible Resources**

“An intangible resource is everything of immaterial existence used or potentially usable for whatever purpose that is renewable after use and decreases, remains or increases in quantity and/or quality while being used” (Diefenbach, T. (2008). De Witt and Meyer (2004) classify intangible resources as relational (relationships, contracts, reputation-brand) and competence (Knowledge – education and patent; competency – skill; and attitude). In this study, intangible resources are for the purpose of influencing change in market innovation in a SAC setting. Intangible resources in this study shall therefore mean relational (SAC members’ relationship and brands reputation); competences (Knowledge and education); Capabilities in form of skills and finally attitude).

### **Tangible Resources**

Tangible resources include land, building materials and money (Barney, 1991; De Witt and Meyer, 2004). In this study, tangible resources are material belongings with perceived market values in different forms, for example, land, buildings, equipment or collectible items that have a monetary value.

### **Smallholder Agricultural Cooperatives (SACs)**

International Cooperatives Association defines cooperative as “a private business organisation that is owned and controlled by the people who use its products, supplies or services” (ICA, 1995). ICA stipulates that “cooperatives are firms/organisations or business venture, that are self-governing and democratic and independent, rely on themselves. And they are accountable to their own goals such as economic environment as well as social integration” (ICA 1995). Hence SACs are the ones held by smallholder farmers. In this study, SACs refer to groundnuts smallholder cooperatives in Mchinji district in Malawi.

**Market Innovation**

“Market innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing” (OECD 2005; UNESCO 2005; Chou 2009). This study’s definition of marketing innovation is the latest implemented (to the SAC) or significant improved product design, product placement and product promotion.

## CHAPTER ONE

### 1.0 Introduction

This chapter discusses the background to the problem that has prompted the study and focuses on its relevance and objectives.

Innovation is at the basis of economic development and as such, it is helpful for developing countries according to OECD (2012). Tidd, Bessant, and Pavitt (2005) agree and point out that innovation is generally considered to be introducing or improving products, processes, defining or redefining market positioning or altering the dominant paradigm for the firm. Innovation leads to a reaction to competitiveness by improving total factor productivity and innovation performance and hence strengthens overall competition (OECD, 2012), as well as inventory and cycle-time reduction, organizational positive change, increased market linkages and networks (Ragasa et. al. 2012). In developing countries, innovations are used in agriculture, especially in SACs as a way of catching up in the current fast-paced competitive globalized marketplace and it has become almost a prerequisite for business success. (Hamel 2006).

Market innovation is critical for rapid commercialisation in Smallholder Agricultural Cooperatives (SACs) (Wanyama et. al. 2014) whereas resource allocation is a main activity for innovation management (Grimpe and Kraiser, 2010). According to Schmidt, Sarange, and Montoya (2009) many firms conduct innovation processes during which decisions for allocation of resources are revisited at several points. These decision points allow for management over project resourcing and determine the breadth and selectiveness of resource allocation (Klingebiel and Rammer<sup>1</sup>). Decision processes in resource allocation is done in pursuit of successful business innovations in order to survive in a competitive global market where, even developing countries have to thrive.

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<sup>1</sup> 1 Undated but available on <http://ftp.zew.de/pub/zew-docs/dp/dp11073.pdf>

The main incentive to form SACs has been to address market failure and hence market innovation becomes important. Market orientation is the key to firm's long-term competitive position (Kyriakopoulos, Meulenberg, and Nilsson, 2004). This is relevant to SACs as a business entity. Fafchamps and Gabre-Madhin (2006) state that getting the markets right requires a plan, in which incentives, institutions and infrastructures are aligned. Business environment has become very vibrant with customer demanding more as well as market competition which is intense and to meet this, firms are creating new marketing ways (Samson and Lawson, 2001), and this includes SACs. SACs would have to evolve with changing times and environment and this can only happen with marketing innovation.

However, marketing innovation in SACs cannot occur without the use of resources. Tangible and intangible organizational resources are used to help in the provision of the things needed that are then put together and transformed by capabilities to make innovative forms of competitive advantage (Lee et al., 2001; Del Canto and Gonzalez 1999). Recent research has shifted attention from tangible to intangible resources. Intangible assets may be more significant strategically, as they more often put together the requirements necessary for creating sustainable advantage: to be valuable, exceptional and not easy to reproduce and replace by competitors (Hitt et al., 2001b). Studies have revealed that a lack of satisfactory skills in management, education, and membership royalty among others (elements of intangible resources) have contributed to cooperatives failures in SACs (Kadzola, 2009; Lwanda et. al. 2012; Nkhoma 2011, Matabi, 2012), hence this study builds on this view to get a deeper understanding of intangible resources and market innovation. Intangible resources in this study refers to members' relationships, brands reputation (which are relational), knowledge, education, skills and attitude (which are under competence) as classified by De-Witt and Meyer (2004).

This research report is organized as follows; CHAPTER ONE provides the introductory part of innovation in SACs as well as the problem statement, research questions, objectives and justification for the study. The section highlights the use of resources in SACs market innovation but argues that resources are varied. The study therefore examined the role different resources have on market innovation. CHAPTER TWO covers literature review on theoretical, empirical

and methodological aspects based on previous researches as well as highlighting the gaps that the study filled. The conceptual framework follows, based on the Resource Based View (RBV) theory. CHAPTER THREE presents the study methodology which highlights research design, study site, population and sampling, data needs table and data analysis procedure. CHAPTER FOUR presents study findings and analysis. Lastly, CHAPTER FIVE presents conclusions and recommendations.

### **1.1. Study Context and Background**

Cooperatives in Malawi were first introduced by the colonial administration under the Cooperative Act enacted in 1946. “The reason for introducing these Cooperatives was to ensure that the natives were integrated into the cash economy. Due to the belief that the cooperatives were being used as agenda of state owned enterprise, the cooperative movement was dismantled after independence in 1964” (Kadzola, 2009). “Agricultural Development Market Corporation (ADMARC) was later introduced to replace the cooperative movement. ADMARC was then the only buyer of farmers’ produce and seller of inputs to farmers while the smallholder Agricultural Credit Administration (SACA) was the provider of input and production credit” (Kachule 2004). Nevertheless, the idea of cooperation was still apparent in the life of smallholder farmers, as seen in the establishment of farmers’ clubs. The clubs faced challenges such as lack of business skills, lack of linkages with other clubs and limited resources (Kumwenda, 2003). The government took advantage of the clubs as bodies suitable for the delivery of extension services and credit. Most members joined the clubs, only to have the right to get credit, and this contributed to the clubs’ lack of the right to be heard and reduced members dedication, since the clubs were seen as addressing the government’s agenda and not the member’s needs. According to Kadzola (2009), “the failure rate for these cooperatives was very high due to high illiteracy levels amongst the members, inadequate pre-formation education for members, to enable them to understand their rights and obligation, limits resources to adequately train management in relation to business management and leadership and poor financial supervision and auditing which led to the misappropriation of funds”.

The promotion of cooperatives in Malawi came after a change in the Malawi political situation in 1994 that coupled with a liberalisation of the economy resulting to the re-emergency of the

registration of cooperatives. This led to the establishment of the Cooperative Development Policy in 1997, Cooperative Societies ACT No. 36 in 1998 and Cooperatives Societies Regulations in 2002 (Malawi Government 1997, 2004). The implementation of the reforms were aimed at increasing efficiency of commodity marketing; and raising producer prices, which would in turn stimulate production and address the bias in the previous policies that were believed to disadvantage the smallholder farmers (Harrigan, 2003). It was believed that the implementation of the reforms would open access for poor farmers to high value markets as well as creating competition. The reforms led to more institutional and governance problems and as Chirwa et al (2005) reports, there were high occurrences of business unprofessional conduct between traders, due to farmers lack of knowledge and understanding of the evolution of market prices and also price exploitation of smallholder farmers by small vendors (middlemen) that killed effective competition for boosting producer price.

According to Borda-Rodrigues and Vicari (2014), “there are 681 registered co-operatives of which 382 are in the agricultural sectors and 192 are SACCOs and 107 are saving and investment promotion co-operatives (COMSIP) in Malawi”. The Department of Co-operatives reports that the active ones are only 234 of which 134 are agricultural co-operatives. This translates to only 35% of agricultural cooperatives active in Malawi.

### **1.1.1 Study Location**

Mchinji district is one of nine administrative districts in the Central Region of Malawi. “Topographically, the central region of Malawi is mainly a plateau, over 1000 metres high and is the country’s main agricultural area. Mchinji is located to the west of Lilongwe district, capital city, and borders with Zambia and Mozambique” (NSO, 2008). Traditional Authorities (TAs) for Mchinji are 9, namely; Dambe; Mavwere, Mduwa; Mkanda; Mlonjeni; Nyoka; Simpasi; Apondo and Zulu and the centre is called Mchinji Boma. “Mchinji district covers an area of 3,356 square kilometres and has a population of about 500,000 and about 80% of the population of Mchinji lives in rural areas. Subsistent farmers make about 90% of the population of Mchinji. The suitable land for farming accrued by smallholder farmers in the district is 222,455 hectares which is 66% of the total land area” (Government of Malawi, 2009).

About 95% of the population of Mchinji are smallholder farmers. Most farmers produce tobacco, soybeans and maize, some also grow cotton and chillies and around half kept livestock (MASFA, Malawi)<sup>2</sup>. However, peanuts, known locally as groundnuts, are their main cash crop following the collapse of tobacco prices in 2010. Groundnuts are mostly grown in the central region that includes Mchinji district. The famous Chalimbana groundnuts (that are grown only in Malawi and Zambia) are grown primarily in the west of Malawi in Mchinji district. And are ideal for confectionery and for cooking oil (NASFAM, 2014)<sup>3</sup>, resulting to many groundnuts cooperative in the district. It is estimated that out of 172 agricultural cooperatives in the central region 32 are in Mchinji district of which 16 are active and 15 deal with groundnuts, soya, sunflower, maize and beans (legumes) as their main crop (Liwewe, 2015). This study therefore focused on Legumes (groundnuts to be specific) cooperatives due to the relevance of groundnuts farming in Malawi, and being the major legume grown in Mchinji district.

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**2** <http://www.fairtrade.org.uk/en/farmers-and-workers/other-products/masfa>

**3** [http://www.nasfam.org/index.php?option=com\\_content&task=view&id=48&Itemid=63](http://www.nasfam.org/index.php?option=com_content&task=view&id=48&Itemid=63)

*Figure 1: Map of Malawi showing Mchinji District*



*Source: NSO 2008*

## **1.2 Problem Statement**

In Malawi, small holder agricultural cooperatives (SACs) are associated with high failure rate according to Nkhoma (2011) and Matabi (2012). Out of the reported 382 SACs only 134 SACs are active (Borda-Rodrigues and Vicari 2014). Kadzola (2009) and Kumwenda (2003) states that the many cooperatives have been failing to thrive failure because of factors such as; limited resources to inadequately trained executive in relation to management of business and leadership and poor financial supervision and auditing which resulted to funds misappropriation. Further according to Magombo-Munthali (2015), agricultural smallholder cooperatives lack effective collective marketing and this inhibits a component of market innovation. According to Simtowe (2008) most smallholder agricultural cooperatives in Malawi were found not performing their marketing role as it is expected because of lack of managerial, business, negotiations skills as well as lack of skills in organizing the means for marketing their produce.

Despite huge investments by donors and the government of Malawi to strengthen the SACs capacity in market innovation to boost their competitive levels in the market, the failure rate of

SACs remains unacceptably high. According to Wanyama et al. (2014 and 2009 this might be due to the fact that these investments have majorly been only in tangible resources, and not intangible resources. Several writers agree that intangible resources are inimitable hence helps in market innovation and competitive advantage (Hitt et al. 2001b; Del Canto and Gonzalez 1999). Theoretical contributions have since argued that intangible resources controlled by a firm, enable the firm to conceive and implement strategies that improve performance and organizations provide intangible resources as inputs for productive use; it shapes into innovative output (Barney, 1991; Collins, 1994. Similarly, empirical findings imply that cooperative leadership which comprises of intangible resources such as skill, experience, knowledge and relationships is necessary for performance in all core areas including marketing innovation (Zakic et. al. 2003). This reckoning has largely informed businesses to induce and capitalize on intangible resources for market innovation and competitive advantage (Lee et al., 2001).

Despite all the work carried out in Malawi to determine factors to improve the performance and market innovation of SACs, no studies known to the researcher have been done to understand the linkage of intangible resources and market innovation in Malawi. Therefore, little is known about the prevailing types and nature of intangible resources and market innovation in Malawi SACs and whether intangible resources could be of substance in determining market innovation.

This study was therefore conducted to understand the types and nature of both intangible resources and market innovation using a sample of SACs in Mchinji District in Malawi. In particular the study intended to determine whether the prevalent intangible resources impacts marketing innovation in SACs.

### **1.3 Research Questions**

The study answered the following broad question: How do intangible resources influence the adoption of market innovation in Mchinji based SACs in Malawi? Specifically, the study examined what nature, level and priority intangible resources explain the type of market innovation adoption in SACs in Mchinji district in Malawi. The specific questions the study answered were:

- a) What are the characteristics and levels of intangible resources in SACs in Mchinji?
- b) What is the nature of market innovation in SACs in Mchinji?
- c) What are the links between intangible resources and market innovation in SACs in Mchinji?

#### **1.4 Research Objectives**

This study examined the resources that influence the adoption of market innovation in SACs in Mchinji district, Malawi. The study aimed to address the following *research objectives*:

- 1) To examine the nature and characteristics of intangible resources in SACs in Mchinji
- 2) To investigate the nature of market innovation in SACs
- 3) To investigate the links between intangible resources and market innovation in SACs in Mchinji

#### **1.5 Justification for the study**

This study is important because it evaluates a problem that needs to be addressed. One needs to know what other measures need to be put in place to address market inefficiency among Mchinji based SACs in Malawi. It is essential for the Malawi Government, donor agencies and NGOs putting efforts in improving markets for the SACs in the area to know whether other effective and efficient ways of addressing market inefficiency for SACs exist. In resource constrained setting, efficient resource allocation and minimum wastage is critical (Al-jibouri, 2007; Dess, 1987).

The study aimed to provide the relationship between intangible resources and market innovation. With few exceptions, intangible resources and market innovation capabilities in smallholder agricultural cooperatives emerged as separate fields of research and this paper aimed to draw these closer together. The study could therefore help to integrate intangible resources, to explain the type of market innovation thereof and consequently enlightened which intangible resources are relevant in order to maintain levels of market innovation in order to remain competitive.

The information could be helpful for the cooperative management bodies and non-governmental organizations that collaborate with policy makers and cooperatives in designing strategies and coordinating efforts to support agricultural cooperatives in improving performances and ensuring

cooperative movement vibrancy and sustainability. The findings could further give insight to researchers and students interested in similar research theme and also provide basis for further investigation in developing countries.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

This section reviews relevant literature on innovation highlighting what has been studied and the gaps that the current study seeks to fill. The section is represented in 3 subsections; firstly, theoretical literature review, secondly, empirical literature on SACs that discusses studies on resources, innovation and general performance; lastly, theoretical framework and study's conceptual framework

### **2.1 Theoretical Literature**

This section discusses theoretical literature on innovation and resources. The first part discusses the innovation literature based on Joseph Schumpeter's work, narrowing down to concepts of market innovation by Schumpeter and several other authors; whereas the second part is theoretical literature on resources based on resourced based view, narrowing to its impact on performance including innovation.

Though there is no universally shared conceptualization or operationalisation of the term innovation (Amara and Landry 2005), the work of Joseph Schumpeter (1934) has greatly influenced theories of innovation. Schumpeter states that economic development is motivated by innovation through a vibrant process in which latest technologies substitute the previous, a process he labeled "creative destruction". According to Schumpeter, major disruptive changes are created by "radical" innovations while the process of change is continuously advanced by "incremental" innovations. Further, a list of five types of innovations as proposed by Schumpeter are as follows: i) Introduction of new products; ii) Introduction of new methods of production; iii) Opening of new markets; iv) Development of new sources of supply for raw materials or other inputs; and v) Creation of new market structures in an industry. Thus, innovation has been categorized into four main areas, product, process, organizational (Szirmai Naude and Goedhuys 2011; Kaplinsky and Morris, 2001) and marketing (Ragasa, et. al. 2012; Runnals et. al. 2009).

In general terms, innovation is a process whereby significantly improved or new product (services or good or process) a new organizational method or a new marketing method, in workplace organization, external relations or business practices, are implemented [UNESCO Institute for Statistics, 2005]. According to UNESCO, there are four distinct types of innovation, such as product, process, marketing and organizational.

This study focused on marketing innovation which, specifically, is the implementation of a new method of marketing involving considerable changes or improvements in product promotion or pricing, product design or packaging, and product placement, (OECD, 2005; UNESCO 2005; Chou 2009). Shergill and Nargundkar (2005) define marketing innovation as an innovation in marketing programs or marketing methods, including place, price, product and promotion, the four P's of marketing. According to OECD, Marketing innovations are either aimed at better addressing customer needs, opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales and that the unique feature of a marketing innovation compared to other changes in a firm's marketing instruments is the implementation of a marketing method not previously used by the firm (OECD 2005). OECD's/OSLO (2005) manual on Innovation, stipulates that **Product design** changes refer to product form changes and outward show that do not change the product's functionality. This includes packaging changes of the products. For example in Mchinji groundnuts SACs it may include new and improved packaging and or labeling of nuts packets/bags, processed (or value added) groundnuts into groundnuts flour, peanut butter, oil or feed-cakes. **Product placement** primarily deals with new sales channels establishment. Sales channels mean the manner or ways in which goods and services are sold to the customers. This does not include logistics methods that deal with efficiency, such as handling of products, storing and transport. **Product promotion** deals with promoting a firm's goods and services by using a new concept (OECD, 2005). For instance, the first use of a different technique to present the product or branding to position the firm's product on a new market, give the product a new image or new price for the market.

According to Kim and Mauborgne (1997), the characteristics of market innovation describes firms' performance, because it is the rate of innovation during the diverse levels that makes the

difference among organizations of high and low development or growth. Whereas Harms et al. (2002) states that innovation is a novel part of the marketing mix that is able of support novel and obvious advantages for companies, which Chou (2009) states are vital ingredient of differentiation and superior performance. See summary table below on market innovation.

**Table 1: Summary of Market Innovation**

<b>Summary of Market Innovation</b>		
<b>Type of Market Innovation</b>	<b>Description of the type of Innovation</b>	<b>Explanation on innovation</b>
Product innovation	Improvement and changes in product shape and form that do not change the product's functionality. This includes product's packaging improvements and changes.	New and improved packaging and or labeling. Processed (or value adding) for the case of groundnuts, into groundnuts flour, peanut butter, oil or feed cakes
Product placement	New sales channels introduction. Thus new methods to sell or reach out to customers for the goods and services	Having new shops, new outlet customers, new buyers
Product Promotion	Using new concepts for promoting a firm's goods and services	This may include new or improved advertisements through radio, TV, word of mouth and placards through agents

While others have studied technology factors, research and development in relation to market innovation and others have studies other innovation dimensions (i.e.process, organizational and product) this study narrowed down to intangible resources in relation to market innovation in SACs in Malawi's Mchinji district. An input to production or an asset that an organization controls, has access to on a semi-permanent basis is referred to as a resource (Constance, Helfat,

Peterat, 2003). This translates to both tangible and intangible resources being inputs to production in an organization. Tangible and intangible resources provide capabilities of an organization to perform a coordinated set of tasks, for the purpose of achieving a particular end result. In this study such end result referred to market innovation. According to De Witt and Meyer (2004) tangible resources include land, building materials and money. Tangible assets are things that are physical with perceived market values in different forms, for example, collectible stuff that have a monetary value, building, land, or equipment (Barney 1991). Legal agreement forms are among the controlled documents that are linked to an economic worth that are paid to the holder. Intangible resources are defined as immaterial in existence used or potentially usable for any intention that is renewable after (Diefenbach, 2008). Examples of organizational intangible resources are , brands, internal quality standards or customer contacts and relationships, organizational culture employees' education, production facilities, technological know-how, patents and licenses, contracts access to natural resources, reputation (De Witt and Meyer, 2004; Barney, 1999; Constance, Helfat, Peterat, 2003).

The study understood and adopted the strategic importance of intangible resources from Hitt et al. (2001 b), that there is a change in concentration from tangible to intangible resources because intangible assets are being considered as more vital strategically, because more frequently, they necessitate bringing out the requirements necessary for generating sustainable advantage: to be valuable, unique and hard to copy and replace by competitors. Examples of SACs intangible resources found in literature include members' relationships, brand reputation, education, experience, skills and attitude (Nkhoma, 2011; Matabi, 2012; Borda-Rodriquez, and Vicari, 2014). This study therefore uses SAC Members relationship, Brand reputation, knowledge (through patents), education, skills and attitude as intangible resources for analysis which are also well summarized by De Witt and Meyer (2004) in Section 1.0. The study also adopted Resource Based View (RBV) theory whose relevance to this study is elaborated.

The RBV of the firm has its roots in the organizational economics literature, where according to Saqib and Rashid<sup>4</sup>, theories of profit and competition associated with the writings of Ricardo (1817), Schumpeter (1934) and Penrose (1959) focus on the internal resources of the firm as the major determinant of competitive success. The main suggestion of the RBV research is that organizations are different when it comes to the way they handle the resources that they have and control. Barney (1991) suggests that this difference in the way organizations handle their resources is a result of immobility of resources as well the imperfections of the market (Barney, 1991), as well as the lack of ability for firms to change their accumulated collection of resources over time (Carroll, 1993). In this regard, each organization/firm can be conceptualized as an exclusive package of tangible and intangible resources and capabilities (Wernerfelt, 1984). As the central unit of analysis for RBV, resources can be understood as semi-permanently assets that are fixed to the organization (Maijor & Witteloostuijn, 1996).

Within the same line of reasoning, a growing body of literature that embraces the RBV of the firm (Leonard-Barton, 1995) gives new ideas to management of innovation. Regarding this prominent viewpoint, the existence of diverse firms' resources and capabilities positively influence the outcome of the innovation process and therefore can be used to broaden past research findings on the organization's capacity to innovate. It is proposed that if resources give the inputs, firm's capabilities correspond to the firm's capacity to coordinate, convert it into useful use, and form inputs into innovative outputs (Collins, 1994). Similarly, Lee et. al. 2001 and Delcanto and Gonzalez (1999) states that availability of resource can broaden an organization's capacity to support and maintain its innovative activities. However, this argument does not specify which type of resources, intangible or tangible

Also, marketing skills appeared vital for both the exploitation and implementation of innovation. There is a positive relationship between marketing competencies and innovation (Hultink et al., 2000). Field of RBV and Market Research can provide the answers of the questions like which market should be captured by keeping in view the attributes of resources on the basis of customer

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<sup>4</sup>Undated – available online

needs. Evidence on research on firms learning has also shown positive results on innovation. Newman (2000) states that learning aids organizations to make new knowledge, putting together current knowledge and skills, and be able to change market conditions while Hoopes and Postrel (1999) stipulate that common knowledge a vital resource causing new product accomplishment. Whittington et al. (1999) confirmed that systemic change and innovation is high in firms with increased knowledge intensity while Quinn (2000) confirms that there is a positive correlation among innovation and skills. Having discussed RBV in line with resources and intangible resources (in particular) vis a vis market innovation, RBV theory suits this study. Below is a summary of RBV literature and market innovation.

**Table 2: RBV theory literature and market innovation**

<b>Summary of RBV theory literature review and market Innovation</b>	
<b>Source</b>	<b>Key tenants</b>
Lee et al. 2001 and Delcanto and Gonzalez 1999	Firms level of capacity is explained by how much resources are available that in turn support its innovative activities
Whittington et. Al, 1999	Organizations with increased knowledge and intensity tend to have continued positive change and high innovation
Newman, 2000	Learning assist firms to have knowledge that is up to date, use existing knowledge and skills together with new ones and adapt to market conditions that are changing.
Barney, 1991	Characteristics of resources in order to generate innovation are uncommon within organisations's existing as well as probable competitors, unique, and cannot be substituted
Hoopes and Postrel, 1999	Product success is based on the shared knowledge which forms an important resource.
Quinn 2000	There is a positive correlation between innovation and skill
Leonard-Barton, 1995	The occurrence of diverse resources of firms and capabilities positively impacts the result of the process of innovation and therefore can be utilised to broaden the findings-gained by research done in the past on the firms
Hultink et al. 2000	There is high association between innovation and marketing

## 2.2 Review of Empirical Literature and the Methodologies Used

Several studies have been conducted on smallholder agricultural cooperatives and what affects their performance. This section, reviews several studies on market innovation and SACs Performance, Resource Based View and SACs performance, Resource Based View and SACs market innovation and Malawi studies on SACs. A brief summary showing the methodology used in establishing the finding follows after every group of studies conducted.

Fischer and Qaim conducted a research in 2012 in Kenya's Muranga, Nyeri, Embu and Meru districts to investigate determinants and impacts of cooperative organization in linking smallholder to market for banana cooperatives. The study conducted structured household-level interviews with banana growers in the districts by using a random and stratified sampling to select both members and non-members of cooperatives. Some of the results showed that mix of activities and services provided by farmer groups significantly influence marketing performance and commercialization outcomes. Further, it was found that marketing through the group yields a higher price than selling individually. While this study attempted to investigate issues surrounding cooperative markets, it left out the resources component which is the determining factor to enable cooperatives find those markets. The study used a structured questionnaire which left out in-depth views of the farmers to understand the case. Also, the study targeted individuals as opposed to groups and this left out the understanding of group dynamics in smallholder farmers to finding new markets. Again Fischer and Qaim study did not consider market innovation as a critical element in finding cooperatives markets.

In Nigeria, Njoku et. al. (2003) evaluated performance of women farmer cooperatives using the ordinary least square multiple regression technique whose results showed that age of cooperators family size, farm resource inputs and their prices are associated with output. The study comprehensively captured statistical attributes of the performance of women farmer cooperatives vis a vis the output but the qualitative responses were limited to the ordinary least square multiple regression or pre-determines static responses. Also, the studies output was generalized while this

study narrows down to market innovation output measured by product design, product placement and product promotion. The study did not elaborate on input resources such as intangible resources as a measure for the performance of the women farmers to the explained output. Njoku's study was gender biased as opposed to this study.

*In Serbia, Zakic et al. (2013) a study devoted to members' perception of several important issues of co-operatives: leadership, members' motivation, knowledge and skills and the role of the state was conducted. The research was conducted in 11 co-operatives. The study proved hypotheses by a chi-squared test and Pearson's coefficient of linear correlation was used for the analysis of the connectivity of variables. The results showed that according to the perception of the members of co-operatives leadership is necessary for a successful running a co-operative and co-operative development. This means that the attributes of good leadership which entailed intangible resources such as education skills and attitude are also important hence this study sort to capture this though in relation to market innovation Zakic et al (2013) left out. The results also pointed that Co-operative members would like to work closely with the co-operative and realize their income under equal market conditions through their co-operative. This shows that member relation is important within the cooperatives and hence it would be intriguing to understand it in connections with the market conditions, specifically market innovation. Furthermore, it was also shown that appropriate knowledge and skills are needed for administrative and professional activities, however, the knowledge and skills needed were not linked to market innovation and this study brought another dimension of linking knowledge and skills. The important issues raised by the members can be categorized as resources in this study. Therefore, this study investigated further the kind, level and priority resources which really matter by relating to market innovation outcomes.*

In Ethiopia, Tefera (2008) examined the role of the cooperative in promoting innovations, linkages for access to services and marketing and enhancing knowledge and information sharing in Ada'a dairy cooperative in Ethiopia Using case study. In terms of approach, the study adopted a qualitative approach. The study result showed that the cooperatives started to improve innovations in the dairy sector that consist of sharing knowledge and information, promoting

linkages for access to marketing and services, technological, institutional and organizational innovations. This shows that innovation do exist in cooperatives and hence the need to study further the factors that may lead to other forms of innovation rather just technological which Tefera (2008) studied. It is therefore rather important to look into market innovation because rural cooperative suffer in finding markets as discussed earlier. Tefera focused on cooperatives role in promoting innovations among small holder farmers while this study narrowed down to the use of resources in realization of market innovation. Tefera's study did not distinguish what the resources bringing about the innovation while this study had singled out intangible resources to market innovation effect.

*In India, Zand et.al (2012) sought to examine the role of economic factors on improvement of innovation capacity at rural women active cooperative of Tehran province using correlation method. The results showed that rural women less apply from economic mechanism for improving innovation capacity of rural cooperative. While this study attempted to investigate issues surrounding innovation, the study was not specific as to which type of innovation. Again, the study was first of all gender biased while this study is not gender specific. Secondary, the study was looking at one factor (economic factor) that likely affects innovation capacity, leaving out other resource factors, such as intangible resources which this study investigated*

**Table 3: Empirical literature summary**

<b>Summary of empirical literature</b>			
<b>Author</b>	<b>Methodology and where study conducted</b>	<b>Objective of study</b>	<b>Findings</b>
Fischer and Qaim, 2012	Structures house level interviews; Kenya's Muranga, Nyeru, Embu and Meru	To investigate determinants and impacts of cooperative organization in linking smallholders to market for banana cooperatives	Mix of activities influence market performance and commercialization outcomes; and marketing through the group yields higher price than individual selling
<b>Comment:</b> It left out the resources component vis a vis market innovation which is one of the determining factors to enable cooperatives find those markets. Market innovation not considered as a critical element in finding markets for cooperatives.			
Njoku et. Al, 2003	Ordinary least square multiple regression technique; Nigeria	Evaluated market performance of women farmer cooperatives	Farm resource inputs and their prices, family size are associated with market output
<b>Comment:</b> Did not single out intangible resources to measure market output through market innovation. The study was gender biased			
Zakic et. Al. 2013	Chi squared test and Pearson's coefficient of linear correlation; Serbia	Perception of cooperatives on leadership, member's motivation, knowledge and skills and the role of the state	Leadership, relationship within the cooperative, knowledge and skills were found to be needed for cooperatives success
<b>Comment:</b> the study only considered relationship, knowledge, and skills (intangible resources) but for overall cooperative success and not for market innovation. This study adds patent and brand reputation intangible resources.			

<b>Summary of empirical literature</b>			
Tefera, 2008	Qualitative approach, case study; Ethiopia	To examine the role of the cooperative in promoting innovations, linkages for access to services and marketing and enhancing knowledge and information sharing	It was found that the many activities in the cooperatives help cooperatives enhance innovation
<b>Comment:</b> Though Tefera's study touched on cooperatives innovation, the study focused on cooperatives role in promoting knowledge and information innovations (technological) among the smallholder farmers while this study narrowed to the use of resources in realization market innovation			
Zand et. al, 2012	Correlation method, India	To examine the role of economic factors on improvement of innovation capacity at rural women cooperative	Rural women less apply from economic mechanism for improving innovation capacity for rural cooperatives
<b>Comment:</b> the study looked at economic factors in improving innovation capacity while this study narrows down to intangible resources and market innovation. Zand et. al. study was gender biased.			

### **2.2.1 Malawi Empirical Studies on Cooperatives**

Matabi (2012) conducted a study in Malawi, in 7 districts, Zomba, Phalombe, Machinga, Salima, Nkhotakota, Nkhatabay and Karonga. This study explored institutional and governance factors affecting agricultural cooperatives' performance and eventual sustainability in Malawi, in respect to comparisons and contrasts of cooperatives principles, values, roles, problems and theoretical perspectives. Matabi asserted that Agricultural cooperatives play an important role in agricultural production and marketing but found that, most of the smallholder agricultural cooperatives in

Malawi are not performing this role as they are faced with weak capacity of cooperatives management and poor coordination of cooperative stakeholders; exacerbated by political, social and economic institutional weaknesses. The research strategy used was multiple case studies. Similarly Nkhoma (2011) researched on the issues that leads to the unsuccessful performance of agricultural cooperatives in four cooperatives in the central region of Malawi, in Lilongwe and Salima and Lilongwe districts, using multiple case studies. The study found that short of skills in management, access to the market, poor governance as the main problems affecting their cooperatives. The underscoring fact was the lack of managerial capabilities and the cooperatives capacities. These two studies done in Malawi by Matabi and Nkhoma show that Malawi Cooperatives need to be investigated further especially from the fact that both Matabi's and Nkhoma's results showed negative attributes of some of the intangible resources but yet did not consider intangible resources capacity in relation to market innovation. Nkhoma (2011) did not study further the factors leading failure in market access. Though several other authors have asserted that lack of market innovation in small business such as SACs have contributed to lack of market access, this study further tried to find out the prevalent intangible resources and the levels of market innovation and the effect thereof and hence market access. Both studies by Matabi and Nkhoma did not elaborate on what type and nature of intangible resource in relation to market innovation.

A study commissioned by the Food Agricultural and Natural Resources Policy Analysis Network (FANRPAN) to analyze the profiles of farmers organization in the SADC countries including Malawi conducted by Jere (2005) indicated that Malawi had negative internal factors that are affecting the growth and development of the FA including high illiteracy level of the members and the country as a whole, Non-payment of registration and annul subscriptions and lack of, or absence of technical specialists in most FAs. While this study appreciates the negative internal factors that are affecting the growth and development of the farmer associations (FA), this study also recognizes the works of Lwanda et. al. (2012) that cooperatives' performance (similar to FA's) could be due to business inefficiency. Business inefficiency could be attributed by all factors in a business set up including the improper usage of intangible resources. Hence it is intriguing for this study to find out the levels, nature and priority intangible resources (which were

not spelt out in Jere's study) for market innovation, to inform the required usage of intangible resources for market innovation efficiency.

Lwanda et. al. (2012) conducted a study to examine the financial and management performance of 3 selected cooperatives in the central region of Malawi. Ratio, DuPont and extra value analyses were used. The study also assessed elements of organisational and management culture of agriculture cooperatives. The study revealed that the cooperatives studied were performing their business inefficiently. Using the Malawi Reserve Bank base rate of 17.75% as cost of debt, the study revealed that cooperatives diminished the value of members' investment. The performance of the selected smallholder agriculture cooperatives was also influenced by organisational and management problems. Organisational problems gave rise to low levels of equity and debt capital, reliance on government funding, low levels of investment, and subsequent loss of members leading to weak marketing arrangement. Lwanda's study looked at one tangible resource (financial) to explain the performance of cooperatives (in general). The finding that cooperatives studied were performing their business inefficiently could be understood more deeply by understanding other dimensions such as studying the prevailing intangible resources of cooperatives vis a vis their market innovation, after all, weak marketing arrangement could only be sorted by ways of market innovation. Lwanda et. al (2012) recommended that Government should formulate a strategy for rebuilding the cooperative movement and monitor its progress until the culture of taking farming as business is fully adopted by farmers. From its recommendation for training and improving management efficiency, the study did not first of all establish which areas to rebuild which seem to be a priority and in what levels. This study could probably answer some of these questions to fill the gap.

**Table 4: Summary of Malawi Studies**

<b>Malawi Studies</b>			
<b>Author</b>	<b>Methodology and where study conducted</b>	<b>Objective of study</b>	<b>Findings</b>
Matabi, 2012	Multiple case studies in 7 districts, Zomba, Phalombe, Machinga, Salima, Nkhotakota, Nkhatabay and Karonga	To explore institutional and governance factors affecting agricultural cooperatives performance and sustainability	Malawi Cooperatives faced with weak capacity of cooperatives management and poor coordination of cooperative stakeholders
<b>Comment:</b> Though Matabi tried to assert that there is weak capacity of cooperatives, he did not consider intangible resources related capacity in relation to market innovation			
Nkhoma , 2011	Multiple case studies Malawi (Lilongwe and Salima)	To find out the issues that leads to the ineffective performance of agricultural cooperatives	Lack of market access, among others, leads to unsuccessful performance of SACs in Malawi
<b>Comment:</b> The factors leading to failure in market access was not further studied. Though several authors have asserted that lack of market innovation in small business such as SACs have contributed to lack of market access, this study further tries to find out the prevalent intangible resources and the levels of market innovation and the effect thereof and hence market access.			
Jere, 2005	Case studies, SADC	To analyze profile of farmers organizations	Malawi had negative internal factors that are affecting the growth and development of the farmers Associations

**Comment:** While this study appreciates the negative internal factors that are affecting the growth and development of the farmer association, the study also recognizes the works of Lwanda et al. (2012) that cooperatives performance could be due to business inefficiency. Business inefficiency could be attributed by all factors in a business set up including the usage of intangible resources. Hence it is intriguing for this study to find out the levels, nature and priority intangible resources for market innovation to inform the required usage of intangible resources for market innovation efficiency.

Lwanda et. al. 2012		To examine the financial and management performance of cooperatives	Cooperatives studies were performing their business inefficiently. Weak market arrangement
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**Comment:** Lwanda et. al. study looked at one tangible resource (financial) to explain the performance of cooperatives (in general). The finding that cooperatives studied were performing their business inefficiently could be understood more deeply by understanding other dimensions such as studying the prevailing intangible resources of cooperatives vis a vis their market innovation, after all, weak marketing arrangement could only be sorted by ways of market innovation.

There is limited data on studies on Cooperatives in Malawi. Those published and closely linked to this study (but not directly so) as reviewed above, none of them attempted an in-depth research in resources in relation to market innovation of cooperatives in Malawi. This study could therefore fill research gap in Malawi’s Cooperative studies on Resources and market innovation. Overall, the review of empirical studies has proved the need to assess the effect of intangible resources in Malawi’s SACs on market innovation.

### 2.3 Theoretical Framework

The study adopted the Resource Based View (RBV) approach which suggests that the outcome of the innovation process is positively affected by the existence of diverse firm capabilities and resources. The resource-based research on innovation is based on the basic principle that firms resources and capabilities are those which cause and establish an organisation’s capacity for innovation. With this point of view, firms’ intangible resources are considered to give the input that in turn is put together and transformed by capabilities to generate innovative ways of creating

competitive advantage. According to the literature, “relationships are in the forms of contracts; reputations in form of brand, knowledge in terms of patent and education, capabilities in terms of human skills and attitude”. (De Witt and Meyer, 2004).

According to RBV theory, the recent knowledge-based view (KBV) of an organisation as an expansion of the resource based view is because of the enlarged role of assets that intangible. Looking at an organisation from a knowledge-based viewpoint puts emphasis on the organisation’s collection of knowledge as a strategic resource as well as a vital determinant of success for its competitiveness (Decarolis and Deeds, 1999) that likely leads to market innovation. Therefore, according to RBV, “firms must expose themselves to a bombardment of new ideas from their external environment in order to prevent rigidity, to encourage innovative behavior, and to check their developments against those of competitors” (Leonard-Barton, 1995) and not only be able to create knowledge within their boundaries. There exist strong evidence within this line of thinking that confirms the positive relationship between organizational intangible resources and the capacity to innovate. “If resources supply the requirements as inputs, capabilities of a firm stand for the organisations’s capacity to organize or coordinate, put it in productive use, and form inputs into innovative outputs” (Collins, 1994). Klingebiel and Rammer<sup>5</sup> Showed that the breadth (type, level and nature) of resources has significant positive direct impact on market innovation. Resources allocation is thus a core useful strategy for firms in uncertain markets and for those that allocate selectively to realize market innovation.

## **2.4 Conceptual Framework**

This study looks at how intangible resources affect market innovation in Mchinji based SACs. Market innovation (product design, product placement and product promotion) is therefore dependent variable in this study. The study’s independent variables are the intangible resources such as SAC members’ relationship, brand reputation, patents, education, skills and attitude of SAC members.

Several authors conceptualized that intangible resources may need to be employed and managed well to bring about market innovation which in turn spurs competitive advantage due to their

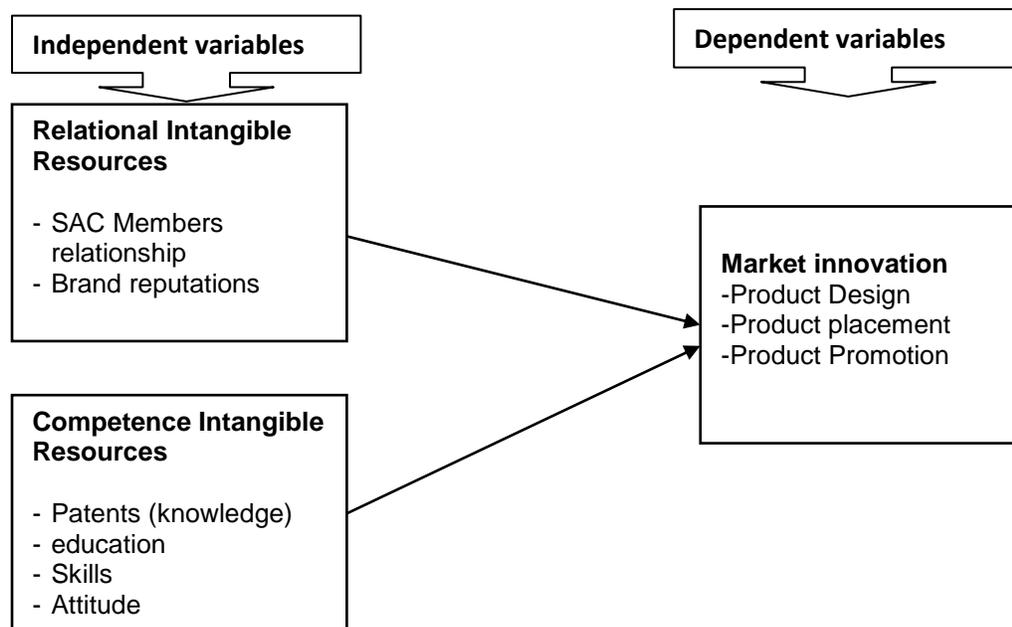
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<sup>5</sup> Undated, available online

imitability nature. Some of the intangible resources discussed include knowledge (from education systems) skills, attitude, patents, relationship and brand reputation. While the main purpose for developing and managing intangible resources is a useful idea for market innovation, this study argued that the effect of intangible resources and market innovation may not be linear across all the business settings. In other words, in SACs, the prevalent intangible resources may vary across the SACs and so would the effect thereof and Market innovation would be attributed to not only to the specified intangible resources but rather other factors. The type of intangible resource possessed by individuals in the SAC would be attributed to for instance, type of members in the SAC (for relationship), who buys the product (for brand reputation) type of school attended (for education) how the skills were acquired (for skills) and upbringing (for Attitude).

This study therefore, investigated how the above dimensions of Intangible resources affect the introduction of new or significantly improved (i) product design (ii) Product placement, (iii) product promotion in Smallholder Agriculture Cooperatives in Mchinji district. See Figure 2 below for graphical representation of the conceptual framework.

**Figure 2: Conceptual Framework - intangible resource (Relational and Competence) determining a firm's capacity to market innovation)**



## **CHAPTER THREE: METHODOLOGY**

### **3.0 Introduction**

This chapter explains and discusses in detail the research design used. It outlines the secondary and primary data needed as well as describes the variables. The section also explains the unit of analysis and sampling procedure as well as research methods used in the evaluation

### **3.1 Research Design**

This study aimed to develop a thorough understanding of the correlation/relationship between intangible resources and marketing innovation of SACs in Mchinji district. “A qualitative research study was selected because it is exploratory” (Marshall and Rossman, 1999). As defined by Ritchie and Lewis (2003) “qualitative research is an interpretive, naturalistic approach concerned with understanding the meaning which different individuals put to observable fact (beliefs, vlues, actions, and decisions) surrounded by their social world”. The study used focus group discussions (FGD), individual in-depth interviews and key informant interviews (KII) as research strategies. Given that the sample size was small, FGD and in-depth interviews facilitated in-depth understanding of the case being investigated. Key informant interviews helped in getting firsthand knowledge based information for further in-depth analysis.

Considering that there was no homogeneity of resources, location and management processes across the SACs, four FGD were formed out of the 15 selected cooperatives. The four cooperatives (as indicated in table 1 below) were purposively selected based on high levels of activity, relatively longest serving as cooperative and easy accessibility to the areas. Each discussion group (made up of members only) had a quorum of 8-10 participants selected purposively based on experience (in order to get more information), gender (to balance male and female participants views) and education (for easy understanding of the research process/questions and terms used in this research).

**Table 5: Cooperatives for FGD**

NO.	Name of Cooperative	Membership		
		M	F	Total
1	Machichi	66	49	115
5	Umodzi Farmers	417	350	767
8	Mkanda Chapter	200	230	430
9	Nkhunguyembe Agribusiness Cooperative	240	120	360

Government institutions and NGOs were used as KII while 2 individuals holding senior positions (Chairman, Secretary or Treasurer) were respondents for individual in-depth interviews in each cooperative as indicated in Table 2a and 2b below:

**Table 6: Individual Interviews list (Cooperatives)**

SAC Code No.	Name of Cooperative	No. of people interviewed
1	Machichi	2
2	Kamwendo	2
3	Nabulenje	2
4	Mando	2
5	Umodzi	2
6	Tayamba	2
7	Mthiransembe	2
8	Mkanda Chapter	2
9	Nkhunguyembe	2
10	Mtapo	2
11	Chamakawo	2
12	Likasa	2
13	Kapiri	2
14	Kasese	2
15	Mkanda	2

**Table 7: Key Informant Institutions Interviewed**

<b>No</b>	<b>Institution</b>	<b>No of people interviewed</b>
1	Ministry of Agriculture	2
2	NASFAM	2
3	One Village One Product Programme (OVOP)	2
4	OXFAM	2
5	Mchinji District Assembly Office	2
6	RLEEP	2
	<b>Total</b>	<b>14</b>

### **3.2 Study Site**

This study was conducted in Mchinji district located in the central region of Malawi. Section 1.1.1 and Figure 1 elaborates more about Mchinji district in Malawi. The study was conducted in Mchinji due to availability of homogeneity of legume crops (specifically groundnuts) in cooperatives based in the district, easier accessibility of groundnuts SACs as well as SACs marketing problem identified. The study singled groundnuts (from the legumes crops in Mchinji) as opposed to other crops because according to literature, groundnuts are an important crop in the Malawian agricultural sector. Until the mid-1990s it was considered one of the country's key export crops, before tobacco taking over and an important earner of foreign exchange. The tobacco industry in which many small holder farmers in Malawi were involved has plunged. Many farmers are looking for alternative crops. In the National Export Strategy the Malawian Government has indicated groundnuts as one of the top 3 clusters that can drive Malawi's exports and thus its growth in the medium to long run (icco-investments organization). According to ASWAP (2011) groundnut production needs to be promoted, as it can provide an alternative source of cash crop. At the same time, groundnuts also have significant economic importance as approximately 40 percent of total production is marketed, key export, markets being Tanzania, South Africa and Kenya. It is also argued that groundnuts are both a source of food as it is considered to be valuable for improving food security by adding nutrient value to the predominantly maize-based Malawian diet and income for smallholder households in Malawi (Derlagen and Phiri, 2012) and hence its justification to be studied.

“ Even though groundnuts are grown in almost all of Malawi’s 28 districts, the crop is mostly grown (about 70%) in the central region where Mchinji district is located. The main groundnut growing areas are the plains of the following districts: Mzimba, Salima, Lilongwe, Balaka Kasungu, Mchinji, Dowa, Ntchisi, Dowa and Thyolo” (Chiyembekeza et al, 2003 in Kapopo and Assa 2012). Mchinji district was chosen because of easier accessibility of SACs.

### **3.3 Unit of Analysis, Population and Sampling Procedure**

The unit of analysis in this study was Mchinji SACs. The study used purposive sampling where only groundnuts SACs were selected. 15 SACs dealing in groundnuts were selected from 32 SACs in Mchinji, representing 46.8% of the total SAC population in Mchinji district. Purposive sampling represents a group of different non-probability sampling technique and relies on the judgment of the researcher when it comes to selecting the units (e.g., people, cases/organizations, events, pieces of data) that are to be studied and usually, the sample being investigated is quite small (Given, 2008).

### **3.4 Data Sources and Collection**

The study used both quantitative and qualitative data pertaining to the research questions. Data was captured using both primary and secondary data. Primary data were gathered from the SAC members in the FGD, Individual interviews as well as from the Key informants (Please refer to Annex 1 and 2). Hence the study used triangulation methods in data collection. This entailed a combination of various methods of data collection as mentioned. The Focus group discussions were comprised of the group members who were more knowledgeable and more experienced so that they may be able to understand the process easily and give out relevant information for analysis. Key informants were drawn from institutions such as, the Ministry of Agriculture, RLEEP, NASFAM, OVOP, OXFAM, and Mchinji District Assembly Office. Individual interviewees were drawn from each of the selected SACs

A pretest that was conducted with KII pointed the need to translate the questions and hence open ended questions were translated into local language (Chichewa) for the FGD, a semi structures questionnaire with open and close ended questions for the individual in-depth interviews while interview guide (Check list questions) was used for the KII. The translated (Chichewa) semi-

structured questionnaire with both open and close ended questions designed for individual interviews helped the researcher in getting the respondents views regarding the problem under study as well as provided alternatives from which the respondents selected from given set of responses respectively. The responses from the research were translated back into Chichewa for analysis and reporting with due caution to ensure that the translations communicated the questions as originally intended.

KII were first to be conducted because the researcher wanted more insights from the KII before the FGD and Individual Interviews. Next to be conducted were the FGD. Each FGD took about two hours due to the open ended questions which accorded freedom to the SAC members to give more information as well as the probing that followed most of the questions. Due to the distance between the SACs, it was only possible to conduct 2 FGD per day. Individual Interviews in the SACs that FGD were being conducted were done the same day. The remaining individual interviews in other SACs were conducted on third and fourth day and each interview took about an hour. Recording was used in both FGD and individual interviews to ensure backup of data.

Observation method was also used in obtaining information relevant to the study. Under this method, direct observation in the forms of product design, members attitude and education during individual interviews and FGD enabled the researcher obtain information on their nature. This method aimed at filling in the gap left, and hence enabled researcher to get information that were not expressed by the respondents relating to the research questions. In addition, photographing was used to show the types of product design/packaging in some SACs.

Secondary data sources included: books and book chapters; electronic journals Reports and Websites of renowned agricultural cooperatives researchers such as <http://www.ica.coop.com/>; Research thesis; newspapers and news clips.

### 3.4.1 Data Needs Table

The data needs table below breaks down, the data collection methods which were used and the kind of data collected and from whom. The main research question was: How do intangible resources affect the type of market innovation in Mchinji based SACs.

**Table 8: Data Needs Table**

Specific Research Questions	Data Needed	Respondents	Type of Data
What is the nature of intangible resources for market innovation in SACs?	How is the members relationship <sup>6</sup> ; and how is members relationship to the nature of market innovation (Design; Distribution and Promotion)	SAC representative (II) and(FGD)	Qualitative
	How reputable is the Brand on the market; and How is brand reputation to nature of Market innovation (product design; product distribution and product promotion)	SAC representative (II) and (FGD)	Qualitative
	What is the status on patent; and status of patent to market innovation	SAC representative (II) (FGD) and KII	Qualitative
	What is the level of education and skills of SAC members; level of education in connection to market innovation (Product design; Distribution and Promotion)	SAC representative (II) and (FGD)	Qualitative
	How are the Attitude of SAC members towards: willingness to improve in marketing? How is the Attitude in their Market innovation (Product design; distribution and promotion)	SAC representative (II), FGD and KII	Qualitative
	What types of intangible resources are critical for	SAC representative (II) and (FGD)	Quantitative

<sup>6</sup> Meaning doing things together as a group such as **agreeing** on the forms of design/packaging; finding markets together and finally selling together

	marketing innovation?		
	Why are those intangible resources seen as critical?	SAC representative (II) and (FGD)	Qualitative
What is the nature of market innovation	How are the nuts packaged?	SAC representative (II) and (FGD)	Qualitative
	How latest are the forms of packaging?	SAC representative (II) and (FGD)	Quantitative
	How are the nuts distributed for sale?	SAC representative (II) and (FGD)	Qualitative
	How latest are the ways of distribution	SAC representative (II) and (FGD)	Quantitative
	Which channels/means are used for g/nuts promotion to the market	SAC representative (II) and (FGD)	Qualitative
	How latest are the promotions means/channels	SAC representative (KII) and Members (FGD)	Quantitative
What are the links between intangible resources and market innovation in SACs?	Explain how contributory Members relationship is in realizing product design; product placement and product promotion	SAC representative (KII) and Members (FGD)	Qualitative
	Explain how Brand reputation affects product design; product placement and product promotion	SAC representative (KII) and Members (FGD)	Qualitative
	Explain the impact of Patents in realising product design; product placement and product promotion	SAC representative (KII) and Members (FGD)	Qualitative
	Explain how Education levels affect product design; placement and product promotion	SAC representative (KII) and Members (FGD)	Qualitative
	Explain how skills affect product design; placement and product promotion	SAC representative (KII) and Members (FGD)	Qualitative
	Explain how contributory attitude is in realizing product design; placement and product promotion	SAC representative (KII) and Members (FGD)	Qualitative

### **3.5. Description of Variables**

#### **3.5.1 Independent Variable**

The independent variable for the study was intangible resources, defined as everything of immaterial existence used or potentially usable for whatever purpose that is renewable after use and decreases, remains or increases in quantity and/or quality while being used (Diefenbach, T. 2008). Operationally, intangible resources in SAC were regarded as any form of resource that may not be visualized in daily business conduct but can be equally important as tangible resource for the prevailing output that includes market innovation hence in this study intangible resources were those that influence change in market innovation in a SAC setting. Scholars such as De Witt and Meyer (2004) classified intangible resources as relational (Relationships, contracts, reputation-brand) and competence (Knowledge – education and patent; competency – skill; and attitude). This study used relational and competences intangible resources. To determine the characteristics of intangible resources in SACs, respondents were asked to explain the prevalent nature and levels of education and skills, members' relationship, patent and brand reputation. Respondents were further asked to explain whether the levels and nature in which these intangible resources are, suffice their prevalent market innovation. To understand which intangible resources are more important, respondents were asked which intangible resources are vital for each of the market innovation dimensions.

#### **3.5.2 Dependent variable**

This study's dependent variable was market innovation operationally defined as the implementation of a novel marketing method in relation to noteworthy changes in product promotion or pricing, product placement, product design or packaging (OECD 2005). OSLO manual's third edition, stipulates that the unique feature of a marketing innovation compared to other changes in a firm's marketing instruments is the implementation of a marketing method not previously used by the firm. The newly introduced marketing ways or methods may either be established or developed by the firm that is innovating or adopted from other organizations or firms (OECD 2005). Implementation of new marketing methods can be done for both new and old/existing products. Market innovation in groundnuts SACs in this study were as outlined in table 9 below.

**Table 9: Summary of Marketing Innovation**

<b>Type of Marketing Innovation</b>	<b>Marketing Innovation methods to groundnuts</b>
Product Innovation	Shelled, graded, groundnuts flour, oil, feed cake, and other processed groundnuts products
Product placing or distribution	Buyers come, through institutions, use of middle men, members search for market
Product promotion	Verbal and displays, radio, phone sms, trade fair, through agencies or institutions, internet

Data on the dependant variable were gathered by asking the SAC members whether their SACs introduced new or significantly improved product, product distribution and promotion in the last 6 months or over. The reported market innovations were further analyzed depending on the degree of novelty such as new to the SAC or significant changes made. Respondent were asked further (through probing) to describe the changes regarding their market innovation whether it involved the introduction of new components and materials, new features, new uses or user friendliness (OECD 2005).

### **3.6 Data Analysis**

This study used the data generated from FGD, Individual Interviews (II) and KII. During the data collection exercise, all completed forms and notes (including audio) were transcribed, typed and formatted to ensure accuracy, clarity and completeness of responses. The open-ended responses required a lot of time to clean sort and code into emerging themes. Tables were generated to sort the responses into emerging themes and later used to contextualize and affirm, some of the quantitative aspects in the study. After finishing the entry, sorting and cleaning, basic descriptive statistics was mostly used. Qualitative data was analyzed in thematic sections. However, some questions requiring quantitative responses were analyzed using graphs, frequency table and percentages. The study also used observations (to generate cases) to compliment on FGD and KII. To show the relationship between intangible resources and market innovation, Bivariate

(Pearson's) Correlation and scatter plots (for objective 3) were used. **Annex 6 and 7** provides a summary of how data derived from each of the research question was analysed. Table 10 below shows how each objective was analysed. For example, objective 1 and 2 were analysed by using frequencies and thematic analysis, while objective 3 was analysed using frequency, scatter plot and bivariate/pearson's coefficient.

**Table 10: Data Analysis**

No.	Objectives	Analysis
1	What is the nature of intangible resources for market innovation in SACs?	<ul style="list-style-type: none"> <li>• Frequency</li> <li>• Thematic analysis</li> </ul>
2	What is the nature of Market innovation	<ul style="list-style-type: none"> <li>• Frequency</li> <li>• Thematic analysis</li> </ul>
3	What is the relationship between intangible resources and market innovation	<ul style="list-style-type: none"> <li>• Frequency</li> <li>• Scatter plot</li> <li>• Bivariate/Pearson's Correlation</li> </ul>

## CHAPTER 4: RESEARCH FINDINGS DISUCSSIONS

### 4.0 Introduction

This chapter presents the research findings of the study thematically according to the three research objectives outlined in chapter one. The first section looks at socio-economic characteristics of the smallholder farmers. The second section looks at the nature, level and priority of intangible resources. The third section looks at the nature of market innovation while the final section looks at the links between intangible resources and market innovation. Wherever appropriate, graphs, charts, tables, quotations or even statements have been used to illustrate the study findings.

### 4.1 Profiles of the SACs and their members

This section presents the profiles of SACs that were involved in this study in terms of year of establishment, financial status, location, number of members and sponsors. In addition it presents the socio economic characteristics of the individual respondents who represented the SAC in terms of their age, gender, and education levels.

#### 4.1.1 Gender

Two representatives (Chairman/Treasurer or Secretary) from 15 SACs were interviewed, totaling to 30 interviewees of whom 11 were females and 19 were males.

*Table 11: Gender representation of Respondents*

	Frequency	Percent
Male	19	63.3
Female	11	36.7
Total	30	100.0

*Source: Field Research 2015*

From table 5 above, there were more (19 representing 63.3%) male members in the SAC who participated in this research than female members with only 11 representing 36.6% of the total sample of the study. FGD gender representation was however different as more women than men participated, as shown in the Table 13 below.

**Table 12: FGD Gender representation**

		Gender				
Code	Name of SAC	Female	%	Male	%	Total
1	Machichi	6	60	4	40	10
2	Umodzi	5	50	5	50	10
3	Mkanda	5	50	4	40	9
4	Nkhunguyembe	6	40	4	40	10
	Total	22	56.41	17	43.59	

*Source: Field Research 2015*

This was due to the fact that FGD was not specifically calling for leaders but rather those available with experience and knowledge.

#### **4.1.2 Age**

Results in table 7 below clearly shows that the majority respondents in Individual Interview in the cooperatives were within the age category of 36 and above with a frequency of 20 (representing 66.6%) followed by 26- 35 with a frequency of 10 (representing 33.3%) and least being 16-25 with a frequency of 0.

**Table 13: Age Distribution of II SAC Group Members**

The findings showed a gap in the age category of 16-25, because according to the respondents, it was attributed to the fact that most youths are economically and socially dependent and have no or limited financial and social responsibility to support the other members of the community. Contrary to II, FGD had a higher frequency (24) within the age of 26-35 compared to 14 within

the age range of 36 and above and lastly a frequency of 2 within the age range of 16-25, as shown in table 8 below.

**Table 14: Focus Group Age range**

		<b>Focus Group Age range</b>		
<b>Code</b>	<b>Name of SAC</b>	<b>Age Range</b>		
		<b>16-25</b>	<b>26-35</b>	<b>36 and above</b>
1	Machichi	0	7	3
2	Umodzi	1	6	3
3	Mkanda	1	4	4
4	Nkhunguyembe	0	6	4
	<b>Total</b>	2	24	14

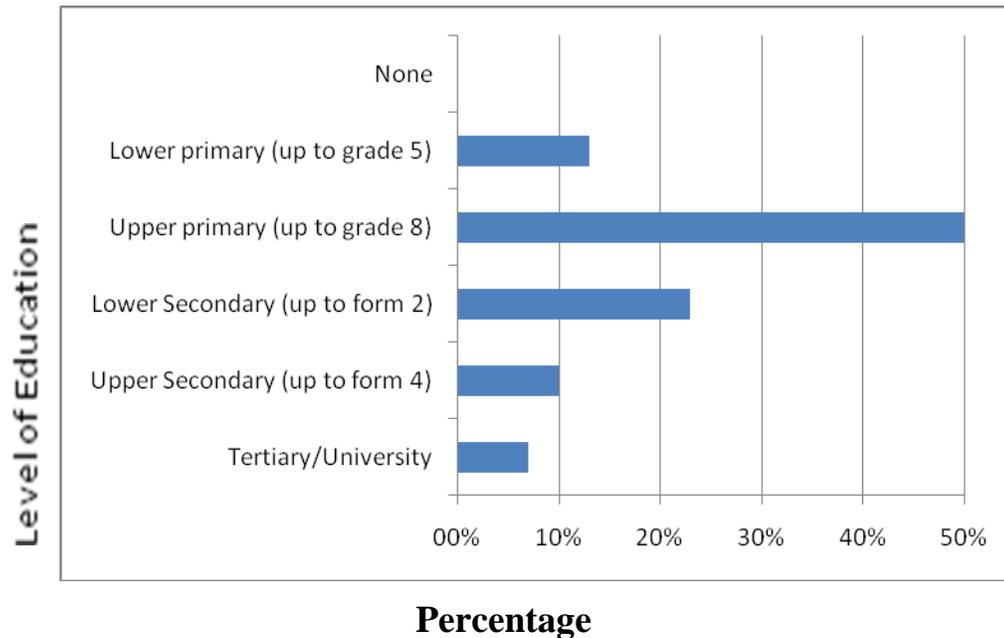
*Source: Field Research 2015*

Table 15 above, unlike II age range (Table 14) showed that the age range of 26 – 35 had a highest representation.

#### **4.1.3 SAC Members Education**

Study findings reflected huge gap in education as shown in the figure 3 below. Greater number of people (15, representing 50%) belonged to upper primary, followed by form 2 (7 representing 22%), lower primary (7 representing 13%) form four (3, representing 10%) and finally tertiary (2 representing 6%). The study findings contradicts with the assertion that the greater the years of schooling and IQ, the more likely it is that an innovation occurs (de Mel et al. 2009) and a concurring assertion that skilled labor is better suited for innovation activities (Vandenbussche. et al., 2006).

**Figure 3: Education levels of Respondents**



*Source: Field Research 2015*

Though in other literature, education of the firm's manager are correlated with innovations (Mendi and Mudida, 2013) this study found that the leaders of SAC (who were respondents in II) do not necessarily have higher levels of education. Only 2 had tertiary education and only 3 went up to form four. SACs 1, 13 and 2 had people who attended tertiary education and MSCE (Form four). While the rest had attended lower secondary education and primary education.

#### **4.2. Availability and Nature of Intangible Resources in SACs**

The first objective of the study was to examine the characteristics and nature of intangible resources in SACs. Information was therefore gathered on the current status on intangible resources, whether intangible resources were adequately present for market innovation as well as the priority intangible resources for market innovation. This was done with the understanding of the concepts of the measuring of intangible resources, which states that the organization must understand the intangible assets that it possesses; must be linked to tangible resource and that the

outcomes of those intangible resources must be included in the budgeting process (Sanchez et al. 2001).

Overall, respondents in individual interview were asked whether the intangible resources (namely members' relationship (MR), brand reputation (BR), patent (PT), education ED) and skills (SK) and attitude (AT) were present in their SACs. Table 14 below presents a summary of the availability of the intangible resources across the SACs interviewed in this study.

**Table 14: Availability of Intangible Resources for Market Innovation in SACs**

	Intangible Resources	Product Design		Product Distribution		Product Promotion	
		No. of SACs		No. of SACs		No. of SACs	
		Yes	%	Yes	%	Yes	%
<b>Relational Intangible Resources (RIRs)</b>	<b>BR</b>	11	73%	7	47%	7	47%
	<b>MR</b>	11	73%	10	67%	9	60%
<b>Competence Intangible Resources (CIRs)</b>	<b>ED</b>	3	20%	5	33%	0	20%
	<b>SK</b>	4	27%	5	33%	2	13%
	<b>PT</b>	0	0%	3	20%	1	7%
	<b>AT</b>	12	80%	14	93%	14	93%

*Source: Field Research 2015*

The results from FGDs also showed that all SACs have some level of intangible resources such as members' relationship, attitude, and reputation of brand as well as education and skills. However, patent was not present in all SACs as an intangible resource. The extent to which the SACs have these intangible resources varied across the three categories of market innovation namely product design, product distribution, and product promotion. The sub-sections below discuss the detailed findings against each of these categories.

#### 4.2.1 Nature of Intangible Resources for Product Innovation

During the individual interviews the representatives of SACs were asked to explain whether the nature of their intangible resources is satisfactory/high or unsatisfactory/low for product design/packaging. Table 15 presents the detailed distribution of the responses on extent to which Intangible Resources exist for Product Design. For example it shows that 11 out of the total 15 SACs considered that they had brand reputation (BR) in relation to product promotion while 11 out of the 15 SACs considered that they had good member relationship (MR); 3 of the SACs considered having education (ED); 4 of the SACs out of 15 considered having the skills (SK); none of the SACs considered having patent (PT); and 12 out of the 15 SACs considered having good attitude (AT), all in relation to product innovation.

*Table 15: Availability of intangible resources for product innovation in SACs*

	<b>Intangible Resources</b>	<b>Total No. of SACs</b>	<b>%</b>
<b>Relational Intangible Resources (RIRs)</b>	<b>BR</b>	<b>11</b>	<b>73%</b>
	<b>MR</b>	<b>11</b>	<b>73%</b>
<b>Competence Intangible Resources (CIRs)</b>	<b>ED</b>	<b>3</b>	<b>20%</b>
	<b>SK</b>	<b>4</b>	<b>27%</b>
	<b>PT</b>	<b>0</b>	<b>0%</b>
	<b>AT</b>	<b>12</b>	<b>80%</b>

*Source: Field Research 2015*

A total of 12 SACs (80%) reported having satisfactory attitude for product design innovation. The results from this research showed that many SACs have the will power to improve their status quo for their products. They want to do more value additional activities to make more profits.

A total of 11 SACs (representing 73%) indicated to have satisfactory member relationship to enable Product Design for their market innovations. Common responses included that relationship of members is satisfactory because they usually never had major complaints or disagreements between themselves as far as handling their groundnuts/product. They recognize the fact that they

came together for the good of all hence they strive to maintain a healthy relationship between themselves. Other respondents had the following to comments:

*“timagwirizana kuti tisamaswe mtendza ndi madzi kuteteza kusintha mtundu kwa mtedza komanso kupakira mma nsaka a 50kgs komanso kusungila mtedzawo pamodzi kudikira malonda nthawi iliyonse” (meaning we agree not to unshell the nuts with water to avoid discoloring of the nuts (respondent 2, SAC 7).*

*“We agree to pack in 50kgs bags as well as storing together ready for sale” (respondent 1 SAC 2)*

In terms of brand reputation, 11 SACs (73%) indicated to have satisfactory levels of brand reputation to enable product design. This was because people never complained of the quality of their nuts nor their packaging which is usually in 50 kgs. They believe the fact that traders continue to buy and send the groundnuts to neighboring countries is an indication of good brand reputation and that alone is motivating for them to improve the quality of their nuts/product.

Only 27% and 20% of the SACs indicated having satisfactory education and skills levels respectively for their product design innovation. This result relates to the findings in Section 4.1.3 (education levels of SAC members), as the results in that sections revealed that only 2 attended tertiary education and 3 completed high school. Further, results from FGD and SAC respondents revealed that literacy levels and skills are low. According to respondents, education and skills level were low because of high school dropout rates, non existence of civic education and technical education (tailor made for their production). It was reported that there is lack of Government support to offer civic education or provide technical skills for the betterment of their product design.

Further, none of the SACs indicated to have satisfactory patents to enable product design for their Product design innovations. It was established from KII that patent in Malawi was still something that would take ages to get established, considering its requirements vis a vis Malawi’s low economic and technological stand.

#### 4.2.2 Nature of Intangible Resources for Product Distribution`

Respondents were asked to explain whether the nature of their intangible resources is satisfactory/high or unsatisfactory/low for product distribution. Table 16 presents the detailed distribution of the responses on extent to which Intangible Resources exist for Product Distribution. For example, it shows that 7 out of the total 15 SACs considered that they had brand reputation (BR) in relation to product distribution while 10 out of the 15 SACs considered that they had good member relationship (MR); 5 of the SACs out of the 15 considered having education (ED); 5 of the SACs out of 15 considered having the skills (SK); 3 out of the 15 SACs considered having patent (PT); and 14 out of the 15 SACs considered having good attitude (AT), all in relation to product distribution.

*Table 16: Availability of intangible resources for product distribution in SACs*

	<b>Intangible resources</b>	<b>No. of SACs</b>	<b>%</b>
<b>Relational Intangible Resources (RIRs)</b>	<b>BR</b>	<b>7</b>	<b>47%</b>
	<b>MR</b>	<b>10</b>	<b>67%</b>
<b>Competence Intangible Resources (CIRs)</b>	<b>ED</b>	<b>5</b>	<b>33%</b>
	<b>SK</b>	<b>5</b>	<b>33%</b>
	<b>PT</b>	<b>3</b>	<b>20%</b>
	<b>AT</b>	<b>14</b>	<b>93%</b>

*Source: Field Research 2015*

A total of 47% of the SACs indicated to have satisfactory brand reputation to enable innovation in product distribution. Reputation of brand was regarded as satisfactory because people still went to the SACs to buy their groundnuts product as well as that they had never received complaints of the quality of their nuts nor their packaging which is usually in 50 kgs. They believed the fact that traders continued to buy and send the groundnuts to neighboring countries was an indication of good brand reputation.

However, reputation of brand was considered unsatisfactory to the other 53% percent because of lack of special branding for better distribution to supermarkets such as Shoprite. Much had not been done to widen market share, so they were not known. Though groundnuts mostly graded, they sometimes had molds because of improper storage or lack of proper storage facilities. It was also reported that Malawi nuts were not good because of aflatoxin so distribution was limited within boundaries of Africa. Others reported that late delivery of nuts due to problems with physical resources had damaged their brand reputation. SACs in Oil refinery reported that some people opt to buy oil from the supermarkets because its quality and availability had always been guaranteed. FGD revealed that packaging was not appealing to attract more distribution because they simply packed their groundnuts in 50 kg sacks without any labeling and their bottles of oil do not have an appealing label either and that doesn't encourage shop owners, for instance to accept their products for sale.

In terms of member relationship, 67% of the SACs (10 SACs) indicated to have satisfactory levels to enable innovation in product distribution. Comments revealed that relationship of members was satisfactory because they work together to make sure that customers get their product, and they commonly distributed or informed each other when buyers are found (middlemen). Other SACs indicated that they keep groundnuts together and do the required (unshelled/grade/pack etc) weigh to see how much they have gathered, then as a group they start checking who is willing to buy and they keep updating each other. All FGD emphasized that since finding common markets was their main reason for group (SAC) formation, there can't be a gap in their relationship towards efforts in finding markets for distribution/placements. SACs that indicated having low/unsatisfactory member relationship had this to say:

*Not all members work hard to find markets through middlemen. Members' relationship is not helping to finding places for distribution because some individuals tend to think that it's the duty of the group leaders or that other members will do it on their behalf. So in the end we find that we are not progressing (respondent SAC 8)".*

Only 33% of the SACs indicated to have satisfactory education and skills levels to enable innovation in product distribution. However, their reasoning was that education and skills are not critical to product distribution and hence their prevailing education and skills are quite satisfactory. Contrary to II interview results, all FGD and almost a larger representative of the respondents (77%) agreed to have unsatisfactory education and skills. Some had this to say:

*Though we view our education and skills as satisfactory, there is still room for improvement because we have not yet known how to explore placing our products in supermarkets as well as exporting (respondent SAC 3)*

*There is lack of Government support to offer civic education to the SACs for better management of their marketing (Respondents SAC 13, 7)*

*The existence of middlemen who according to most SAC members, are the ones distorting our distribution channels as they come to buy in bulky at exploitative prices and then resale at good prices, destroy our distribution channels and market as a whole (FGD).*

Respondents reasoned that if education and skills for product placing are good, middlemen would be offset and they could instead be able to know better where and how to do distribution on their own. .

Finally, in terms of attitude 93% of the SACs and all FGDs indicated to have satisfactory levels of attitude to enable innovation in product distribution. Attitude was considered satisfactory because it held the whole essence of SAC formation and hence was deemed obvious to be satisfactory. However, reasons for being unsatisfactory or low was because people seemed to have personal agendas that conflict with group's mission to distribute widely as a group. Also, other members had 'back rider attitude', others thought that distributing nuts for sell lies in the hands of a few in the group while others were of the view that distribution is obvious in the sense that customers were to be coming to buy without SACs efforts

### 4.2.3 Nature of Intangible Resources for Product Promotion

Respondents were asked to explain whether the nature of their intangible resources were satisfactory/high or unsatisfactory/low for product promotion. Table 17 presents the detailed distribution of the responses on extent to which Intangible Resources exist for Product Promotion (ref to Annex 3). For example it shows that 7 out of the total 15 SACs considered that they had brand reputation in relation to product promotion while 9 out of the 15 SACs considered that they had good member relationship; none of the SACs considered having education; 2 of the SACs out of 15 considered having the skills; 1 out of the 15 SACs considered having patent; and 14 out of the 15 SACs considered having good attitude, all in relation to product promotion.

**Table 17: Availability of intangible resources for product promotion in SACs**

	<b>Intangible Resources</b>	<b>Number of SACs</b>	<b>%</b>
<b>Relational Intangible Resources (RIRs)</b>	<b>BR</b>	<b>7</b>	<b>47%</b>
	<b>MR</b>	<b>9</b>	<b>60%</b>
<b>Competency Intangible Resources (CIRs)</b>	<b>ED</b>	<b>0</b>	<b>20%</b>
	<b>SK</b>	<b>2</b>	<b>13%</b>
	<b>PT</b>	<b>1</b>	<b>7%</b>
	<b>AT</b>	<b>14</b>	<b>93%</b>

*Source: Field Research 2015*

A total of 47% of the SACs indicated to have satisfactory brand reputation to enable innovation in product promotion. Respondents who indicated having satisfactory brand reputation indicated that it was because people coming from far still come to buy their products and that indicated good reputation to them. However, low/unsatisfactory was due to non-tariff trade barriers such as other countries (mainly European) not opting for African nuts and particularly Malawi because of aflatoxin levels so it becomes difficult to think of promoting beyond the borders'. Negative perception of groundnuts as well as having packaging that is not outstanding was among the reasons for low brand reputation.

In terms of member reputation 60% of the SACs indicated to have satisfactory levels to enable innovation in product promotion. Reasons for the low/unsatisfactory member relationship were that even though they agree as groups to do promotion together, some members do individual promotion for private gains. Results also revealed that sometimes group members tend to differ on introducing other new modes of promoting apart from the “word of mouth” as well as on pricing. On the other hand, reasons for satisfactory/high member relationship were as commented below:

*“We usually work together in deciding how to handle our promotion. Promotion is hence done as a group and we make sure that groundnuts have gone to Trade Fair Grounds for publicity as well as placing advertising posters in appropriate places when required” (respondent 2015).*

Only 20% of the SACs indicated to have satisfactory education and skills levels to enable innovation in product promotion. In terms of skills only 13% of the SACs indicated to have satisfactory levels to enable innovation in product distribution. SACs indicated having low education and skills because they had no trained personnel to lead better in product promotion such as to improve the ways which seemed obsolete. For example, improving from word of mouth to internet, FGD participants echoed the comment that ‘*it is hard to adopt promotion means such as media and internet use because our education and skills levels are inadequate to facilitate that.*’ Further, bargaining power was found to be less effective, hence the need for more education and skills to offset the price exploitation by middlemen who load in trucks to sell in DRC and Kenya. In addition, FGD participant had this to say:

*“We wish we knew the connection of promoting and distributing our raw nuts ourselves rather than using middlemen who end up exploiting us to the extent of buying our nuts unharvested (while in the field) and so cheaply making it difficult for us to neither promote nor realize profits”. (FGD SAC 9 participants)*

Finally, in terms of attitude 93% (all except one) of the SACs indicated to have satisfactory levels to enable innovation in product promotion because they know having a good attitude towards

promoting their product only brings back good fortune for their business. Reportedly, those who agreed having unsatisfactory attitude (low attitude), it was because other members work for personal gains when promoting the product and that there seem to be acceptance of status quo and this showed a gap in paving way for improvement in product promotion.

### **4.3 Levels of Market Innovation in SACs**

Overall the study found existence of market innovation with the SACs. In terms of product/design Innovation 6 out of 15 SACs reported some level of innovation to add value to their groundnuts and this is mostly in terms of selling shelled, graded, flour, butter, oil, feed cake. In terms of product distribution all SACs reported they innovate to increase numbers of distribution channels, mainly in terms of buyers coming, institutions helping, using middlemen and members searching for market. In terms of product promotion innovation results, 7 out of 15 SACs showed some level of innovation and this is mainly in terms of radio, verbal and displays, agencies/ through institutions, trade fare, and through phone text messages.

The extent to which the SACs reported market innovation in terms of prevalence and diversity of what constitute market innovation varied across the three categories of market innovation namely product design, product distribution, and product promotion. The sub-sections between discusses the detailed findings against each of these categories.

#### **4.3.1 Levels of Product Innovation**

Respondents were asked in what forms innovation in product design takes and to what extent does each of the SAC practice the given form of product design/innovation. Overall, the main forms of product design that SACs reported are: 1) 'unshelled groundnuts, 2) shelled groundnuts 3) graded groundnuts, 4) groundnuts Flour; 5) Butter; 6) groundnuts oil; and 7) feed cakes.

Table 18: Presents the summary of how common each form of product design is practiced by the SACs interviewed in this study.

**Table 18: Levels of Innovation on Product Innovation**

<b>Form of Product Innovation</b>	<b>Description</b>	<b>Number of SACs</b>	<b>%</b>
Shelled groundnuts	Groundnuts still in shells	7	46
Unshelled groundnuts	Groundnuts removed from shells	8	53
Graded nuts	Groundnuts selected according to quality, size and variety; bad ones removed	7	46
Groundnuts flour	Milled groundnuts into flour	2	13
Butter	Roasted and pounded to paste to make peanut butter	2	13
Groundnut Oil	Processed and Refined to oil from groundnuts	3	20
Feed cake	Concentrated cake/feed for animals made from groundnuts residue after oil refinery.	3	20

*Source: Field Research 2015*

The results revealed that most of the SAC sell their groundnuts unshelled, as 8 out of 15 SACs (53%) indicated so. This was because most customers preferred unshelled nuts to shelled nuts. Other reasons included that unshelled nuts fetched more money than unshelled nuts and also that unshelled nuts are not as bulky and that with their warehousing problems, unshelled nuts serves them better. Shelled nuts category was practiced by 7 out of 15 (46%) and respondents indicated that they are still in this category because it is not time consuming and can save time to do other things. Other had this to say:

*Timagulitsabe mtedza osaswa chifukwa zipangizo zoswera mtedza ochuluka tilibe. (we still sell shelled nuts because we have no machinery to do unshelling of big quantities*

Graded category was practiced by 7 SACs out of 15. It was reported that the reason to grade was to satisfy customers demand as they had different demands such as for consumption, for animal feed and others for importation.

Groundnuts flour, peanut butter, oil refinery and feed cake production was practiced with the least numbers of only 2 or 3 SACs. This was due to the intensity of the level of value addition to the

groundnuts which according to respondents, requires machinery, technical skill, willingness to growth and a good member consensus to adopting change. As results reveals, those that practiced the highest level of value addition (product innovation) had at least some skills, machinery and the will power to growth. Others had this to say

*Tinachulukitsa, pena zimavuta kugwirizana chimodzi. Enafe timafuna kuwenga mafuta koma ena amaopa kuluza poti zipangizo zake ndi zokwera mtengo. Komanso ena amakhutitsidwa ndizomwetimapangabasi (we are too many to easily reach a consensus. Some of us are willing to move into the next step of value addition but some are too scared to take risks while others are content with what we do) (Respondent SAC 5).*

#### **4.3.2 Nature and relationship of Product Distribution Innovation and Intangible Resources**

Respondents were asked in what forms innovation in product distribution takes and to what extent does each of the SAC practice the given form of product distribution. Overall, the main forms of product distribution that SACs reported are 1) buyers come, 2) institutions buy/find buyers, 3) middlemen, and 4) members search for market'. Table 19 presents the summary of how common each form of product distribution is practiced by the SACs interviewed in this study

**Table 19: Levels of Innovation in Product Distribution**

<b>Form of Product Distribution</b>	<b>Description</b>	<b>Number of SACs</b>	<b>%</b>
Buyers come	<i>Individuals come from neighboring communities or towns to source directly from SAC</i>	12	80
Institutions buy/ find buyers	<i>Institutions buy from the SAC or help SACs get buyers</i>	6	40
Middle-men	<i>People who buy to resale at a profit</i>	14	93
Members search for market	<i>Members take initiative to sale the products to potential buyers</i>	3	20

*Source: Field Research 2015*

The table above shows that 14 SACs out of 15 use middlemen to sell their products. All SACs were not amused with this arrangement because middlemen tend to be exploitative as they bargain for very cheap price for them to fetch huge profits. FGD results revealed that this mode was making the SACs to retrogress because unfortunately, it appears to be the mostly available means

of distribution. FGD results revealed that middlemen are becoming more exploitative as they buy in bulk at cheaper prices and send the produce to Democratic Republic of Congo and Kenya.

12 out of 15 SACs indicated that buyers come. Reasons were that it was more convenient to them because they do not have capacity to transport their groundnuts products to the end users who in some cases buy in bulky. Hiring a vehicle to deliver was costly. However, SACS that are helped by institutions (6 out of 15 SACs) indicated that institutions representatives usually come to buy or they connect them to other bulky buyers, though on credit terms which is not as helpful. For example, SACs such as SAC 2 indicated that OVOP Antenna Shop in Lilongwe distributes for them while SAC 1 indicated that CORI buys their crude oil for more refinery.

For SACs whose members search for market (3 out o 15), indicated that they normally reach prospective customers by public transport and at times by mobile phones, whose network is unreliable. It was further reported that lack of capacity to transport their produce has led them to rely on buyers coming as well as middlemen because proper channels of distribution are not yet established.

#### **4.3.3 Nature and Relationship of Product Promotion and Intangible Resources**

Respondents were asked in what form innovation in product promotion take, and to what extent does each of the SAC practice the given form of product promotion. Overall, the main forms of product promotion that SACs reported are: 1) 'Radio, 2) Verbal and displays, 3) Agencies, 4) Trade Fairs; 5) Through SMS; and 6) TV/ Internet. Table 19DD presents the summary of how common each form of product promotion is practiced by the SACs interviewed in this study.

**Table 20: Levels of Innovation in Production Promotion**

Form of Product Promotion	Description	# of SACs	%
Radio	Advertising the products through any radio station	4	27
Verbal and displays	Word of mouth or writing about the existence of the product for sell	14	93
Agencies	Using other people/institutions to advertise the product on behalf of SAC	4	27
Trade Fairs	Show casing	2	13
Through SMS	Using text or any form of messaging to advertise the product	3	20
TV/Internet	Using TV air time or internet (Web page etc) to advertise the product	0	0

Source: Field Research 2015

As shown in Table 20 above, the majority (14 SACs representing 93%) use verbal and placards displays on either trees or buildings. For verbal and placards, most SACs using this indicated that its affordable and easy to reach many though it was indicated by SAC 9 that through word of mouth, there is no much bargaining power as it was supposed to be because many take advantage of their lack of marketing skills.

This was followed by SACs that use radio and agencies through institutions at 27% both. SACs 3, 3, 5, and 15 uses a local (Mchinji based) radio station but said that it was not cheap to advertise on radio. Some had this to say:

*Zimathandiza ku ulutsa pa wailesi koma osati kwambiri okhala kuti radio yake ndiyomwe ya mu Mchinji, kutathauza kuti ambiri sakumva nawo zomwe tikuulutsa. (It helps but not as much since we use a local radio station which does not enable other people from other places to get our messages). SAC 5*

SACS that indicated the use of trade fairs said they view the fairs as great opportunities to reaching out many at a minimal cost and they are usually informed to attend by the government and other institutions. Most of the SACs admired advertising by radio as only a few did. None of the SACs had used TV and internet. During the FGD, participants were asked about the use of

face-book but most of them had no idea of how to use it, just a few had little knowledge on how they can possibly use technology options and hence indicated the need for civic education in use of technology for their promotion.

#### **4.3.4 Depth/Level of Innovation in SACs**

SAC's prevalence of mode of either product design/ product distribution or promotion was found out reasoning being that according to the Oslo Manual (OECD 2005) the 'New to the firm': A process, product, organization method or marketing method can already have been implemented by other firms, however, if to a firm it is new (or in case there was significant change in process and product), then it is an innovation for that firm. Further, OECD stipulates several degrees of innovativeness and one adopted by this study was 'the innovative firm' which is one that has introduced an innovation during the period under review, which for this research was one year. Marketing innovation (Product design; Product distribution and Product promotion) has been analysed based on the dimension of breadth and depth of novelty of the firm. According to Teece (2010), innovation ought to be synonymous to having different commercialization avenue. In addition, According to Nyberg (1998), innovation in distribution can be measured by the many channels of distribution introduced by a company. Table 21 below shows the depth of Market Innovation Across and within SACs.

**Table: 21: Depth /Level of Market Innovation across and within SACs**

Product Innovation/Design				Product Distribution				Product Promotion			
No. of Forms per SAC (Max =7)	Frequency	% of total	Name of SAC	No. of Forms per SAC (Max=4 )	Frequency	% of total	Name of SAC	No. of Forms per SAC (Max =6)	Frequency	% of total	Name of SAC
6	2	13.3	1, 2	3	5	33.3	1,2,3, 4,6,	3	5	33.3	1,2,3, 4,5
4	1	6.7	7	2	10	66.7	Rest	2	2	13.3	10,15
3	1	6.7	3					1	8	53.3	Rest
2	3	20.0	11, 6, 8								
1	8	53.3	Rest								
	Total (N)=15				Total (N)=15				Total (N)=15		

Source: Field Research 2015

The results revealed that only 3 SACs (1, 2, and 7) had more forms of product innovation (6 and 4) and were judged to be more innovative comparatively. The rest of the SACS had less than half of the prevailing forms of product design innovation. The results above reveal that product innovation is not highly practiced across the SACs. These three SACs (SAC 1, 2 and 7) are among the highly supported financially, technically (in terms of trainings) and materially. For example, SAC 1 was given oil expelling processing machine unit as well as a starter pack while SAC 2 was given production machines and SAC 4 was offered trainings. In terms of membership, SAC 1, 2 and 7, had the lowest numbers of membership at 51, 21, and 52 respectively and they also had the highly educated members, i.e. tertiary education for SAC 2 and form four for SAC 1 and SAC 7. The rest of the SACs that had either 2 or 1 forms of product innovation had their membership above 60, and with the lowest education levels. However, the research results revealed that the level of support these SACs was much less than SAC 1, 2 and 7. This means that education level is important to initiate product innovation and the smaller the

number of membership the better for forming good relationship, reaching consensus in relation to product innovation.

The results revealed that 5 SACs (1, 2, 3, 4, and 6) had more channels of distribution (3 channels) and were judged to be more innovative. The rest of the SACs had about 2 channels of product distribution, which is the average score to the maximum of 4 and were deemed as normal (not high or low to innovation) in this regard.

The results revealed that only 5 SACs (1,2, 3, 4, and 5) had more (3 channels) modes of promotion and were judged to be more innovative in this regard where as the rest of the SACs had about 2 or 1 mode of promotion. The result above reveals that many SACs have less channels of distribution and hence judged as less innovative in this regard.

Results revealed that SAC2 had both the highest product innovation as well as the highest intangible resources. According to the research results, this may be attributed from the much support SAC 2 is given from several NGOs including being given machinery for their product design innovations as well as from their small membership number at 21 (below 50), which makes it easier to agree and progress. Also SAC 2 is the only SAC with tertiary trained members among all SACs. This means that they have an upper hand in the application of skills. Their brand reputation is also well supported by the NGOS (such as OVOP) who are behind their establishment.

SAC 4 had lowest for both. The results revealed that their membership is above 50 which are high for management of innovations. FGD revealed that large numbers are difficult to manage in terms of agreements to change and progress. SAC 4 had no member with tertiary education or high school. Members in this SAC were primary school leavers.

SAC 12 had lowest product innovation and highest intangible resources. SAC 12 is supported by NGOs and has substantial financial muscle as well as intangible resources. However, the results clearly showed that there is no relationship between intangible resources and product design

innovation and this was contrary to the assertion of the relationship between intangible relationship and product design innovation.

SAC 1 had the highest product innovation but lowest intangible resources. Their high innovation may be explained by the support given by several NGOs including a building for oil expelling processing, a good financial muscle (among all SACs) better levels of education and skills as well as a good relationship within members derived from a small manageable number of members. Considering that i) their intangible resources are low and innovation high ii) that what seems to be making them more innovative is a combination of tangible and intangible resources, this research concluded that there is no clear cut connection between the two variables.

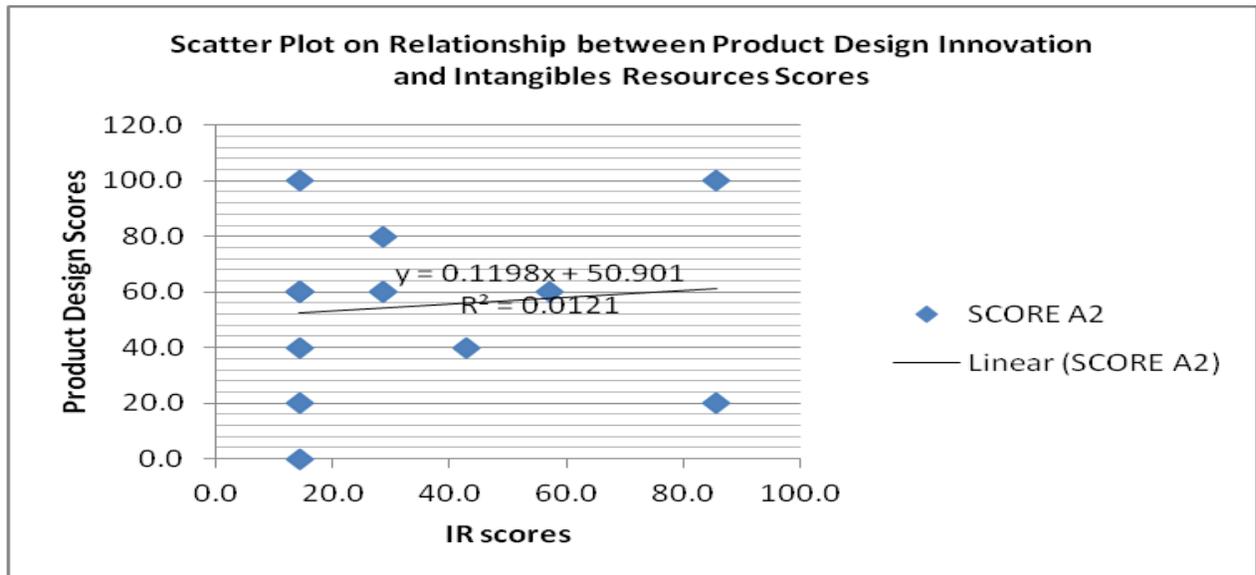
#### **4.4 How Intangible Resources relate to levels of Innovation in SACs**

One of the objectives of the research was to investigate the relationship between intangible resources and market innovation in SACs (objective 3). Specifically the study investigated separately the relationship between each of the three forms of market innovation and intangible resources. The sub-sections below present findings on each of the three relationships.

##### **4.4.1 Relationship between Intangible Resources and Product Design Innovation**

A Pearson product-moment correlation coefficient was computed to assess the relationship between the product design innovation and intangible resources. To assess the relationship the study used the following proxies to measure the two variables: The amount of IR for product innovation was measured by the number forms of IR the SAC reported to be available in their organization while amount of Product design Innovation was measured by the number of forms of product innovations reported by the SAC. Both variables were converted into scores to standardize their weights (See Annex 7). The study found a positive correlation between the IR scores and Product Design Scores ( $r=0.0121$ ,  $n = 15$ ). A scatter plot summarizes the results (Figure 4)

**Figure 4: Scatter Plot on the Relationship between Product Design Innovation and Intangible Resources**



**Source: Field Research 2015**

Overall, there was a positive but not strong correlation between intangible resources and product design innovation. This result is highly attributed by the fact that the sample size was small (at 15 SACs only). Given a larger sample size, it is highly likely that there is a relationship between intangible resources and market innovation. Hence, intangible resources were correlated with increases in number of forms of product design innovation adopted by the SACs.

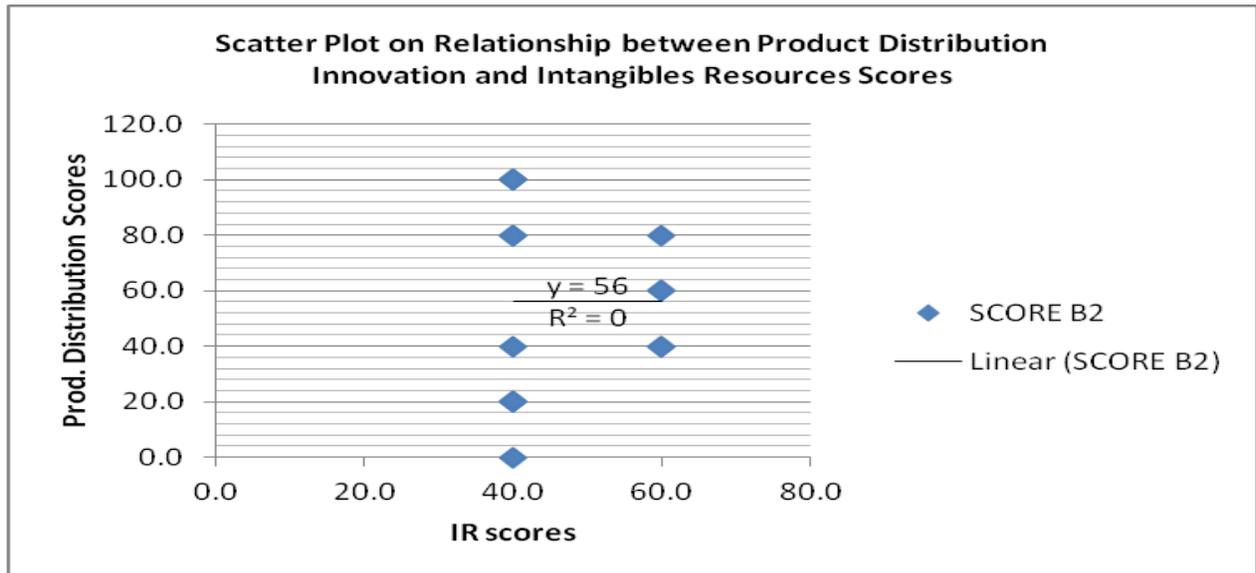
The results from the FGDs also found some evidence of SACs reporting understanding of how some intangible resources contributed to adoption of product design innovation. For example, SAC2 reported that brand reputation maintains or increases market share by maintaining the standard of the end product as well as boosts distribution and promotion automatically and hence their creativity is enhanced towards increasing their market share. SAC 4 reported that Member relationship helps to reach consensus quickly and move forward if there is need to adapt to new forms of innovation. According to SAC 11, Education opens mindset and increases knowledge and can help SAC members do product innovation exceptionally well SAC 12 reported that skill provides the technical knowhow which may help SAC implement new ways of value addition (new forms of products) while SAC 15 reported that positive attitude help SAC to set high

expectations if its members and this pushed members to be innovative in order to meet the expectations..

#### 4.4.2 Relationship between Intangible resources and Product Distribution

A Pearson product-moment correlation coefficient was computed to assess the relationship between the product distribution innovation and intangible resources. To assess the relationship the study used the following proxies to measure the two variables: The amount of IR for product distribution innovation was measured by the number forms of IR the SAC reported to be available in their organization while amount of Product Distribution Innovation was measured by the number of forms of product distribution innovation reported by the SAC. Both variables were converted into scores to standardize their weights (See Annex 6). The study found no correlation between the IR scores and Product Distribution Scores ( $r=0$ ,  $n = 15$ ). A scatter plot summarizes the results (Figure 5)

**Figure 5: Scatter plot on the Relationship between Product Distribution Innovation and Intangible Resources**



Source: Field Research 2015

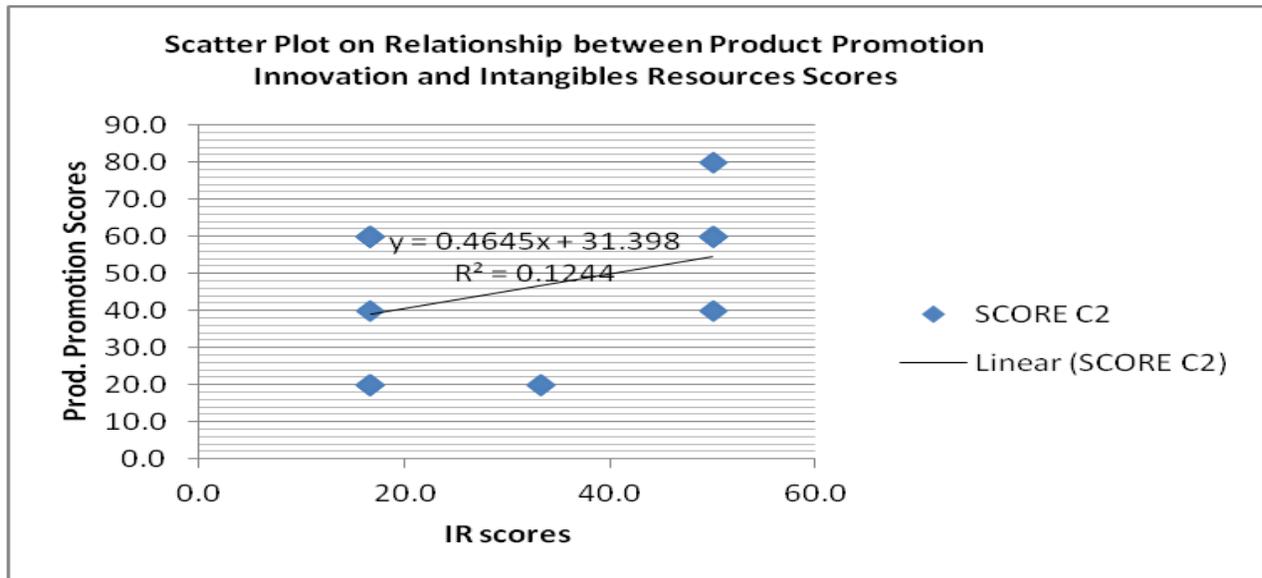
Overall, the study found no correlation between intangible resources and product distribution innovation. This means changes in levels of Intangible Resources were not correlated with number of forms of product distribution innovation in the SACs under this study.

The results from some FGDs also found no clear evidence of SACs reporting understanding of how some intangible resources contributed to adoption of product distribution innovation. For example, FDG discussion at SACs 1 and 8, failed to express how the intangible resources could like lead to product distribution innovation. However, others reported some intangible resources such as brand reputation ensures fast delivery as SACs can concentrate in distributing the product to areas that perceive their product. In addition, SAC 2 also reported that BR helps them to have more buyers and therefore more distributions points. SAC 5 reported that reputation of their SACs brand guarantees success in new distribution channels. On the other hand SAC 7 reported that member relationship helps them to capitalize on each other for bulky selling, relationship within the SAC members to call for more quality groundnuts to distribute widely; In addition SAC 11 also reported that education enable SACs be knowledgeable and unlock other avenues of distribution; skill: distribution can be handled better; positive attitude ensures that unreachable places are ventured into for distribution with good anticipations.

#### **4.4.3. Relationship between Intangible Resources and Product Promotion**

A Pearson product-moment correlation coefficient was computed to assess the relationship between the product promotion innovation and intangible resources. To assess the relationship the study used the following proxies to measure the two variables: The amount of IR for product promotion innovation was measured by the number forms of IR the SAC reported to be available in their organization while amount of Product Promotion Innovation was measured by the number of forms of product promotion innovations reported by the SAC. Both variables were converted into scores to standardize their weights (See Annex 6). The study found a positive correlation between the IR scores and Product Promotion Innovation Scores ( $r=0.1244$ ,  $n = 15$ ). A scatter plot summarizes the results (Figure 6)

**Figure 6: Scatter plot on the Relationship between Product Promotion Innovation and Intangible Resources**



Source: Field Research 2015

Overall, there was a strong positive correlation between intangible resources and product promotion innovation. This means, increases in Intangible Resources were correlated with increases in number of forms of product promotion innovation adopted the SACs.

The results from the FGDs also found some evidence of SACs reporting understanding of how some intangible resources contributed to adoption of product promotion innovation. For example results revealed that SAC1 had both the highest product promotion innovation as well as the highest intangible resources. According to the FGDs results this may be attributed from the fact the SAC is helped by institutions to promote its products. SAC 1 leads financially across SACs; this may give them an advantage to promote their products easily considering that promotion involves a lot of money. However, the majority of the SACs did not belong in this category (high promotion innovation and high intangible resources). SAC 8 had lowest for both. The results revealed that their membership is among the highest at 430, which is high for management of member relationship. FGD revealed that large numbers are difficult to manage in terms of

agreements to change and progress. SAC 8 had no member with either tertiary education or high school. SAC 4 had the highest product innovation but lowest intangible resources. Their high innovation may be explained by the support given by several NGOS including CAD. Considering that i) their intangible resources are low and innovation high ii) that what seems to be making them more innovative are intangible resources, this research concluded that there the relationship is very weak between the two variables.

Overall the results from the scatter plot concurs with KII and FDG discussion as the majority of the SACs indicated understanding of the relevance of intangible resources to their product promotion. For example some SACs reported that good brand reputation helped them pull customers without the hassle of promoting the product; Others indicated that Member relationship Promotion helped them to communicate as a big and unified voice thus sending a strong message about their SAC product; and some SACs indicated that product promotion skills enabled them to know what message to deliver, how to deliver it and when.

## **CHAPTER 5: SUMMARY OF RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.0 Introduction**

The previous chapters presented the study findings for the three research questions. It has also demonstrated how the current research findings connect with the existing literature and theory. This chapter reviews the main findings and draws conclusions thereof. Further, the study gives recommendations on policy and further research.

### **5.1 Summary and Main Findings**

This research found that intangible resources such as member relationship, attitude, brand reputation, education and skills were present in all the SACs, though in different dimensions. Patent proved nonexistent in all SACS. The study established that there was no uniformity of the presence of intangible resources within the SACs as SACs had either high, or low levels of intangible resources in different categories (relations/competence) for either product design, product distribution or product promotion innovation.

Education and skills were reported to be the most critical to market innovation as it cuts across the market innovation in packaging, placement and promotion. This was followed by member relationship for product design/packaging while brand reputation followed product distribution and promotion. Further, the results showed that there are variations on how SACs view the relevance of intangible resources vis-a-vis product design, product distribution and product promotion.

Regarding marketing innovation, the study showed that there are few SACs that are quite innovative in product design which were then doing the highest levels of value addition established by this research such as oil refinery as well as feed cake (such as SAC1, 7 and 2) while others were still selling groundnuts with minimal innovations (value addition) as well as improvements. For product distribution, the study found that there are only four ways of product

distribution within the SACs interviewed, and thus, 'buyers come', 'institutions buy/find buyers on behalf', 'use of middlemen', and members search for market'. Almost all SACs were found to be striving to be innovative, with three or two forms of product distribution innovation out of the four modes of product distribution.

Forms of promotion innovation being used by the SACs were the use of radio, visual displays, through institutions, fairs, phones. None of the SACs used modern technology such as TV and internet to reach out to more customers. Only 5 SACs revealed to be striving to increase their levels of promotion with 3 modes of promotion out of the six modes of product promotion.

Further, the study sought to establish whether intangible resources had a direct impact on marketing innovation (i.e. in terms of product design, distribution and promotion). Using the Bivariate/Pearson's correlation and scatter plots the results showed that there exist a positive relationship between intangible resources and product design innovation as well as product promotion innovation. However the study found no relation between intangible resources and product distribution innovation.

## **5.2. Conclusion**

Market innovation is a fundamental component of achieving growth and sustainability for SACs. However, currently little is known in terms of nature of market innovation in SACs and how availability intangible resources affect adoption and levels of market innovation in SACs. This study provided evidence that SACs in Mchinji District in Malawi need additional support to development their existing intangible resources so they can be more effective in adoption relevant form of market innovation. Only SACs with skills, brand reputation, effective memberships, and attitude will have the competitive advantage to adopt and implement effective forms of market innovation for their products.

This study found that SACs in Mchinji District in Malawi have some levels of intangible resources as well as varying forms of market innovation. In addition, the SACs sampled in this study were aware of the types and nature of intangible resources, market innovation and how the

two interact to shape the growth and sustainability of SACs. Thus study draws three key conclusions as follows:

First, Intangible Resources exist at least in all SACs in Mchinji district and these include resources such as member relationship, reputation of brand, education and skills and member attitude while patent was found to be non-existent in all SACs. Education and skills was found to be the most critical intangible resource for product design, product distribution as well as product promotion while Member relationship was found to be vital in product distribution and finally brand reputation was found to be critical in both product distribution and product promotion.

Second, market innovation exists at least in all SACs in Mchinji district and these include innovation in product design, distribution innovation, and promotion innovation. Though there have been improvements over time in market innovations in most of the SACs, the study found that the nature of market innovation is not as high as almost all SACs have been practicing their nature of product design, promotion and distribution in the same manner for more than a year. Some SACs were found to be more innovative in product design while other in product distribution and others in product promotion.

Third, the study found that the intangible resources were vital component for realizing market innovation and therefore critical for the survival and sustainability of Groundnuts Smallholder Agriculture SACs in the study area. Based on the focus group discussions and qualitative data the SACs confirmed the important role different intangible resources such as skills, membership, branding were key in achieving higher levels of product design innovation, distribution innovation, and innovation in product promotion. However although the Pearson Correlation analysis showed a positive relationship between intangible resources and market innovation, as predicated by theory, this result could not be tested for statistical significance due to limitation of the small sample size of the study. Despite this shortfall, the study provided important insights in terms of 1) types of intangible resources that exist in SACs; 2) the nature of market innovation that exist among SACs involved in groundnuts farming; 3) how intangible resources relate and shape how and what forms of market innovation they adopt.

Given the lack of adequate resources often available for supporting and developing the capacity of SACs towards growth and sustainability in Malawi, identification of which forms of intangibles resources have the greatest impact on nature of market innovation adopted by SACs may be one of the most successful and cost-effective ways of improving the sustainability and growth potential of SACs. The four forms of intangible resources identified as available in SACs namely education and skills, members' attitude, brand reputation, and effective membership relationship were found available in the sample of SACs involved in this study. However, agreeing to the existence of the levels of intangible resources for market innovation is different from applying the intangible resources to achieve market innovation. For example, while some SACs that indicated higher levels of intangible resources also reported higher levels of market innovation, this was not the same for some SACs that reported higher levels of intangibles resources but low levels of market innovation. Overall, this means it is critical that to effectively support SACs towards growth and sustainability, governments and donors investing in SACs must ensure there is clear understanding of how different intangible resources affect different forms of market innovation.

### **5.3 Recommendations**

This study found that there is considerable variation in the SACs judgments of their levels of intangible resources as well as how the available intangible resources are utilized to improve affect their adoption of market innovation, providing evidence that SACs are not certain about fully tapping and developing their intangible resources to achieve market innovation. Thus, sponsors of initiatives aimed to improve the growth and sustainability of SACs need to invest in developing intangible resources that have high impact on market innovation. This ensure that SACs have clear plans and strategies for systematically assessing and developing different types of intangible resources aligned to specific priority forms of market innovation. When SACs spend the time necessary for identifying and developing specific intangible resources, then there is high likelihood that such investments will result in developing effective capacity for market innovation and therefore contribute to growth and sustainability of SACs.

Further, this study recommends that SACs should start viewing intangible resources as key to their market innovation. Enhancement of intangible resources could probably lead to improved market innovation which revealed to be sluggish. Education and skills which proved to be the

most critical across the marketing dimension should hence be invested for change in handling marketing innovation in SACs. However, patent was found not to be the best way of understanding market innovation in the SACs due to limited literacy levels of the respondents as well as the fact that patent is not widely nor deeply practiced in Malawi.

Since the prevailing levels of intangible resources for the current marketing innovation in SACs were established, it is important for SACs to adopt efficient allocation of resources in intangible resources by investing in the gaps that have been established in this study. Efficient allocation of intangible resources may lead to improved market innovation. With the same understanding, Government and NGOs should handle each SAC distinctively as they have proved to be endowed with different intangible resources for different types of market innovation

#### **5.4 Limitation of the Study**

One of the limitations of this research study was the constitution of the sample. First, SACs were not randomly selected from a larger population to participate in the study. SACs were identified through a snowball process from the selected geographical area which guaranteed the availability of the SACs relevant for the study. This might have biased the sample. However, from the results of the FGDs and KIIs the SACs and their members from a range of innovation levels and capacity in terms of intangible resources participated in the study. The sample was also relatively homogeneous with mostly SACs that were involved in the study being dominantly those farming of groundnuts and from the rural sector. Further. The sample size was relative small to perform statistical analysis that would test the levels of significance of the correlation between intangible resources and levels of market innovation. Therefore, the results might not generalize to other SACs in the urban areas or particularly those outside groundnuts farming.

#### **5.5 Suggestion for Future Research**

This study revealed gaps which future researchers may seek to fill mainly in relation to ascertaining the factors that contribute to development of different intangible resources and how these resources interact to affect different levels of market innovation. First, researchers should identify the types of intangible resources that are mostly cost effective in positively affecting different forms of market innovation. Second, researchers should determine what types of factors

influence SACs to adopt which forms of market innovation students. Third, in future experimental research should be conducted to test various strategies for developing different forms of intangible resources in SACs and determine which strategies are most effective.

In addition, while this study acknowledged the importance of resources and its effect on marketing innovation, it only investigated the intangible resources vis-a-vis marketing innovation which may appear to downplay tangible resources. Future studies integrating both intangible and tangible resources impact on market innovation are welcome. The current study considered the importance of groundnuts SACs in one district. It is therefore recommended that future research should focus on a wider survey by including other legume crops in and/or outside Mchinji district or other types of firms (not Agricultural) to give a broader perspective capable of generating inferential generalizations. Future studies should also look at both marketing and process innovation.

Further, since qualitative results in all dimensions of market innovation and all quantitative findings (R-coefficient) except for product distribution (with exceptions as explained above), showed positive relationship between availability of intangible resources and market innovation, this then means that there are other factors that are impinging the direct and strong relationship of these two variables in SACs.

Finally, additional research needs to be conducted to determine how well SACs use their intangible resources to promote market innovation. Particularly in Africa where most intangible resources are scarce, SACs need to be well trained and supported on utilizing the available intangible resources to foster their growth and sustainability.

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## ANNEXES

### **ANNEX 1: Focus Group, In-depth Individual Interviews and Key Informant Interview Thematic Guide**

The study was guided by 13 themes which derived from the research questions. The themes were as follows:

1. Nature of product design (how groundnuts are packaged and/or value added for sale)
2. Nature of product placement (how groundnuts are distributed for sale)
3. Nature of product promotion (how groundnuts are promoted for sale)
4. Characteristics of intangible resources found in SACs
5. Nature and levels of intangible resources (such as members relationship, brand reputation, patent, education, skills, attitude) for Market Innovation (Product design; Product distribution and product promotion)
6. Priority intangible resources (intangible resources viewed as most critical for the type of market innovation)
7. The links between members relationship and market innovation (Product design; product placement; and product promotion)
8. The links between brand reputation and market innovation (Product design; product placement; and product promotion)
9. The links between patent and market innovation (Product design; product placement; and product promotion)
10. The links between education and market innovation (Product design; product placement; and product promotion)
11. The links between skills and market innovation (Product design; product placement; and product promotion)
12. The links between attitude and market innovation (Product design; product placement; and product promotion)
13. Opportunities and obstacles for developing intangible resources for market innovation

## ANNEX 2A: Focus Group Discussion Guide

### **A. General Information**

1. Respondents:
  - a. Age range
  - b. gender,
  - c. Education level of respondent

### **B. Nature of Market Innovation**

#### **Product Design/Packaging**

2. How are the groundnuts packaged for sale
3. The packaging mentioned have they been introduced within a month ago, last 6 months, one year ago or more than one year ago?

#### **Product Distribution**

4. How are the nuts distributed for sale
5. The modes of distribution mentioned, have they been introduced within a month ago, last 6 months, one year ago or more than one year ago?

#### **Product Promotion**

6. When doing promotion to market the nuts, how do you normally do it (Price, media, word of mouth, Radio, TV)?
7. The modes of promotion mentioned, have they been introduced within a month ago, last 6 months, one year ago or more than one year ago?

**Nature, and characteristics of intangible resources**

**i) SACs Intangible resources Characteristics**

- 8. How is the membership relationship; do SAC members do product design; distribution; and market groundnuts products together (as a group) or not?
- 9. How are the existing education and skills for product design; distribution and promotion?
- 10. Does the SAC have Patents in product design; distribution and promotion
- 11. How Reputable is the SACs brand/s in design; for distribution and promotion
- 12. Does Attitude exist as other intangible resources

**ii) Nature and level of intangible resources**

- 13. Would you say that:
  - a. Members relationship
  - b. Brand reputation
  - c. Patent
  - d. education and skills
  - e. Attitudeare satisfactory/unsatisfactory (Gaps/no gaps) for:
  - a) product design, b) product placement? and c) product promotion?
- 14. Any suggestions on the gaps/no gaps stated above

**iii) Critical Intangible Resources**

- 15. Considering the use of intangible resources for packaging/design, which intangible resources would you say are critical for:
  - a. Product Design?**  
Reason for choosing the intangible resource for product design as critical:.....
  - b. Product Distribution?**  
Reason for choosing the intangible resource for product distribution as critical:.....
  - c. Product Promotion?**  
Reason for choosing the intangible resource for product distribution as critical:.....

## **D. The links between intangible resources and market innovation in SACs**

Please explain:

16. When SAC members relationship is good, does product design; placement and promotion improve, worsen or remains the same (with explanations)
  - a. Product design (Improve, worsen, no change)
  - b. Product placement (Improve, worsens, no change)
  - c. Product promotion (Improve, worsen, no change)
17. Do you think a good brand reputation improves:
  - a. Product design (Yes/No)
  - b. Product placement (Yes, No)
  - c. Product promotion (Yes, No)
18. Do you think having a patent (s) helps in :
  - a. Product design (Yes/ No)
  - b. Product placement (Yes/No)
  - c. Product promotion (Yes/No)
19. In your opinion, higher levels of education and skills of SAC members affect (positively):
  - a. Product design (improves; worsens; no change)
  - b. Product placement (improves; worsens; no change)
  - c. Product promotion (Improves; worsens; no change)
20. Do you think attitude contributes to
  - a. Product design (Yes/No)
  - b. Product placement (Yes/No)
  - c. Product promotion (Yes/No)
21. **Concluding (general) question:** what do you think are the obstacles and opportunities for developing intangible resources for market innovation in SACs?

## **ANNEX 2B: In-depth Individual Interview Guide**

### **A. General Information**

1. Respondents:
  - a. Age range and gender,
  - b. Education level of respondent
  
2. Characteristics of SACs:
  - a. Financial status (Cash and bank);
  - b. Age range of members;
  - c. Number of registered members and Gender of SAC members
  - d. Education levels of SAC Members
  - e. year of SAC establishment
  - f. sponsors

### **B. Nature of Market Innovation**

#### **Product Design/Packaging**

3. How are the groundnuts packaged for sale
4. The packaging mentioned, have they been introduced within a month ago, last 6 months, one year ago or more than one year ago?

#### **Product Distribution**

5. How are the nuts distributed for sale
6. The modes of distribution mentioned, have they been introduced within a month ago, last 6 months, one year ago or more than one year ago?

#### **Product Promotion**

7. When doing promotion to market the nuts, how do you normally do it (Price, media, word of mouth, Radio, TV)?
8. The modes of promotion mentioned, have they been introduced within a month ago, last 6 months, one year ago or more than one year ago?

**B. Characteristics, Nature and level of intangible resources**

**i) SACs Intangible resources Characteristics**

- 9. How is the membership relationship; do SAC members do product design; distribution; and market groundnuts products together (as a group) or not?
- 10. How are the existing education and skills for product design; distribution and promotion?
- 11. Does the SAC have Patents in product design; distribution and promotion
- 12. How Reputable is the SACs brand/s in design; for distribution and promotion
- 13. Does Attitude exist as other intangible resources

**ii) Nature and level of intangible resources**

- 14. Would you say that:
  - a. Members relationship
  - b. Brand reputation
  - c. Patent
  - d. education and skills
  - e. Attitude

are satisfactory/unsatisfactory (Gaps/no gaps) for:

- b) product design, b) product placement? and c) product promotion?

- 15. Any suggestions on the gaps/no gaps stated above

**iii) Critical Intangible Resources**

- 16. Considering the use of intangible resources for packaging/design, which intangible resources would you say are critical for:

***a. Product Design?***

Reason for choosing the intangible resource for product design as critical:.....

***b. Product Distribution?***

Reason for choosing the intangible resource for product distribution as critical:.....

***c. Product Promotion?***

Reason for choosing the intangible resource for product distribution as critical:.....

## D. The links between intangible resources and market innovation in SACs

Please explain:

17. When SAC members relationship is good, does product design; placement and promotion improve, worsen or remains the same (with explanations)
  - a. Product design (Improve, worsen, no change)
  - b. Product placement (Improve, worsens, no change)
  - c. Product promotion (Improve, worsen, no change)
18. Do you think a good brand reputation improves:
  - a. Product design (Yes/No)
  - b. Product placement (Yes, No)
  - c. Product promotion (Yes, No)
19. Do you think having a patent (s) helps in :
  - a. Product design (Yes/ No)
  - b. Product placement (Yes/No)
  - c. Product promotion (Yes/No)
20. In your opinion, higher levels of education and skills of SAC members affect (positively):
  - a. Product design (improves; worsens; no change)
  - b. Product placement (improves; worsens; no change)
  - c. Product promotion (Improves; worsens; no change)
21. Do you think attitude contributes to
  - a. Product design (Yes/No)
  - b. Product placement (Yes/No)
  - c. Product promotion (Yes/No)
22. **Concluding (general) question:** what do you think are the obstacles and opportunities for developing intangible resources for market innovation in SACs?

## ANNEX 2C: Key Informant Interview Guide

**Name:** ..... **Institution:** .....  
**Designation:** ..... **Date:** .....

1. What is the organisation’s historical background to the involvement of groundnuts SACs in Mchinji district?
2. What is your role/involvement in cooperative intangible resources in relation to market innovation
3. How has the support been, between cooperatives and your institution in terms of Intangible resources and market innovation
4. From your experience/involvement, how can you describe the nature of intangible resources in Mchinji based groundnuts SACs?  
Members relationship:.....  
Brand reputation:.....  
Patent. ....  
Education.....  
Skills.....  
Attitude.....
5. From your experience/involvement, how can you describe the nature of market innovation in Mchinji  
Product design .....  
Product placement .....  
Product promotion.....
6. Based on your experience, what comment can you give on the statement “marketing innovation is a factor of intangible resources”
  - a) currently, is there such a link between intangible resources and market innovation in Mchinji based SACs and what role have you played to initiate the link
7. In your view, what could be the opportunities and limitations for development of intangible resources in relation to product design; placement and promotion in the following?

8. What improvements can be made?

Please tick the most appropriate – and comment

	<b>Question</b>	<b>I Strongly agree</b>	<b>I agree</b>	<b>I agree disagree</b>	<b>I strongly disagree</b>
9	The SACS are performing well in the market				
10	This Institution is willing to help improve intangible resources for market innovation in SACs				
11	There is willingness to improve intangible resources for market innovation in SACs				

End./ Thank you

### **ANNEX 2 C: Guiding Questions for Observations**

1. In your opinion what is the general knowledge of the SAC members in Market innovation issues?
2. How is their Attitude?
3. How is their member relationship?
4. What type of groundnuts product; type of packaging do you see?
5. Any pictures of what is observed?
6. Any other observation on intangible resources or market innovation?

**ANNEX 3: Availability of intangible resources for product innovation in SACs**

		S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	Total	%
<b>Relational Intangible Resources (RIRs)</b>	<b>BR</b>	0	Yes	0	Yes	Yes	Yes	Yes	Yes	Yes	0	Yes	Yes	Yes	0	Yes	11	73%
	<b>MR</b>	Yes	Yes	Yes	Yes	0	Yes	0	Yes	Yes	0	Yes	Yes	Yes	0	Yes	11	73%
<b>Competency Intangible Resources (CIRs)</b>	<b>ED</b>	0	Yes	0	0	0	0	Yes	0	0	0	0	Yes	0	0	0	3	20%
	<b>SK</b>	0	Yes	0	0	0	0	Yes	0	0	0	Yes	Yes	0	0	0	4	27%
	<b>PT</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
	<b>AT</b>	0	Yes	Yes	Yes	Yes	Yes	0	Yes	Yes	Yes	Yes	Yes	Yes	0	Yes	12	80%
<b>Total Counts</b>		1	5	2	3	2	3	3	3	3	1	4	5	3	0	3		

Source: Field Research 2015

**ANNEX 4: Availability of intangible resources for product distribution in SACs**

		S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	Total	%
<b>Relational Intangible Resources (RIRs)</b>	<b>BR</b>	0	0	Yes	Yes	0	Yes	Yes	0	0	Yes	0	Yes	Yes	0	0	7	47%
	<b>MR</b>	Yes	Yes	0	Yes	0	Yes	Yes	0	0	Yes	Yes	Yes	Yes	0	Yes	10	67%
<b>Competency Intangible Resources (CIRs)</b>	<b>ED</b>	0	Yes	0	0	0	0	Yes	0	0	0	Yes	Yes	Yes	0	0	5	33%
	<b>SK</b>	0	Yes	0	0	0	0	Yes	0	0	0	Yes	Yes	Yes	0	0	5	33%
	<b>PT</b>	0	0	0	0	0	0	0	0	0	Yes	Yes	Yes	0	0	0	3	20%
	<b>AT</b>	Yes	0	Yes	14	93%												
<b>Total Counts</b>		2	4	2	3	1	3	4	1	1	4	5	5	5	0	2		

Source: Field Research 2015

**ANNEX 5: Availability of intangible resources for product promotion in SACs**

		S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	Total	%
<b>Relational Intangible Resources (RIRs)</b>	<b>BR</b>	Yes	Yes	Yes	0	Yes	0	0	0	0	0	Yes	0	Yes	Yes	0	7	47%
	<b>MR</b>	Yes	Yes	Yes	Yes	0	Yes	Yes	0	0	0	Yes	Yes	Yes	0	0	9	60%
<b>Competencecy Intangible Resources (CIRs)</b>	<b>ED</b>	0	Yes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20%
	<b>SK</b>	0	0	0	0	Yes	0	Yes	0	0	0	0	0	0	0	0	2	13%
	<b>PT</b>	0	0	0	0	0	Yes	0	0	0	0	0	0	0	0	0	1	7%
	<b>AT</b>	Yes	0	Yes	14	93%												
<b>Total Counts</b>		3	4	3	2	3	3	3	1	1	1	3	2	3	1	1		

Source: Field Research 2015

**ANNEX 7: Calculated Scores for Levels of Intangible Resources Vs Types of Market Innovation**

<b>SAC</b>	<b>Product Innovation Channels</b>	<b>SCORE A1</b>	<b>Product Innovation Intangible resources</b>	<b>SCORE A2</b>	<b>Product Distribution Channels</b>	<b>SCORE B1</b>	<b>Product Distribution Intangible resources</b>	<b>SCORE B2</b>	<b>Product Promotion Channels</b>	<b>SCORE C1</b>	<b>Product Promotion Intangible resources</b>	<b>SCORE C2</b>
<b>S1</b>	6	85.7	1	20.0	3	60.0	2	40.0	3	50.0	3	60.0
	6	85.7	5	100.0	3	60.0	4	80.0	3	50.0	4	80.0
<b>S3</b>	3	42.9	2	40.0	3	60.0	2	40.0	3	50.0	3	60.0
<b>S4</b>	1	14.3	3	60.0	3	60.0	3	60.0	3	50.0	2	40.0
<b>S5</b>	1	14.3	2	40.0	2	40.0	1	20.0	3	50.0	3	60.0
<b>S6</b>	2	28.6	3	60.0	3	60.0	3	60.0	1	16.7	3	60.0
<b>S7</b>	4	57.1	3	60.0	2	40.0	4	80.0	1	16.7	3	60.0
<b>S8</b>	2	28.6	3	60.0	2	40.0	1	20.0	1	16.7	1	20.0
<b>S9</b>	1	14.3	3	60.0	2	40.0	1	20.0	1	16.7	1	20.0
<b>S10</b>	1	14.3	1	20.0	2	40.0	4	80.0	2	33.3	1	20.0
<b>S11</b>	2	28.6	4	80.0	2	40.0	5	100.0	1	16.7	3	60.0
<b>S12</b>	1	14.3	5	100.0	2	40.0	5	100.0	1	16.7	2	40.0
<b>S13</b>	1	14.3	3	60.0	2	40.0	5	100.0	1	16.7	3	60.0
<b>S14</b>	1	14.3	0	0.0	2	40.0	0	0.0	1	16.7	1	20.0
<b>S15</b>	1	14.3	3	60.0	2	40.0	2	40.0	2	33.3	1	20.0

