

## Influence Of Market Innovation on The Association Between Fairtrade Practices and Performance of Certified Small Tea Producer Organizations in Kenya

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### Abstract

Tea is one of Kenya's most important cash crops, supporting the livelihoods of approximately 560,000 smallholder farmers who contribute significantly to the country's agricultural economy. The Fairtrade certification system has emerged as a key mechanism to promote ethical production, ensure equitable compensation, and support sustainable development among these farmers by fostering fairness, social justice, and respect for human rights throughout global supply chains. Despite the documented benefits of Fairtrade practices in improving market access and income stability for smallholder tea producer organizations, recent research (2025) highlights persistent challenges, particularly regarding the limited adoption of market innovation. This limitation constrains producers' ability to respond effectively to shifting consumer preferences, technological advances, and competitive pressures, thereby restricting organizational performance and long-term sustainability.

This study addresses this critical gap by examining the moderating role of market innovation in the relationship between Fairtrade practices and the performance of certified small tea producer organizations in Kenya. The research is theoretically grounded in integrative social contract theory, which emphasizes ethical obligations within economic exchanges and the importance of mutually beneficial practices for sustainable development. Employing a descriptive cross-sectional design, the study collected data from 67 small tea producer organizations affiliated with the Kenya Tea Development Agency (KTDA) across 17 tea-growing counties, representing a broad cross-section of the sector.


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Using semi-structured questionnaires and analyzing data through SPSS with descriptive and inferential statistics, including ANOVA, the findings demonstrate that Fairtrade practices have a significant positive effect on organizational performance. Importantly, this positive relationship is substantially strengthened when market innovation such as product diversification, adoption of new marketing strategies, and technological improvements is effectively integrated into organizational operations. The statistically significant moderating effect of market innovation ( $p < 0.05$ ) underscores its crucial role in enabling smallholder organizations to adapt to dynamic market conditions, enhance competitiveness, and achieve sustainable growth.

By integrating ethical trade frameworks with innovative market approaches, this study contributes to existing knowledge by providing empirical evidence of how Fairtrade's social objectives can be reinforced through innovation-driven strategies. The findings have practical implications for policymakers, development agencies, and tea producer organizations seeking to design interventions that balance social equity with market responsiveness. Ultimately, this research advances the discourse on sustainable agricultural development in Kenya and similar contexts by highlighting the necessity of combining social justice initiatives with market-oriented innovations to secure the future of smallholder tea farmers.

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**Keywords:** Market Innovation, Fairtrade Practices, Organisation Performance, Kenya.

## I. Introduction

Fair trade practices broadly refer to the principles and mechanisms that influence organizational performance and ethical behavior within product supply chains, often aimed at promoting social justice, equitable compensation, and sustainable development (Fridell, 2021). Grounded in integrative social contract theory, fair trade emphasizes mutually beneficial agreements, fairness, and respect for human rights among stakeholders operating within global value chains (Donaldson & Dunfee, 2020). This theoretical framework underscores the establishment of ethical norms and responsible practices that foster equitable relationships between producers, consumers, and intermediaries. Moreover, it recognizes global marketing and certification activities as critical pathways for enhancing competitiveness, unlocking new market opportunities, and securing sustainable livelihoods for marginalized producers (Crane & Matten, 2019). Complementary perspectives such as stakeholder theory (Freeman et al., 2021) and instrumental theory (Jones et al., 2018) further explain how organizations integrate ethical considerations into strategic decision-making and stakeholder engagement. Recent studies (Lee & Mwangi, 2025; Torres et al., 2025) continue to affirm the significance of fair trade certification in shaping consumer trust, ethical branding, and market positioning, thereby reinforcing the relevance of integrative social contract theory in contemporary analyses of sustainable trade and development.

In Kenya, smallholder tea producer organizations are central to the agricultural sector, contributing significantly to economic development, rural employment, and poverty alleviation since independence in 1963 (Kiai & Korir, 2023). These organizations collectively support over half a million smallholder farmers who depend on tea cultivation for their livelihoods. Despite their strategic importance, Kenyan small tea producer organizations face enduring challenges, including governance inefficiencies, underinvestment, intensifying global competition, and evolving trade policies (Mutiso, Njoroge, & Kiragu, 2022; Otieno & Wambugu, 2025). Recent reforms such as efforts to diversify tea products and government-led policy interventions have sought to improve sector performance. However, evidence suggests that these measures alone have not fully addressed underlying constraints, particularly those linked to innovation deficits and limited capacity to adapt to dynamic market conditions (Mwenda & Oduor, 2025).

While previous research has explored the positive effects of fair trade practices on improving market access and income stability for smallholder tea producers, there remains a critical gap regarding how market innovation interacts with these practices to influence organizational performance. Existing studies tend to examine fair trade and innovation separately, overlooking their combined impact on the resilience and competitiveness of certified small tea producer organizations. This gap is especially pertinent in light of emerging market trends and increasing consumer demand for ethically produced and innovative products (Lee & Mwangi, 2025).

This study aims to address this gap by investigating the moderating role of market innovation in the relationship between fair trade practices and organizational performance among certified small tea producer organizations in Kenya. By applying integrative social contract theory and employing empirical data from 67 tea producer organizations affiliated with the Kenya Tea Development Agency, the study provides novel insights into how the integration of ethical trade frameworks and innovation-driven strategies can enhance sustainable development outcomes. The originality of this research lies in its combined focus on ethical practices and market innovation within the smallholder tea sector, offering evidence-based recommendations that advance theoretical understanding and inform policy formulation aimed at strengthening the livelihoods of millions of Kenyan smallholder farmers.

## II. Literature Review

Fair trade practices have been widely studied for their impact on organizational performance, particularly within smallholder producer organizations in developing economies. Fairtrade certification aims to enhance market access, guarantee fair compensation, and promote social and environmental sustainability by embedding ethical principles into global supply chains (Cáceres et al., 2020; Low & Davenport, 2019; Smith & Barrientos, 2022). However, the strength and consistency of the relationship between fair trade certification and organizational outcomes remain contested. While seminal works by Dragusanu and Nunn (2018) and Valkila and Nygren (2020) report positive effects of fair trade on producer incomes and community development, more recent studies suggest that these effects are often moderated or limited by factors such as supply chain governance, market volatility, and organizational capacity (Raynolds & Bennett, 2015; Ruben & Fort, 2018; Chen et al., 2024). To better understand these dynamics, this study grounds its theoretical framework in Integrative Social Contract Theory (ISCT) (Donaldson & Dunfee, 2020), which emphasizes the establishment of ethical norms and mutual agreements within organizational and market interactions. ISCT posits that fair trade practices embody social contracts that foster trust, fairness, and respect for human rights among stakeholders in the value chain. According to this theory, ethical practices alone are necessary but not always sufficient for sustainable organizational performance; rather, organizations must also engage in adaptive and innovative behaviors that respond to market demands and environmental changes (Crane & Matten, 2019). Building on ISCT, this study conceptualizes Fairtrade Practices (FTP) as the ethical and certification-based activities designed to ensure equitable benefits for smallholder producers. Market Innovation (MI) defined as the implementation of new marketing methods, product diversification, and branding strategies (Mohan et al., 2023) is theorized as a critical moderator that strengthens the positive effects of FTP on Organizational Performance (OP). This perspective aligns with instrumental and stakeholder theories (Freeman et al., 2021; Jones et al., 2018), which emphasize the role of innovation and stakeholder engagement in translating ethical commitments into tangible competitive advantages. Recent empirical evidence supports this integrated perspective. Bissinger et al. (2022) demonstrate that the benefits of fair trade certification are maximized when coupled with innovative marketing and product development strategies. Similarly, Hughes et al. (2021) and Ponte (2019) find that proactive market innovation enhances organizational adaptability, enabling producer organizations to meet evolving consumer preferences and capture premium market segments. Emerging studies (Lee & Mwangi, 2025; Torres et al., 2025) reinforce the argument that innovation is a necessary complement to ethical certification, particularly in sectors facing rapid globalization and technological change. In the African context, and Kenya specifically, empirical research linking FTP, MI, and OP remains limited but critical. Kenya's smallholder tea sector dominated by organizations affiliated with the Kenya Tea Development Agency (KTDA) faces persistent challenges such as governance inefficiencies, limited product diversification, and constrained access to premium markets despite the prevalence of fair trade certification (Ochieng & Koskei, 2022; Kiai & Korir, 2023). Gathuru and Mwangi (2021) highlight that innovations in branding, value addition, and digital marketing represent vital levers to enhance the sector's competitiveness. More recent studies (Mwenda & Oduor, 2025; Otieno & Wambugu, 2025) further reveal that without effective innovation, the full benefits of fair trade practices remain unrealized, thereby hampering organizational performance and smallholder welfare. Overall, the literature points to a critical gap: the need to explore how market innovation moderates the relationship between fair trade practices and organizational performance in smallholder tea producer organizations. This study addresses this gap by empirically examining this moderating effect within the Kenyan tea sector, which supports over 560,000 smallholder farmers whose economic and social well-being depends on sustainable and competitive production. By integrating ethical trade theory with innovation management concepts, this research advances understanding of how these factors collectively enhance the resilience and growth of certified smallholder tea producer organizations. There is a critical need to deepen understanding of the multiple factors that influence the performance of small tea producer organizations in Kenya, particularly given their strategic role in rural livelihoods, employment creation, and poverty reduction (Kiai & Korir, 2023). Despite the widespread adoption of Fairtrade certification as a mechanism to enhance equity, sustainability, and competitiveness in agricultural supply chains, the specific influence of Fairtrade practices on organizational performance in the Kenyan tea sector remains under-researched (Hughes et al., 2021; Ruben & Fort, 2018). While numerous studies in developed economies have demonstrated the benefits of Fairtrade certification for producers' income, community welfare, and ethical branding (Dragusanu & Nunn, 2018; Smith & Barrientos, 2022), evidence from developing contexts such as Kenya is comparatively sparse and often fragmented. A significant limitation in existing research is the lack of a coherent conceptual framework that integrates Fairtrade practices with moderating factors such as market innovation and corporate social capital variables that have been shown to amplify or constrain the impact of certification schemes (Bissinger et al., 2022; Mohan et al., 2023). Many studies continue to adopt narrow models focused on single or dual variables, overlooking how market innovation strategies such as product differentiation, branding, and value addition can strengthen the positive outcomes of Fairtrade practices for smallholder producer organizations (Ponte, 2019). Moreover, the historical, cultural, and socio-economic contexts of developing economies like Kenya

present unique dynamics that influence how Fairtrade practices are implemented and perceived (Ochieng & Koskei, 2022). For instance, cultural values rooted in communal responsibility and shared benefit may shape local acceptance and trust in Fairtrade certification. According to Clair et al. (2010), the concept of national character suggests that distinct, enduring patterns of behavior and social norms influence how communities engage with ethical trade initiatives. Understanding these local cultural drivers alongside factors such as rural market conditions, agricultural dependency, and consumer perceptions is essential for designing context-appropriate Fairtrade models. Additionally, psychological and behavioral factors remain an underexplored dimension in Fairtrade research in Kenya. Insights from behavioral economics suggest that consumer perceptions of certification, trust in certifying bodies, and awareness campaigns significantly influence purchasing decisions and brand loyalty (Low & Davenport, 2019; Smith & Barrientos, 2022). Exploring these mechanisms can enrich understanding of how Fairtrade labels affect market performance and sustainable community impact. In Kenya's agricultural sector, characterized by geographic, economic, and social diversity, it is vital for marketers and policymakers to recognize that success factors are not uniform but depend on product quality, ethical sourcing, community development initiatives, and regional consumer priorities (Gathuru & Mwangi, 2021). Integrating a behavioral perspective alongside global marketing and organizational performance dimensions can provide a more nuanced and actionable understanding of the Kenyan tea sector's realities. Therefore, this study seeks to address these gaps by examining whether, and to what extent, Fairtrade practices when complemented by corporate social capital and market innovation influence the performance of Fairtrade-certified small tea producer organizations in Kenya. By doing so, it aims to develop an integrated conceptual framework that moves beyond the socio-economic and managerial explanations that have dominated previous research. This comprehensive approach promises to generate new theoretical insights and practical strategies for enhancing the sustainability, competitiveness, and community impact of Kenya's smallholder tea sector in an increasingly dynamic global market. This study is designed to address the central research question: *What impact do Fairtrade practices, corporate social capital, and market innovation have on the performance of Fairtrade-certified small tea producer organizations in Kenya?* The primary objective is to evaluate the extent to which Fairtrade practices influence the organizational performance of these certified smallholder producer organizations, and how this relationship is moderated or enhanced by corporate social capital and market innovation strategies. To guide this inquiry, the study adopts an integrated conceptual model that examines the direct relationship between Fairtrade practices and organizational performance while incorporating corporate social capital and market innovation as key moderating variables. This conceptual framework aims to provide a more comprehensive understanding of the multiple pathways through which ethical certification and innovative market strategies interact to shape the competitiveness and sustainability of small tea producer organizations within Kenya's dynamic agricultural sector. The conceptual model for this study is illustrated in [Figure 1](#), which depicts the hypothesized relationships among Fairtrade practices, corporate social capital, market innovation, and organizational performance. The study's objectives were addressed through the development of a conceptual model and corresponding hypotheses, which were derived from a comprehensive review of relevant literature and the guiding conceptual framework. These hypotheses were designed to test the relationships among Fairtrade practices, corporate social capital, market innovation, and the performance of certified small tea producer organizations in Kenya. One of the hypotheses formulated and tested to achieve these objectives was:

**H1:** Market innovation does not have a significant influence on the association between Fairtrade practices and the performance of certified small tea producer organizations in Kenya.

This hypothesis was tested using inferential statistical analysis to determine whether market innovation significantly moderated the relationship between Fairtrade practices and organizational performance. The results provided empirical evidence to either reject or fail to reject the null hypothesis, thereby clarifying the role of market innovation within the Fairtrade context of Kenya's smallholder tea sector.



To ensure representativeness and reduce sampling bias, a two-stage sampling technique was applied. First, purposive sampling identified KTDA-affiliated small tea producer organizations certified under Fairtrade standards. Within this population, simple random sampling was then used to select 67 organizations as respondents, providing a manageable yet statistically significant sample size for inferential analysis.

Primary data were gathered using a combination of structured and semi-structured questionnaires administered to key informants within the sampled tea producer organizations. Respondents were typically managers or appointed representatives with comprehensive knowledge of their organization's Fairtrade practices, market innovation initiatives, and performance metrics. The questionnaires were carefully designed to capture quantitative measures aligned with the study variables: Fairtrade practices, market innovation, and organizational performance. Prior to full deployment, a pilot test was conducted with a small subset of organizations to ensure clarity, relevance, and reliability of the instrument.

Data collection was carried out through face-to-face interactions and digital surveys, depending on logistical feasibility and respondent preference, over a period of three months. To maintain data integrity, follow-up communications were employed to clarify ambiguous responses and ensure completeness. Collected data were analyzed using the Statistical Package for the Social Sciences (SPSS). Both descriptive statistics (means, frequencies, standard deviations) and inferential statistics (Analysis of Variance [ANOVA], regression analysis) were applied to test the proposed hypotheses. The inferential tests examined the strength, direction, and statistical significance of relationships between Fairtrade practices, market innovation, and organizational performance.

This methodological design was anchored in established theories, including integrative social contract theory, stakeholder theory, and innovation management, which collectively informed the study's conceptual framework and variable selection. By employing a rigorous positivist quantitative approach, the research advances knowledge on how Fairtrade certification and market innovation jointly influence the sustainability and competitiveness of smallholder tea producer organizations in Kenya. The methodological rigor enhances the study's validity and replicability, providing policymakers and practitioners with empirically grounded insights for fostering ethical and innovative agricultural development.

The study employed a descriptive cross-sectional research design, which was deemed appropriate for collecting data from the targeted respondents within a defined period. This design enabled the researcher to obtain a snapshot of the relationships among Fairtrade practices, corporate social capital, market innovation, and the performance of certified small tea producer organizations in Kenya at a specific point in time. By adopting a cross-sectional approach, the study was able to capture the current state of key variables and analyze how they interrelated within the organizational context. This methodological choice provided a clear basis for exploring patterns, associations, and trends among the study variables without manipulating them, thereby aligning with the positivist philosophy that underpinned the research. The descriptive cross-sectional design further facilitated the systematic collection of data from a wide range of small tea producer organizations across multiple counties under the Kenya Tea Development Agency (KTDA). By providing a snapshot view of prevailing conditions, the design offered valuable insights into how Fairtrade practices, market innovation, and corporate social capital were influencing organizational performance within the Kenyan tea sector at the time of the study. The findings generated through this design contributed to a deeper understanding of the sector's current dynamics and provided an empirical foundation for practical recommendations and future research. Overall, the adoption of a descriptive cross-sectional design ensured that the study's objectives were achieved effectively by enabling the researcher to gather reliable, context-specific data and to analyze the interrelationships among the critical variables under investigation. The study focused on all small tea producer organizations affiliated with the Kenya Tea Development Agency (KTDA), covering 17 counties where tea cultivation takes place and collectively serving approximately 560,000 smallholder tea farmers across Kenya. These organizations were grouped into seven administrative regions, namely: Aberdare Ranges 1, Aberdare Ranges 2, Mt. Kenya, Highlands of Kisii and Kericho, Mt. Kenya & Nyambene Hills, and Nandi Hills & Western Highlands. The selection of this population was guided by KTDA's operational framework, which indicated that these organizations were the most likely to have adopted Fairtrade practices and related certification standards. According to KTDA's 2023 operational records, there were a total of 67 small tea producer organizations operating within these regions. Given the modest population size, the study adopted a census approach, whereby all 67 organizations were included in the research. This approach was adopted because a census is appropriate when the target population is small and manageable, as it ensures comprehensive coverage, minimizes sampling error, and provides a full understanding of the characteristics and dynamics within a specific population segment. The study relied on both primary and secondary data sources to generate robust and triangulated insights. Primary data were collected through semi-structured questionnaires, which were designed to capture quantitative information on Fairtrade practices, corporate social capital, market innovation activities, and organizational performance indicators. The questionnaires were administered to management representatives and key decision-makers within each of the sampled organizations to ensure data relevance and accuracy. In addition, qualitative insights were gathered through follow-up interviews with select board members and senior managers to validate responses and provide contextual depth to the quantitative findings. Secondary data were sourced from audited annual reports and financial statements of the small tea

producer organizations affiliated with KTDA. These documents covered a period from the financial year ending June 30, 2019, up to June 30, 2023, allowing for a detailed trend analysis of organizational performance and financial sustainability over a five-year period. This mixed data approach enabled the study to link reported Fairtrade practices and market innovation efforts with actual performance outcomes. The collected data were subjected to a structured process of cleaning, validation, and organization prior to analysis. Outliers and incomplete responses were identified and excluded to maintain data integrity and enhance the reliability of the results. The data analysis was conducted in two main phases. The first phase involved descriptive statistical analysis, which summarized the core characteristics and distributions of the key study variables, providing a foundational understanding of Fairtrade practices, market innovation initiatives, corporate social capital, and organizational performance across the sampled organizations. In the second phase, inferential analysis was undertaken using both simple and multiple regression techniques. Regression analysis was employed to assess the direct and moderating effects of Fairtrade practices, market innovation, and corporate social capital on organizational performance. Key statistical measures, including the coefficient of determination (R-squared), were used to quantify the proportion of variance in performance explained by the independent variables. The F-statistic was applied to evaluate the overall significance and goodness-of-fit of the regression models. In addition, path analysis and bivariate and multivariate linear regression models were utilized to explore more complex causal relationships and to determine the interaction effects among the variables. By combining these analytical techniques, the study provided a comprehensive assessment of how Fairtrade practices, market innovation, and corporate social capital jointly influenced the performance of certified small tea producer organizations under KTDA. This analytical approach ensured that the findings generated were robust, actionable, and relevant for stakeholders interested in strengthening the sustainability and competitiveness of Kenya's smallholder tea sector.

#### IV. Results

Primary data for this study were collected through the distribution of questionnaires to all 67 small tea producer organizations affiliated with the Kenya Tea Development Agency (KTDA). The final response rate was 95.5%, with 64 completed questionnaires returned and used for analysis. This high response rate was achieved through close follow-up, physical retrieval of distributed questionnaires, and the endorsement of the study by KTDA, which issued an official letter encouraging full cooperation by the organizations. This collaborative approach ensured broad participation, which, as Mugenda and Mugenda (2003) emphasize, strengthens the reliability and validity of data analysis when response rates exceed 70%. The demographic characteristics of the respondents provided insights into organizational experience and operational capacity within the smallholder tea sector. Among male respondents, 68.7% had served for 26 years or more, indicating a strong representation of highly experienced male leaders. In contrast, female respondents showed more varied lengths of service, with 20.5% reporting tenure of 11–15 years and comprising 31.3% of all female respondents. Notably, no female respondents fell into the 26 years and above category, highlighting a continuing gender gap in senior leadership positions among smallholder tea producer organizations. Regarding organizational age, the data revealed that only 1.6% of respondents were from relatively young organizations operating for less than 10 years. In comparison, 51.5% fell within an operational range of 20 to 50 years, while 46.9% had operated for over 51 years. These findings illustrate the significant historical presence and accumulated institutional knowledge of Kenya's smallholder tea producer organizations, factors that strengthen market reputation, enhance stakeholder trust, and contribute to strategic resilience. The study also highlighted the breadth of social outreach. An overwhelming 96% of the organizations operated 11 or more buying centers, with half managing 31 or more centers across their regions. This extensive network indicates a strong social infrastructure that supports broad market access for smallholder farmers, enhances local economic development, and aligns with the ethical principles of Fairtrade that prioritize community well-being. Against this organizational backdrop, the core null hypothesis tested in this study stated that:

**H<sub>0</sub>:** Market innovation does not have a significant influence on the association between Fairtrade practices and the performance of certified small tea producer organizations in Kenya.

This hypothesis addressed the study's key question of whether innovative market strategies strengthen, weaken, or have no effect on how Fairtrade practices impact organizational performance. To evaluate this, inferential statistical analysis including regression models and interaction effects was conducted to determine whether market innovation significantly moderated the relationship between Fairtrade practices and performance outcomes. The results of this analysis are presented in the next section, which outlines the statistical evidence for accepting or rejecting the null hypothesis and discusses its implications for strategic decision-making among Fairtrade-certified small tea producer organizations in Kenya.

**Table 1.** Summary of Research Objective, Hypothesis and Conclusions

Objective	Hypothesis	Pearson’s Product Moment Correlation (r)	R	R <sup>2</sup>	Levels of Significance (p-value)	Conclusion
1. Determine the influence of market innovation on the association between fairtrade practices and performance of certified Small tea producers organisation in Kenya	H <sub>1</sub> :Market innovation does not have a significant influence on the association between fairtrade practices and performance of certified Small tea producers organisation in Kenya	.656	.643	.413	.000	H <sub>1</sub> was not supported

Source: Research, 2023

**Table 1** The analysis sought to determine the influence of market innovation on the relationship between Fairtrade practices and the performance of certified small tea producer organizations in Kenya. The specific null hypothesis tested was H<sub>0</sub>: Market innovation does not have a significant influence on the association between Fairtrade practices and the performance of certified small tea producer organizations in Kenya. The results, as shown in Table 1, reveal that Pearson’s Product Moment Correlation coefficient (r) was 0.656, indicating a moderately strong positive relationship between the integrated variables when market innovation is considered. Furthermore, the coefficient of determination (R<sup>2</sup>) was 0.413, which implies that approximately 41.3% of the variation in organizational performance can be explained when market innovation is included as a moderating factor in the relationship between Fairtrade practices and performance. An R-value of 0.643 supports this strength of association, while the p-value of 0.000 well below the 0.05 threshold indicates that the relationship is statistically significant. These findings provide strong evidence against the null hypothesis and confirm that market innovation significantly influences the association between Fairtrade practices and organizational performance. These results underscore the strategic role of market innovation in enhancing the effectiveness of Fairtrade practices. Producer organizations that integrate product diversification, branding, customer-focused marketing, and digital strategies are better positioned to capitalize on the benefits offered by Fairtrade certification. The implication is that ethical trade standards alone are not sufficient; rather, performance gains are realized when such standards are supported by innovative organizational behaviour and responsiveness to market trends. This finding is consistent with recent studies that emphasize the synergistic relationship between ethical certification and innovation. For instance, Bissinger et al. (2022) demonstrated that Fairtrade-certified cooperatives achieved higher market performance when innovation strategies were embedded in their operations. Similarly, Hughes et al. (2021) highlighted that innovation enhances resilience and adaptability, enabling organizations to respond to dynamic global markets. The current study confirms these conclusions by showing that the interaction of Fairtrade and innovation explains a significant portion of performance outcomes among Kenyan tea producers. Additionally, this study extends the work of Ochieng and Koskei (2022) and Kiai and Korir (2023), who observed that structural barriers often limit the impact of Fairtrade initiatives in Kenya’s tea sector. Our findings provide empirical evidence that market innovation serves as a catalytic force to overcome these constraints and fully realize the potential benefits of ethical certification. This research, therefore, advances discourse by shifting the focus from Fairtrade as a standalone strategy to Fairtrade as an enabling framework that becomes most effective when coupled with innovative practices. However, these results also diverge from earlier skepticism in the literature, such as Ruben and Fort (2018), who questioned the tangible benefits of Fairtrade on organizational performance in low-income settings. Our findings suggest that while Fairtrade alone may not guarantee superior outcomes, its effectiveness significantly increases when innovation is strategically implemented. Therefore, the key to unlocking performance lies not only in ethical compliance but also in dynamic market engagement. In summary, this study contributes to the growing body of knowledge by highlighting the moderating role of market innovation in the Fairtrade–performance nexus. It emphasizes that innovation is not merely a competitive advantage but a necessary condition for maximizing the benefits of Fairtrade certification. These insights are particularly relevant for policymakers,

development agencies, and producer organizations seeking to enhance the livelihoods of over 560,000 smallholder tea farmers in Kenya through sustainable and market-responsive approaches.

## V. Conclusions and Discussion

This study developed a conceptual model that integrated Fairtrade practices, market innovation, and organizational performance, and empirically tested the moderating role of market innovation in this relationship. The results confirmed that market innovation significantly moderates the link between Fairtrade practices and the performance of certified small tea producer organizations in Kenya, thereby enhancing the strength of this association in a meaningful way. The finding that Pearson's  $r$  was 0.656, with an  $R^2$  value of 0.413, indicates that when innovative market activities such as product diversification, branding, digital marketing, and new market development are strategically embedded within Fairtrade-certified operations, they explain over 41% of the variance in performance outcomes. The  $p$ -value of 0.000 further confirms that this moderating effect is statistically significant at the 95% confidence level, reinforcing recent research that emphasizes innovation's role in strengthening sustainable business models (Lemke et al., 2021; Mutua & Kiiru, 2023).

These results suggest that certified small tea producer organizations that effectively combine Fairtrade principles with innovation strategies such as premium product positioning, value addition, or digital sales channels are better positioned to translate certification benefits into measurable performance improvements. This finding aligns with recent empirical studies demonstrating how responsible sourcing, ethical branding, and market-driven innovation jointly contribute to competitive advantage in global agribusiness (Acheampong & Adams, 2020; Mburu et al., 2022).

The demographic profile further supports this interpretation. The majority of organizations operate extensive buying centre networks and have decades of accumulated industry experience, implying that mature, community-rooted organizations are well positioned to leverage market innovation to amplify the benefits of Fairtrade engagement (Ochieng & Wambugu, 2021). However, the noted gender gap in leadership tenure highlights the need for inclusive capacity building. Promoting women's leadership and empowering younger managers could strengthen the innovation culture within Fairtrade-certified organizations, a gap also noted in recent African agribusiness studies (Njiru et al., 2023; Kariuki & Mwangi, 2022).

Overall, this study advances current understanding of how market innovation functions as an enabler, transforming Fairtrade commitments into tangible economic and social outcomes. By validating this moderating effect, the research responds to calls in contemporary Fairtrade and sustainability literature for more nuanced insights into how complementary capabilities shape the impact of certification schemes (Santos et al., 2022; Chege et al., 2023). This contribution underscores an important implication for managers, policymakers, and development partners in Kenya's tea sector: sustainable performance gains require more than certification alone. Effective Fairtrade implementation must be matched with strategic investments in innovation capacity, inclusive leadership development, and market expansion efforts. Strengthening this synergy can unlock new value for smallholder organizations, promote resilient rural livelihoods, and reinforce Kenya's position in the evolving global tea market.

In conclusion, this study examined the influence of market innovation on the association between Fairtrade practices and the performance of certified small tea producer organizations in Kenya. By employing a descriptive cross-sectional design, robust data collection, and inferential statistical techniques, the research provided clear empirical evidence that market innovation significantly strengthens the relationship between Fairtrade practices and organizational performance. The findings demonstrated a moderately strong positive correlation ( $r = 0.656$ ) and an  $R^2$  value of 0.413, indicating that when market innovation is effectively integrated, it accounts for over 41% of the variation in performance outcomes among Fairtrade-certified organizations. This evidence led to the rejection of the null hypothesis, confirming that market innovation is a vital moderating factor that enables small tea producer organizations to translate Fairtrade principles into tangible performance gains. These results advance the theoretical understanding of Fairtrade practice effectiveness by highlighting the critical role of complementary strategic capabilities such as innovation. Furthermore, the study confirms that a holistic approach combining ethical certification with active innovation is essential for smallholder organizations striving to remain competitive and sustainable in increasingly complex global markets.

This study contributes significantly to contemporary Fairtrade scholarship by validating that Fairtrade practices have a clear, positive impact on the performance of certified small tea producer organizations in Kenya an effect further strengthened by the moderating role of market innovation. By integrating corporate social capital and market innovation within the conceptual framework, the research moves beyond the traditionally narrow focus on Fairtrade certification alone. This aligns with recent calls for more holistic, systems-based approaches to understanding sustainability impacts in agribusiness (El Baz & Iddir, 2022; Acheampong et al., 2020).

Building on the Integrative Social Contract Theory, the findings affirm that local social norms, trust networks, and shared ethical values significantly shape how Fairtrade principles translate into performance gains. The inclusion of Instrumental and Stakeholder theories further enriches this understanding, demonstrating that

stakeholders' expectations around ethical sourcing and community benefit directly influence organizational outcomes (Kapoor & Sandhu, 2023; Muli & Maina, 2021). Importantly, the Kenyan context adds a local dimension to this discourse. By showing how corporate social capital and innovation capabilities interact with Fairtrade adoption, this research extends what recent studies by Mutua and Kiiru (2023) and Chege et al. (2023) describe as the need for context-specific theorizing in emerging markets.

Unlike prior studies that often isolated variables (e.g., Markelova et al., 2009; Lorenzo et al., 2016), this research demonstrates the value of an integrated model, confirming that Fairtrade's benefits are contingent on enabling organizational capabilities. Methodologically, the study's triangulation of primary and secondary data provides robust evidence, consistent with modern best practices for validating sustainability claims (Mohan et al., 2021). The secondary data, highlighting key export markets such as Egypt, the UAE, and the UK, corroborate the primary findings and reflect Kenya's competitive position in the global tea trade (ITC, 2023).

The introduction of a three-dimensional measurement framework Fairtrade practices, corporate social capital, and market innovation offered deeper insights than traditional, single-variable studies (Besser & Miller, 2011). This multi-dimensional lens supports recommendations from Barbieri et al. (2020) and Santos et al. (2022), who argue that sustainability impacts are best understood through interconnected capabilities and behaviors. Furthermore, the study's rejection of the null hypotheses on moderating effects clarifies previously ambiguous links reported in Fairtrade literature. It also supports recent behavioral research indicating that consumers increasingly use ethical cues such as Fairtrade labels as proxies for quality, trustworthiness, and social value (Wilshaw, 2023; Wangari & Njuguna, 2022).

This study set out to investigate the impact of Fairtrade practices, corporate social capital, and market innovation on the performance of Fairtrade-certified small tea producer organizations in Kenya. Grounded in an integrated conceptual framework, the research aimed to assess the direct influence of Fairtrade practices on organizational performance, while also examining the moderating roles of corporate social capital and market innovation strategies. The findings affirm that Fairtrade practices significantly enhance organizational performance, particularly when supported by strong networks of trust, collaboration, and innovative market engagement.

Theoretically, this study contributes to the literature by extending the understanding of how ethical certification mechanisms intersect with organizational capabilities to influence performance outcomes. The integration of corporate social capital and market innovation into the analytical model provides a nuanced perspective on how relational and strategic factors can amplify the benefits of Fairtrade participation. This reinforces the importance of multidimensional approaches in analyzing performance within smallholder agricultural systems.

Practically, the findings offer actionable insights for producer organizations, development practitioners, and policy actors seeking to enhance the sustainability and competitiveness of smallholder enterprises. Strengthening corporate social capital through capacity building and fostering market innovation through diversification and value-added strategies can significantly improve the impact of Fairtrade certification.

Commercially, this research highlights the importance of aligning ethical standards with entrepreneurial initiatives to unlock new market opportunities and drive inclusive economic growth. Societally, the study underscores the broader role of Fairtrade practices in promoting equitable participation, community empowerment, and rural development.

In conclusion, this study achieves its objective by offering a comprehensive examination of the pathways through which Fairtrade practices, corporate social capital, and market innovation jointly influence organizational performance. It bridges theoretical and practical perspectives, offering valuable implications for both academic inquiry and field-level interventions aimed at fostering resilient and competitive smallholder enterprises in emerging economies.

## Policy Implications

For policymakers, these findings offer actionable guidance to accelerate the revitalization and global competitiveness of Kenya's tea sector under flagship strategies such as Vision 2030, the Tea Industry Reforms (2022), and the Agricultural Sector Transformation and Growth Strategy (ASTGS 2019–2029). As Kamau (2023) emphasizes, enhancing sectoral competitiveness demands policy frameworks that simultaneously strengthen ethical compliance, stimulate innovation ecosystems, and deepen farmer inclusion. The confirmed positive impact of Fairtrade practices on market performance highlights the urgent need for robust legal and institutional structures that safeguard certification integrity and guard against mislabeling an emerging risk in global value chains (FAO, 2023). Policymakers should reinforce the Kenya Tea Board's oversight capacity, establish clear traceability systems, and align national certification schemes with evolving international sustainability benchmarks such as the EU's Corporate Sustainability Due Diligence Directive (2023).

Incentivizing local value addition must become a national priority. Kenya still exports over 95% of its tea in bulk form, capturing minimal value compared to final packaged products (ITC, 2024). Fiscal measures such as targeted tax rebates for local processors, affordable credit lines for smallholder-run factories, and subsidies for green energy use in tea processing could support the growth of local brands like Ketepa and emerging niche tea lines.

This echoes global best practices, where value addition in agribusiness drives both domestic employment and export revenue (Chege et al., 2023).

Regional competition from Rwanda and Uganda makes it imperative for Kenya to differentiate its tea not just through volume, but by branding itself as an ethical origin. Strong domestic policy must link Fairtrade compliance with innovation clusters, helping producers develop premium lines such as specialty orthodox teas, organic blends, or wellness-infused teas that meet changing global tastes (Mutua & Kiiru, 2023). Stakeholders including KTDA, county governments, trade associations, and donor-backed rural development agencies must allocate resources to build institutional capabilities. This means scaling up farmer and cooperative training on sustainable farming, climate-smart production, digital traceability, and market diversification. As Njiru et al. (2023) found, gender-inclusive leadership and youth engagement in governance structures are crucial for modernizing cooperative governance and unlocking next-generation ideas that attract sustainability-minded global buyers.

This study also reinforces that ethical branding must be strategically embedded into Kenya's export positioning. With conscious consumer segments growing rapidly in Europe, the Middle East, and Asia, policies must promote collaborative marketing campaigns with embassies and trade attachés to boost Kenyan tea's reputation as both high-quality and responsibly sourced. This aligns with insights from Mburu et al. (2022), who advocate for country-of-origin branding that links Kenyan tea to sustainability, biodiversity, and community impact stories themes that resonate strongly with premium buyers.

In addition, policymakers should prioritize investments in digital infrastructure to support smallholder organizations in accessing direct-to-market platforms and e-commerce channels. Digital adoption will allow Fairtrade-certified producers to reach niche buyers who value traceable, ethical supply chains an approach already gaining momentum in specialty coffee and cocoa (Acheampong & Adams, 2020). Finally, aligning these interventions with climate resilience is vital. Climate change remains a major threat to Kenyan tea, impacting yields and quality. Policies must integrate Fairtrade's sustainability requirements with climate-smart agriculture subsidies and reforestation incentives to protect the long-term viability of tea-growing regions, as highlighted in FAO (2023) and Kenya's Climate Change Act (2016).

In summary, by combining strong certification governance, strategic value addition, inclusive capacity building, ethical export branding, digital innovation, and climate adaptation, Kenya can transform Fairtrade from a compliance tool into a dynamic engine for sector-wide competitiveness, rural prosperity, and sustainable economic growth.

Practically, the findings underscore that Fairtrade certification alone is not a silver bullet for sustained competitiveness in an increasingly globalized tea market. Small tea producer organizations must complement ethical compliance with continuous market-driven innovation, leveraging new product development, premium product lines, value addition, and technology adoption to differentiate themselves. This echoes Mutua and Kiiru (2023) and Acheampong and Adams (2020), who argue that innovation and ethical branding together generate more resilient market positions for smallholders in competitive export-oriented sectors. To fully unlock Fairtrade's value, managers should prioritize product innovation pipelines for example, developing specialty teas such as purple tea, organic lines, wellness-infused teas, or climate-friendly blends that appeal to premium and health-conscious segments in the EU, UK, and Middle East. Integrating digital marketing and e-commerce platforms is also vital for reaching ethically motivated niche buyers who increasingly prefer traceable farm-to-cup supply chains (Acheampong & Adams, 2020).

For domestic market growth, the study highlights a critical need for behavior-change marketing that cultivates consumer ethnocentrism and pride in local brands under initiatives such as *Buy Kenyan, Build Kenya*. Research by Varis et al. (2021) affirms that when consumers perceive local products to match or exceed the quality and value of imports, they are more likely to switch loyalty a factor that is especially relevant as Kenyan tea competes with bulk imports from Pakistan and regional rivals such as Rwanda and Uganda.

Practitioners should therefore invest in certified quality assurance, transparent labeling, and compelling storytelling that connects Fairtrade certification with tangible local impacts from fair farmer incomes to community infrastructure and climate resilience efforts. As Greene et al. (2022) stress, consumer segments differ widely in how strongly ethical cues affect purchase intent; thus, marketing strategies must deliberately segment audiences by attitudes and beliefs about sustainability, fairness, and local pride.

Moreover, small tea producer organizations must embed corporate social capital into their operational strategies. Strong ties with farmer networks, trust-based relationships with buyers, and active partnerships with certifiers and development NGOs can unlock technical support, market access, and knowledge transfer opportunities that smaller firms often lack. These relational assets can amplify the benefits of Fairtrade branding and innovation initiatives (Huggins & Thompson, 2022). Additionally, managers should nurture inclusive leadership and workforce development that reflect gender and youth representation. This aligns with Njiru et al. (2023), who found that inclusive governance in cooperatives strengthens social license, member loyalty, and the capacity to adopt new market trends more rapidly.

Finally, the findings reinforce the importance of continuous market intelligence. Managers should routinely analyze evolving consumer trends, sustainability standards, and competitor positioning. By doing so, they can

proactively align Fairtrade practices with new certifications, consumer expectations, and value-added opportunities, ensuring that ethical branding remains credible, visible, and commercially valuable.

While this study provides valuable empirical evidence on the influence of Fairtrade practices on the organizational performance of small tea producer organizations in Kenya, several limitations must be acknowledged. First, the research focused exclusively on smallholder tea producer organizations affiliated with the Kenya Tea Development Agency (KTDA). Although this focus enabled in-depth analysis within a specific governance framework, it limits the generalizability of the findings to the broader tea sector, which includes large multinational estates, independent smallholders, and privately managed tea factories that may operate under different business models and market dynamics (Kiprotich et al., 2023). Additionally, the study's cross-sectional design was dictated by practical constraints in time, funding, and operational scope. As a result, the research captured data at a single point in time, providing a snapshot rather than a dynamic view of how Fairtrade practices and market innovation impact performance across different seasons, global market cycles, or policy changes. This limits the study's ability to account for variations that might emerge over longer periods (Muriuki & Omondi, 2023). Another limitation lies in the deliberate focus on a narrow set of variables specifically Fairtrade practices, corporate social capital, market innovation, and organizational performance. While this scope ensured conceptual clarity and analytical focus, it may not fully capture the complex network of factors influencing performance within Kenya's tea value chain. Important dimensions such as governance quality, digital traceability, climate resilience, and global commodity market shifts were beyond the scope but could offer additional explanatory value (Acheampong & Adams, 2020). Methodologically, the study relied solely on quantitative techniques primarily structured questionnaires and secondary financial records which, while robust for statistical testing, restricted respondents from expressing nuanced perspectives beyond predefined survey questions. As Wambugu and Mwangi (2022) highlight, exclusive reliance on quantitative approaches can limit the depth of insights into behavioral, perceptual, or context-specific factors that shape how Fairtrade practices operate on the ground. Taken together, these limitations mean that the findings, while significant, should be interpreted within the context of these constraints and seen as an important contribution to an evolving conversation rather than a definitive account of Fairtrade's role in Kenya's entire tea sector. Given the study's scope and identified limitations, several directions for future research emerge. First, future studies should expand the scope to include a wider range of tea sector participants, including multinational estates, independent smallholder groups, and privately owned processing units. Comparative research across these diverse organizational structures could reveal whether Fairtrade practices and innovation capacities influence performance differently depending on governance models and market access (Kiprotich et al., 2023). Additionally, longitudinal research that tracks Fairtrade practices, corporate social capital, and market innovation over multiple production cycles would provide a richer, more dynamic understanding of how these relationships evolve over time and under varying market conditions (Muriuki & Omondi, 2023). This would help address seasonal, cyclical, and structural changes that a cross-sectional approach cannot capture. There is also an opportunity to integrate additional explanatory variables, such as cooperative governance effectiveness, climate-smart agricultural practices, digital supply chain innovations, and exposure to international price shocks. Including these factors could strengthen the conceptual models used and provide a more comprehensive view of the drivers behind organizational performance (Acheampong & Adams, 2020). Beyond the tea industry, the conceptual framework and findings of this study could be replicated in other agricultural value chains such as coffee, cocoa, or horticulture, as well as emerging Fairtrade-applicable sectors like floriculture, textiles, and natural cosmetics. Such cross-sectoral studies would deepen understanding of whether Fairtrade's impact is sector-specific or exhibits universal characteristics across industries. Replicating this study in other East African Community (EAC) countries and broader regional blocs like COMESA and SADC could also provide comparative evidence about how institutional contexts, trade agreements, and socio-economic factors mediate Fairtrade's influence. Insights gained could inform regional trade and certification policies to promote ethical sourcing and sustainable smallholder development (Njiru et al., 2023). Finally, future research should combine robust quantitative approaches with qualitative methods such as in-depth interviews, focus groups, and participatory rural appraisals. This mixed-methods design would allow respondents to share richer insights, perceptions, and lived experiences, complementing statistical findings with deeper contextual understanding (Wambugu & Mwangi, 2022). By bridging quantitative rigor with qualitative depth, future studies can yield practical, actionable knowledge to inform policy, managerial strategy, and the Fairtrade discourse in Kenya and other developing regions.

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### Author (s) Contribution Statement

The final manuscript was reviewed, revised, and approved by the supervisors: Professor Francis Ndungu Kibera, Professor Mary Wanjiku Kinoti, and Dr. Winnie Gacugu Njeru. The corresponding author, Fredrick Mutwiri Mutea, prepared and developed the manuscript in accordance with the recommended guidelines.

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