

**FACTORS THAT DETERMINE SUSTAINABILITY OF NON PROFIT
ORGANIZATIONS IN KENYA**

BY

CECILIAH W. MURIITHI

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2014

**FACTORS THAT DETERMINE SUSTAINABILITY OF NON PROFIT
ORGANIZATIONS IN KENYA**

BY

CECILIAH W. MURIITHI

**A Project Report Submitted to the Chandaria School of Business in Partial
Fulfilment of the Requirement for the Degree of Masters in Business Administration
(MBA)**

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2014

DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit

Signed: _____ **Date:** _____

Cecilia Muriithi (Student ID: 636638)

This project report has been presented for examination with my approval as the appointed supervisor.

Signed: _____ **Date:** _____

Prof. Maina Muchara (PhD)

Signed: _____ **Date:** _____

Dean, Chandaria School of Business

COPYRIGHT

All rights reserved; no part of this work may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the express written authorization from the writer.

Cecilia Muriithi © 2014

ABSTRACT

The general objective of this study was to determine the factors that affect sustainability of non profit organisations in Kenya. The study was guided by the following research questions: How does strategic management affect sustainability? How do management's capabilities affect sustainability? And how do finances affect sustainability?

To address these research questions the researcher adopted a descriptive research design. It relied on both the primary and secondary type of data. The population of the study comprised of 1426 NGOs out of which 80 responded. Questionnaires were used as the data collection instruments while the collected data was analyzed using descriptive statistics. The analyzed data was presented and summaries in form of, frequency tables, and figures.

The study revealed that indeed 63 percent of NGOs apply strategic management principles. The management of these firms have succeeded in sharing the mission of the organisation which has received buy –in from stakeholders (56%). They also have tools such as balance score cards that help the organisation implement strategic management. Strategic planning is also done by all levels of staff from top to bottom with each staff making contributions. Additionally planning is done frequently. Finally the management lays specific attention to controlling the laid down strategy, as well most NGOs reported to have been able to adapt to changes in its operating environment.

It was evident that sustainability of NGOs is influenced positively by a number of management factors and management capabilities. These included proper governance structures, top management that understands the purpose of the organization and take the lead in its achievement, a leadership with all the required qualification, skills, competence and experience, a management that adopts staff policies that motivate and retains employees within the organization. Leadership approaches adopted also helped the organization to meet its objectives. Other factors include; stakeholder's faith in the management, existence of alternative & repeat donors, low staff turnover and finally meeting community needs through well designed projects. The study also revealed there existed proper financial policies that guide how NGOs manage their funds. Additionally 57 percent of the NGOs believe they have good leadership that provides assurance and gives confidence to the donors. The NGOs have reporting structures that facilitate accountability and openness. Finally it was revealed that most NGOs have a brand that

promotes it to donors which makes fund raising easier. As well it was revealed that NGOs proactively deal with any financial challenges.

The study recommends that NGOs should make use of a detailed strategic tool for the development of strategies as it gives a clear pictorial presentation of the factors that are critical for sustainability. It is recommended that NGOs acknowledges that there are management challenges additionally the study recommends that NGOs should revise their resource allocation in light of importance and performance.

ACKNOWLEDGEMENT

I wish to express my sincere gratitude to all those who in one way or another contributed to the success of this research project. I thank the almighty God for his blessings and favour thought my study. I also acknowledge the USIU faculty, my family, friends and my employer all of whom have contributed to making this research study a success.

DEDICATION

This research study is dedicated to my two dear moms Wangui Muriithi and Wangari Mboko for the key role they played in building a foundation for me which has propelled me this far. For the sacrifices they made and the mark they left.

For my baby sisters, Kez and Grace, who constantly encourage me and challenge me to be a better role model and to my fiancé Mike for his counsel, unending support and wisdom.

I honour you all for believing in me and giving me the inspiration to aim higher.

ABBREVIATIONS

NFP	Not for Profit
NGO	Non Governmental organisation
NPO	Non-Profit Organisation
PPP	Public Private Partnerships
RBV	Resource Based View
BSC	Balanced Score Card
IC	Intellectual Capital
FP	For Profit
ESO	Environment seeking organisation

TABLE OF CONTENTS

DECLARATION.....	ii
COPYRIGHT.....	iii
ABSTRACT.....	iv
ABBREVIATIONS.....	vi
TABLE OF CONTENTS.....	ix
LIST OF TABLES.....	xii
LIST OF FIGURES.....	xiii
CHAPTER ONE.....	1
1.0 INTRODUCTION.....	1
1.1 Background of the Problem.....	1
1.2 Statement of the Problem.....	5
1.3 Purpose of the Study.....	6
1.4 Research Questions.....	6
1.5 Conceptual Research Framework.....	7
1.6 Importance of the Study.....	8
1.7 Scope of the Study.....	9
1.8 Definition of Terms.....	9
1.9 Chapter Summary.....	10
CHAPTER TWO.....	11
2.0 LITERATURE REVIEW.....	11
2.1 Introduction.....	11
2.2 Strategic Management in Non profit organisations.....	11
2.3 Management’s Capabilities.....	16
2.4 Financial Sustainability in NGOs.....	18

CHAPTER THREE	24
3.0 RESEARCH METHODOLOGY	24
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Population and sampling designs	25
3.4 Data Collection Methods	27
3.5 Research Procedures	27
3.6 Data Analysis Methods	28
3.7 Chapter Summary	28
CHAPTER FOUR.....	29
4.0 RESULTS AND FINDINGS	29
4.1 Introduction.....	29
4.2 Background Information.....	29
4.3 Strategic Management and Sustainability.....	31
4.4 Management and Sustainability of NGOs	36
4.5 Finances and Sustainability of NGOs	37
4.6 Chapter Summary	42
CHAPTER FIVE	43
5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS	43
5.1 Introduction.....	43
5.2 Summary	43
5.3 Discussion.....	44
5.4 Conclusions.....	47
5.5 Recommendations.....	48

REFERENCES.....	50
APPENDIX I: COVER LETTER	53
APPENDIX II: QUESTIONNAIRE	54
APPENDIX III: RESEARCH SCHEDULE.....	61
APPENDIX IV: BUDGET	62

LIST OF TABLES

Table 3.1: Population Distribution.....	25
Table 3.2: Sample Size Distribution	26
Table 4.1: Gender of the Respondents	29
Table 4.2: Department	30
Table 4.3: Years in NGO Sector	30
Table 4.4: Number of Working Years in Ideal NGO.....	31
Table 4.5: Contributors to Organization Programmes.....	32
Table 4.6: Management and Sustainability of NGOs	37
Table 4.6: Funding	38
Table 4.7: Model Summary	41
Table 4.8 Relationship between Strategy, Management, Finances and Sustainability.....	41

LIST OF FIGURES

Figure 4.1: Application of Strategic Management Principles.....	33
Figure 4.2: Mission Sharing by Management.....	33
Figure 4.3: Existence Strategy Implementation Tools.....	34
Figure 4.4: Strategic Planning done at All Levels	34
Figure 4.5: Planning done Frequently.....	35
Figure 4.6: Strategy Control	35
Figure 4.7: Adapting to Change.....	36
Figure 4.8: Existence of Proper Financial Policies	38
Figure 4.9: Good Leadership	39
Figure 4.10: Reporting Structures Facilitating Accountability.....	39
Figure 4.11: Existence of a brand that promotes NGO to Donors.....	40
Figure 4.12: Proactively Dealing with Financial Challenges	40

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

According to Pearson and Robinson (2000), the strategic planning process contains tasks that include; formulating the mission, reviewing the company's internal and external environment for strengths, weakness, opportunities and threats (SWOT), analyse the various options the company has and decide on the most desirable option for the company's mission and selecting both long term and short term objectives. The process proceeds to implementation of the strategic choices and assessing the success or failure of the strategic choices.

Ansoff explores how strategic management can be used by firms to ensure they remain competitive and respond to the changing environment as well as dealing with the surprises of the operating environment to always ensure the firm remains capable of pursuing its mission (Ansoff & McDonnell, 1990). Strategic management can therefore be summarised to be the company's game plan which provides a framework for managerial decision making though not the very fine details, (Pearson & Robinson, 2000).

The sustainability of a firm hinges on the substitutability and imitability of its critical assets (Sun and Tse, 2009), in this way Sun & Tse qualify sustainability as a core concept of strategic management. When a firm can do something that rival firms cannot do, or owns something that rival firm's desire, that can represent competitive advantage and therefore withstand the test of time (Lumpkin, 2003). One of the key cornerstones of strategic management is the development of competitive advantage but the long term survival of the organization is based on how sustainable the advantage is. Possessing competitive advantage is likened to having an edge over fellow competitors in the industry making the organization the primary choice for customers which increases market share and eventually profitability levels.

Through the years the concept of sustainability has become the keystone of the global dialogue about the human future (Carley & Christie, 2000). Sesan (2006), defined

sustainability as the ability of an organisation to be able to continue meeting its mission over time and deliver the goods and services to the target population. For a Not for Profit (NFP) or a non-governmental organisation (NGO), sustainability can be defined as the ability to survive so that the organization can continue to serve its constituency (Weerawardena et al., 2009). This means that an organization will be able to fulfil commitments to “its clients, its patrons, and the community in which it operates” so that the groups who depend on it can “place their trust in that commitment” (Weerawardena et al. 2009, p. 2). Rickard and Peter (2010) also support this assertion when he argues that an organisation that is able to survive in the long term in a volatile and uncertain environment achieves organisational sustainability. This paper therefore adopted this conception of sustainability.

Hoka (2009) addresses the question of self sustainability in nongovernmental organisation. According to Hoka, self sustainability is not the end to philanthropic financing but it is self financing aimed at taking responsibility for the future and long term objectives of the organisation. The author suggests that self sustainability creates additional financing that supplements and complements philanthropic support, after all if NGO's rely only on one source of income, long term sustainability and independence remain uncertain.

Zengotita (2007) stated that barriers to sustainability are not so much technological but are social, political and psychological. Non-sustainability is the ingenuity gap in which problems outrun problem solving capacities (Homer, 2005). The author further attributes non-sustainability to the complicated human nature coupled with diminishing financial, physical and natural resources.

Moving to a path of sustainability requires improvement and creativity in the arts of citizenship and governance (Carley and Christie, 2000). These two authors suggest that only ethical governments and business leaders can ensure the fair distribution of wealth within and between generations. On the other hand Hoka argues that to convert social organisations to self sustainability status, the organisations must recognize the social problem and use their skills to organize, create and manage social change. Hoka suggest that the challenge of building a truly self sustaining organisation is multi dimensional and consists of aspects such as lack of; a clear vision, healthy relation with other sectors, realistic plans, effective high quality work programs, committed and competent staff,

accountability, ability to adapt, strong leadership and possibility to influence legal, political and social environments

For the purposes of this study it is important to understand the elements of sustainability. According to Pathfinder International (2010), many analysts divide sustainability into components which include organizational, financial, programmatic or technical, and even community sustainability. Also, it is clear that sustainability depends on the following beliefs among stakeholders: that the organization is providing beneficial, desired, and high quality services; that financial stability and growth are feasible; that leadership and management are excellent and motivated; and that sustainability initiatives are in harmony with stakeholders' beliefs. Pathfinder International, states that all these elements envelop constructive aspects of Non-Governmental Organization (NGOs).

The debate on sustainability was traditionally focused on the environmental sustainability but this has changed to now concentrate on the organisational and financial aspects of sustainability (Weerawardena, McDonald, & Mort, 2009). Financial sustainability has become critical with the main drive being the increased demands for the already scarce resources which have led to the necessity to have scholars explore how organisation can continue meeting their mission's objective with the little that is available. According to Flint (2007), sustainable development is taking actions through a system approach, to define our problems and solve them in a way that is long lasting

According to Bowman (2010), an organization that is sustainable in the long term but unsustainable in the short term is likely to be short of cash. Conversely, an organization that is sustainable in the short term but not in the long term may have adequate cash but inflation will cause the value of its assets to erode over time. This, in turn, will cause the quantity and quality of services to diminish unless capital campaigns periodically bring infusions of new assets. The ultimate strategic goal of nonprofits' financial outcomes is merely a means to accomplishing an organization's social mission (Hackler and Saxton, 2007). Thus, a non profit organization's ability to pursue its mission (i.e., providing consistent and quality programming and services) and its financial sustainability are linked.

Nonprofits may gain the majority of their revenue from charitable contributions or tax appropriations and measure efficiency and effectiveness of their operations in their success at achieving their social mission, which is their ultimate strategic goal. This, in

turn, creates public value (Hackler and Saxton, 2007; Moore, 2000). However, in contrast to for-profit organizations, nonprofits face the challenge of balancing the need for profitability over the long term (as a means to support their programs and services) with the need to promote and prioritize their social mission. For nonprofits, the ultimate goal is to prioritize organizational plans that identify opportunities to manage short-term financial flux while making progress toward meeting long-term social and financial objectives (Hackler and Saxton, 2007).

For the purposes of this study it is important to look at the back ground of the NFP industry. The NGO Coordination Act (1990) defines an NGO as a private voluntary grouping of individuals or associations, not operated for profit or for other commercial purposes but which have organised themselves nationally or internationally for the benefit of the public at large and for the promotion of social welfare, development, charity or research in the areas inclusive of, but not restricted to, health, relief, agriculture, education, industry and the supply of amenities and services.

Non Profit Organizations (NPO's) emerge to satisfy the need that neither the public sector nor the businesses are willing to. A non-profit pursues a mission that is neither financially sustainable using the for profit business model or for which there is insufficient public support to move governments to action (Valentinov, 2008).

According to Kanyinga, Mitullah, and Njagi (2007), various communities in Kenya have a tradition of offering community service and giving or helping those in need. This tradition has evolved a culture in which cooperation, volunteerism and giving are embedded. Responsibility for caring and the principle of reciprocity were integrated into the social and economic aspects of the society. Both the family and clan, as the main social units, acted as the centres through which this responsibility and the principle of reciprocity were played out. Family members would assist those in need while the clan played a role in helping families to address social-economic difficulties that they faced and in fostering social harmony. A social insurance system was embedded in every community to cushion members from effects of famine, droughts, loss of livelihood and other threats. This system was based on principles of collective responsiveness, mutual individual and communal responsibility, reciprocity and trust in general. In other words, collective efforts and individual contributions to the community enriched social capital which, in turn, promoted social citizenship. There were clear responsibilities and

obligations of each and every citizen to the community. The community, in turn, had clear responsibilities for the well-being of its members. In this context, traditional structures of social organisation served as the indigenous and earliest forms of non-profit organisations in the country. This is, therefore, one of the cornerstones of modern day volunteerism. The harambee spirit, which is the best manifestation of Kenyan volunteerism in the post-colonial era, owes its growth to this tradition. Indeed, harambee has been a major source of political capital for political elites. Harambee activities have been the main avenues for patronage resources. This has considerably devalued the harambee tradition (Kanyinga *et al.* 2007).

In most developing countries, NGOs have been associated with several weaknesses including lack of experienced manpower, limited financial assistance, having short range objectives, yielding to political influences and corruption (Shastri, 2008). These perceived weaknesses present a major threat to the ability or capacity of the NGOs to endure – internal and external factors that affect their operations and survival.

According to Okorley and Nkrumah (2012), organisational sustainability is looked at by local NGOs from several aspects of organisation's activities. The scope includes the availability of funds, availability and quality of material resources, supportive leadership, development of needs-based and demand-driven programme and effective management. Okorley and Nkrumah continue to state that all these factors greatly affect the effectiveness and survival of local NGOs.

The Not for profit sector is made up of organisations, institutes and foundations that are involved in meeting vital community needs that the profit sector is not able to meet due to the fact that the activities do not offer monetary returns as desired by the profit making venture (Rajarajeswari, R. R. 2013). This study aimed at determining factors that influence the sustainability of non profit organisations in Kenya. The study did not only identify the key factors but also offered recommendations on possible ways of improving the same and suggest key areas of development towards sustainable NGO'S.

1.2 Statement of the Problem

Salmon et al., (2007), argue that not for profit organisations play an important and growing role in the global economy. This is in the wake of the increasing population and scarcity of resources has increased the number of people in need. This has resulted to

numerous not for profits' coming up all of which are dependent on donors. It is for this reasons that it has become necessary to rethink the way not for profit organisations are managed. Furthermore the global financial crisis has forced NGO's in developing countries to adopt strategies that would ensure that they grow and survive in the absence of donors (Nicklos, 2006).

NGOs however face the challenges such as uncertainty in government funding and the decline of private donations due to economic difficulties coupled with growing competition within the sector. This has made it obvious that not for profits need to continue to attract the donors who fund them (Claeye and Jackson, 2012). According to Ansoff &McDonnell (1990) an organisation that wants to survive must identify its core competences that allow it to be competitive and gain an edge over the competitors.

There is however limited studies on how NGOs can attain sustainability in the wake of the challenges facing them. Okorley and Nkrumah (2009), for instance concluded that the survival of NGOs can be improved if they are able to develop and implement need-based and demand-driven programmes, supported by good leadership, transparency, accountability, and commitment to meet felt and expressed needs of beneficiaries. Further, there is need for management capacity that promotes learning organisation principles (such as shared vision, teamwork), and the provision of quality material resources for organisational efficiency and effectiveness. According to Weerawardena, McDonald and Mort (2009) the discussion of organisational sustainability needs further development including an understanding of how this issue impacts NGOs and the strategies they adopt. This study therefore aims to fill in the gap by examining factors that determine sustainability of Non profit organizations in Kenya.

1.3 Purpose of the Study

The purpose of this study was to determine factors affecting sustainability of non-profit organisations in Kenya.

1.4 Research Questions

The study was guided by the following research questions:-

1.4.1 How does strategic management affect sustainability?

1.4.2 How do management's capabilities affect sustainability?

1.4.3 How do finances affect sustainability?

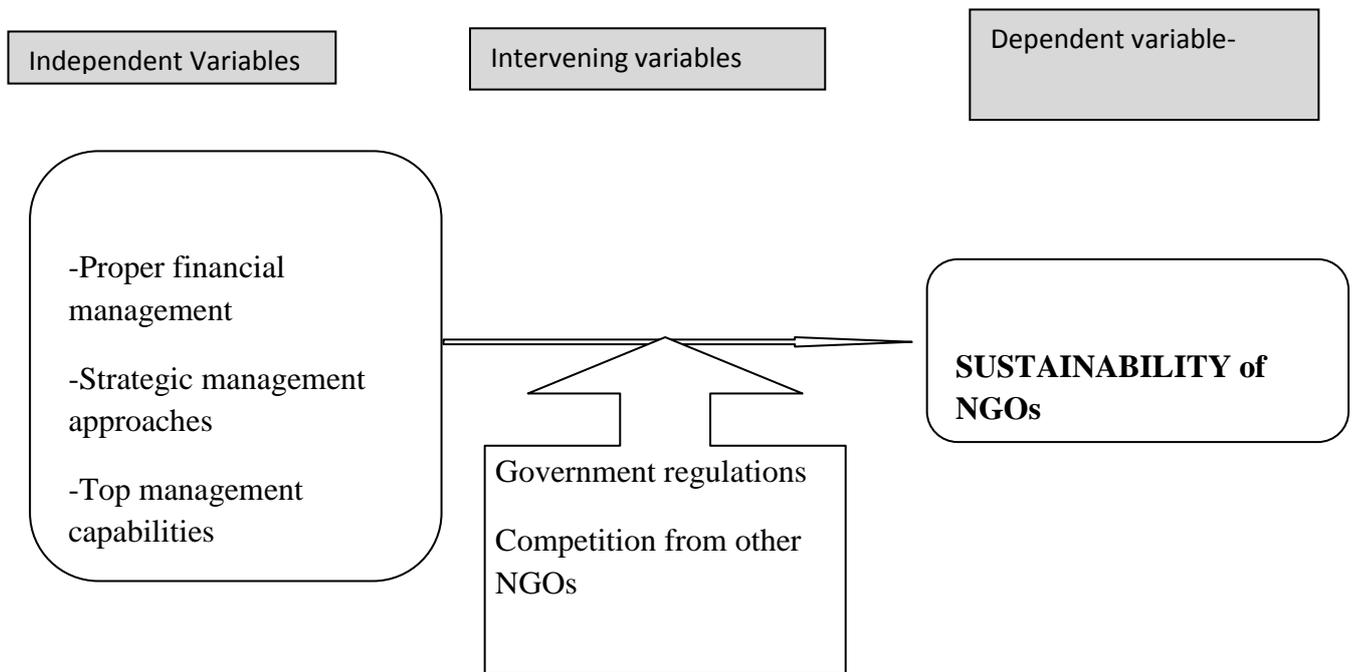
1.5 Conceptual Research Framework

The above research questions are addressed in the framework below which provides an understanding of what a sustainable organisation is as well as forms the basis of the study. This looks at the way the variables interact to create a sustainable organisation vis a vis one that is unsustainable.

This study considers three independent variables namely; Proper financial management, strategic management approaches and Management/leadership capabilities. These also form the basis for the research questions which form the research framework for the entire study. Other than the three independent variables there are other intervening variables that affect the dependent variable. These include-but are not limited to; Government legislations, economic environment and relationship with other sectors. These two categories of variables influence the dependent variable which is the sustainability of Non profit organisations.

The study requires us to ask the question of what then differentiates a sustainable organisation from one that is unsustainable. These are answered by looking at the characteristics of unsustainable organisations which according to Hoka (2009) are characteristics such as the organisation always falling short of cash, having high staff turnover, an inconsistent mission statement, gradually reduced number of beneficiaries, over reliance on donor aid and lack of accountability. On the other hand, sustainable organisations are depicted the following characteristics; Existence of alternative sources of funding, existence of appropriate governance structures, government and other stakeholders support, ability to influence legal, political and social environment and having a variety of projects/programmes.

Figure 1.1: Conceptual Framework



Source: Author

1.6 Importance of the Study

The study will benefit the following stakeholders; Participating not for profit organisations, the general public (Donors and volunteers) as well as Academicians and Researchers.

1.6.1 Non Profit Organisations

The participating organisations will learn the gaps in their management approach as well as areas of improvements. These will enable the organisation to adopt strategic management ideas that will result to long term success regardless of the turbulent environment. The results will also be helpful to other organisations that have operating structures similar to the participating ones.

1.6.2 The General Public

The results of the research will provide the public with information on how the NGO sector should be managed to enhance value creation. This may encourage donors to channel their funds to such endeavours where community needs are met and where the

future is considered for continuity purposes. For volunteers, the results will identify the gaps in the sector where volunteers can channel their inputs.

1.6.3 Academicians and Researchers

A lot has been done on business sustainability and not much on non profits sustainability. The results of the research will provide insights as to how the sector can plan on achieving sustainability that is not entirely pegged on the increase in profit or shareholders value. It will illustrate how strategic management concepts can be utilised to bring about sustainable non profit organisations.

1.7 Scope of the Study

This research covered Non profit organisations located in Nairobi area. The data was collected from employees in these NGOs who each filled in a questionnaire that were the source of the data analysis. The data collection took place between January and March 2014.

The challenges in the course of this research were largely be on the collection of data, most NGO's were not used to giving information especially for unsolicited research which meant that the employees were hesitant due to the sensitivity of the data. This challenge was addressed by involving them in the formulation of the research questions and also clearly explaining how they were to benefit by participating.

1.8 Definition of Terms

1.8.1 Non Governmental Organisations

The Non-Governmental Organization (NGOs) Co-ordination Act 1990 defines an NGO (also known as non profit organizations(NPO) as a private voluntary grouping of individuals or associations not operated for profit or other commercial purposes but which have organized themselves nationally or internationally for the benefit of the public at large and promotion of social welfare, development, charity or research in the areas inclusive of, but not restricted to health, agriculture, education, industry and supply of amenities and services.

1.8.2 Competitive Advantage

This has been defined as anything that favorably distinguishes a firm, its products or services, from those of its competitors in the eyes of its customers or end users in such a way that the customer chooses to purchase that product or service over another (Carr and Snyder, 1997).

1.8.3 Sustainability

Is characterized by durability (rate at which a firm's underlying resources, capabilities or core competencies can depreciate or become obsolete) and imitability (rate at a firm's underlying resources, capabilities can be duplicated) (Hungler and Wheelen, 2007).

1.8.5 Strategic Management

Is the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives (David, 2009).

1.9 Chapter Summary

The purpose of this study was to explore the various factors that affect sustainability of the not for profit organisations and illustrate how the management of such organisation can adopt principles of strategic management to bring about organisations that are able to continuously deliver their mission to the target population regardless of changing environment. Data was collected from employees of these organisations. The results of the study were not only useful to the participating organisation but also to other organisations with similar operating structures, existing and potential donors, volunteers and other researchers.

This first chapter has generally introduced the subject of the study. The chapters that follow will go into details with chapter two looking keenly at the existing literature on the subject. Chapter three will expand on the research methodology.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This literature review identifies key themes and findings that may inform operations and decision making related to improving sustainability in non profit organizations. Results from past studies were identified through a systematic literature search using a combination of academic search engines and the broader internet. These were used to guide on expectations and likely results for this study. The literature review looks into how strategic planning, organization's financing approach and management's capabilities affect sustainability. Literature on the three areas are considered.

2.2 Strategic Management in Non profit organisations

According to Analoui and Samour (2012), the success of a non-profit organization (NPO) often depends on formulating strategies suitable for the competitive environmental realities the organization confronts. In recent times these realities are becoming more pronounced given the increased demands for their services and decreased funding caused by economic changes. This belief is also supported by an earlier study by Estallo et al., (2006) which stated that though NGOs have a mission, strategy, and goals different from those organizations looking for profits, in the current environment, surviving and flourishing requires responding and adjusting to the social, economic and political factors and the changes therein. Hence the conclusion that strategic planning is essential in every type of organization, be it an NGO, a government, community, political or business institution since the objective of the strategic planning processes is to develop competitive strategies that enable the organisations to find an advantageous position in their current environment and to go beyond perceptions of the current situation to continue to differentiate the organisation into the future. (Porter, 1998).

Strategic planning normally takes place at the top of organizations (Ansoff, 1965); Mintzberg (1994), continues to say that emergent strategies can occur at all levels of the organisation, emergent actions at lower levels, if successful, are usually adapted into strategic plans by senior management. However, considering that the environment is continually changing, strategic planning has to be a continuous process that helps

enterprises to anticipate and respond to the changing dynamic environment in which they operate. In this context of a dynamic environment, plans are constantly in the course of modification, revision and refinement, often in the minds of the top management, so as Mintzberg (1978) declares, emergent or actual strategy can diverge from initially planned strategy.

The research done by Analoui and Samour (2007), suggested that the strategic management process in NGOs is profiled by a dynamic sequence of activities which include;- an analysis of the present situation of the NFP in regards to the needs, services, beneficiaries, their distinctive competitive advantages, the personal objectives of the stakeholders followed by defining the services and the activities in terms of mission and values for meeting specified beneficiary needs which means the organisation continues to meet its missions objectives. In this regard, Analoui and Samour (2012), states that the following steps were specifically applicable to NFP; analysis of the external environment including evaluating opportunities and threats in relation to the competitors, donors, the economy, socio-political influences and technology in order to improve value to the beneficiaries, analysis of the internal environment including evaluating capabilities, strengths and weaknesses, identifying key improvement opportunities and strategic issues which will affect the future of the NGOs, defining strategic choices in terms of objectives and grand strategies, implementing change to improve internal processes and services by enhancing beneficiaries capabilities. These aspects of capacity building is crucial for NGOs strategic operations, monitoring improved beneficiary value and NGO performance and review and learning from the strategies adopted with a view to future development of the strategic management capability of the organisation. (Ansoff & McDonnell, 1990).

To consider how strategic management contributes to sustainability, Soriano, Munoz-Torres, and Rosalen (2010), advance that selected organisational objectives have to be in line with the sustainability goals and the behaviours of an enterprise. At the same time, the formulation of sustainability strategic objectives have to begin with the analysis of the sustainability mission statement and then proceed to social, environmental and financial objectives and their performance drivers in a top-down process. This ensures that cause-and-effect relationships between them are defined. Further approach ensures that all goals

are aligned and all business activities are linked to the successful implementation of the business strategy.

The external environment plays a key role in the process of strategic planning in NPOs. These organisations are finding the external environment very turbulent and increasingly competitive which has made the NPOs “to move away from the past experience-based, path dependent decision making and toward developing innovative practises and strategic responses”(Weerawardena, McDonald, & Mort, 2009, p. 350). To emphasise the impact the environment has in strategic planning. Mufudza, Jengeta, and Hove (2013) found that it is important for an organization to have a strategic plan in times of great economic turbulence, it is however difficult to formulate and implement the plan in such times. Considering that strategy formulation and implementation are time and resource consuming, there is the risk that most strategies formulated may become obsolete before being implemented. This reemphasise the need to review the process of strategy formulation and doing away with some of the planning stages that are not relevant in a given environmental situation while maintaining those that are vital regardless of the environmental turbulence. Another factor (though not the only one) that determine the success of strategic planning and implementation is the ability of top management to think strategically. The other aspect that must be addressed for the success of strategic plan is ensuring there is strategic clarity among all stakeholders (Stid and Bradach, 2009). Achieving strategic clarity means offering very clear answers to the two most core questions to a non-profit's mission: “What impact are we prepared to be held accountable for?” and “What do we need to do – and not do – in order to achieve this impact?” Developing this clarity enables the organization to align systems and structures around a common objective as well as distributing decision-making authority beyond the executive directors such that a group of employees can make decisions as long as they are focused and committed to agreed objectives (Stid & Bradach, 2009). Clarity can also be achieved though participation as brought out by Ogbeide and Harrington (2011) who state that higher top management participatory approaches are important to enhance strategy implementation success regardless of the size of firm. Participation at all levels of the firm is a useful approach to increase the likelihood of strategy implementation success. Top management and frontline employee participation are critical for success of organisations as it eliminates the other great challenge faced by most NGOs in Kenya, as

outlined by the NGO Co-ordination Board (2009) paper showing that for some of these organisations sustainability is pegged on the founder member or the chief executive hence their survival relied on individuals and not institutional system.

2.2.1 Application of Strategic Models and Tools

For strategies to be formulated, implemented and controlled effectively an organisation must adopt a model or tool that facilitates the strategic planning process. One such tool that has been found to be very effective for NGO's is the balanced score card which was created in the 1990s by Kaplan and Norton (1992, 1996a, b, 2001a), and looks at various areas of an organisation to include customer, financial, internal process, learning and growth. A study by Greiling (2010) indicated that there are benefits of BSC in the area of strategy implementations which is in line with the original idea of the balanced scorecard. There have been numerous proposals on how to implement the balanced scorecard in the non-profit sector. Kaplan (2002), is convinced that the implementation of the balanced scorecard in non-profits is as beneficial as in the private sector. According to Kaplan (2002, p. 6), "society's 'third sector' will become more efficient in delivering benefits to society", if the balanced scorecard is implemented. Notwithstanding how important the BSC tool is, Greiling (2009) conducted a quantitative empirical study which covered 343 non-profit social services providers. It was established that the balanced scorecard was the least used performance management instrument in the non-profit sector (Greiling, 2009).

A second tool is intellectual capital (IC). King (2007), proposed that IC helps to shift NFPs' strategic focus to intellectual resources, including knowledge, skills and experience. This is important because strategic activities and changes that face the organisations will be mainly driven by internal initiatives by paid employees and volunteers rather than external forces such as government agencies. Therefore, resistance to those strategic activities and changes by volunteers and employees is likely to be reduced. As compared to the other strategic management concepts, IC is a valid strategic management conceptual framework for NFPs as it allows them to pursue their social objectives and utilise their resources effectively, and simultaneously to sustain their cherished qualities.

2.2.2 Effectiveness of Programmes Offered

According to Okorley and Nkrumah (2012), the development of needs-based and demand-driven programme is realistic only when community participation is encouraged and programmes are seen as useful and having positive impact on the targeted people. According to the beneficiaries who were the key informants of the study, the NGOs worked together with them to develop relevant programmes to meet their needs – a position which is well supported by Atiti (2006). Further, the study found that NGO's must improve community participation in their programmes, ensure the usefulness of the programmes to the communities by meeting needs that are clearly outlined by society and strive to achieve the desired impact on their clients who are the programmes beneficiaries.

According to Mahmoud and Yusif (2012), NFP's are in the business of meeting the needs of their beneficiaries. It therefore follows that the level of user or beneficiary satisfaction upon participating in a programme or service delivered by an NFP is a key indicator of performance. Programme and service efficiency aims to “determine the amount of time it takes NFPs to develop and deliver programmes and services to their intended users or beneficiaries” (Hishamudin et al., 2010, p. 122). An NFP that is efficient in generating programmes and services for arising social needs can be regarded as one that is responsive, which is important towards sustaining clients and in winning donor supports. In particular, an increase in the number of clients indicates the relevance and effectiveness of programmes or services, whilst a decline in this number reflects the end of a programme or service life cycle (Hishamuddin and Roland, 2010). Finally, overall programme effectiveness typically aim to check whether and to what extent programme goals and objectives have been achieved and the progress towards achieving the broader societal objectives, which are pivotal to determining future funding to NFPs (Hishamuddin and Roland, 2010).

Another thing that determines the success of NGO's programmes is the extent of community participation/involvement. According to NGO Co-ordination Board (2009), community participation was found to be more critical for NGOs projects than funding. According to this report an organisation may have the funds but if the community does not support it or does not feel involved the funds may not bring the expected results.

2.3 Management's Capabilities

According to Kamaria & Lewis, 2009, NFP organizations, though concerned about financial issues, are largely driven by factors that are different from those that drive for profit (FP) environment-serving organizations (ESOs). The top management of NFP organisations are faced with the challenge of measuring their performance as the bottom line is not as tangible as that of for profit making organisations. Furthermore (Drucker, 1990) contends that the executives of NFP organizations do not have a set benchmark upon which performance can be measured. NFP organizations exist largely to bring a change in society. Thus, performance and results are far more difficult to measure and control in NFP organizations than in FP firms. Given the numerous issues confronting the NFP sector, an appropriate level of the general management responsiveness is desirable to ensure delivery of the NFP's mission. According to Bititci, et al., (2011) the fact that managerial perceptions appear to play a central role in shaping the organisation of the managerial system and ultimately performance, organisations need to carefully consider the education of managers and placement of managers in appropriate roles.

The Ansoff & McDonnell (1990), model of general management capability identifies general management competence orientations as integral to the success of the organization which according to Okorley & Nkrumah (2012), good management greatly contributes to local NGOs' sustainability the bias being on the fact that management must have capacity to oversee the implementation of their development programmes. At the same time a good partnership between the management, the staff and the board is required.

Mintzberg (1973), describes the ten roles of an executive director. He categorized executive managers' ten roles within three sets of behaviours; to start with are the four decisional roles (entrepreneur, disturbance handler, resource allocator, negotiator), followed by three informational roles (monitor, disseminator, spokesperson) then three interpersonal roles (figurehead, leader, liaison). Mintzberg categorisation was later supported by Okorley & Nkrumah (2012), who asserts that Management/leadership must possess skills such as adequate managerial skills, must encourage teamwork, and lead by example, this way the management will get the necessary support for ensuring organisational sustainability.

For leaders of NFP's to overcome these challenges they must work towards a stronger management. Hard work must be applied to clarify their organization's strategy, to establish meaningful metrics with which to assess progress and prioritise the assembly of a balanced team at the top achieving strategic clarity means answering, in very concrete terms, the main questions that are core to a non-profit's mission that is, what impact is the NFP prepared to be held accountable for? And what does a NFP need to do or not to do so that they can achieve the impact identified in the preceding question? Developing this clarity enables the organization to align its systems and structures around a common objective. It also enables the distribution of decision-making authority beyond the executive director, as decisions that once required judgment calls by the leader can be made by a broader group aiming towards an agreed set of outcomes (Stid and Bradach, 2009).

2.3.1 Application of Proper Organisational Governance

Non-profits are theoretically owned by the community rather than by shareholders. They may have assets but these are held in trust and so are locked-in for community benefit (Dunn and Riley, 2004). There is no direct claim to be made on these assets other than by creditors. This contrasts with the stewardship model as it opens up the prospect that organisations can be judged not only from above (by shareholders) but also from below by stakeholders at large. Low (2006), continues to state that, non-profit governance is built on the notion that those managing an organisation at the highest level should be on the board because of who they represent rather than their ability to manage the assets of the organisation. It follows therefore that the performance of a non-profit will be judged in part on the basis of who is on their board rather than what they achieve whilst in that role.

2.3.2 Adopted leadership approaches

Managerial processes are key resources that determine an organisation's ability to sustain its performance in the long-term. This can be illustrated by the relationship between the three separate bodies of literature: business processes, RBV and dynamic capabilities. According to Bititci, et al., (2011) managers need to develop a wider understanding and awareness of the overall managerial system as well as a deeper understanding of their own immediate area of responsibility. They need to be better equipped and motivated

towards achieving a workable balance between short-term and the longer term, future-oriented, activities that bring about sustainability. It is also important for managers to exploit their managerial activities for multiple purposes whilst improving the maturity of the individual managerial activities. Top management therefore must adopt a management approach that allows them to incorporate all these management systems

2.4 Financial Sustainability in NGOs

The definition of financial sustainability may vary widely between for-profit organizations and non-profits by depending on the business structure, revenue structure, and overarching goal of the organization (Bowman, 2009). For non profit organizations, financial capacity consists of resources that give an organization the ability to seize opportunities and react to unexpected threats while maintaining general operations of the organization (Bowman, 2000). It reflects the degree of managerial flexibility to reallocate assets in response to opportunities and threats as well as the ability to maintain financial capacity over a period of time.. The challenges of establishing financial capacity and financial sustainability are central to organizational function. Maintaining the ability to be financially agile over the long term is especially important for nonprofits, given that many of them serve high-need communities that require consistent and continually available services. With this in mind, the goal of financial sustainability for nonprofits is to maintain or expand services within the organization while developing resilience to occasional economic shocks in the short term (such as, short-term loss of program funds, monthly variability in donations).

As outlined by Floyd & Shrestha (2008), no matter how big, a non-profit organisation's effort to sell itself and its mission to its donors will continue as long as it is engaged in raising money and other resources otherwise its viability may be at stake, as well as its appeal to the donor community; it must continue to refine and redefine its marketing approaches and strategies to meet its expanding needs. It is obvious that if an NFP organisation is to maintain its ability to serve its various missions, its resource needs are bound to grow due to the national demographic trends which indicate that the population will continue to grow, especially among the minority and low income groups, hence increased need for unmet social needs. A survey done by the NGO coordination board indicated that a total of KES 68,825,055,222.00 was received by NGOs as donations to fund various projects during the year 2005/6. (The NGO Co-ordination Board, 2009)

According to Okorley & Nkrumah (2012), NGOs must have management capacity to oversee fundraising, it is also important that staffs of the NGOs are educated about the situation of their NGO's finances, cost and competitiveness of their products and services to beneficiaries. However, organisations are not fully able to enhance the interest of all their stakeholders, that is, those groups or individuals who can affect or are affected by the achievement of the organisation objectives. This can be achieved through building a brand, adopting community participation, establishing accountability processes among many others.

Okorley & Nkrumah (2012), suggested that their board of directors should develop and use various methods of fundraising in an attempt to improve the financial sustainability of NGOs. The methods should include training their staff on proposal writing, expanding the scope of donors and identifying more local sources of funding. Furthermore, they suggested that management should ensure more transparency and accountability in their financial matters through proper documentation, application of accounting policies and recording procedure to avoid ambiguities and suspicion. They also indicated that executive directors and programme managers of their NGOs should carry out monthly financial reviews to ensure proper use of funds and to monitor and evaluate programmes and performances of their NGOs.

2.4.1 Brand equity and branding

Brand equity is seen as the value of the brand which entails the notions of brand loyalty, brand awareness, perceived quality and brand associations (Keller, 2003; Aaker, 2007). It is generally agreed that building brand equity should be a priority for non-profits, as having a strong brand is as essential for non-profits, as it is for profit seeking organisations (Voeth and Herbst, 2008). However, the differences between profit seeking and non-profit organisations require that non-profits build brand equity differently (Laidler-Kylander and Simonin, 2009). Suggested five areas in which non-profits differ significantly from profit enterprise; organisational structure, human resources, collaborative focus, complex customers and mission driven. Together, these five form the core drivers of brand equity for NFP organisations (Laidler-Kylander and Simonin, 2009).

In developing a brand equity model for international non-profit organisations engaged in development, advocacy and relief work, Laidler-Kylander and Simonin (2009) identified four key variables: consistency, focus, trust and partnerships. Brand consistency is closely related to clarity and convergence. It has been suggested that brand consistency is important for NFP due to the “complexity of brand audiences”, “efforts to increase operational focus have a direct impact not only on brand equity, but also affects organisational legitimacy and brand positioning” (Laidler-Kylander and Simonin, 2009, p. 63). Brand trust is central to brand equity, and given “the disconnect that exists between the purchasers and users of non-profit products and services,” trust is critical to non-profits (Laidler-Kylander and Simonin, 2009, p. 63). Partnerships refers to co-branding alliances between non-profit and profit seeking organisations, whereby high calibre partnerships may positively influence a non-profit's brand image, its potential to fund raise, and its ability to differentiate itself from competitors (Laidler-Kylander and Simonin, 2009).

Nonprofits face a myriad of challenges in establishing and maintaining financial sustainability. Managing financial viability in a changing funding landscape is a task that each NFP must undertake while contending with competing NFP at the same time establishing collaborative partnership, demonstrating value and accountability to funders and supporters (Rand 2012). Hence the need to create a brand that can offer competitive advantage and ensure financial support is continuously present which according to Torres (2010), ensures that there is always people who believe in the NFP and are consistent in offering financial support

Bell, Maoka, and Zimmerman, (2010) state that it's not enough for non profits to have a high impact program if there is no effective strategy for sustaining the organisation financially just as it is not enough to be financially stable without sustainable programmes yet, in the NFP sector financial information and information on the mission impact do not get discussed in an integrated way. Instead, financial reports and analysis rarely include data on what impact has been brought about by a particular financial activity .More often than not, project evaluations and progress are discussed out of context with funding streams, profitability and financial sustainability.

2.4.2 The scope of NGO accountability

The concept of accountability (like that of governance), lies in the relationships between the organisation and the society and/or stakeholder groups of interest. The diversity of these stakeholder groups of interest means that NGOs have multiple accountabilities, both “downwards” to their partners, beneficiaries, staff and supporters, and “upwards” to trustees, donors and host governments” (Davison, 2006,p.65). Donors, unlike beneficiaries, enjoy a direct means of imposing accountability requirements on NGOs. Hence, most NGOs (particularly large, international ones) have focused primarily on meeting the “upward” and “external” (Ebrahim, 2003) requirements imposed by donors. Likewise, most research on NGO accountability has concentrated on formal, “upward” reporting mechanisms. However, the efficacy of imposing “top-down” approaches to NGO accountability has been questioned (Dixon *et al.*, 2006; Ebrahim, 2003, 2005; Naidoo, 2004). Indeed, Gray *et al.* (2006, p. 319) assert that “ill-considered calls from capital for more oppressive NGO accountability are hypocritical and inappropriate.”

The findings of the paper done by Northcott & Lawrence, (2011) point to an ideal of a “bottom-up” accountability framework for grass-roots NGOs. This framework has four key elements which include that it must be: simple, transparent, underpinned by society, and enacted at the community level. The importance of personal contact and the visibility of activities mean that very actions are the accountability. Accordingly, effective grass-roots accountability must be reconceptualised as accounts of actions and transactions, rather than the numerical abstractions of accounting.

Another form of accountability that is increasingly becoming famous is fiscal accountability, also known as financial conditionality which according to Bluemel (2007), includes not only conditions a fund provider may impose upon an NGO, but also may include, national regulations preventing an NGO from engaging in for-profit activities or decisions made by individuals with conflicts of interests (Bluemel, 2007). This form of accountability is particularly strong for NGOs which are highly dependent upon external financing; it is even stronger for NGO who engage an essential part of their activity in a public private partnership (PPP) with government. The necessity of financing for sustainability – or competing for government contracts for PPP – creates a competitive market, with NGOs seeking to carve out market niches and branding. Knowing that

NGOs are increasingly becoming major employers, this competitive effect may strongly motivate NGOs to act like private sector actors and therefore may cause NGOs to act against the interest of their members, supporters, funds providers or beneficiaries. Market accountability is similar to fiscal accountability. The means by which NGOs obtain financing or membership in a competitive NGO environment can also be a powerful external method to control runaway NGO behaviour. NGOs tend to avoid competition on their market and as is the case with any firm, if a particular NGO is not fitted for its market, it will disappear.

2.4.3 Challenges to Achieving Financial Sustainability

According to Rand (2012), the main challenge is that many nonprofits organizations rely too much on external sources of funding, such as government grants that have been cut back in recent years. In Kenya, this has partly been explained by the formation of the counties which has meant that the government has had to allocate most funds to counties who in turn deal with the local challenges as opposed to funding NFPs. Nonprofits depend on their “brand”, establishing a non profit brand that clearly and consistently communicates the mission of the organisation and the services provided in a way that differentiates it from alternative non profits (Kirk and Nolan 2010), the marketing and branding efforts to help promote and sustain their programs and services, but branding considerations are often overlooked in the non-profit sector. Donors increasingly want access to up-to-date information about an organization's operations and finances as a way of ensuring return on their investment. According to Rand (2012), non profits serving low-income communities have an even harder task as they often struggle to raise funds, as few community members have the means to contribute financial support to nonprofits.

2.4.4 Promising Practices to Overcome These Challenges

To address financial challenges, NGOs must apply the use of innovative fundraising techniques, such as adopting giving circles and fostering relationships with investors, ensure clear, consistent marketing and branding to communicate a non profit's social mission to funders and the community in which it is based. As a way to respond to the changing resource environment and minimize competition for funding sources, many nonprofits have formed collaborations with other organizations that have similar goals. Engaging in evaluation activities that outline financial and programmatic outcomes as a result of funding support demonstrates the value of NFPs operations and helps determine

mission impact. In addition, clearly and consistently communicating evaluation efforts and findings to funders and investors demonstrates accountability. Establishing and engaging community board leadership and a system of community volunteers provides a resource of varied experiences and expertise while bringing a sense of ownership to the communities that nonprofits serve. Lastly, NGOs should foster a culture of giving and addressing the "willingness to give" gap may be productive in communities where many people have little resources to spare (Rand, 2012).

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to explain in details how the research on factors affecting sustainability of Not for profit organisations will be conducted. This chapter will therefore discuss the methodology that will be used in the study. It begins by describing the research design to be adopted then proceeds to identify and describe both the population and the samples size, and the methods of data collection, describe the procedure used in designing the instrument and collecting the data and end by describing the data analysis methods. At the end a chapter summary is provided.

3.2 Research Design

The study adopted a descriptive research design. A descriptive design involves the use of numerical information to collect, organize and summarize data. For this study, the descriptive design was quantitative in nature. Quantitative research relies on deductive reasoning or deduction and makes use of a variety of quantitative analysis techniques that range from providing a simple description of the variables involved, to establishing statistical relationships among variables through complex statistical modelling (Khalid, Hilman and Kumar, 2012).

This type of research calls for descriptions, explanations and predictive phenomena and uses probability sampling to quantify relationships between different variables (Khalid et al, 2012). Statistics quantitatively describes the main features of the data collected. This methodology is the most suitable because the research aims at expounding on some identified factors and laying out how they impact organisational sustainability. According to Saunders, Lewis, & Thornbill, (2003), descriptive studies are used to describe a phenomenon that is associated with a subject population or a part of that population. This approach is adopted when the research is formalised and has clearly laid out research questions or objectives. A survey was administered to a selected sample from a specific population identified. The term 'survey' is commonly applied to a research methodology designed to collect data from a specific population, or a sample from that population. In this study the independent variables were; Application of strategic management in NFPs,

organisation's finances and management capabilities all these have an impact on the dependent variable which is NFPs sustainability.

3.3 Population and sampling designs

3.3.1 Population

Cooper & Schindler (2003), define population, as a group of people or objects which are similar in one or more ways and which/who form the subject of the study in a particular research. The population of this study consisted of NGO in Kenya. According to the NGO board there were 5,929 registered NGOs in Kenya. This study concentrated on the 1426 active NGOs registered in Nairobi.

Table 3.1: Population Distribution

Category	Population N.
NGOs	1426
Total	1426

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

According to Saunders, Lewis and Thornhill, (2009) a sampling frame is a complete list of all the cases in the population from which the sample can be drawn. In the case of random sampling every unit within the sampling frame stands an equal chance of being selected and included in the sample. For this study, the sample frame was gotten from the NGO Coordination Board of Kenya.

3.3.2.2 Sampling Technique

For a researcher to draw conclusions from a representative sample of a population (Cooper & Schindler, 2003) explain that both probability and non probability sampling can be used. For this study non probabilistic sampling was used to create a sample that was dependent on the personal judgement of the researcher, sample elements were

selected depending on the required information. For this study a purposive/purposeful sampling technique was used to select respondents. This technique was used since it will allow the researcher to only pick respondent with the required characteristics (Macmillan and Schumacher, 2001). For this study the cases to be selected were picked based on their ability to poses the required information with respect to the objectives of the study (Mugenda and Mugenda, 1999; Kombo and Tromp, 2006).

3.3.2.3 Sample Size

A sample size is the number of units or persons in a population to be studied (Saunders, Lewis, & Thornbill, 2003)

$$N = \frac{p \cdot q}{(z/e)^2}$$

Where; N is the population

n is the sample

a is the z score

b is the margin of error

p and *q* are the estimate proportions

Considering a worst case scenario where *p* is 50%, at a 95% level of confidence, and within an error of ± 10

$$n = 50 * 50 * (1.96/10)^2 = 97 \text{ respondents}$$

However they further suggest that if the population is less than 10000, then the sample size can be adjusted, without affecting accuracy, using this formula

$$n' = \frac{n}{(1 + (n/N))}$$

The adjusted minimum sample size will be 92 respondents.

Table 3.2: Sample Size Distribution

Category	Population N.	Sample Size	Sample %
Not for profit/ Non-governmental/ community self-help organisations	1426	92	100

3.4 Data Collection Methods

The researcher acknowledges the various options were available as data collection methods, each with its advantages and disadvantages. This study used primary data to analyse the impact of strategic management, financial management and management's capabilities on organisational sustainability. The study employed the questionnaire which is deemed the best method of collecting the data required for this kind of research (Saunders, 2003), as this was easy to distribute and the confidentiality can be assured. The questionnaire contained both open and close ended questions aimed at giving respondent an opportunity to chose from listed alternatives as well as offer their opinion and therefore offer qualitative data. This was then distributed to the targeted respondents after they had agreed to participate in the study.

3.5 Research Procedures

A pilot study was carried out to ensure that the questionnaires met the set objectives. A draft research questionnaire was administered to 5 randomly selected subsets of the original population. The pilot study was aimed to establish how easy the questions are understood, how long it will take to complete the questionnaire as well as collect criticism on any other aspect of the questionnaire. This was done to ensure data validity and effectiveness of the instrument before administering it. A refined questionnaire was then sent out. A cover letter was attached to the questionnaire to state the objective of the study, seek cooperation of the respondents a well as to ensure various guidelines are met. Each respondent was given two weeks to complete them in which time follow up telephone calls were made to ensure the timely completion of the questionnaires.

The questionnaire for the study was administered through the help of research assistants who were trained before going to the field. Each of the assistant was required to be a university graduate with experience in data collection and who can work under minimal supervision. To ensure data integrity, the researcher did conduct call backs to the respondents. The researcher also made random visits to the field as data collection was ongoing. To enhance corporation, the researcher promised to share the results of the study. The methods adopted were also convenient for each correspondent meaning that some questionnaires were hand delivered others were mailed while some were administered through the telephone.

3.6 Data Analysis Methods

Once the data was collected, the responses to the open ended questions underwent a coding process before being entered into computer statistical software for analysis to develop a quantitative inference to the subjects of study.

Descriptive analysis of the data collected was used. The data analysis involved measures of central tendency and frequencies. Frequency distributions and percentages were used in the descriptive part of this study to draw conclusions. The data was then summarized and presented by means of frequency distribution tables and figures as well as using correlation analysis to establish relationship between variables.

3.7 Chapter Summary

The chapter has dealt with very crucial elements of research methodology. The research design which is the corner stone of all researches has been discussed. The population, sample, sampling design and sampling frame have been identified. The data collection methods, research procedure and data analysis method have all been dealt with.

The chapters that follow will discuss the key findings make conclusion and offer recommendations based on the result of the research.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents. The first section covers the background information with regards to the respondents. The second third and fourth section covers the aspects with respect to the research objectives of the study. A total of 92 questionnaires were issued out of which 80 were returned indicating 87 percent response rate.

4.2 Background Information

This section provides the background information with regards to the respondents' gender, department, occupation, number of working years as well as number of years in the NGO sector. These aspects were put into consideration because of the meaningful contribution they offer to the study as the variables help in the understanding of the responses given by the respective respondents.

4.2.1 Gender of the Respondents

Table 4.1 provides a summary of the respondents who were engaged in the survey on the basis of their gender. The results of the study show that indeed 48 percent of the total respondents were of the male gender, while the remaining 52 percent were of the female gender. This shows that indeed the research had little consideration for gender distribution.

Table 4.1: Gender of the Respondents

Gender of the Respondents	Distribution	
	Frequency	Percentage
Male	38	48
Female	42	52
Total	80	100

4.2.2 Department

The study findings show that indeed the majority of the respondents were in the programs department. Specifically, 37 percent of the respondents were in programs/projects, 19 percent of the respondents were in general management, 31 percent in PR/communication and 13 percent were in finance.

Table 4.2: Department

Department	Distribution	
	Frequency	Percent
Programs	20	37
General management	15	19
PR/ Communication	25	31
Finance	10	13
Total	80	100

4.2.3 Number of Years in NGO Sector

Table 4.3 provides the results of the study findings with regards to the years in NGO sector. The study findings show that the majority of the respondents (74 percent) had worked for a period less than six years. Specifically 38 percent of the respondents were in employment less than 1 years. 36 percent of the respondents were in employment between 1-3 years, 13 percent of the respondents between 4-7 and 7-10 years respectively.

Table 4.3: Years in NGO Sector

Years in NGO Sector	Distribution	
	Frequency	Percent
Less than 1 years	30	38
1-3 years	30	36
4-6 years	10	13
7-10 years	10	13
Total	80	100

4.2.4 Number of working Years in a sustainable NGO

Table 4.4 presents a summary of the respondents of the findings with regards to the number of working years of each respondent. As seen in the table majority of the

respondents would work in an ideal NGO between 1-3 years, followed by less than 1 year, 6-10 years, 3-5 years and over 10 years.

Table 4.4: Number of Working Years in Ideal NGO

	Less than 1	1-3 Years	3-5 Years	6-10 Years	Over 10
Years worked in current NGO	25%	50%	4%	6%	2%
Years in an Ideal NGO	13%	75%	4%	6%	2%

4.3 Strategic Management and Sustainability

The study first sought to establish how strategic management affects sustainability of NGOs in Kenya. The following subsection present a summary of findings with regards to the responses given with regard to this objective.

4.3.1 Contributors to Organization Programmes

Table 4.5 presents findings with regards to the responses on the groups that are actively involved in contributing to organisation’s programmes and projects through planning, designing, implementing and evaluating. It is evident that indeed donors are largely the most contributors followed by board of directors, executive leadership and senior staff respectively. The table shows that 56 percent of the respondents indicate that to a very large extent the donors/funders are actively involved. This group registered the highest average score of 3.68 followed by executive leadership and senior staff each at 3.61 ten the board of directors at 3.60.

Table 4.5: Contributors to Organization Programmes

	Very large extent	Large extent	Moderately	Not very much	Not at all	Mean	Total
Contributors	5	4	3	2	1		
Donors/Funders	56%	26%	8%	8%	2%	3.68	100%
Board of directors/trustees/Founders	48%	22%	20%	8%	2%	3.60	100%
Executive leadership	34%	28%	20%	6%	12%	3.61	100%
Senior Staff	36%	22%	36%	2%	4%	3.61	100%
Junior Staff	34%	17%	19%	3%	6%	3.51	100%
Beneficiaries/target groups	34%	26%	20%	12%	8%	3.50	100%
The government	36%	22%	10%	8%	24%	3.61	100%

4.3.2 Application of Strategic Management Principles

As seen in the figure 4.1, 35 percent of the respondents strongly agree, 28 percent of the respondents agree, 14 percent of the respondents strongly disagree and 10 percent of the respondents disagree while 13 percent of the respondents are uncertain about whether application of strategic management principles are applied in their organizations. This implies that indeed NGOs apply strategic management principles as seen from the 35 percent of respondents who strongly agreed. The mean score for this question was at 3.63

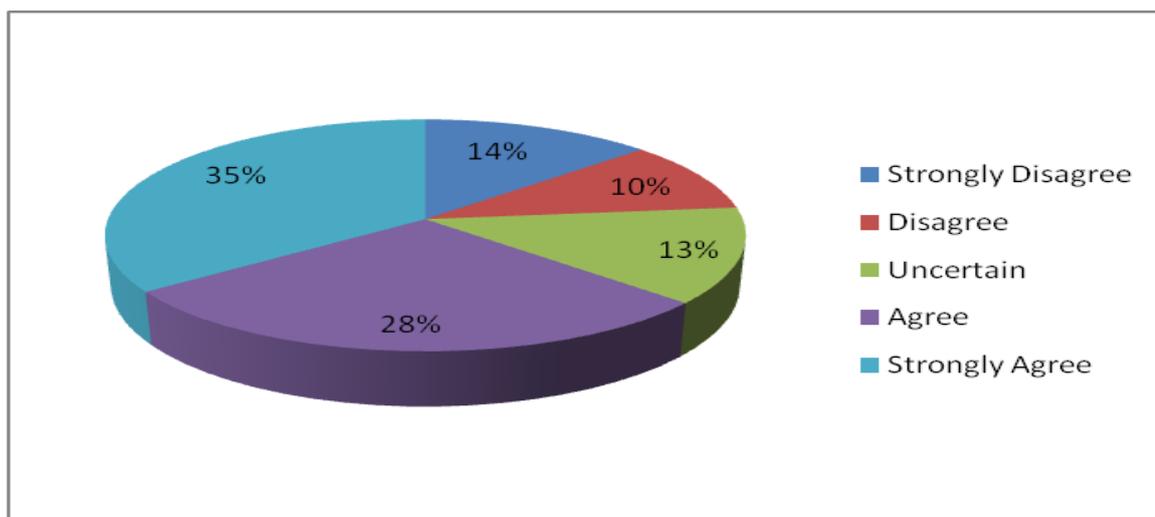


Figure 4.1: Application of Strategic Management Principles

4.3.3 Mission Sharing by Management

The results of the study shows that 28 percent of the respondents strongly agree 18 percent of the respondents agree, 12 percent of the respondents strongly disagree and 20 percent of the respondents disagree while 22 percent of the respondents are uncertain on whether the management of their respective organisation has succeeded in sharing the mission of the organisation. The mean score being at 3.02.

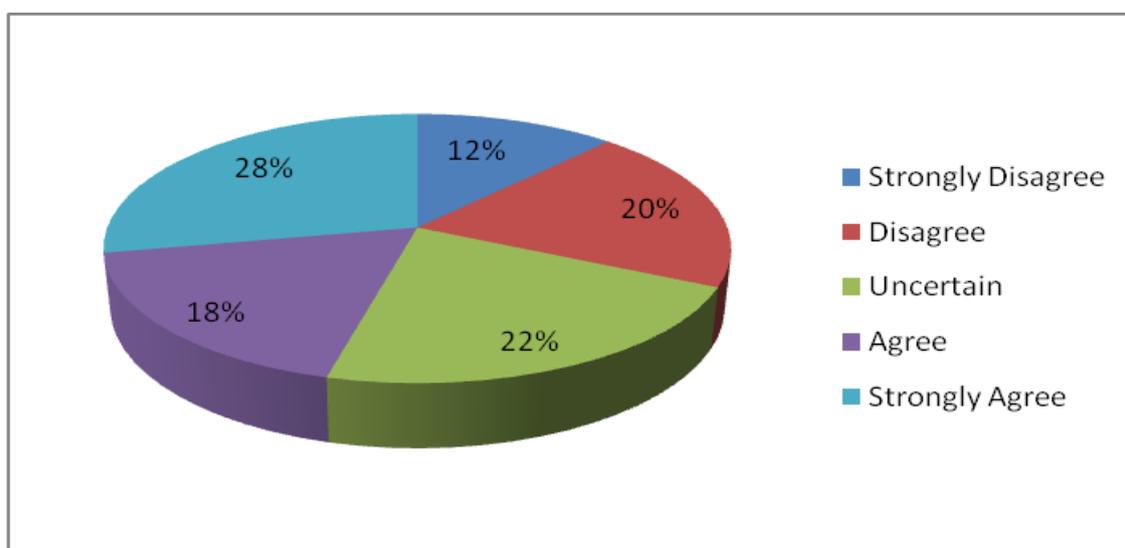


Figure 4.2: Mission Sharing by Management

4.3.4 Existence of Strategy Implementation Tools

The results of the study as seen in the figure 4.3, shows that 44 percent of the respondents strongly agree 16 percent of the respondents agree, 10 percent of the respondents strongly disagree and 14 percent of the respondents disagree while 16 percent of the respondents are uncertain about the existence in their organization of strategy implementation tools such as balance score cards, that help implement strategies. Overall, the question had a mean score of 3.42.

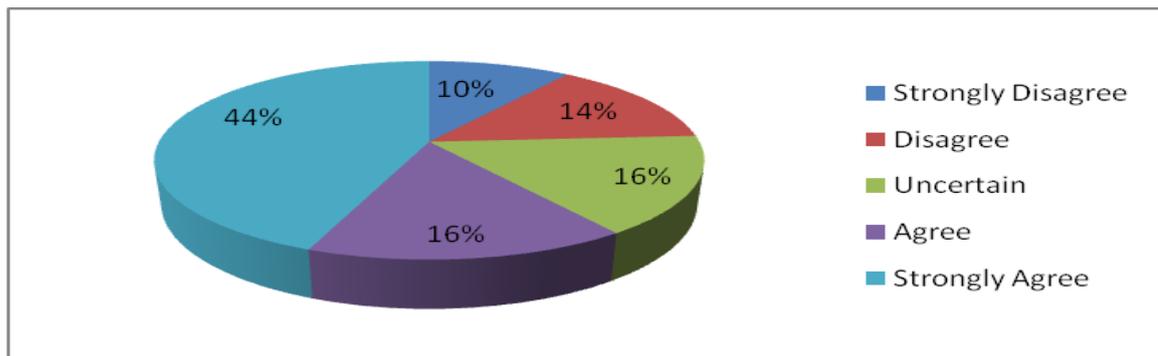


Figure 4.3: Existence Strategy Implementation Tools

4.3.5 Strategic Planning done at All Levels

The results of the study show that 60 percent of the respondents agree, 19 percent of the respondents strongly agree, 15 percent of the respondents disagree, and 3 percent of the respondents strongly disagree while 5 percent of the respondents are neutral on whether strategic planning is done by all levels of staff from top to bottom with each staff making contributions. Overall the mean score was 4.12.

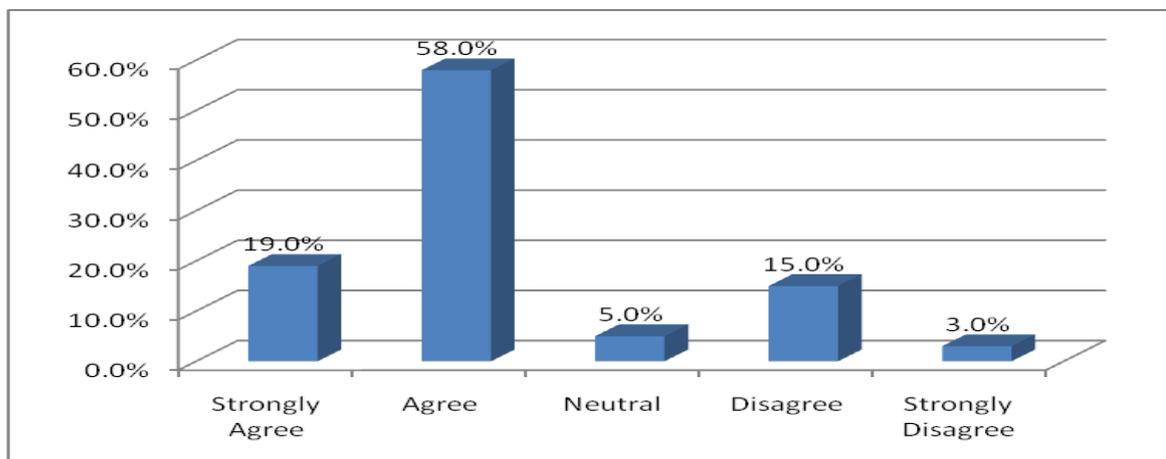


Figure 4.4: Strategic Planning done at All Levels

4.3.6 Planning Done Frequently

The results of the study show that indeed 23 percent of the respondents strongly agreed, 38.1 percent of the respondents agree, 33.3 percent of the respondents remained neutral while 4.0 percent of the respondents disagreed that planning is done frequently. The mean score was at 3.71.

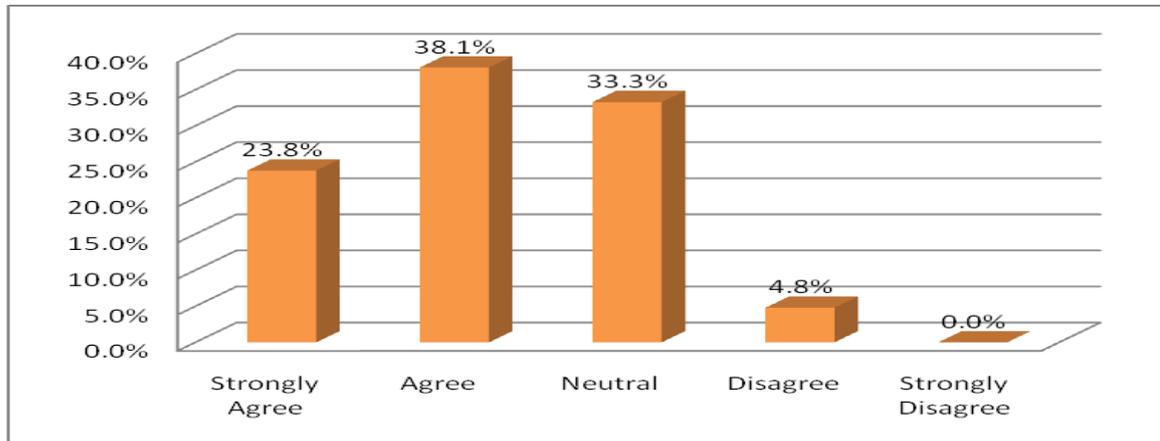


Figure 4.5: Planning done frequently

4.3.7 Strategy Control

The results of the study shows that 24 percent strongly agree, 14.5 percent agree, 19.0 percent disagree, 9.5 percent strongly disagree while 33 percent are neutral that indeed the management lays specific attention to controlling the laid down strategy. The

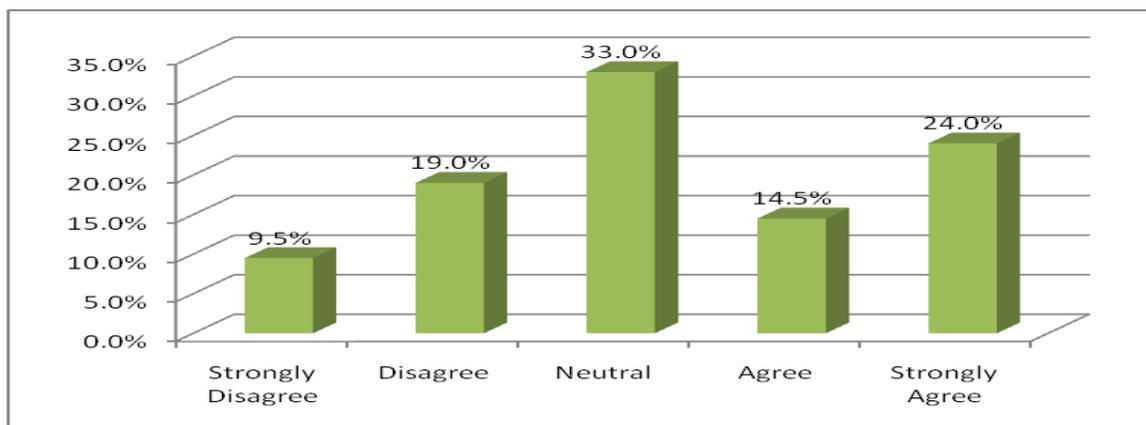


Figure 4.6: Strategy Control

4.3.8 Adapting to Change

The results of the study shows that 14.3 percent of the respondents strongly agree, 66.6 percent of the respondents agree, 4.8 percent of the respondents disagree, 2.3 percent of the respondents strongly disagree while 12.0 percent of the respondents are neutral that their organisations have in the past been able to adapt to changes in its operating environment. The question had a mean score of 3.30.

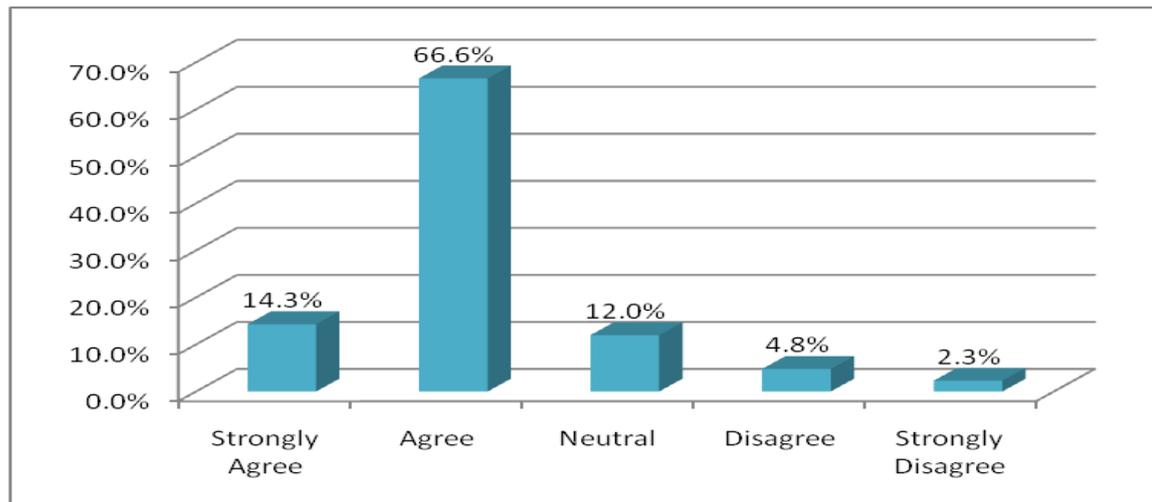


Figure 4.7: Adapting to Change

4.4 Management and Sustainability of NGOs

The study further sought responses on how management affects sustainability of NGOs in Kenya. These findings are presented in table 4.6. It is evident that sustainability of NGOs is influenced positively by a number of management factors. These included proper governance structures, top management that understands the purpose of the organization and take the lead in its achievement, a leadership with all the required qualification, skills, competence and experience, a management that adopts staff policies that motivate and maintains employees within the organization, leadership approaches adopted in facilitating the organization to meet its objectives, stakeholders having faith in the management, existence of alternative & repeat donors, Low staff turnover and finally meeting community needs through well designed projects.

Table 4.6: Management and Sustainability of NGOs

Management and Sustainability of NGOs	Very High	High	Fairly High	Low	Very Low	Mean	S.D
Proper governance structures	32%	48%	10%	8%	2%	4.11	1.1
The top management understands the purpose of the organisation and take the lead in its achievement	36%	39%	10%	5%	10%	4.02	1.2
The leadership posses all the required qualification, skills, competence and experience	3%	53%	10%	28%	6%	3.01	1.4
The management adopts staff policies that motivate and maintains employees within the organisation	31%	54%	6%	4%	5%	3.98	1.2
The leadership approaches adopted facilitate the organisation to meet its objectives	45%	41%	8%	4%	2%	4.21	1.0
Stakeholders have faith in the management	28%	50%	5%	10%	7%	3.12	1.2
Existence alternative & repeat donors	24%	52%	9%	6%	9%	3.57	1.1
There is low staff turnover	6%	58%	4%	30%	6%	3.44	1.4
Meeting community needs though well designed projects	30%	48%	8%	12%	2%	4.03	1.2

4.5 Finances and Sustainability of NGOs

The study finally sought to establish how finances affect sustainability of NGOs in Kenya. These findings are presented in the following subsection. As seen in table 4.7, it is evident that most funding comes from private foundation with the highest mean score of 4.44 followed by governments with 4.35 and religious institutions at third place with a mean score of 4.17.

Table 4.7: Funding

Funding	Not At all	Not Much	Just a little	Much	Very Much	Mean	
International institutions and governments	6%	9%	6%	21%	58%	4.05	100%
Religious institutions	4%	4%	6%	27%	59%	4.17	100%
Private foundations	8%	6%	6%	16%	64%	4.44	100%
Governments	10%	28%	6%	3%	53%	4.35	100%
Corporate	6%	4%	5%	31%	54%	4.13	100%
Personal Contributions	8%	4%	2%	45%	41%	3.97	100%

4.5.1 Existence of Proper Financial Policies

Figure 4.8 presents a summary of findings with regards to how respondents regard existence of proper financial policies that guide how their organisation manages its funds. As shown, 55 percent of the respondents strongly agree, 33 percent agree, 6 percent strongly disagree, 4 percent disagree, while 2 percent are uncertain that there exists proper financial policies that guide how their organisation manages its funds. The mean was 4.01.

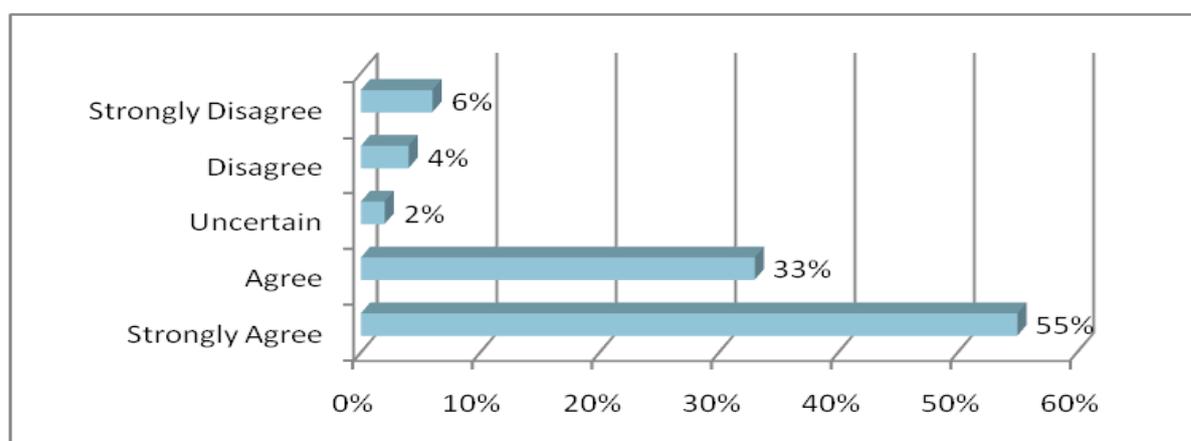


Figure 4.8: Existence of Proper Financial Policies

4.5.2 Good Leadership

Figure 4.9, shows that 57 percent of the respondents strongly agree, 27 percent agree, 6 percent strongly disagree, 6 percent disagree, while 4 percent are uncertain that their NGO has good leadership that provides assurance and gives confidence to the donors.

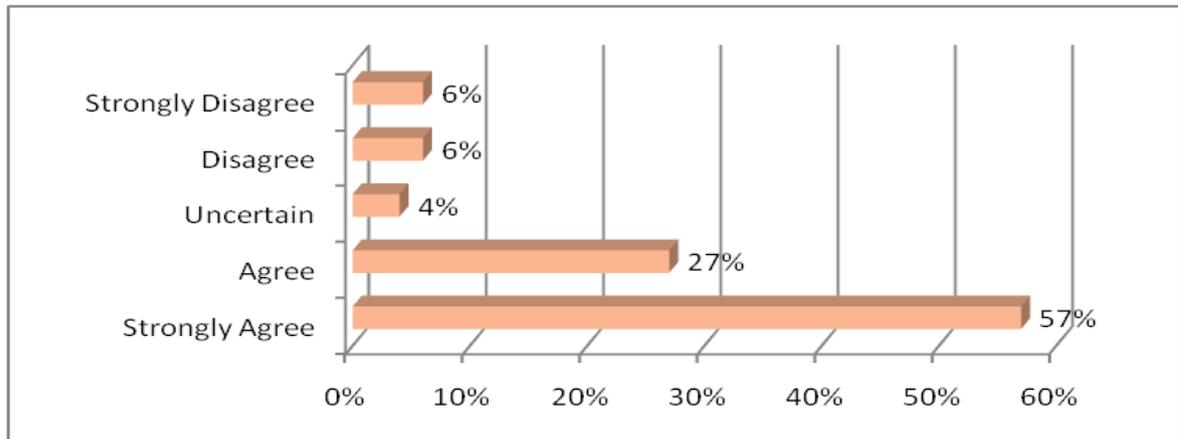


Figure 4.9: Good Leadership

4.5.3 Reporting Structures Facilitating Accountability

Figure 4.10 presents a summary of findings with regards to how respondents regard to the existence of reporting structures that facilitate accountability and openness. As shown in the figure 4.10, 51 percent of the respondents strongly agree, 41 percent agree, 3 percent strongly disagree, 2 percent disagree, while 3 percent are uncertain about existence reporting structures that facilitate accountability and openness.

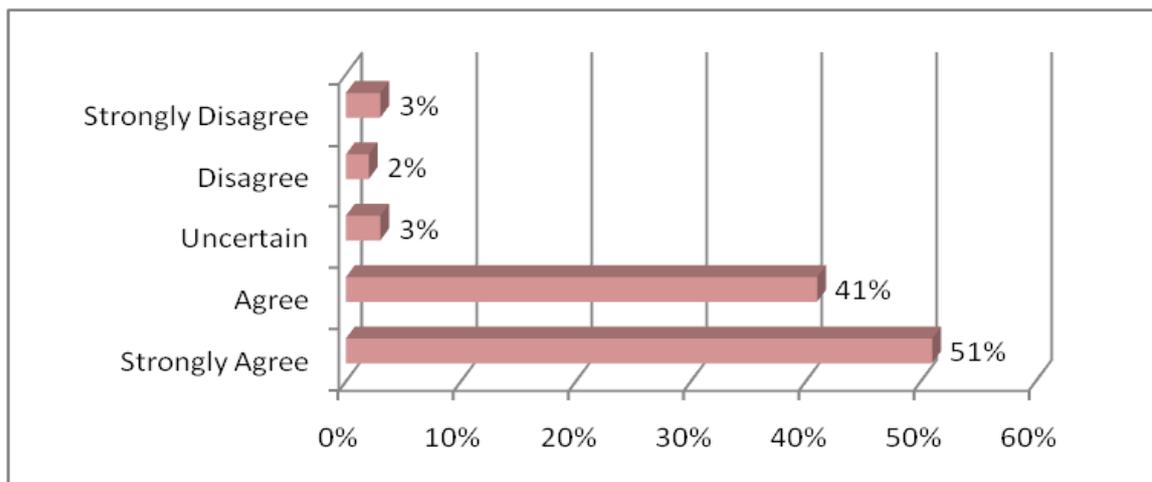


Figure 4.10: Reporting Structures Facilitating Accountability

4.5.4 Existence of a brand that promotes NGO to Donors

Figure 4.11 presents a summary of findings with regards to how respondents regard the existence of a brand that appeals to donors an element that makes fund raising easier. As shown in the figure 54 percent of the respondents strongly agree, 38 percent agree, 2 percent strongly disagree, 2 percent disagree, while 4 percent are uncertain on the the existence of a brand that promotes it to donors which makes fund raising easier

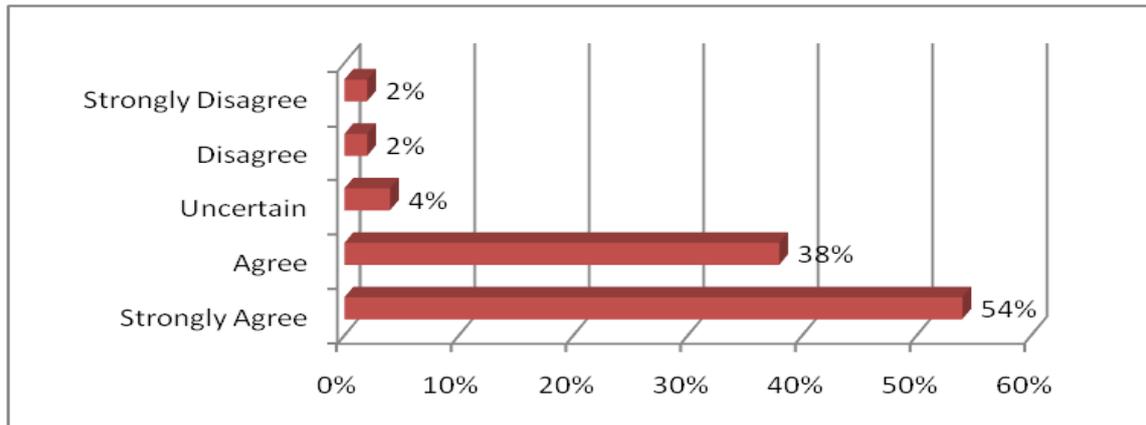


Figure 4.11: Existence of a brand that promotes NGO to Donors

4.5.5 Proactively Dealing with Financial Challenges

As seen in the figure 4.12, 35 percent of the respondents strongly agree, 28 percent of the respondents agree, 14 percent of the respondents strongly disagree and 10 percent of the respondents disagree while 13 percent of the respondents are uncertain on how their NGO proactively deals with any financial challenges while at their earliest stage.

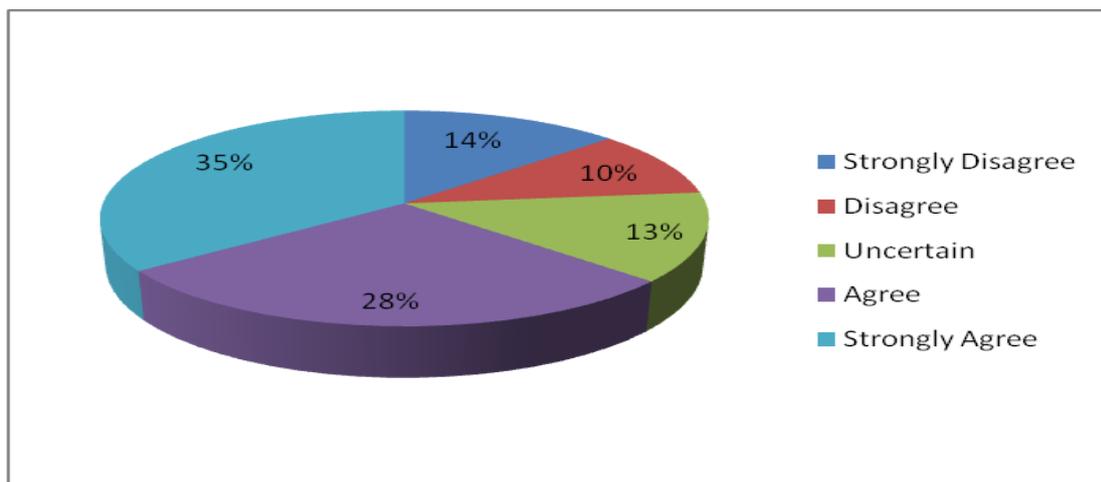


Figure 4.12: Proactively Dealing with Financial Challenges

In order to test the relationship between sustainability of NGOs (made up of proper financial system and availability of funds, effective management and the utilization of strategic management processes) and the influencing factors the following regression model was developed.

$$Y_{\text{(sustainability)}} = C + B_1X_1 + B_2X_2 + B_3X_3$$

Where:

X_1 =Strategy

X_2 =Management

X_3 =Finances

As seen in table 4.7, the R^2 of the regression was 0.509, which implies that the included explanatory variables explained only 50.9 percent of the variations in sustainability. The remaining 49.1 percent was explained by other explanatory variables not included in the model.

Table 4.7: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.713 ^a	.509	.017	10.534

a. Predictors: (Constant), Sustainability

As seen in table 4.8, it is evident that all factors positively influence sustainability. The table shows that indeed sustainability of NGOS is positively influenced by the strategy, management as well as finances.

Table 4.8 Relationship between Strategy, Management, Finances and Sustainability

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.976	4.638		24.575	.000
	Strategy	.485	.005	.159	.815	.452
	Management	.451	.072	-1.029	-5.266	.003
	Finances	.605	.428	.500	11.22	.000

4.6 Chapter Summary

In this chapter, results and findings based on the specific objectives have been presented in form of pie charts, tables and figures as well as graphs. Chapter five provides a detailed discussion of the results and findings. The following section provides conclusions as well as recommendations. Thereafter recommendations for improvement on each specific objective will be provided followed by recommendations for further studies.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of four sections, namely summary, discussion, conclusions, and recommendations respectively. The first section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The section which follows offers a discussion of the major findings of the study with regards to the specific objectives. The third Section offers a discussion as well as the conclusions based on the specific objectives, while making use of the findings and results which were obtained in the chapter four. The last sub-section provides the recommendations for improvement which are indeed based on the specific objectives. It also goes ahead to offer the recommendations for further studies

5.2 Summary

The purpose of this study was to determine the factors that affect sustainability of non profit organisations in Kenya. The study was guided by the following research questions: How does strategic management affect sustainability? How do management's capabilities affect sustainability? How do finances affect sustainability?

To address these research questions, the researcher adopted a descriptive research design. It relied on both the primary and secondary type of data. The population of the study comprised of 80 NGOs. Questionnaires were used as the data collection instruments while the collected data was analyzed using computer software. The analyzed data was presented in form of frequency tables and figures.

The study revealed that majority of NGOs apply strategic management principles. The management of these firms has succeeded in sharing the mission of the organisation which has received buy –in from stakeholders. They also have tools such as balance score cards that help the organisation implement strategic management. Strategic planning is also done by all levels of staff from top to bottom with each staff making contributions. Additionally planning is done frequently. Finally the management lays specific attention to controlling the laid down strategy. It was also found that most NGOs have been able to adapt to changes in its operating environment.

It was evident that sustainability of NGOs is influenced positively by a number of management factors. These included proper governance structures as 32 percent of respondents strongly agreed, 36 percent strongly agreed that a top management that understands the purpose of the organization and take the lead in its achievement results to a sustainable environment.

The study further revealed there existed proper financial policies that guide NGOs as they manage funds this is based on the 88 percent of the respondents who agreed and strongly agreed. Additionally most NGOs have good leadership that provides assurance and gives confidence to the donors. The NGOs have reporting structures that facilitate accountability and openness. Finally it was revealed that most NGOs have a brand that promotes it to donors which makes fund raising easier. As well it was revealed that NGOs proactively deal with any financial challenges.

5.3 Discussion

5.3.1 Effect of Strategic Management on Sustainability

The findings agree with Analoui and Samour (2012), who argues that the success of a non-profit organization (NPO) often depend on formulating strategies suitable for the competitive environmental realities that the organization confronts not to mention that in recent times these realities are becoming more pronounced given the increased demands for their services. This belief is also affirmed by an earlier study by Estallo *et al.* (2006) which stated that NGOs have a mission, strategy, and goals different from those organizations looking for profits. But in light of the current environment, surviving and flourishing requires responding and adjusting to the social, economic and political environments and the changes therein. Hence the conclusion that strategic planning is essential in every type of organization, be it NGO, a government, community, political or business institution. The findings further affirm that indeed Soriano, Munoz-Torres, and Rosalen (2010), were right when they argued the need for organisational objectives have to be in line with the sustainability goals and the behaviours of an enterprise, at the same time the formulation of sustainability strategic objectives has to begin with the analysis of the sustainability mission statement and then proceed to social, environmental and financial objectives and their performance drivers in a top-down process, which ensures that cause-and-effect relationships between them are defined. This structure ensures that

all goals are aligned and all business activities are linked to the successful implementation of the business strategy.

Finally the findings also affirm that the external environment plays a key role in the process of strategic planning in NPO's, these organisations are finding the external environment very turbulent and increasingly competitive which has made the NPOS to move away from the past experience-based, path dependent decision making and toward developing innovative practises and strategic responses (Weerawardena, McDonald, & Mort, 2009, p. 350). To emphasise the impact the environment has in strategic planning Mufudza, Jengeta, and Hove (2013) found that it is important for an organization to have a strategic plan in times of great economic turbulence, it is however difficult to formulate and implement the plan in such times. Considering that strategy formulation and implementation are time and resource consuming, there is the risk that most strategies formulated may become obsolete before being implemented. This reemphasise the need to review the process of strategy formulation and doing away with some of the planning stages that are not relevant in a given environmental situation while maintaining those that are vital regardless of the environmental turbulence.

5.3.3 Effect of Management on Sustainability

It was revealed that sustainability of NGOs is influenced positively by a number of management factors. These included proper governance structures with 32 percent strongly agreeing, 75 percent gave high rating to a top management that understands the purpose of the organization and take the lead in its achievement,

Additionally the findings further agree that Non-profits are theoretically owned by the community rather than by shareholders (Pearce, 2003). They may have assets but these are held in trust and so are locked-in for community benefit (Dunn and Riley, 2004).According to the findings, 34 percent of the beneficiaries/ communities contribute to a large extent to the organisations programmes. . The democratic model therefore has its claim on the fact that organisations rely on a perspective that assumes that the external environment is a powerful force acting upon the organisation, and that those outside of the organisation can approve or disapprove the actions of the organisation. This contrasts with the stewardship model as it opens up the prospect that organisations can be judged not only from above (by shareholders) but also from below by stakeholders at large this

model applies specifically to NFPs as the stakeholders are numerous both above and below and the success of the organisation depends greatly on its ability to maintain the stakeholders faith in its ability to improve lives. This was supported by the findings on the existence of a brand as 92 percent agreed that a brand promotes an organisation to the donors. (Low, 2006) continues to state that, non-profit governance is built on the notion that those managing an organisation at the highest level should be on the board because of who they represent rather than their ability to manage the assets of the organisation. It follows therefore that the performance of a non-profit will be judged in part on the basis of who is on their board rather than what they achieve whilst in that role.

5.3.4 Effect of Finance on Sustainability

The study further revealed there exists proper financial policies that guide NGOs manages its funds. Additionally most NGOs have good leadership that provides assurance and gives confidence to the donors. The NGOs have reporting structures that facilitate accountability and openness. Finally it was revealed that most NGOs have a brand that promotes it to donors which makes fund raising easier. As well NGOs proactively deal with any financial challenges while at their earliest stage.

The findings agree with Floyd & Shrestha (2008), who argues that no matter how big, a non-profit organisation's effort to sell itself and its mission to its donors will continue as long as it is engaged in raising money and other resources otherwise, its viability may be at stake, as well as its appeal to the donor community; it must continue to refine and redefine its marketing approaches and strategies to meet its expanding needs. It is obvious that if an NFP organisation is to maintain its ability to serve its various missions, its resource needs are bound to grow due to the national demographic trends which indicate that the population will continue to grow, especially among the minority and low income groups, hence increased need for unmet social. A survey done by the NGO coordination board indicated that a total of KES 68,825,055,222.00 was received by NGOs as donations to fund various projects in 2005/6 this indicated the magnitude of finances in the context of NGOs, (The NGO Co-ordination Board, 2009).

Additionally the findings are also in line with Okorley & Nkrumah, (2012) NGOs must have management capacity to oversee fundraising, it is also important that staffs of the NGOs are educated about the situation of their NGO's finances, cost and competitiveness

of their products and services to beneficiaries. The study also established that NGO have the organisational culture that blends commercial values with philanthropic principles. However, organisations are not fully able to enhance the interest of all their stakeholders, that is, those groups or individuals who can affect or are affected by the achievement of the organisation objectives. This makes it critical for management to adopt a role that is aimed at ensuring full stakeholder (including beneficiaries) participation in NGOs' operations for sustainable development has been alluded to by Adamsa and Frost (2008). This can be achieved through building a brand, adopting community participation, establishing accountability processes among many others.

Finally the findings agree that in developing a brand equity model for international non-profit organisations engaged in development, advocacy and relief work, Laidler-Kylander and Simonin (2009) identified four key variables: consistency, focus, trust and partnerships. Brand consistency is closely related to clarity and convergence it has been suggested that brand consistency is relatively more important for NFP due to the “complexity of brand audiences”. As well, “efforts to increase operational focus have a direct impact not only on brand equity, but also effects organisational legitimacy and brand positioning” (Laidler-Kylander and Simonin, 2009, p. 63). Brand trust is central to brand equity, and given “the disconnect that exists between the purchasers and users of non-profit products and services,” trust is critical to non-profits (Laidler-Kylander and Simonin, 2009, p. 63). Partnerships refers to co-branding alliances between non-profit and profit seeking organisations, whereby high calibre partnerships may positively influence a non-profit's brand image, its potential to fund raise, and its ability to differentiate itself from competitors (Laidler-Kylander and Simonin, 2009).

5.4 Conclusions

5.4.1 Strategic Management and Sustainability

The study concludes that indeed majority of NGOs apply strategic management principles. The management of these firms has succeeded in sharing the mission of the organisation which has received buy –in from stakeholders. They also have tools such as balance score cards that help the organisation implement strategic management. Strategic planning is also done by all levels of staff from top to bottom with each staff making contributions. Additionally planning is done frequently. Finally the management lays

specific attention to controlling the laid down strategy, as well most NGOs have in the past been able to adapt to changes in its operating environment.

5.4.2 Management and Sustainability

The study also concludes that indeed sustainability of NGOs is influenced positively by a number of management factors. These included Proper governance structures, top management that understands the purpose of the organization and take the lead in its achievement, a leadership with all the required qualification, skills, competence and experience, a management that adopts staff policies that motivate and maintains employees within the organization, a leadership approaches adopted facilitate the organization to meet its objectives, stakeholders having faith in the management, existence alternative & repeat donors, Low staff turnover and finally meeting community needs though well designed projects.

5.4.3 Finances and Sustainability

The study further concludes that there exists proper financial policies that guide NGOs manages its funds. Additionally most NGOs have good leadership that provides assurance and gives confidence to the donors. The NGOs have reporting structures that facilitate accountability and openness. Finally it was revealed that most NGOs have a brand that promotes it to donors which makes fund raising easier. As well NGOs proactively deal with any financial challenges while at their earliest stage.

5.5 Recommendations

5.5.1 Recommendations for Improvement

The NGOs should make use of a detailed strategic tool for the development of strategies as it gives a clear pictorial presentation of the factors that are critical for sustainability. Additionally the study recommends for proper strategy execution so as to help achieve the desired result in order to further enhance sustainability.

The study acknowledges that indeed the management of NGOs play a crucial role as far as sustainability is concerned, however it is important for the Kenyan NGOs to acknowledge that indeed there are management challenges which are real and therefore there is need to for NGOs to conceptualize operational and financial means which are equally important in the management of NGOs in order to enhance sustainability.

The management of NGOs should revise their resource allocation in light of Importance/Performance findings. Having finance needs included in the strategy, and accurate performance of the transactions lies in the “possible overkill” quadrant, which means that management thinks it is more important to them and to donors as well.

5.5.2 Recommendations for Further Studies

The researcher acknowledges the fact that limitations such as time, measurement for data collection and questionnaire survey that stood in the way of the study. The researcher therefore recommends that since the NGO sector is still experiencing growth it becomes important for NGO's to put into consideration the various factors enhancing sustainability. In this regard therefore the researcher recommends that additional studies should be conducted on sustainability of NGOs.

REFERENCES

- Africa, U. N. (2013). *Economic Report for Africa 2013*. United Nations.
- Analoui, F., & Samour, A. (2012). Strategic management: the case of NGOs in Palestine. *Management Research Review, Vol. 35 Iss: 6*, 473 - 489.
- Ansoff, H. I., & McDonnell, E. J. (1990). *Implanting Strategic Management*. Englewood Cliffs, NJ: Prentice-Hall International.
- Ansoff, H. I., & Sullivan, P. (1993). *Theory of Strategic Behavior of Environmental Serving Organizations*. London : Macmillan.
- Ansoff, I. (1990). *Implanting Strategic Management* . Longman Higher Education.
- Bartlett, C., & Ghoshal, S. (2002). *Managing Across Borders*. Harvard Business Press.
- Bititci, U. S., Ackermann, F., Ates, A., Davies, J., Gerango, P., Gibb, S., (2011). Umit S. Bititci, Fran Ackermann, Aylin Ates, John Davies, Patrizia Garengo, Stephen Gibb, Jillian MacBryde, David Mackay, CatherineManagerial processes: business process that sustain performance. *International Journal of Operations & Production Management* , 851-891.
- Bluemel, E. B. (2007). Overcoming NGO Accountability Concerns in International Governance. *SI* .
- Cooper, D. R., & Schindler, P. S. (2003). *Business Research Methods*. New Jersey: McGraw Hill.
- Drucker, P. (1990). *Managing the Nonprofit Organization*. New York, NY: HarperCollins.
- Drucker, P. (1974). *Management: Tasks, Responsibilities, and Performance*. New York, NY: HarperCollins.
- Dunn, A., Riley, C.A. (2004), "Supporting the not-for-profit sector: the government's review of charitable and social enterprise", *The Modern Law Review*, Vol. 67 No.4, pp.632-57.
- Ferrell, O. C., & Hartline, M. D. (2005). *Marketing Strategy*. Florida: Edward Brothers.
- Floyd, L. M., & Shrestha, N. (2008). Segmentation strategies for non-profits: mining the emerging market of "black gold". *Journal of Business & Industrial Marketing, Vol. 23 Iss: 6* , 416-428.
- Grace, K. S. (2003). *The Nonprofit Board's Role in Setting and Advancing the Mission*. Washington: National Center for Nonprofits Boards.

- Greiling, D. (2010). Balanced scorecard implementation in German non-profit organisations. *International Journal of Productivity and Performance Management* Vol. 59 Iss: 6 , 534 - 554.
- Hishamudin, M.S., Mohamad, N.S., Shuib, M.S., Mohamad, F.K., Mohd, N.A., Roland, Y.T.N. (2010). "Learning organisation elements as determinants of organisational performance of NPOs in Singapore", *International NGO Journal*, Vol. 5 No.5, pp.117-28.
- How good management can make you lean, but not mean: Non-profits need more than just vision to prosper. (2009). *Strategic Direction*, Vol. 25 Iss: 8 , 17 - 19.
- Kamaria, K., & Lewis, A. (2009). The not-for-profit general management responsive capability competencies: a strategic management perspective. *Business Strategy Series*, Vol. 10 Iss: 5 , 296 - 310.
- Kanyinga, K., Mitullah, W., & Njagi, S. (2007). The non profit sector in Kenya:Size,scope and Financing. *The institute for Development Studies(UoN)* .
- King, E. (2007). The strategic importance of intellectual capital in the non-profit sector. *Journal of Intellectual Capital*, Vol. 8 Iss: 4 , 721 - 731.
- Knott, P. (2008). Strategy tools: who really uses them? *Journal of Business Strategy*, Vol. 29 Iss: 5 , 26-31.
- Kotler, P., & Murray, M. (1975). In *Third Sector Management -The role of marketing* (pp. 467-472). public administration review.
- Leets, R. L. (1998). *Marketing for Mission*. Washington DC: National Center for Nonprofits Boards.
- Low, C. (2006). A framework for the governance of social enterprise. *International Journal of Social Economics*, Vol. 33 Iss: 5/6 , pp. 376-385.
- Mahmoud, M. A., & Yusif, B. (2012). Market orientation, learning orientation, and the performance of nonprofit organisations (NPOs). *International Journal of Productivity and Performance Management*, Vol. 61 Iss: 6 , 624-652.
- Mintzberg, H. (1973). *The Nature of Managerial Work*. New York, NY,: Harper & Row.
- Mintzberg, H. (1994). *The Rise and Fall of Strategic Planning*. Harvard Business Press.
- Mufudza, T., Jengeta, M., & Hove, P. (2013). The usefulness of strategic planning in a turbulent economic environment: a case of Zimbabwe during the period 2007-2009. *Business Strategy Series*, Vol. 14 Iss: 1 , 24-29.
- Northcott, A. D., & Lawrence, S. (2011). Article citatioSocial capital and accountability in grass-roots NGOs: The case of the Ugandan community-led HIV/AIDS initiative. *Accounting, Auditing & Accountability Journal*, Vol. 24 Iss: 1 , 63-92.

- Ogbeide, G.-C. A., & Harrington, R. J. (2011). The relationship among participative management style, strategy implementation success, and financial performance in the foodservice industry. *International Journal of Contemporary Hospitality Management* .
- Okorley, E. L., & Nkrumah, E. E. (2012). Organisational factors influencing sustainability of local non-governmental organisations: Lessons from a Ghanaian context. *International Journal of Social Economics, Vol. 39 Iss: 5* , 330-341.
- Pathfinder International. (2010). Organisational Sustainability. *Sustainability* .
- Porter, M. (1986). *Competitive Strategy*. Harvard Business School Press.
- Porter, M. (1996). *What is Strategy*. Harvard Business Review.
- Rickard, G., & Peter, J. (2010). Management for sustainability-A stakeholder theory. *Total Quality Management Vol 21* .
- Robert P.Singh, G. E. (1991). *The Entrepreneurial Opportunity Recognition Process: Examining the role of self perceived alertness and social networks*. Acad Manage Proc.
- Salmon, I. M., Haddock, M. A., Sokolowski, W., & Tice, H. S. (2007). *Measuring Civil Society and Volunteerism: Initial findings from implementation of the UN handbook on Non profit Institutionss working paper No.23*. John Hopkins University Center for civil societies studies.
- Saunders, M., Lewis, P., & Thornbill, A. (2003). *Research Methods for Business Students*. New York: Prentice Hall.
- The International Center for Not-for-Profit Law. (1997). "Handbook on Good Practices for Laws Relating to NGOs," *The World Bank*.
- The NGO Co-ordination Board. (2009). *National Survey Of NGOs Report*. Nairobi: The NGO Co-ordination Board.
- Torres, A. M. (2010). International Committee of the Red Cross: emblems of humanity. *Marketing Intelligence & Planning, Vol. 28 Iss: 2* , 223 - 235.
- Valentinov, V. (2008). The economics of nonprofit organisations:in search of an integrative theory. *Journal of economic issues* , 745-761.
- Weerawardena, J., McDonald, R. E., & Mort, G. S. (2009). sustainability of non profit organisation:an empirical investigation. *journal of world business* , 348 - 355.
- Yin, R. K. (2003). *Case Study Research: Design and Methods. 3rd Edition* .

APPENDIX I: COVER LETTER

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA (USIU-A)
P.O. BOX 14634, 00800
NAIROBI

Dear Respondent,

I am carrying out research on factors affecting sustainability of not for profit organizations in Kenya. This is in partial fulfillment of the requirement of the Master in Business Administration degree program at United States International University.

The purpose of this study is to determine the factors that can promote or hinder sustainability of NFPs in Kenya. The results of this study will contribute to the broad understanding of how strategic management, financial management and management capabilities affect sustainability of NFPs therefore giving insights on what needs to be done for NFPs to continue advancing their mission and continue addressing the various public needs they address.

This is an academic research and confidentiality is strictly emphasized, your name or that of your organization will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you in advance.

Yours sincerely,

Cecilia Wangari Muriithi

USIU student

APPENDIX II: QUESTIONNAIRE

This study is a requirement for the partial fulfillment of the Master of Business Administration program (MBA) at the United States International University Africa (USIU-A). The purpose of this study is to examine the “**FACTORS AFFECTING SUSTAINABILITY OF NOT FOR PROFIT ORGANISATIONS IN KENYA**” The findings of this study will provide the management of NGOs as well as other stakeholders with information that can be used to increase their sustainability and continue to meet their missions’ objectives into the future. This is an academic exercise and all information collected from respondents will be treated with strict confidentiality.

SECTION A: GENERAL INFORMATION

For this section kindly answer all the questions by ticking in the boxes as may apply to you.

1. Gender of Respondent Male Female

2. Department in Organization Programs/Projects General Management
 Communication/PR Finance & Administration

3. Period(In years) you have been in the NGO sector
 <1 1-3 4- 6 7-10 Over 10
years

4. Number of years in your current NGO?
 <1 1-3 4- 6 7-10 Over 10
years

5. If you were to work for your ideal NGO how long would you work there
 <1 1-3 4- 6 7-10 Over 10

SECTION B: APPLICATION OF STRATEGIC MANAGEMENT

Kindly answer the questions below by ticking as applies to you in regards to matters relating to strategic management at your organisation.

B i. In your own opinion, Indicate to what extent each of the groups below are actively involved in contributing to your organisation's programmes and projects through planning, Designing, Implementing and Evaluating

		To a very large extent	To a large extent	Moderately	Not very much	Not at all
		5	4	3	2	1
6	Donors/Funders					
7	Board of directors/trustees/Founders					
8	CEO					
9	Senior Staff					
9b	Middle Manager					
10	Junior Staff					
11	Beneficiaries/target groups					
12	The government					

B ii. To what extent do you agree with the following statements?

		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
		5	4	3	2	1
13	Your organisation applies strategic management principles					
14	The management of your organisation has succeeded in sharing the mission of the organisation which has received buy –in from stakeholders					
15	You have tools such as balance score cards, that help your organisation implement strategic management					

16	Strategic planning is done by all levels of staff from top to bottom with each staff making contributions					
17	Planning is done frequently					
18	The management lays specific attention to controlling the laid down strategy					
19	Your organisation has in the past been able to adapt to changes in its operating environment					

SECTION C: FINANCIAL MANAGEMENT

20. How many major (institutional) donors does your organisation have?

.....

21 What is the average period your donors fund your organisation?

.....

22. Please tick as appropriate, the level of funding received from the groups below

		Very Much	Much	Just a little	Not much	Not at all
		5	4	3	2	1
23	Individuals contributions					
24	Religious institutions					
25	Private foundations					
26	Governments					
27	Corporate					
28	International institutions and governments					
29	Other (please specify)					

To what extent do you agree with the following statements?

		Strongly agree	Agree	Not certain	Disagree	Strongly disagree
30	There exists proper financial policies that guide how your organisation manages its funds					
31	Your NGO has good leadership that provides assurance and gives confidence to the donors					
32	Your NGO has reporting structures that facilitate accountability and openness					
33	Your NGO has a brand that promotes it to donors which makes fund raising easier					
34	Your NGO proactively deals with any financial challenges while at their earliest stage					

SECTION D: ORGANISATIONAL LEADERSHIP AND MANAGEMENT

Di. How would you rank your organisations efforts in the following matters?

		Very highly	highly	Fairly Highly	Low	Very lowly
		5	4	3	2	1
35	You are confident that your NGO has in place proper structures of organisational governance					
36	The top management of your organisation understands the purpose of the organisation and take the lead in its achievement					
37	The leadership of the NGO posses all the required qualification, skills, competence and experience					
38	The management adopts staff policies that motivate and maintains employees within the organisation					
39	The leadership approaches adopted facilitate the organisation to meet its objectives					
40	Stakeholders have faith in the management team of your organisation					
41	You have alternative & repeat donors					
42	There is low staff turnover					
43	Meeting community needs though well designed projects					

SECTION E: OTHER GENERAL MATTERS

To what extent would you can say the following have contributed to the success of your organization?

		Very largely	Largely	Moderately	Not very much	Not at all
		5	4	3	2	1
	The existence of proper and informed leadership offered by top management					
	There has always been availability of adequate Finances					
	The Community has always supported the projects & programs set up by the organisation					
	My organisation's staff involvement, efforts & expertise					

What is the greatest challenge your organisation has faced in the past in implementing your mission

		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
		5	4	3	2	1
	Lack of finances management has hindered the full achievement of the organisation's mission					
	Poor financial management has hindered the full achievement of the organisation's mission					
	Failure of top leadership to provide the required leadership to ensure the achievement of the organisations' purpose					
	The community has rejected the efforts made by the organisation					
	There has been insufficient technical capacity to undertake projects and train the community on how to have maximum benefits from the projects implemented by the NGO's					

List the top 5 qualities you find in your organisations management that have attributed to your success

.....

How many projects does your NGO run at any given time on average?

.....

How many people benefit from your services in any one year?

.....

In relation to projects run by your NGO kindly tick as applies to you

		Strongly agree	Agree	Not sure	Disagree	Strongly disagree
		5	4	3	2	1
	The programmes offered by your NGO have greatly benefited the target population through improved lifestyles					
	Your NGOs involves the community in the planning processes for the projects and programmes it intends to role out					
	Your organisation seeks to properly understand the needs and priority of the target community by conduction preliminary studies					
	Impacts of projects set up by your organisation last longer after the project life cycle due to community empowerment efforts					

Thank You For your participation

Ceciliah Muriithi

MBA student.

APPENDIX III: RESEARCH SCHEDULE

After the research proposal was submitted, the schedule for the other part of the study was as follows;

Week Activity	1	2	3	4	5	6	7	8	9	10	11	12
Supervisor Reviews proposal												
Make proposed collections												
Agree on final research proposal												
Pre test Questionnaire												
Revise Questionnaire												
Data Collection												
Data editing and coding												
Data Analysis												
Report Writing												
Submit Final report												
Supervisor review final report												
Make proposed corrections												
Submit final report for approval												

APPENDIX IV: BUDGET

Item	Amount (KShs.)
Proposal Writing-Logistics & Printing	5000
Data Collection	6000
Travel Expenses	3000
Editing and Coding data	6000
Printing and Binding	5000
Total	25000