DETERMINANTS OF SUSTAINABILITY OF LOCAL NGOs IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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STUDENT’S 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 United States University in Nairobi for academic credit.

Signed: ___________________________  Date: ___________________________
Alvin P. Ntimama (ID: 649904)

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

Signed: ___________________________  Date: ___________________________
Professor Katuse Paul

Signed: ___________________________  Date: ___________________________
Dean, Chandaria School of Business
ABSTRACT
The purpose of this research was to find the Determinants of sustainability of local NGOs in Kenya. The specific objective of this study was to assess how Strategic Management affects the sustainability of NGOs. Establish how finances affect the sustainability of NGOs. To find out how management capabilities affect the sustainability of NGOs.

The study used descriptive design because it has been successfully used in other related management studies. This methodology was the most suitable because the research aims at expounding on some determinants and laying out how they affect organizational sustainability. This study concentrated on the 3,334 NGOs registered in Nairobi, where 770 are the only active NGOs in Nairobi. Based on this, the study purposively sampled 20% of the active population which came to 154 respondents; only 130 were filled and returned giving a response rate of 84%. The study used the questionnaire which is seen to be the best method of collecting the data required for this kind of research.

The first objective sought to assess how strategic management affects the sustainability of NGOs and to a large extent the organization applies strategic management principles. In addition, to a great extent planning is done frequently. The management pays specific attention to controlling the laid down strategy. Analysis of the strategic capabilities used by NGOs to enhance organizations performances revealed that to a great extent that human resources influenced performance, and ability to fund Raise.

The second objective sought to investigate how finances affect the sustainability of NGOs and analysis of how many major (institutional) donors the organizations have revealed that most have more than one donor. Analysis of the level of donor relation management indicated that majority agreed that there exist proper financial policies that guide how the organization manages its funds. The findings also show that failure by top leadership to provide the donor with sufficient information required, led to the withdrawal of funding and the organizations depend solely on external donor funds.

The last objective sought to assess how management capabilities affect the sustainability of NGOs. The findings indicated that respondents were confident of the NGO having in place proper structures of organizational governance. The top management understands the purpose of the organization and takes the lead in its achievement. The leadership of the NGO possesses all the required qualifications, skills, competence and experience.
The study concluded that to ensure success, the management pays specific attention to controlling the laid down strategy. To efficiently control the finances there exists proper financial policies that guide how the organization manages its funds as well as good leadership that provides assurance and gives confidence to the donors. The leadership of these NGOs also possesses all the required qualification, skills, competence and experience and there exists staff policies that motivate and maintains employees within the organization.

The study recommended that to be successful organizations should continuously apply strategic management principles thus there should be a continuous strategic plan that involves all levels of staff from top to bottom. Secondly, the NGOs also need to vet their leaders to provide assurance and give confidence to the donors. They also have in place reporting structures that facilitate accountability and openness. Lastly, top management should continue understanding the purpose of the organization and take the lead in its achievement. This is possible by having quality leaders with the required skills, competence and experience. Management should also adopt staff policies that motivate and maintain employees within the organization.

Local NGOs in the country are still in the growth stage thus the study recommends that further studies needs to be done on sustainability of NGOs based on social impact, focused business strategy, economic viability, adaptability, and capacity to deliver.
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My special thanks also goes to Prof. Paul Katuse, whose expert counsel and guidance enabled me complete the project on time while enhancing my understanding of this particular subject. His supervisory prowess is unquestionable. I pray to God to bless him abundantly.
DEDICATION

This research study is dedicated to my dear parents Amos Ntimama and the late Joyce Masindet, for the key role they both 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 wife, Nancy Wawasi, who constantly encouraged, challenged and continued to give me her unending support and wisdom all through my time at USIU-A.

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

1.0 INTRODUCTION

1.1 Background of the Problem

The long run future of an organization is never certain, this is because the environment in which organizations exists is very dynamic, making it impossible to predict what will happen in the future. Consequently, the ever changing environment continually presents opportunities and challenges. To ensure survival and success, firms need to develop capability to manage threats and exploit emerging opportunities promptly. This requires the formulation of strategies that constantly match capabilities to environmental requirements (Pearce and Robinson 2003).

NGOs include many groups and institutions that are entirely or largely independent of government and that have primarily humanitarian or cooperative rather than commercial objectives (DeMars, 2005). In other words, any institution, organization or agency that is established voluntarily to pursue altruistic goals, without a profit motive and is based largely outside the control or operation of the government structure roughly describes an NGO (Dave, 1991). They are private agencies; indigenous groups organized regionally or nationally; and member-groups in villages that support development. NGOs include charitable associations, trusts and foundations, independent cooperatives, community associations, societies, trade associations, professional societies, consumer groups, and faith associations that mobilize private funds for development, distribution of food and family planning services and the promotion of community organization (Omura, & Forster 2012).

According to Hailey (2014), sustainability should be seen as an ongoing process, rather than an end in itself. It is a process that involves the interaction between different strategic, organizational, programmatic, social and financial elements. Pfeffer and Salancik (2005) believe that organizations must be skillful when acquiring and maintaining resources. Ashoka and Mango (2015) explain that, NGOs need to invest in building relationships, risk management and basic good financial practice in order to remain sustainable. Apart from being able to raise money from a variety of sources, financially sustainable NGOs actively invest in developing and maintaining strong personal relationships with their key stakeholders particularly their donors, supporters, volunteers, staff and beneficiaries (Pratt & Hailey, 2012).
Research into the area of sustainability has produced a number of common problems and dilemmas that NGOs experienced. One of the most mentioned problems was that of the decision making processes. Tensions often occurred between staff and senior managers because of the staff expectations that they would be equal partners in the decision-making process (Mukasa, 2006). Another common problem was to do with the governance of the organizations and the relations between board members and staff. These stemmed largely from the boards’ inability or unwillingness to carry out their responsibilities of governing the organizations. Board members often lacked the time or the expertise to be able to carry out these responsibilities effectively. As a result, senior staffs were often left to make policy decisions with little or no support from board members (Mukasa, 2006).

Other problems staff faces are such as; recruitment, assignment and layoff as well as human resources development and administration and finally everyday management of staff. NGOs were found to be weak at staff career development. Often organizations lacked a career structure in which staff could develop. In addition they were not good at budgeting for staff training (Vilain, 2006).

The evaluation problem; this is most immediately a problem for donors, but failure to resolve it reflects back on NGOs eventually, and should be perceived as their problem. Many, including many development NGOs, are very different: their activities are experimental rather than routine; their goals are often intangible (such as changing the consciousness of clients or the opinions of policymakers); they may be operating in the face of official obstruction and hostility; and it may be difficult to find other organizations which their performances can usefully be compared in any quantitative manner (Moore & Stewart, 1998).

USAID (2010) explains that, for an NGO to be sustainable, the legal and regulatory environment should support the needs of NGOs. It should facilitate new entrants, help prevent governmental interference, and give NGOs the necessary legal basis to engage in appropriate fundraising activities and legitimate income-producing ventures. According to Nuka (2010), there are many factors that make NGOs in Kosova not sustainable but the main one being financial resources, followed by other important ones such as, organizational legal and policy framework, program effectiveness, human capacity, networking and long-term impact on society. All the above factors are connected to each other and only if applied together, an NGO will be completely sustainable.
Lithuanian NGOs increasingly used strategic planning for designing cost-efficient activities, products and services. Initiatives like the ‘NGO Hive’ allowed NGOs to pool resources through sharing office, meeting, and event space and provide them with the opportunity to develop more joint projects. Further to this, in 2010 NGOs across the Central and Eastern Europe and Eurasia regions primarily improved in their sustainability efforts (USAID 2010). According to USAID (2015), the Northern Tier countries (the Baltic and Visegrad countries) continue to boast the highest overall levels of NGO sustainability in Europe and Eurasia, with Estonia and Poland recording the highest overall levels of sustainability. While overall sustainability increased in Slovenia in 2015, it continues to have the lowest level of sustainability among Northern Tier countries. In Poland, significant changes were made to the legal framework for NGOs that improved the registration process for associations and established clearer regulations for associations to re-grant public funds. Advocacy also improved, as cooperation, contacts, and formal dialogue between NGOs and the public administration at the local and central levels continued to grow and an increasing number of NGOs tried to influence public policy.

Nalubiri (2010) explains that, there is a local NGO boom in Uganda. It is hardly possible to confirm the actual number of NGOs, but reports show there are over 7000, ranging from community based organizations (CBOs) to national and international NGOs. However sustainability of their impact in communities is insufficiently visible, yet attention on studying and pursuing sustainability in community development in Uganda is primarily limited to financial aspects with efforts largely geared towards organizations securing finances for their own survival. Hendrickse (2008) explains, since 1997, the Cooperative for Research and Education (CORE) conducted an annual survey of NGO governance in South Africa to investigate issues such as NGO’s constitution, codes of conduct, employment practices, management and leadership. Results of a composite survey published in 2002 revealed that democratic governance of NGOs was not widespread. The survey concluded that NGO board members in many instances lacked management, legal, fundraising and technical skills commensurate with the work of the organization (Cornwall, 2002). The aforementioned authors continue to state that the above skills could be acquired through training. In this way, the NGO governing boards will be capacitated to deal effectively and efficiently with organizational change, and ensuring sustainability of the organizations.
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 organized 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. According to the NGO coordination board (2012) there were approximately 8,374 NGOs operating in Kenya. In 2012, the sector contributed Kshs. 100 billion to the Kenyan economy. Currently there are many national, regional and international NGOs in Kenya (Wachira 2016).

Valentinov (2008) stated that, Non Governmental Organizations (NGOs) emerge to satisfy the needs that neither the Government nor the businesses are willing to undertake. 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. According to Kanyinga, Mitullah, and Njagi (2007), communities in Kenya have a tradition of offering services to their communities and giving or helping those in need. This tradition has evolved a culture in which cooperation, volunteerism and giving are embedded. Both the family and clan, as the main social units, acted as the centers 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. In other words, collective efforts and individual contributions to the community enriched social capital which, in turn, promoted social citizenship. In this context, traditional structures of social organization served as the indigenous and earliest forms of non-profit organizations 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.

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 (Shepherd, 1998). These perceived weaknesses present a major threat to the ability or capacity of the NGOs to
tolerate internal and external factors that affect their operations and survival (Muriithi 2014).

The NGO sector is made up of organizations, 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 (Kusi-Appiah 2006). Therefore in Kenya, studies or information on the determinants of sustainability of local NGOs are still inadequate.

1.2 Statement of the Problem
Looking at sustainability from a NGO point of view, means continuing to perform and deliver project benefits to the primary target group, after the funding from a donor is terminated (Joshi 2016).

Studies have been carried out, for instance Mukanga (2011), carried out a study which sought to establish the strategies adopted by international NGOs to sustain themselves, and the challenges faced in managing these international NGOs. In her findings, organizations adopt sustainability strategies such as; engaging in consultancy work, adopting a strategic plan, innovativeness, engaging in income generating activities, resource mobilization on personnel, engaging in partnerships and collaboration, among others strategies; which in turn leads to the improvement of performance in organizations. Brooks (2006) researched on strategic management within Non Profit Organizations in Kenya. His main focus was on how and whether these NGOs are applying strategic management in their organization and the effects it has on them. The findings revealed that most of these organizations are practicing strategic management, therefore improving their operations in a big way. Onsongo (2012) carried out a survey on strategies adopted by NGOs to achieve financial sustainability. In his research he wanted two questions answered; whether there are strategies that NGOs can adopt to achieve financial sustainability? If so, which strategies are they?

Wachira (2016) carried out an assessment on factors affecting financial sustainability of local NGOs in Kenya. In her findings she concludes that, Donor relationship management, income diversification affect financial sustainability of local NGOs in a big way due to the fact that majority of the NGOs are mainly funded by donors. Karanja and Karuti (2014) did an assessment of factors influencing sustainability of non-governmental
organizations in Kenya. They found that government policies, management and sources of finance affected sustainability of NGOs in Kenya. The survival of NGOs can be improved if an organization is able to develop and implement need-based and demand-driven programmes, supported by good leadership, transparency, accountability, and commitment to meet the expressed needs of beneficiaries (Okorley and Nkrumah 2009).

This study therefore aims to fill in the gap by probing the determinants of sustainability for local NGOs in Kenya.

1.3 General Objectives

The purpose of this study was to establish the Determinants of sustainability of local NGOs in Kenya.

1.4 Specific Objectives

The objectives of this study are:

1.4.1 Assess how Strategic Management affects the sustainability of NGOs.
1.4.2 Investigate how finances affect the sustainability of NGOs.
1.4.3 Find out how management capabilities affect the sustainability of NGOs.

1.5 Importance of the Study

1.5.1 Management of the NGO

The study should generate information that will bring a better understanding on the determinants of sustainability of local NGOs. This will further assist the management of the NGOs to design strategies aimed at enhancing sustainability of their organizations.

1.5.2 The Government

The study is expected to further provide further insight to policy makers in designing policies that would enhance the sustainability of local NGOs in Kenya, and these policies can be pegged on the determinants of sustainability which are provided in this study.

1.5.3 Other Non Governmental Organizations

The findings of this paper will be important to all local NGOs in Kenya. Given that these organizations operate in the same environment, their understanding on the determinants
of sustainability are similar, therefore they will be able to come up with better and more effective strategies.

1.5.4 The Academicians and Researchers
The study will provide basis for further research as well as provide literature review for existing literature.

1.6 Scope of the Study
This research covered local Non Governmental Organizations in Kenya. The data was collected from employees in these NGOs where each filled in a questionnaire which was the source of the data analysis. The data collection took place between January and March 2018.

1.7 Definition of Terms

1.7.1 Non Governmental Organization
The Non-Governmental Organization is defined 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 (NGOs Co-ordination Act 1990).

1.7.2 Strategic Management
Is the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives (Mintzberg 1994).

1.7.3 Sustainability
Sustainability is illustrated by the rate at which a firms underlying resources, capabilities or core competencies can depreciate or become obsolete (durability), and the rate at which a firms underlying resources, capabilities can be duplicated (Lozano, 2008).
1.7.4 Financial Sustainability

Financially sustainability is where organizations capacity to acquire revenue in order to sustain productive projects at a steady or growing rate so as to produce the expected results (Devkota, 2010).

1.7.5 Management Competencies

Management competencies are the abilities of management of an organization to perform their duties effectively (Okorley & Nkrumah, 2012).

1.8 Chapter Summary

This chapter generally introduces the various determinants that lead to the sustainability of local non-governmental organizations and demonstrate how finances, management of these organization, and the government policy or regulations can bring about organizations that are able to continuously deliver their mission to the targeted population regardless of changing environment.

The next chapter gets into details on the analysis of literature mostly consisting of review of studies conducted in other countries in support of this research. Chapter three will expand on the research methodology.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the literature that has been reviewed in the determination of sustainability of local NGOs in Kenya. The specific areas covered here are financial sustainability, how government policies affect sustainability and finally how the management capabilities can affect sustainability of NGOs in Kenya.

2.2 Strategic Management on the Sustainability of NGOs

Strategy as a concept is indeed the foundation of strategic management, (Ansoff & McDonnell, 1990). No universal definition of strategy has been adopted yet. In the case of the military, the concept of strategy has seemingly been associated with war. Further to that, strategy application is seen as a distinct plan towards the achievement of specific goals. Mintzberg and Quinn (1991) attempted to define strategy using the 5Ps which observe strategy as the following: plan, ploy, pattern and a perspective. Therefore, strategy can be defined as the long term direction of an organization (Johnson & Scholes, 1997).

Masero (2016) initiates an explanation that the first stride in strategic management involves a vision which is the foundation that is interpreted into a mission. The mission thereafter sheds light on the understanding of where the organization wants to head and how it will get there; this is further accompanied by the strategic objectives of the organization. The success of non-governmental organizations (NGOs) mostly depends on the strategies the organization will formulate so as to tackle the competitive environmental realities it confronts. In recent times, the realities being faced by organizations are becoming more pronounced, given the increased demands for their services and decreased funding, caused by economic changes (Analoui and Samour, 2012).

Porter (1996), assesses that, strategic planning is key in every type of organization, that is an NGO, a government, community, political or business institution, because the objective of the strategic planning processes is to come up with competitive strategies that enable the organizations, to find an beneficial position in their current environment and further move beyond perceptions of the current situation, so as to continue to differentiate the organization into the future. For successful strategic management to be appreciated,
An organization should understand the possible influence of the external environment, competencies, internal resources and stakeholder expectations on the firm’s strategy, (Johnson & Scholes, 1997).

Ansoff and McDonnells (1990) embody the view that the strategic formulation of an organization’s strategy is either deliberate or developing. Therefore, the practice involves the formulation of an independent strategy which will be in the categories of deliberate and developing. According to Grant (2003), successful performance in organizations is attained by those managers that display considerable amounts of independence and flexibility in strategy development.

To reflect on how strategic management contributes to sustainability, Jacobs, (1999) state that, organizations objectives need to be in line with the sustainability goals and the behaviors of the organization or firm. Moreover, the formulation of sustainability strategic objectives has to begin with the analysis of the organizations sustainability mission statement and then later advance to social, environmental, financial objectives and performance drivers in a top-down process.

To highlight the environmental impact that strategic management has, Mufudza, Jengeta, and Hove (2013) explained that, organizations should have clear strategies in times of immense economic turbulence, however, it is difficult to formulate and implement those plans in such times and situations. Strategy formulation and implementation take up a lot of time and resources; therefore, it tends to become risky because most strategies formulated at that time may become obsolete before being implemented. NGO Coordination Board (2009) shows that for some of these organizations, sustainability is pegged on the founder member or the chief executive hence their survival relied on individuals and not institutional system.

2.2.1 Strategic Planning
Coff (1999) defines strategic planning as a management process that combines four basic features; a statement of the organization’s mission, the identification of the agency’s stakeholders, and the explanation of the agency’s strategic goals and objectives, typically in a 3-5 year plan, and the development of strategies to be achieve by the organization. Clark (2003) enlighten that the importance of strategic planning can be looked at from four points; environmental scanning, strategy formulation, linking goals to budgets and strategic planning as a process. For an organization to fill the usefulness and effectiveness
of strategic planning, there must be commitment and involvement across all levels of the organization, so as to overcome problems such as; rivalry among departments, projects, resistance to change, resource requirement, resources allocation and others. The strategy initiatives and directions set up by an organizations management in the form of mission and vision statements and targets for cost saving, debt/equity ratios embodied (Grant, 2003).

Strategic planning can be looked at from content or process viewpoint. Content relates to the distinct elements of the strategic plan which differ from organization to organization. Further, process relates to the mechanisms for the development the strategic plan and its later deployment (Grants 2003). He continues to note that empirical research in strategic planning systems has been focusing on two areas: the impact of strategic planning on an organizations performance and the role of strategic planning in decision making. The latter area of research explored the organizational process of strategy formulation.

Numerous factors are listed in literatures that influence the strategic planning process. Environmental uncertainties hinder the development of long term plans; scarce resource-strategic planning which entails the use scarce resources effectively; legal forces, legislative changes, introduce new dynamics in an industry thus affecting strategic planning; size and complexity of an organization. As size and complexity of an organization increases, so does the degree of formulating of plans; the lifecycle of the organization, this is when the organizations move through different phases, and the competitive environment changes and influences the way they plan and execute strategy (Thomas, & Thomas, 2000).

2.2.2 Capabilities and Performance of NGOs

Rumelt (1991) goes ahead and explains that, strategic capability focus on theoretical underpinnings which are mainly concerned with theory building, around diversity and suggestions that some organizations perform better compared to others. Therefore in this regard the concept of competitive advantage superiority is central. To explain the superior performance of firms, the discipline of strategic management seeks to identify superior differences among organizations, since the crucial interest of strategic theory according to Stacey (2003), is to identify, secure and sustain an advantage over competitors, such that superior performance will be achieved. Superiority is central in the notion of competitive advantage.
In management, both for commercial organizations and NGOs, the ultimate measure of management's performance is the metric of management effectiveness which includes: how well management's plans are carried out by members of the organization (execution), how effectively management communicates and translates the vision and strategy of the organization to its members (leadership), how well management gives assignments and communicates instructions to members of the organization (delegation), how well management utilizes the resources, that is, financial, physical, and human resources of the organization to bring an acceptable return to shareholders (return on investment), how well management is able to utilize confrontation and collaboration skills (conflict management), management's ability to be flexible and appeal to common interests, and finally, how management attempts to understand the needs of others and inspires them to perform (motivation) (Bryson, 1995).

For sustainability to be achieved in this context, Hall (1993) suggests that, the products and systems which have traits that satisfy the customers within the organizations target market, must be enough so as to keep the customers happy and therefore should be nurtured as it is a result of the differential capability which must thrive in the long run.

Bryson (1995) further explains that performance improvement is the concept of measuring the output of a particular process or procedure. Modifying the process in order to increase the output, increases efficiency, or increase the effectiveness of the process. The concept of performance improvement can be applied to either individual performance such as an athlete or organizational performance such as a racing team or a commercial enterprise.

NGOs performance can be measured in terms of how well it is governed and how effective the management processes is. It implies that the effective management of an NGO’s resources is done in a manner which is transparent, accountable, equitable and responsive to the needs of the community. Since NGOs aim at becoming sustainable, then good governance is critical to their existence. In developing countries NGOs often lack the institutional capacity and resources to operate. Moreover, one of the key requirements for good governance is accountability of funds from donors, but sometimes they are poorly managed. Thus, in order to ensure effective and proper management of resources, good governance becomes an important aspect of every NGO (Musyula, 2014).
Mukanga (2011) states that, international NGOs in Kenya have developed strategies and organizational structures according to their differing goals: profits and ideals. The goals of an NGO are not measured in terms of loss or profit; the results are qualitative. For NGOs the criteria is how efficient the money budgeted for is spent, and further to that, it should meet the expectations of the donor and public benefit. An NGO needs to survive, just like a company; they have people on their payroll and need cash. Careers are planned and pursued. This is a fact of life in the corporate world but less obvious in the case of the not-for-profit world (Edward, 1999).

For International NGOs in Kenya, to sustain themselves they embark on the process of strategic management, strategic implementation, and strategic change management, for the purpose to ensure that their organizations are managed in a way that the overall goal is achieved despite the environmental forces (Kameri, 2000).

### 2.3 Effects of Finances on Sustainability of NGOs

The definition of financial sustainability will vary widely between for profit organizations and not for profits depending on the business structure, revenue structure, and high goals of the organization (Bowman, 2002). For nonprofit 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). Although traditional nonprofit organizations regard fundraising and charitable donations as their primary source of revenue, they also rely on grants, contracts for service, and sales of goods and services to finance operations and capital improvements (Carroll & Stater (2009).

Floyd & Shrestha (2008) outline that, no matter how big a non-profit organization’s effort to sell itself and mission to its donors, this will continue as long as it engaged in raising money and other resources; without that, its viability may be at stake, and its appeal to the donor community. Through this, nonprofit organizations must continue to refine and redefine its marketing approaches and strategies to meet its expanding needs. It is obvious that if an nonprofit organization 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. Tuckman and Chang (2009) view that, even within a resource rich environment, the financial stability of nonprofit
organizations depends upon effective financial management practices that reduce the volatility of the revenue portfolio and have the potential to increase the organization’s equity. Clark (2003) advocates for adoption of a strategy of diversification that leads to greater stability in the revenue structure which potentially makes sustainability more likely.

Bernes, (2004) 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. In the NGO sector, financial information and information on the mission impact do not get discussed in an integrated way.

2.3.1 Donor Relationship Management
According to Lewis (2011), donor relationship management is the building and nurturing of positive connections with the donors. He continues to state that it requires a clear segmentation and prioritization of donors which leads to the formulation of clear goals and action plans for how the NGOs will interact with a given donor segment to achieve desired results. While all donors are important, their significance to the work of the nonprofit organization can vary greatly, as can their motivations and needs (Boulding, 2009). By developing and implementing effective practices and systems that yield strong relationships with donors, nonprofits can generate more sustainable and dependable revenue, strengthen grant effectiveness, and ultimately achieve better results (Alter, 2007).

To appreciate the challenges of financial sustainability, it is necessary to understand the potential sources of revenue for the NGO sector (More 2005). While there is, of course, tremendous variation in the sources of NGO revenue among countries and NGOs within any sector, there are at the same time identifiable trends of NGO financing. Barr, Fafchamps, and Trudy (2005) studied East African local NGOs and found that most of the local NGO funding comes from international donors. Hulme and Edwards (1997) also emphasized the role of international donors in local NGO funding.

Managing donor relationship also involves accounting for the donor funds usage based on the agreements (timelines, grant, project scope and budgets) between the donor and the NGO. In relationship management local NGOs should be able to understand the needs of the donors, contact person, and the requirements of the contact person (Lewis, 2011). By
an NGO understanding its donor; it is reflected by the number of return donors, change in the amount of funding from donors and the number of complete projects funded by the donors. If there is a falling number of return donors, fall in the amount of donor funding or stalled donor funded projects then there is poor donor relationship in the NGO. There is need to manage this relationship through regular communication, proper utilization of funds, preparation and presentation of financial reports to donors and the meeting of conditions set by the donors (Moore, 2010).

Lee (2001) also reveals that there are three sectors from which NGOs can derive their resources. These are the private sector, the general public and government/public sector. Resources from each of these sectors can originate from both external sources (i.e. international) and local (i.e. domestic or municipal public and private donors). Moore (2005) concurs with Lee and states that, NGO revenue falls within three broad categories. They include government funding, private giving and self-generated income.

Barr et al (2005) found that, 10 percent of the Local NGOs funding come from private charitable giving, 43 percent come from government support and public sector payments, including grants and contracts, while 47 percent come from private fees and payments, often originating in the sale of services or products. Moore (2005) came up with a comparative analysis on global civil society based on research in 35 countries, on the sources of NGOs income. It revealed that, self generated income was the dominant source of revenue for NGOs accounting for 43 percent of local NGOs total income; Private giving, that is, individual, corporate and foundation based, accounted for 30 percent; and Government or public sector support also ranks as a significant source of NGO income constituting 27 percent. Finally, on self-generated income he identified that only one-third of NGOs own a business, of which the profit is used to finance NGO activities.

Barr et al (2005) observed a high concentration, of small NGOs accounting for most of these businesses. The types of business run by Ugandan NGOs according to the authors vary from farming, restaurants and retail outlets being the most common. Business income, fees paid by beneficiaries, and other income are more important sources of revenue for small NGOs than for large ones.

A study conducted by Frumkin and Kim (2001), implemented an experiment that recommended the proximity argument and the slippery slope argument. The proximity argument illustrates that firms are more likely to assist those who are in need close by
than the needy person far away. The donation decision, specifically how much and to whom to donate, is directly made by an authorized manager on the basis of cognitive moral rather than a set of specific criteria. Another complementary explanation, the slippery slope argument, demonstrates that if a firm begins to help people in distant places, it will be in part, not all, which seems morally unacceptable. Therefore, the firm ought to help the residual people in distant places, since it would be morally inconsistent if the firm were to help some people not at all; thus the firm has to refrain from helping people in distant places. Moreover, never ending donations are morally unacceptable, because they cause the company to fall apart. The study supposes that the donation amount is another determinant, because the limited resource restricts the donation intention.

Brinkerhoff & Goldsmith, (2010) identified a positive correlation with loyalty, donors who indicated that they were ‘very satisfied’ with the quality of service provided by the NGOs, were twice as likely to offer a second or subsequent gift, than those who identified themselves as merely satisfied. More recent work by Sargeant and Woodliffe (2007) has confirmed this relationship, while in the latter case simultaneously identifying a link between satisfaction and commitment to the organization. Work by Dobrai, (2010) similarly provides support that there is a significant and positive relationship between satisfaction with the quality of relationship marketing activity (in this case, relationship fundraising) and the donors future intentions and behavior, particularly the likely duration of the relationship and the levels of donation offered.

2.3.2 Income Diversification

Lewis (2011) defined income diversification for local NGOs as the sourcing of funds from many sources. These include the public, business community, governments, and external donors. Donor funding is restricted with the local NGOs using the resources only for the specified purpose.

One definition of income diversification, perhaps closest to the original meaning of the word, refers to an increase in the number of sources of income or the balance among the different sources (Jenkins and Yakovleva, 2006). Thus, an organization with two sources of income would be more diversified than an organization with just one source, and an organization with two income sources, each contributing half of the total, would be more
diversified than a organization with two sources, one that accounts for 90 percent of the total (Ersado, 2003).

Alter (2007) points out that, the income diversification advocates for commercial ventures to diversify funding to local NGOs. The income diversification increases the number of NGOs incorporating income generating activities into their organizations, yet problems arise from disappointing financial returns, complex legal and tax issues, organizational discord and mission dissonance. Moore (2010) argues that NGOs are expressing difficulty in finding sufficient, appropriate and continuous funding for their work. They find accessing donors as challenging as dealing with their funding conditions. They perceive there to be certain cartels of individuals and NGOs that control access to donor funds. They have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them.

Diversification of funding sources is essential to increase the stability of non-governmental organizations income streams. As a response to the economic crisis, tapping international funding streams might be more important than ever (Kurosaki, 2003). Many activities to increase and generate new income sources need new expertise, which does not necessarily always exist within the institution. Organizations may recruit professionals from outside the congregation or invest in the development of staff to acquire these skills (Dauncey, 2009).

Davis (2013) in his study on financial sustainability and funding diversification as a challenge for Indonesian NGOs found that most of the revenue coming into the NGO sector in Indonesia is from international donor agencies. For local NGOs, government (5%) and international donors (15%) were not the main funding sources. This contrasted with NGOs located in provincial capitals, which relied primarily on international donors (45%) or national NGOs for their funding (15%). He concluded that majority of the local NGOs in Indonesia do not have limited sources of funding. Nuka (2010) concurred by establishing that 75% of the local NGOs in Kosova relied on foreign donors as their only or main financial sources of their projects and activities.

Saungweme (2014) in his research revealed that most local non-governmental organizations in Zimbabwe were not leveraging their assets to generate income, and most were not engaged in own income generating activities while their funding sources were not diversified enough to be regarded sustainable. They further revealed that most local
non-governmental organizations were funded entirely by external donors, had no reserve funds, were not generating own income, and depended on average on about three donors.

The success of income diversification strategies largely depends on the ability of the organizations leadership to communicate effectively with the external stakeholders. Nongovernmental organizations need to reinforce awareness around the range of activities they undertake and the added value they create for society, helping potential partners to evaluate funding options (Hargrave and Van de Ven, 2006).

2.3.3 Challenges of External Donor Funding

According to Rand (2012), the main challenge of nonprofits organizations is that many of them 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 nonprofit organizations. Nonprofits depend on their “brand”, establishing a nonprofit 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, 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 organizations operations and finances as a way of ensuring return on their investment (Kirk and Nolan 2010). 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. Andreas, (2005) reveals that strong dependency on external funding can be a serious problem for the long term development of local NGOs. The author further maintains that international donors operate according to their own goals and proposal management styles, and local NGOs have to conform to their requirements in order to receive financial support.

Similarly, Turary (2002) stated that in a situation where a greater proportion of an organisation funding comes from external sources it will have an effect on the long run in the case of withdrawal of external funding. This means that any organisation that depends solely on external funding will not be in a position to finance some of its initiated and
laudable proposals. The heavy reliance on external funding therefore makes it difficult for local NGOs to accomplish their stated objectives.

Fernand (2006) further argues that, external financing tends to impose some degree of constraint on local NGOs. The biggest challenge for the local NGOs therefore seems to be to take into consideration the demands of its donors, because losing the financial aid would have severe consequences not only for the activities, but also for remunerated personnel. Constraints like these often have an effect on the successful development of proposals and sometimes on the structures of local NGOs resulting in delays in payment of wages, lack of funding for proposals and priorities of the local NGOs coming after the donor’s priorities.

2.4 Management Capabilities Effects on Sustainability of NGOs

Ansoff and McDonnell (2010) identifies general management competence orientations as integral to the success of the organization. According to Okorley and 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.

Drucker, (1990), contends that the executives of nonprofit organizations do not have a set benchmark upon which performance can be measured. Nonprofit organizations exist largely to bring a change in society. Thus, performance and results are far more difficult to measure and control in nonprofit organizations than in profitable firms. Given the numerous issues confronting the nonprofit sector, an appropriate level of the general management responsiveness is desirable to ensure delivery of the nonprofits mission.

Muriithi (2014) stated that, sustainability of NGOs is influenced positively by a number of management factors and management capabilities; these include proper governance structures, top management that understand 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.
According to Mukanga (2011), NGOs must have good governance structures to provide the leadership, direction, and legitimacy for an organization. Typical NGO founders are charismatic individuals with a strong commitment to a cause or purpose and a definite set of ideas about how to serve that cause. However, other staff and constituents need to share the founders’ understanding and commitment if the organization is to be sustained. Leadership is more effective if it is open to a wide variety of opinions and talents. Effective NGO leaders use the talents and enthusiasm of all NGO stakeholders, board members, staff, community members, clients, and even donors (Carlos, 1997). Leaders are also more effective if they are focused and consistent, so they will be trusted and followed. Above all, good NGO leadership fosters the involvement and participation of the NGO’s stakeholders and the community.

The top management of nonprofit organizations is faced with the challenge of measuring their performance as the bottom line is not as tangible as that of for profit making organizations (Kamaria & Lewis, 2009). Okorley & Nkrumah (2012) asserts that, management/leadership must possess skills such as adequate managerial skills, encourage teamwork, and lead by example; this way the management will get the necessary support for ensuring organizational sustainability. According to Bititci, Ackermann, Ates, Davies, Gerango, and Gibb (2011) the fact that managerial perceptions appear to play a central role in shaping the organisation of the managerial system and ultimately performance, organizations need to carefully consider the education of managers and placement of managers in appropriate roles.

2.4.1 Organizational Governance Structure

Most NGOs in Africa lack clearly defined structures in terms of organizational charts, buildings, facilities, equipment and human resources. In the view of Lotsmart (2007) for local NGOs to receive local sources of funding there is the need for structures to be put in place to generate local funds. As noted by Molomo and Somolekae (1999), the key weakness of NGOs in Africa is the inappropriate organizational structures which impact the manner in which NGOs carry out their core business.

Lotsmart (2007) maintains that majority of local NGOs lack such structures and operating mechanism. This makes it difficult for any local NGO to systematically generate funds locally. The major contributory factor to this is the constraint that limited financial resources places on the ability of NGOs to plan, organize and design clearly defined
structures as well as equip their offices with adequate equipment and facilities. Agencies that encourage board involvement in planning appear to be less vulnerable to quick downturns and are more likely to deliver services over a greater period of time (Hodge and Piccolo, 2005). The challenge in successfully establishing an effective board is encouraging consistent participation and commitment: “Engaging an organization’s board of directors in a way that encourages member participation in strategic planning, committee involvement, and resource development will likely reduce the organizations vulnerability” (Hodge and Piccolo, 2005). In addition to performing monitoring and control functions, the board brings added value to a non-profit organization by bringing access to resources, such as connections to additional funders (Brown, 2005).

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.

Research has found that the frequency of board meetings is not associated with any measure of board performance; rather, perceived organizational performance as well as increased board member occupational diversity is positively associated with greater social performance, fundraising, and overall board performance (Brown, 2005). These findings suggest that the quality of board interactions and the commitment from board members are more important than frequency of involvement for overall performance. Similarly, the sustainability of NGOs is also equally linked to good governance which is influenced by various factors such as management capacity, commitment, and the financial technical, environmental, and the political, including socio-cultural factors (Hossain, 2008). In addition, NGOs should also develop their own self-rule to work effectively. Being people’s organization and based on voluntary action, they garner trust which is important for making them accountable. For this, the governing legal instruments created by the state and/or the self-governing regulations can be useful tools for enhancing NGO
governance. The effectiveness of NGO governance should be sought on the basis of how such governing rules are followed by these entities. In addition, how the NGOs are able to play their established roles, how much they manage trust of the people effectively are other factors for effective NGO governance, UNDP (2009).

Another common problem was to do with the governance of the organizations and the relations between board members and staff. These stemmed largely from the boards’ inability or unwillingness to carry out their responsibilities of governing the organizations. Board members often lacked the time or the expertise to be able to carry out these responsibilities effectively. As a result, senior staffs were often left to make policy decisions with little or no support from board members (Mukasa, 2006).

Governance and decision making; the governance picture of many NGOs is quite complex. Most nonprofits are governed by self perpetuating, largely self appointing boards of directors.

2.5 Chapter Summary

The literature has outlined the roles local NGOs play in society especially as providers of services. The literature reveals the various sources of NGOs funding and stated that NGOs raise much of the income from external sources. Despite the important roles NGOs play in the development process they are beset with some challenges. The most commonly identified weaknesses of the sector include; limited financial and management expertise, limited institutional capacity and low levels of self sustainability. The literature was limited on the reasons for the absence of adequacy of local funding for local NGOs. Again, the literature provided the methods local NGOs use to raise funds. However, the literature was not able to determine which of the methods will help local NGOs to generate sustainable funds and to make informed choices. The study will therefore collect data on the methods and analysis them for local NGOs to make informed choices. This will help local NGOs to have a long term financial sustainability.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
The purpose of this chapter was to explain in detail the determinants of sustainability of local NGOs in Kenya and how the research will be conducted. This chapter therefore discusses the methodology used in the study. It begins by describing the research design to be adopted then move to identifying and describing both the population and the samples size, and further to that the methods of data collection, the procedure used in designing the instrument and collecting the data and finally, describe the data analysis methods. At the end a chapter summary is provided.

3.2 Research Design
According to (Creswell 2014), research designs are types of inquiry within qualitative, quantitative, and mixed methods approaches that provide specific direction for procedures in a research study. The study used descriptive design because it has been successfully used in other related management studies. 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 formalized and has clearly laid out research questions or objectives. This methodology is the most suitable because the research aims at expounding on some determinants and laying out how they affect organizational sustainability.

3.3 Population and Sampling Design

3.3.1 Population
Cooper and Schindler (2014), define population, as the total collection of elements about which we wish to make some inference. The population of this study consisted of NGO in Kenya. According to the NGO board (2017) there are 6,938 registered local NGOs in Kenya. This study concentrated on the 3,334 NGOs registered in Nairobi, where 770 are the only active NGOs in Nairobi.
3.3.2 Sampling Design

Sampling design refers to a research plan that indicates how cases are to be selected for observation or as respondents (Mugenda & Mugenda, 2003). According to Trochim (2005), sampling is the process of selecting units (people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen. Sampling design is a working plan or structure, which specifies the population frame, sample size and sample selection and how the sample size is estimated. The aim of the sampling design is to identify the characteristic of the population (Kombo & Tromp, 2006).

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 acquired from the NGO Coordination Board.

3.3.2.2 Sampling Technique

Cooper & Schindler (2003) explain that, both probability and non-probability sampling can be used by a researcher to draw a conclusion from a representative sample. For this study non probabilistic sampling was used to create a sample that was dependent on the personal judgment of the researcher, sample elements were selected depending on the required information. For the study a purposive 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 (McMillan 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 (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). According to Mugenda and Mugenda (2003), a sample of 10%-30% is adequate for the generalization of the findings to the whole population if the
sample size in more than 30 elements. Based on this, the study purposively sampled 20% of the population which came to 154 respondents.

### Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Distribution Category</th>
<th>Population N.</th>
<th>Sample Size 20%</th>
<th>Sample %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-governmental organizations</td>
<td>770</td>
<td>154</td>
<td>100</td>
</tr>
</tbody>
</table>

### 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 employed primary data to analyze the effects of strategic management, financial management and management capabilities on organizational sustainability. The study used the questionnaire which is seen to be the best method of collecting the data required for this kind of research (Saunders, 2003), as this was the simplest to distribute and moreover 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 issued to the respondents who were targeted after agreeing to participate in the study.

### 3.5 Research Procedures

According to Kothari (2004), the purpose of piloting the data instrument is to ensure that the items in the instrument are stated clearly and have the same meaning to all respondents. The questionnaire will be piloted before its administration to ensure validity and reliability of the data to be collected. The questionnaire will be piloted on five randomly selected subsets of the original population. It is only during piloting that the researcher is able to assess the ease of use of the instrument. Any sensitive, confusing or biased items will be identified and modified or omitted. Piloting permits refinement before the final test (Cooper & Schindler, 2003). A refined questionnaire was then sent out; a cover letter attached to the questionnaire which explains the purpose of the study, and seeks cooperation of the respondents as well as to ensure various guidelines are met.
The questionnaire was later administered through the help of three research assistants who were trained before going to the field. Each of the assistant was required to be a graduate of university with experience in data collection and one that 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. The methods adopted were convenient for all respondents meaning that some questionnaires were sent via email, others hand delivered, others mailed, while some were administered through the telephone.

3.6 Data Analysis Methods

This is a process used to make sense of the data. The data will be collected, thoroughly examined for completeness as well as correctness and appropriately stored in a format that permits statistical analysis. Once the data was collected, the responses to the open ended questions underwent a process of coding before being entered into computers 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

This chapter presented the selected research design for the study and the target population. 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. Finally the software for data analysis (SPSS .version 22) was selected considering the type of data that was collected and analyzed. Interpretation of the statistical outputs was done and the next chapter discussed the presentation of results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the results established from the data analysis done. This included results relating to the demography and specific research objectives of the study aimed at establishing the determinants of sustainability of local NGOs in Kenya..

4.1.1 Response rate
The researcher issued a total of 154 questionnaires and a total of 130 were filled and returned giving a response rate of 84%. This was sufficient for the study as indicated in Table 4.1

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and returned</td>
<td>130</td>
<td>84</td>
</tr>
<tr>
<td>Non-response</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>154</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 General Information

4.2.1 Gender of Respondents
To analyse the gender of the respondents, the result revealed that male respondents accounted for 48.5% while female respondents were a majority at 51.5% as shown in figure 4.1. This implies that there is a gender balance in NGOs

Figure 4.1: Gender
4.2.2 Department in the Organization

The findings revealed that most respondents worked in Finance and administration and they accounted for 32.3%, those from the programs department represented 28.5%, with members of general management representing 27.7%. In addition only 11.5% represented communications as shown in Figure 4.2. This implies that there was a balanced representation from the various departments.

![Bar Chart: Department in the Organization]

**Figure 4.2: Department in the Organization**

4.2.3 Period in the Sector

An analysis of the period (In years) that the respondents have been in the NGO sector revealed that the majority representing 23.1% had been in the sector for between 1-3, 4-6 and over 10 years respectively. On the other hand 18.5% had been in the sector for 7-10 years while 12.3% had less than a year experience in the firms as shown in Figure 4.3
Figure 4.3: Period in the Sector

4.2.4 Period in Current NGO

An analysis of the period (In years) that the respondents have been in their current NGOs revealed that a majority representing 30% have been in their current organization for between 1-3. On the other hand 23.1% had been in the organization for less than a year, 19.2% had 4-6 years’ experience in the organization, 12.3% having 7-10 years’ experience and finally 15.4% have worked in their current organization for over 10 years as per figure 4.4.
4.2.5 Period in Ideal NGO

Respondents were asked the period (In years) that they would work in their ideal NGO and the findings revealed that a majority representing 48.5% would stay in the organisation for over 10 years. On the other hand 23.1% would work in the firm for 4-6, and 7-10 years while surprisingly 5.4% indicated that they would be in the firm for less than a year as shown in Figure 4.5

![Figure 4.5: Period in Ideal NGO](image)

4.3 Asses how Strategic Management affects the sustainability of NGOs.

The first objective sought to assess how strategic management affects the sustainability of NGOs. To achieve this objective respondents were asked to rate their answers using a scale of 1-5 by ticking the appropriate answer from the alternatives where , 1- Not at all 2-Not very much 3-Moderately 4-A large extent 5- a very large extent.

4.3.1 Descriptive of Strategic planning

Most respondents indicated that to a large extent the organization applies strategic management principles (m=3.88, sd=.988). In addition, strategic planning was done by all levels of staff from top to bottom with each staff member making contributions (m=3.69, sd=.971). It was also revealed that to a great extent planning is done frequently (m=3.85, sd=.902). The management pays specific attention to controlling the laid down strategy (m=3.78, sd= 1.064). The organisation has in the past been able to adapt to changes in its operating environment (m=3.76, sd=.987).
Table 4.2: Descriptive of Strategic planning

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your organisation applies strategic management principles.</td>
<td>2.3</td>
<td>5.4</td>
<td>25.4</td>
<td>362</td>
<td>30.8</td>
<td>3.88</td>
<td>.988</td>
</tr>
<tr>
<td>Strategic planning is done by all levels of staff from top to bottom with each staff making contributions.</td>
<td>2.3</td>
<td>7.7</td>
<td>30</td>
<td>38.5</td>
<td>21.5</td>
<td>3.69</td>
<td>.971</td>
</tr>
<tr>
<td>Planning is done frequently.</td>
<td>0</td>
<td>9.2</td>
<td>21.5</td>
<td>44.6</td>
<td>24.6</td>
<td>3.85</td>
<td>.902</td>
</tr>
<tr>
<td>The management pays specific attention to controlling the laid down strategy.</td>
<td>5.4</td>
<td>7.7</td>
<td>13.8</td>
<td>49.2</td>
<td>23.8</td>
<td>3.78</td>
<td>1.064</td>
</tr>
<tr>
<td>Your organisation has in the past been able to adapt to changes in its operating environment.</td>
<td>5.4</td>
<td>2.3</td>
<td>23.8</td>
<td>47.7</td>
<td>20.8</td>
<td>3.76</td>
<td>.987</td>
</tr>
</tbody>
</table>

4.3.2 Descriptive of Capabilities and Performance

4.3.2.1 Department Responsibility

The research sought to establish whether the departments responsible for strategic management have been in charge of strategies related to organization performance. 61.5% agreed while 38.5% failed to acknowledge.

Figure 4.6: Department Responsibility

4.3.2.2 Measures of Strategy Capability
The study established that 39.2% failed to respond although 15.4% revealed that the NGOs had a strategic plan, on the other hand 5.4% attributed the strategy success to effective communication, organization competency, adhering to the strategic goals as well as undertaking surveys and system reviews. It was also revealed that 4.3% attributed the success to coordination and evaluation while 2.3% attributed it to contribution, involvement of management in all levels, adhering to protocol and team work.

Table 4.3: Measures of Strategy Capability

<table>
<thead>
<tr>
<th>variable</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Response</td>
<td>51</td>
<td>39.2</td>
</tr>
<tr>
<td>communication</td>
<td>7</td>
<td>5.4</td>
</tr>
<tr>
<td>competency</td>
<td>7</td>
<td>5.4</td>
</tr>
<tr>
<td>contribution</td>
<td>3</td>
<td>2.3</td>
</tr>
<tr>
<td>coordination</td>
<td>6</td>
<td>4.6</td>
</tr>
<tr>
<td>evaluation</td>
<td>6</td>
<td>4.6</td>
</tr>
<tr>
<td>involving all levels</td>
<td>3</td>
<td>2.3</td>
</tr>
<tr>
<td>plans</td>
<td>20</td>
<td>15.4</td>
</tr>
<tr>
<td>protocol</td>
<td>3</td>
<td>2.3</td>
</tr>
<tr>
<td>strategic goals</td>
<td>7</td>
<td>5.4</td>
</tr>
<tr>
<td>surveys</td>
<td>7</td>
<td>5.4</td>
</tr>
<tr>
<td>system review</td>
<td>7</td>
<td>5.4</td>
</tr>
<tr>
<td>team work</td>
<td>3</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>130</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3.3 Strategic Capabilities and Organizations Performance

The study sought to establish the strategic capabilities used by NGOs to enhance organizations performance. To achieve this objective respondents were asked to rate the answers using a scale of 1-5 by ticking the appropriate answer from the alternatives where, 1- Not at all 2-Not very much 3-Moderately 4-A large extent 5- a very large extent.

4.3.3.1 Descriptive of Strategic Capabilities and Organizations Performance

The findings revealed that to a great extent human resources influenced performance (m=3.68, sd=.826), ability to fund Raise (m=3.81, sd=1.072), monitoring and development (m=3.79, sd=.929), availability of financial resources (m=3.98, sd=.835),
and assets such as property (land and buildings) (m=3.65, sd=1.206) as shown in Table 4.4.

**Table 4.4: Descriptive of Strategic Capabilities and Organizations Performance**

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>7.7</td>
<td>31.5</td>
<td>45.4</td>
<td>15.4</td>
<td>3.68</td>
<td>826</td>
<td></td>
</tr>
<tr>
<td>Ability to Fund Raise</td>
<td>2.3</td>
<td>12.3</td>
<td>17.7</td>
<td>37.7</td>
<td>30</td>
<td>3.81</td>
<td>1.072</td>
</tr>
<tr>
<td>Monitoring and Development</td>
<td>0</td>
<td>7.7</td>
<td>32.3</td>
<td>33.1</td>
<td>26.9</td>
<td>3.79</td>
<td>.929</td>
</tr>
<tr>
<td>Financial Resources</td>
<td>0</td>
<td>0</td>
<td>35.4</td>
<td>30.8</td>
<td>33.8</td>
<td>3.98</td>
<td>.835</td>
</tr>
<tr>
<td>Property (land and buildings)</td>
<td>5.4</td>
<td>13.8</td>
<td>22.3</td>
<td>27.7</td>
<td>30.8</td>
<td>3.65</td>
<td>1.206</td>
</tr>
</tbody>
</table>

4.4 Establish how finances affect the sustainability of NGOs

The second objective sought to assess how strategic management affects the sustainability of NGOs and to achieve this objective respondents were asked to rate the answers.

4.4.1 Number of Donors

The findings on how many major (institutional) donors the organizations have revealed that 23.3% had three donors, 20% had four donors, 13.8% had one donor, and 13.1% had six donors. It was also revealed that 10.8% had 2 donors, while 6.9% had five and seven donors respectively and only 4.6 had eight respondents as shown in Figure 4.7.

**Figure 4.7: Number of Donors**
4.4.2 Average Funding Period
The findings revealed that 24.6% received funding every three and five years respectively and 23.8% received funding after every 2 years, it was also established that 18.5% received yearly funding’s while 5.4 received funds every two and a half years. On the other hand 24.6% and 3.1% received it after 4 years as shown in Table

Table 4.5: Average Funding Period

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>24</td>
<td>18.5</td>
</tr>
<tr>
<td>2.0</td>
<td>31</td>
<td>23.8</td>
</tr>
<tr>
<td>2.5</td>
<td>7</td>
<td>5.4</td>
</tr>
<tr>
<td>3.0</td>
<td>32</td>
<td>24.6</td>
</tr>
<tr>
<td>4.0</td>
<td>4</td>
<td>3.1</td>
</tr>
<tr>
<td>5.0</td>
<td>32</td>
<td>24.6</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.3 Level of Funding
Respondents were required to indicate the level of funding from the various groups and to do so a five point rating scale was utilized where 5= increasingly abundant, 4= abundant, 3=fairly, 2=less abundant, 1= least abundant.

The findings indicated that individual contributions were least abundant in the funding level (m=1.97, sd=.835), while religious institutions were less abundant (m=2.77, sd=1.267). On the other hand, private foundations were fair (m=.3.71, sd=.876). It was also revealed that Governments was also less abundant (m=2.60, sd=1.152) with the Corporates being fair in there funding’s (m=3.38, sd=1.572). International institutions and governments had abundant contributions (m=4.45, sd=.798) as indicated in Table 4.6

Table 4.6: Levels of Funding

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual contributions.</td>
<td>36.2</td>
<td>30.8</td>
<td>33.1</td>
<td>0</td>
<td>0</td>
<td>1.97</td>
<td>.835</td>
</tr>
<tr>
<td>Religious institutions.</td>
<td>21.5</td>
<td>29.2</td>
<td>0</td>
<td>49.2</td>
<td>0</td>
<td>2.77</td>
<td>1.267</td>
</tr>
<tr>
<td>Private foundations.</td>
<td>0</td>
<td>11.5</td>
<td>22.3</td>
<td>50</td>
<td>16.2</td>
<td>3.71</td>
<td>.876</td>
</tr>
<tr>
<td>Governments.</td>
<td>21.5</td>
<td>20.8</td>
<td>42.3</td>
<td>6.9</td>
<td>8.5</td>
<td>2.60</td>
<td>1.152</td>
</tr>
<tr>
<td>Corporates.</td>
<td>17.7</td>
<td>19.2</td>
<td>8.5</td>
<td>16.2</td>
<td>38.5</td>
<td>3.38</td>
<td>1.572</td>
</tr>
</tbody>
</table>
4.4.4 Donor Relation Management

Respondents were required to indicate the level of donor relation management and to do so a five point rating scale was utilized where 5=strongly agree, 4=agree, 3=disagree, 2=strongly disagree, 1=not certain.

The findings indicated that majority agreed that there exist proper financial policies that guide how the organization manages its funds (m=4.21, sd=.566). The NGO have good leadership that provides assurance and gives confidence to the donors (m=4.21, sd=.407) and they also have in place reporting structures that facilitate accountability and openness (m=4.18, sd=.389). Finally, the findings indicated that the NGO has a brand that promotes it to donors which makes fundraising easier (m=4.24, sd=.755). The results are shown in Table 4.7

Table 4.7: Donor Relation Management

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proper financial policies that guide how your organisation manages its funds.</td>
<td>0</td>
<td>0</td>
<td>7.7</td>
<td>63.8</td>
<td>28.5</td>
<td>4.21</td>
<td>.566</td>
</tr>
<tr>
<td>Good leadership that provides assurance and gives confidence to the donors.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>79.2</td>
<td>20.8</td>
<td>4.21</td>
<td>.407</td>
</tr>
<tr>
<td>Reporting structures that facilitate accountability and openness.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>81.5</td>
<td>18.5</td>
<td>4.18</td>
<td>.389</td>
</tr>
<tr>
<td>Brand that promotes it to donors which makes fundraising easier.</td>
<td>0</td>
<td>0</td>
<td>19.2</td>
<td>37.7</td>
<td>43.1</td>
<td>4.24</td>
<td>.755</td>
</tr>
</tbody>
</table>

4.4.5 Income Diversification

Respondents were required to indicate the level of income diversification and to do so a five point rating scale was utilized where 5=strongly agree, 4=agree, 3=disagree, 2=strongly disagree, 1=not certain. The findings revealed that the organization has more than one donor (m=4.56, sd=.498). It was also established that the organization is involved in income generating activities. (m=3.78, sd=1.129) and the organization offer
training and consultancy for a fee (m=3.90, sd=.955). However, a majority disagree that the organization rely on only one donor (m=2.84, sd=1.147) as indicated in Table 4.8

Table 4.8: Income Diversification

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization has more than one donor?</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>43.8</td>
<td>56.2</td>
<td>4.56</td>
<td>.498</td>
</tr>
<tr>
<td>The organization is involved in income generating activities.</td>
<td>9.2</td>
<td>0</td>
<td>21.5</td>
<td>42.3</td>
<td>26.9</td>
<td>3.78</td>
<td>1.129</td>
</tr>
<tr>
<td>Does the organization offer training and consultancy for a fee?</td>
<td>0</td>
<td>0</td>
<td>50.8</td>
<td>8.5</td>
<td>40.8</td>
<td>3.90</td>
<td>.955</td>
</tr>
<tr>
<td>Does your organization rely on only one donor?</td>
<td>20</td>
<td>6.9</td>
<td>50</td>
<td>15.4</td>
<td>7.7</td>
<td>2.84</td>
<td>1.147</td>
</tr>
</tbody>
</table>

4.4.6 Challenges in Donor Funding

Respondents were required to indicate the level challenges in donor funding and to do so a five point rating scale was utilized where 5=strongly agree, 4=agree, 3=disagree, 2=strongly disagree, 1=not applicable. Majority disagreed that a lack of financial management has led to pulling out of donor funding. (m=3.20, sd=1.171). It was however agreed that, withdrawal of donor funding has led to the shutting down of your organization (m=4.08 sd=.945). The findings also show that failure by top leadership to provide the donor with sufficient information required will lead to the withdrawal of funding (m=4.32, sd=.881) and the organization depend solely on external donor funds (m=3.78, sd=.983).

Table 4.9: Challenges in Donor Funding

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of financial management has led to pulling out of donor funding.</td>
<td>7.7</td>
<td>28.5</td>
<td>8.5</td>
<td>46.9</td>
<td>8.5</td>
<td>3.20</td>
<td>1.171</td>
</tr>
<tr>
<td>Withdrawal of donor funding will lead to the shutting down of your organization.</td>
<td>0</td>
<td>8.5</td>
<td>15.4</td>
<td>36.2</td>
<td>40</td>
<td>4.08</td>
<td>.945</td>
</tr>
<tr>
<td>Failure by top leadership to provide the donor with sufficient information required will lead to the withdrawal of funding.</td>
<td>0</td>
<td>6.9</td>
<td>6.9</td>
<td>33.8</td>
<td>52.3</td>
<td>4.32</td>
<td>.881</td>
</tr>
<tr>
<td>Does your organisation depend solely on external donor funds?</td>
<td>0</td>
<td>15.4</td>
<td>15.4</td>
<td>45.4</td>
<td>23.8</td>
<td>3.78</td>
<td>.983</td>
</tr>
</tbody>
</table>
4.5 Management Capabilities and the Sustainability of NGO

The last objective sought to assess how management capabilities affect the sustainability of NGOs and to achieve this objective respondents were asked to rate the answers using a five point rating scale where 5=very highly, 4=highly, 3=somewhat highly, 2=low, and 1=very low.

4.5.1 Descriptive of Management Capabilities and the Sustainability of NGO

The findings indicated that respondents were confident of the NGO having in place proper structures of organizational governance (m=4.25, sd=.719). The top management understands the purpose of the organization and takes the lead in its achievement (m=4.41, sd=.493). The leadership of the NGO possesses all the required qualifications, skills, competence and experience (m=4.33, sd=.627). In addition, the management adopts staff policies that motivate and maintain employees within the organization (m=3.92, sd=.915). The findings also revealed that the leadership approaches adopted facilitate the organization to meet its objectives (m=4.36, sd=.726), and stakeholders have faith in the management team of the organization (m=4.22, sd=.532). They also have alternative and repeat donors (m=4.38, sd=.685) and there is low staff turnover (m=3.84, sd=.922). The NGOs have also been able to meet community needs through well-designed projects (m=4.10, sd=.888).

Table 4.10: Management Capabilities and the Sustainability of NGO

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO has in place proper structures of organizational governance.</td>
<td>0</td>
<td>0</td>
<td>16.2</td>
<td>42.3</td>
<td>41.5</td>
<td>4.25</td>
<td>.719</td>
</tr>
<tr>
<td>The top management of your organization understands the purpose of the organization and takes the lead in its achievement.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>59.2</td>
<td>40.8</td>
<td>4.41</td>
<td>.493</td>
</tr>
<tr>
<td>The leadership of the NGO possesses all the required qualification, skills, competence and experience.</td>
<td>0</td>
<td>0</td>
<td>8.5</td>
<td>50</td>
<td>41.5</td>
<td>4.33</td>
<td>.627</td>
</tr>
<tr>
<td>The management adopts staff policies that motivate and maintains employees within the organization.</td>
<td>0</td>
<td>6.9</td>
<td>25.4</td>
<td>36.9</td>
<td>30.8</td>
<td>3.92</td>
<td>.915</td>
</tr>
<tr>
<td>The leadership approaches adopted facilitate the organization to meet its objectives.</td>
<td>0</td>
<td>0</td>
<td>14.6</td>
<td>34.6</td>
<td>50.8</td>
<td>4.36</td>
<td>.726</td>
</tr>
<tr>
<td>Stakeholders have faith in the management team of the organization.</td>
<td>0</td>
<td>0</td>
<td>5.4</td>
<td>66.9</td>
<td>27.7</td>
<td>4.22</td>
<td>.532</td>
</tr>
</tbody>
</table>
team of your organization.

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>You have alternative &amp; repeat donors.</td>
<td>0</td>
<td>0</td>
<td>11.5</td>
<td>39.2</td>
<td>49.2</td>
<td>4.38</td>
</tr>
<tr>
<td>There is low staff turnover.</td>
<td>0</td>
<td>8.5</td>
<td>26.2</td>
<td>38.5</td>
<td>26.9</td>
<td>3.84</td>
</tr>
<tr>
<td>Meeting community needs though well designed projects.</td>
<td>0</td>
<td>9.2</td>
<td>6.9</td>
<td>48.5</td>
<td>35.4</td>
<td>4.10</td>
</tr>
</tbody>
</table>

**4.6 Chapter Summary**

This chapter presents the results established from the data analysis done. This included results relating to the demography and specific research objectives of the study aimed at establishing the determinants of sustainability of local NGOs in Kenya. The first section looks at the demography and the subsequent sections covers the three objectives which were to assess how Strategic Management affects the sustainability of NGOs, establish how finances affect the sustainability of NGOs and to find out how management capabilities affect the sustainability of NGOs. The next chapter will present the discussions, conclusion and recommendation.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
In this chapter discussion, conclusions and recommendations were elaborated. The summary of the whole study is presented first, followed by discussion on how Strategic management affects the sustainability of NGOs, establish how finances affect the sustainability of NGOs how management capabilities affect the sustainability of NGOs.

5.2 Summary of the Study
The purpose of this paper was to find the determinants of sustainability of local NGOs in Kenya. The specific objectives of this study was to assess how strategic management affects the sustainability of NGOs. Establish how finances affect the sustainability of NGOs. To find out the effects of management capabilities on the sustainability of NGOs.

The study used descriptive design because it has been successfully used in other related management studies. This methodology was the most suitable because the research aims at expounding on some determinants and laying out how they affect organizational sustainability. According to the NGO Board (2017) there are 6,938 registered local NGOs in Kenya. This study concentrated on the 3,334 NGOs registered in Nairobi, where 770 are the only active NGOs in Nairobi. Based on this, the study purposively sampled 20% of the population which came to 154 respondents, only 130 were filled and returned giving a response rate of 84%. This study employed primary data to analyze the effects of strategic management, financial management and management capabilities on organizational sustainability. The study used the questionnaire which is seen to be the best method of collecting the data required for this kind of research.

The questionnaire contained both open and close ended questions aimed at giving respondents an opportunity to choose from listed alternatives as well as offer their opinion and therefore offer qualitative data. The questionnaire was later administered through the help of three research assistants who were trained before going to the field. Descriptive analysis of the data collected was used. The data analysis involved were measures of central tendency and frequencies. Frequency distributions and percentages were used in the descriptive part of this study to draw conclusions.
The first objective sought to assess how strategic management affects the sustainability of NGOs. Most respondents indicated that, to a large extent the organization applies strategic management principles (m=3.88, sd=.988). In addition, to a great extent, planning is done frequently (m=3.85, sd=.902). The management pays specific attention to controlling the laid down strategy (m=3.78, sd=1.064). The organisation has in the past been able to adapt to changes in its operating environment (m=3.76, sd=.987). The research also sought to establish whether the department responsible for strategic management had been in charge of strategies related to organization performance and 61.5% agreed while 38.5% failed to acknowledge, although 15.4% revealed that the NGOs had a strategic plan. Analysis of the strategic capabilities used by NGOs to enhance organizations performance revealed that to a great extent human resources influenced; performance (m=3.68, sd=.826), ability to fund raise (m=3.81, sd=1.072), monitoring and development (m=3.79, sd=.929), availability of financial resources (m=3.98, sd=.835), and assets such as property (land and buildings) (m=3.65, sd=1.206).

The second objective sought to assess how strategic management affects the sustainability of NGOs and an analysis of how many major (institutional) donors the organizations have revealed that, 23.3% had three donors, 20% had four donors, and 13.8% had one donor. It was also revealed that, 24.6% received funding every three and five years respectively and 23.8% received funding after every 2 years. Respondents were required to indicate the level of funding from the various groups and, individual contributions was the least abundant in the funding level, although international institutions and governments had an abundant contribution (m=4.45, sd=.798). Analysis of the level of donor relation management indicated that majority agreed that there exist proper financial policies that guide how the organization manages its funds (m=4.21, sd=.566). The NGOs have good leadership that provides assurance and gives confidence to the donors (m=4.21, sd=.407), and they also have in place reporting structures that facilitate accountability and openness (m=4.18, sd=.389). Finally, the findings indicated that NGOs have a brand that promotes them to donors which makes fund raising easier (m=4.24, sd=.755). On the level of income diversification most of the organizations have more than one donor (m=4.56, sd=.498). It was also established that these organizations are involved in income generating activities (m=3.78, sd=1.129), and they offer training and consultancy for a fee (m=3.90, sd=.955). On the challenges faced in donor funding’s it was agreed that, withdrawal of donor funding has led to the shutting down of organizations (m=4.08)
The findings also show that failure by top leadership to provide donors with sufficient information required, led to the withdrawal of funding (m=4.32, sd=.881) and these organizations depend solely on external donor funds (m=3.78, sd=.983).

The last objective sought to assess how management capabilities affect the sustainability of NGOs. The findings indicated that respondents were confident of their organizations having in place proper structures of organizational governance (m=4.25, sd=.719). Top management understands the purpose of the organization and takes the lead in its achievement (m=4.41, sd=.493). The leadership possesses all the required qualifications, skills, competence and experience (m=4.33, sd=.627). In addition, management adopts staff policies that motivate and maintain employees within these organizations. (m=3.92, sd=.915). The findings also revealed that the leadership approaches adopted facilitate these organizations in meeting their objectives (m=4.36, sd=.726), and stakeholders have faith in their management teams (m=4.22, sd=.532). They also have alternative and repeat donors (m=4.38, sd=.685) and staff turnover is low (m=3.84, sd=.922). These NGOs have also been able to meet community needs through well-designed projects (m=4.10, sd=.888).

5.3 Discussion

5.3.1 Effects of Strategic Management on the sustainability of NGOs

From this study, most respondents indicated that to a large extent the organization applies strategic management principles. Wagner (2006) explains, the importance of strategic planning can be looked at from four points including environmental scanning, strategy formulation, linking goals to budgets and strategic planning as a process. For an organization to fill the usefulness and effectiveness of strategic planning, there must be commitment and involvement across all levels of the organization, so as to overcome problems such as; rivalry among departments, projects, resistance to change, resource requirement, resources allocation and others. The strategy initiatives and directions set up by an organizations management in the form of mission and vision statements and targets for cost saving, debt/equity ratios embodied (Grant, 2006).

In addition, to a great extent planning is done frequently and the management pays specific attention to controlling the laid down strategy. Thompson, et al, (2007) similarly, enumerates that numerous factors are listed in literatures that influence the strategic planning process. Environmental uncertainties hinder the development of long term plans;
scarce resource-strategic planning which entails the use of scarce resources effectively; legal forces, legislative changes, introduce new dynamics in an industry thus affecting strategic planning; size and complexity of an organization. As size and complexity of an organization increases, so does the degree of formulating plans; the lifecycle of the organization, this is when the organizations move through different phases, and the competitive environment changes and influences the way they plan and execute strategy.

The research also sought to establish whether the department responsible for strategic management been in charge of strategies related to organization performance and 61.5% agreed out of whom a majority revealed that the NGOs had a strategic plan. According to Musyula (2014) NGOs performance can be measured in terms of how well it is governed and how effective the management processes is. It implies that the effective management of an NGO’s resources is done in a manner which is transparent, accountable, equitable and responsive to the needs of the community. Since NGOs aim at becoming sustainable, then good governance is critical to their existence. In developing countries NGOs often lack the institutional capacity and resources to operate. Moreover, one of the key requirements for good governance is accountability of funds from donors, but sometimes they are poorly managed. Thus, in order to ensure effective and proper management of resources, good governance becomes an important aspect of every NGO.

Analysis of the strategic capabilities used by NGO to enhance organizations performance revealed that to a great ability to fund Raise as well as monitoring and development. Mukanga (2011) states that, international NGOs in Kenya have developed strategies and organizational structures according to their differing goals: profits and ideals. The goals of an NGO are not measured in terms of loss or profit; the results are qualitative. For NGOs the criteria is how efficient the money budgeted for is spent, and further to that, it should meet the expectations of the donor and public benefit. An NGO needs to survive, just like a company; they have people on their payroll and need cash. Careers are planned and pursued. This is a fact of life in the corporate world but less obvious in the case of the not-for-profit world (Edward, 1999).

Analysis of the strategic capabilities used by NGO to enhance organizations performance was influenced by the availability of financial resources as well as assets such as property (land and buildings). Kameri (2000) adds that international NGOs in Kenya, to sustain themselves they embark on the process of strategic management, strategic
implementation, and strategic change management, for the purpose to ensure that their organizations are managed in a way that the overall goal is achieved despite the environmental forces (Kameri, 2000).

5.3.2 Effects of Finances on the Sustainability of NGOs

Analysis of how many major (institutional) donors the organizations have revealed that majority had three donors, four donors and one donor. For nonprofit 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). Although traditional nonprofit organizations regard fundraising and charitable donations as their primary source of revenue, they also rely on grants, contracts for service, and sales of goods and services to finance operations and capital improvements (Carroll & Stater, 2009).

It was also revealed that many received funding every three and five years respectively and some received funding after every 2 years. Floyd and Shrestha (2008) outline that, no matter how big a non-profit organization’s effort to sell itself and mission to its donors, this will continue as long as it engaged in raising money and other resources; without that, its viability may be at stake, and its appeal to the donor community. Through this, nonprofit organizations must continue to refine and redefine its marketing approaches and strategies to meet its expanding needs. It is obvious that if an nonprofit organization 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. Tuckman and Chang (2009) view that, even within a resource rich environment, the financial stability of nonprofit organizations depends upon effective financial management practices that reduce the volatility of the revenue portfolio and have the potential to increase the organization’s equity. Clark (2003) advocates for adoption of a strategy of diversification that leads to greater stability in the revenue structure which potentially makes sustainability more likely.

Respondents were required to indicate the level of funding from the various groups and individual contributions was least abundant in the funding level although International institutions and governments had abundant contributions. According to Lewis (2011), donor relationship management is the building and nurturing of positive connections with
the donors. He continues to state that it requires a clear segmentation and prioritization of donors which leads to the formulation of clear goals and action plans for how the NGOs will interact with a given donor segment to achieve desired results. While all donors are important, their significance to the work of the nonprofit organization can vary greatly, as can their motivations and needs (Boas, 2012). By developing and implementing effective practices and systems that yield strong relationships with donors, nonprofits can generate more sustainable and dependable revenue, strengthen grant effectiveness, and ultimately achieve better results (Alter, 2007).

The NGO have good leadership that provides assurance and gives confidence to the donors and they also have in place reporting structures that facilitate accountability and openness. Managing donor relationship also involves accounting for the donor funds usage based on the agreements (timelines, grant, project scope and budgets) between the donor and the NGO. In relationship management local NGOs should be able to understand the needs of the donors, contact person, and the requirements of the contact person (Lewis, 2011). By an NGO understanding its donor; it is reflected by the number of return donors, change in the amount of funding from donors and the number of complete projects funded by the donors. If there is a falling number of return donors, fall in the amount of donor funding or stalled donor funded projects then there is poor donor relationship in the NGO. There is need to manage this relationship through regular communication, proper utilization of funds, preparation and presentation of financial reports to donors and the meeting of conditions set by the donors (Moore, 2010).

It was also established that the organization is involved in income generating activities. and the organization offer training and consultancy for a fee. 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. In the NGO sector, financial information and information on the mission impact do not get discussed in an integrated way.

5.3.3 Effects of Management Capabilities on Sustainability of NGOs

The findings indicated that respondents were confident of the NGOs having in place proper structures of organizational governance. Ansoff and McDonnell (2010), identify general management competence orientations as integral to the success of the
organization. According to Okorley and 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.

The findings also show that the leadership of these NGOs possesses all the required qualifications, skills, competence and experience. Drucker, (1990), contends that the executives of nonprofit organizations do not have a set benchmark upon which performance can be measured. Nonprofit organizations exist largely to bring a change in society. Thus, performance and results are far more difficult to measure and control in nonprofit organizations than in profitable firms. Given the numerous issues confronting the nonprofit sector, an appropriate level of the general management responsiveness is desirable to ensure delivery of the nonprofits mission.

In addition, the management adopts staff policies that motivate and maintains employees within the organization. According to Mukanga (2011), NGOs must have good governance structures to provide the leadership, direction, and legitimacy for an organization. Typical NGO founders are charismatic individuals with a strong commitment to a cause or purpose and a definite set of ideas about how to serve that cause. However, other staff and constituents need to share the founders’ understanding and commitment if the organization is to be sustained. Leadership is more effective if it is open to a wide variety of opinions and talents. Effective NGO leaders use the talents and enthusiasm of all NGO stakeholders, board members, staff, community members, clients, and even donors (Carlos, 1997). Leaders are also more effective if they are focused and consistent, so they will be trusted and followed. Above all, good NGO leadership fosters the involvement and participation of the NGO’s stakeholders and the community.

The findings also revealed that the leadership approaches adopted facilitate the organization to meet its objectives. The top management of nonprofit organizations is faced with the challenge of measuring their performance as the bottom line is not as tangible as that of for profit making organizations (Kamaria & Lewis, 2009). Okorley & Nkrumah (2012) asserts that, management/leadership must possess skills such as adequate managerial skills, encourage teamwork, and lead by example; this way the management will get the necessary support for ensuring organizational sustainability.
According to Bititci, Ackermann, Ates, Davies, Gerango, and Gibb (2011) the fact that managerial perceptions appear to play a central role in shaping the organisation of the managerial system and ultimately performance, organizations need to carefully consider the education of managers. Although according to Molomo and Somolekae (1999), the key weakness of NGOs in Africa is the inappropriate organizational structures which impact the manner in which NGOs carry out their core business.

5.4 Conclusion

5.4.1 Effects of Strategic Management on the Sustainability of NGOs
Most Non Governmental Organizations apply strategic management principles. In addition, they undertake frequent planning. To ensure success, the management pays specific attention to controlling the laid down strategy. NGOs have in the past been able to adapt to changes in their operating environment, and this has been attributed to the departments responsible for strategic management being in charge of strategies related to organization performance.

5.4.2 Effects of Finances on the Sustainability of NGOs
NGOs rely on donor funding and major (institutional) donors vary in number and funding levels through international institutions. To efficiently control the finances there exist proper financial policies that guide how the organization manages its funds as well as good leadership that provides assurance and gives confidence to the donors. There also exist reporting structures that facilitate accountability and openness. The firms have been involved in income generating activities however, the withdrawal of donor funding has led to the shutting down of organizations. Similarly, failure by top leadership to provide the donor with sufficient information is also considered a challenge.

5.4.3 Effects of Management Capabilities on the Sustainability of NGOs
Most NGOs have in place proper structures of organizational governance and most top managers understands the purpose of the organization and takes the lead in its achievement. The leadership of these NGOs also possesses all the required qualifications, skills, competence and experience and there exist staff policies that motivate and maintain employees within the organization.
5.5 Recommendation

5.5.1 Recommendation for Improvement

5.5.1.1 Effects of Strategic Management on the Sustainability of NGOs

To be successful, organizations should continuously apply strategic management principles thus there should be a continuous strategic plan that involves all levels of staff from top to bottom. There is a need for the management to lay down policies to ensure effective control of the laid down strategies. There is also a need to have in place effective communication and, organization competency adhering to the strategic goals as well as undertaking surveys and system reviews. There should be encouraged involvement of management in all levels. On the other hand, the caliber of human resources should aid in efficient fund raising, monitoring and development.

5.5.1.2 Effects of Finances on the Sustainability of NGOs

Due to the varied duration of funding, there should be laid down guidelines on the use of funds. International institutions and governments are the most abundant contributors thus NGOs need to research on the different means of acquiring these funds. They also need to vet their leaders to provide assurance and gives confidence to the donors and have in place reporting structures that facilitate accountability and openness. Lack of financial management has led to pulling out of donor funding therefore there is a need to have in place financial strategies to stream-line operations during the low periods.

5.5.1.3 Effects of Management Capabilities on the Sustainability of NGOs

NGOs should continue having in place proper structures of organizational governance. Top management should continue understanding the purpose of their respective organizations and takes the lead in their achievements. This is possible by having quality leadership with the required skills, competence and experience. Management should also adopt staff policies that motivate and maintain employees within the organization.

5.5.2 Recommendation for Further Studies

NGOs in the country are still in the growth stage thus the study therefore recommends that further studies need to be done on sustainability of NGOs based on social impact, focused business strategy, economic viability, adaptability, and capacity to deliver.
REFERENCES


Hulme, D. & Edwards, M. (1997). 'NGOs, States and Donors: Too Close for Com-fort?';


APPENDICES

APPENDIX I: 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 “DETERMINANTS OF SUSTAINABILITY OF LOCAL NGOs 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 years

SECTION B: STRATEGIC MANAGEMENT IN THE SUSTAINABILITY OF ORGANISATIONS

Kindly answer the questions below by ticking as applies to you in regards to matters relating to strategic management at your organisation.
i). In your own opinion, indicate to what extent you agree with the following statements on strategic planning?

<table>
<thead>
<tr>
<th></th>
<th>A very large extent</th>
<th>A large extent</th>
<th>Moderately</th>
<th>Not very much</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Your organisation applies strategic management principles.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Strategic planning is done by all levels of staff from top to bottom with each staff making contributions.</td>
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<td>8</td>
<td>Planning is done frequently.</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>The management pays specific attention to controlling the laid down strategy.</td>
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</tr>
<tr>
<td>10</td>
<td>Your organisation has in the past been able to adapt to changes in its operating environment.</td>
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</tbody>
</table>

ii) Capabilities and Performance

11. Has the department responsible for strategic management been in charge of strategies related to organization performance?

Yes [ ] NO [ ]

If yes explain how

……………………………………………………………………………………………………………………………………………………………………
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57
12. To what extent has the use of the following strategic capabilities by your NGO enhanced its organizations performance?

<table>
<thead>
<tr>
<th></th>
<th>A very large extent</th>
<th>A large extent</th>
<th>Moderately</th>
<th>Not very much</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td></td>
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<td></td>
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<td>4</td>
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<td>1</td>
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</tr>
</tbody>
</table>

13. Human Resources
14. Ability to Fund Raise
15. Monitoring and Development
16. Financial Resources
17. Property (land and buildings)

**SECTION C: EFFECT OF FINANCES ON SUSTAINABILITY OF ORGANISATIONS**

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

……………………………………………………………………………………………………………………

19. What is the average period your donors fund your organisation?

……………………………………………………………………………………………………………………

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

<table>
<thead>
<tr>
<th></th>
<th>Increasingly Abundant</th>
<th>Abundant</th>
<th>Fairly</th>
<th>Less Abundant</th>
<th>Least Abundant</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
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<td></td>
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<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. Individual contributions.
21. Religious institutions.
22. Private foundations.
23. Governments.
25 International institutions and governments.

i) To what extent do you agree with the following on donor relationship management?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Agree</th>
<th>Not Certain</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>There exist proper financial policies that guide how your organisation manages its funds.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Your NGO has good leadership that provides assurance and gives confidence to the donors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Your NGO has reporting structures that facilitate accountability and openness.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Your NGO has a brand that promotes it to donors which makes fund raising easier.</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

ii) To what extent do you agree with the following on Income diversification?
30. The organization has more than one donor?

31. The organization is involved in income generating activities.

32. Does the organization offer training and consultancy for a fee?

33. Does your organization rely on only one donor?

iii) To what extent would you say the following are challenges organizations face with regard to donor funding?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>34. Lack of financial management has led to pulling out of donor funding.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>35. Withdrawal of donor funding will lead to the shutting down of your organization.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>36. Failure by top leadership to provide the donor with sufficient information required will lead to the withdrawal of funding.</td>
<td></td>
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</tr>
<tr>
<td>37. Does your organisation depend solely on external donor funds?</td>
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</tbody>
</table>
### SECTION D: MANAGEMENT CAPABILITIES

i. How would you rank your organizations efforts in the following matters?

<table>
<thead>
<tr>
<th></th>
<th>Very Highly</th>
<th>Highly</th>
<th>Somewhat Highly</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.</td>
<td>You are confident that your NGO has in place proper structures of organizational governance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39.</td>
<td>The top management of your organisation understands the purpose of the organisation and takes the lead in its achievement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40.</td>
<td>The leadership of the NGO possesses all the required qualification, skills, competence and experience.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>41</td>
<td>The management adopts staff policies that motivate and maintains employees within the organisation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>The leadership approaches adopted facilitate the organisation to meet its objectives.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Stakeholders have faith in the management team of your organisation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>You have alternative &amp;repeat donors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>There is low staff turnover.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Meeting community needs through well designed projects.

Thank You For your participation

Alvin Ntimama

MBA student.