

THE IMPACT OF BOARD EFFECTIVENESS AND BUSINESS
PLANNING ON FINANCIAL SUSTAINABILITY OF NGOS IN NAIROBI

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STUDENT DECLARATION

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

Signed: _____

Date: _____

Hellen Amadi (ID Number 610 753)

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

Signed: _____

Date: _____

Supervisor, Dr. George Achoki

Signed: _____ **Date:** _____

Dean, Chandaria School of Business

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ABSTRACT

The general objective of this study was to establish the impact of board effectiveness and board planning on financial sustainability in national NGOs in Nairobi, Kenya. The specific objectives of the study were to determine whether the structure and role of the board influences the financial sustainability of national NGOs; to determine whether the competence and performance of the board influences financial sustainability of national NGOs and to determine whether the business planning role of the board influences the financial sustainability of national NGOs in Nairobi.

The study used correlational study techniques as they are used to determine relationships between variables. Random sampling is also used in this study as it permits true statistical inference and fosters external validity. Random sampling ensures that all members of the population have an equal and independent chance of being selected. In this study, the desired confidence level was 90% which meant that for a population size of 702, the ideal sample size was 62 respondents. A confidence interval is a statistic plus or minus a margin of error, and the margin of error is determined by the number of standard errors that one needs to get the desired confidence level. The Likert Scale is used for data collection as it uses a unidimensional summative design approach to scaling. Primary data was collected using a structured questionnaire which utilised the five point Likert Scale and which was developed in line with the specific objectives of the study.

The findings of the study show that the majority of the respondents disagreed that there exists functional boards of directors in their non-profits at the rate of 51%. The findings also showed that majority of the respondents highly disagree that there are any functional committees within the boards at a rating of 51%. In addition, the findings show that sustainability is at a constant value of 8.181 while board function contributes $b=0.096$ which show a positive correlation between board function and sustainability. The majority of respondents disagreed that the board has performance management systems. 64% of respondents either disagreed or highly disagreed that board evaluation was carried out. In addition, there was a positive correlation of $b=0.356$ between board performance and sustainability.

The conclusions drawn from the study are that all the study variables (role of the Board, performance of the board and Business planning) positively contributed to the sustainability of the NGOs from whichever area of influence. The findings of regression

and correlation analysis showed that indeed there is a relationship between the three variables against the dependent variable, sustainability. The findings on board performance against business sustainability using sustainability as a dependent variable and board performance, board function and business planning as the predictors, indicates statistical significance of the regression model which significantly predicts the dependent variable. In general, the findings statistically predict the dependent variable, business sustainability. This implied that NGOs with functioning boards, boards that perform and have business planning are more likely to be financially sustainable.

It is recommended that these findings are used to improve the functioning of boards of directors in order to improve financial sustainability of the organizations they represent. It is hoped that the study findings will form a baseline for further debate on the subject and will lead to the implementation of more comprehensive and functional board performance. It is also hoped that these findings will provide grounds for future research work.

ACKNOWLEDGEMENT

I would like to thank my supervisor Dr. George Achoki most sincerely for his valuable advice and support without which this paper would not have been completed.

DEDICATION

I dedicate this paper to my husband Martin Amadi and my children Rita and Nina Amadi.
Your patience and support saw me through even the most difficult times.

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CHAPTER ONE

1 INTRODUCTION

1.1 Background of the Problem

The profile of non-profit organizations has risen dramatically in recent times. International and national non-profit organizations have taken on a leading role in international, national and local efforts to eradicate poverty and have become important channels of donor aid transfer from multilateral and bilateral funding sources.

National NGOs are diverse and address various development niches, hence are not homogeneous in nature. According to Steinberg and Powell (2006), non-profit organizations are defined as those which are excluded either by external regulation or their own governance structure from distributing their financial surplus to those who control their resources. In Kenya, these organizations were formally defined by the former Minister of State for National Heritage, Honourable Suleiman Shakambo (2006) as “voluntary organizations or grouping of individuals or organizations which are autonomous and not-for-profit sharing....and organized locally....for the purpose of enhancing legitimate economic, social and/or cultural development”. (p.17)

One of the defining features of the non-profit sector is its focus on the provision of goods and services that are not financially profitable. Non-profits must make up the shortfall in the provision of these goods and services by attracting other sources of revenue, including individual donors, foundations and governments. These sources of revenue must also be viewed as “customers” although they do not receive anything directly in return. Non-profits must continually consider, satisfy and attract these customers. The non-profit is bound by its very nature to prioritise mission advancement over the bottom-line profit.

Bryson (2011) believes that in order for any organization to be viable in the future and become sustainable, it must have sufficient threshold (internal) competencies such as an accounting system, finance, IT and HR systems. Such competencies must be supported by what he describes as Distinctive Assets which are particular resources which the organization must draw upon in order to maintain sustainable organizational competencies.

Bryson asserts that the strategic future of an organization depends totally on its ability to exploit its competencies to meet its own aspirations.

With this understanding, national NGOs must organize themselves to drive local social entrepreneurship and achieve their social mission while maintaining organizational sustainability. (Weerawardena and Mort, 2001) Organizational sustainability can be viewed as the resilience of an organization and can be identified by the organization's ability to withstand change and to retain its basic structure and viability over time. Sustainability focusses on the continued existence of the organization in order to pursue its social mission by applying innovation, risk management and proactiveness. (Weerawardena and Mort, 2006).

Belle, Masaoka and Zimmerman (2010) state that for non-profit organizations financial sustainability is not only a legitimate goal, it is a necessary, intrinsic goal.” (p.350). They observe that nearly all non-profit organizations are now becoming hybrid organizations. “Rather than the traditional funded charities, they combine a variety of income streams including donations, earned income, contracts, grants and other income types. (p.360).

León (2001) asserts that financial sustainability enables organizations to meet administrative costs and to prioritise their activities so as to accomplish their own missions without undergoing interminable negotiations with donors, who may or may not agree with their visions. Nonetheless, she explains that the percentage of organizations that manage to achieve financial sustainability remains very low, not due to a lack of creativity or commitment, rather to the fact that many non-profit organizations continue to have a donor-dependent vision. The development and fulfilment of the vision of any organization through board driven business planning and governance process is the core responsibility of the board of directors.

Nganga (2013) found that one of the key ingredients for a non-profit organization's sustainability is decisive, strategic and accountable leadership which is provided by the board of directors. The relationship between board governance and sustainability in corporates has been studied at length, but there is a gap in such studies for non-profit organizations in general. Aras and Crowther (2008) examined the relationship between firm performance and corporate governance in microfinance institutions and found that financial performance and therefore financial sustainability improves with a better managed

local board. They asserted that there was no difference in this finding, for non-profit organisations although they did not delve into studying the non-profits themselves.

1.2 Statement of the Problem

Omeri (2014) stated that “most research studies on NGOs in Kenya focus on the outcomes of programs, capacity building and government involvement rather than on organizational processes and factors influencing organizational impact.” (p. 6) Omeri explains that in research, little mention is made of financial sustainability and explains that the reason this is so may be due to the fact that NGOs “have been traditionally associated with seemingly unlimited funding from foreign donors.” (p. 6) Indeed, most sustainability studies in Kenyan non-profits have focussed on Micro Finance Institutions.

Recent studies demonstrate a new interest in the effectiveness of the board of directors in the financial management and monitoring of non-profit organizations. Callen and Tinkelman (2010) demonstrate the effect of monitoring and non-monitoring board mechanisms on the stability of U. S. based non-profit organizations. Boesso, Cerbioni and Kumar (2014) on the other hand, examine the effects of active and inert boards on meritorious projects. Gu (2013) assesses the relationship between board composition and non-profit hospital financial performance for the top 71 major non-profit hospital in the United States during the period, 2004-2009. However, few studies that examine the link between the board functions and performance with the sustainability of non-profit organizations, exist. Machuki and Oketch (2012) observe that while a number of studies have been done in the NGO sector in Kenya as well as on the subject of corporate governance, very little is known on how the corporate governance structures and roles influence the performance of the Kenyan NGOs.

Poverty Eradication Network (PEN) (2010) organized a workshop for community leaders on the status of the review of the 1990 NGO Coordination Act of Kenya. During the workshop, poor governance was recognized as existing within the sector as a whole, within the NGO Council and within individual NGOs. The workshop exposed a sector-wide gap in the understanding of the effectiveness and planning processes of boards and their impact on the sustainability of NGOs in the country.

This study seeks to fill the study gap by establishing the impact of board effectiveness and board planning on financial sustainability in national NGOs in Nairobi, Kenya.

1.3 General Objective

To establish the impact of board effectiveness and board planning on the financial sustainability of national NGOs in Nairobi, Kenya.

1.4 Specific Objectives

1. To determine whether the structure and role of the board influences the financial sustainability of national NGOs.
2. To determine whether the competence and performance of the board influences financial sustainability of national NGOs.
3. To determine whether the business planning role of the board influences the financial sustainability of national NGOs.

1.5 Significance of the Study

This study will benefit a cross section of stakeholders in the sector, including donors, governments, international and national NGOs. It will serve to fill the knowledge gap in understanding the impact of board effectiveness and planning on financial sustainability of national NGOs. It will seek to define the most critical aspects that make up board effectiveness and how these are translated into effective, focussed, efficient and well-funded local organizations. These organizations will be able to take the local development agenda to a level where the impact of international funding trends is less devastating and Kenyans themselves are be able to harness local solutions to local problems.

1.6 Scope of the Study

The Directory of Development Organizations (2011) identified that 702 civil society NGOs are registered in Nairobi, Kenya. This body of organizations constituted the population. The study is limited to 62 Kenyan NGOs selected using the simple random sampling method.

1.7 Definition of Terms

CEO: Chief Executive Officer

NGO: Non-Governmental Organization

1.8 Chapter Summary

This chapter describes in detail the background of the study. It defines NGOs and examines their purpose and importance. It also describes their internal and external operating environments and the critical factors that lead to their continued existence. The chapter defines at length the importance and meaning of sustainability of non-profits in general and demonstrates how non-profit board leadership contributes to financial sustainability or its absence. The chapter also examines the problem of statistical data that links sustainability with board effectiveness and board planning, highlights the studies that do exist on the subject. It underscores the importance of this study to fill the existing study gap. Finally, the chapter identifies the general objective, specific objectives and significance of the study.

The next chapter builds on this chapter and will examine in detail the literature that exists on each one of the identified specific objectives and will continue set the stage and basis for the study.

CHAPTER TWO

2 LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive review of respected literature that supports the examination of the specific objectives of the study that were developed in the first chapter. This chapter sets the stage in understanding how the structure, role and performance of boards leads to the sustainability of the non-profit. It introduces a relatively new concept of business planning to the non-profit sector and examines the role of the organization's board as the vision bearer in developing and communicating the overall business plan and how this process leads to the structuring of a viable and sustainable business model.

2.2 Board Structure and Role and Sustainability

Renz (2010) defines governance as the process of providing strategic leadership to the organization. He explains that governance comprises of the functions of setting direction, making decisions about policy and strategy, overseeing and monitoring organizational performance and ensuring overall accountability. Indeed Renz (2010) describes governance as both a political and organizational process involving multiple functions and multiple stakeholders and that involves making decisions about the most strategic aspects of the organization. In other words, governance is about making strategic choices about why the organization is where it is, what it wants to accomplish, how best to achieve those results, the resources that will be required, how the resources will be secured and how the organization will know it is making a difference.

The Committee of Financial Aspects of Corporate Governance (CFACG) committee was chaired by Sir Adrian Cadbury was mandated with reviewing critical aspects of corporate governance relating to financial reporting and accountability. The CFACG (1992), defines governance as the system by which organizations are directed and controlled. Boards of Directors are responsible for the governance of their organizations. The report explains that the responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect and supervising the management. The committee explains that to be sustainable, every organization should be headed by an effective board

which can both lead and control the organization. The board is made up of executive directors who have an intimate understanding of the organization. According to the committee, one test of board effectiveness is the ability of the members of the board to work together under the board chair and their collective ability to provide both leadership and control to the organization.

Renz (2010) explains that it is important for the leaders of organizations to exercise strong leadership in order to sustain the organization over time. He states that non-profit organizations tend to under-invest in administrative infrastructure which leads to inadequate information for decision making which jeopardize the financial sustainability of an organization. He believes that solution lies in in proper management of the organization starting with its top leadership playing their respective roles.

Renz (2010) outlines the core functions of non-profit boards as leading the organization, establishing policy, securing essential services, ensuring effective resource use, leading and managing the CEOs performance, engaging with constituents, ensuring and enabling accountability and ensuring board effectiveness. According to Renz the first board function is to lead the organization. Leading the organization requires the board to determine the organization's mission, purpose and strategic direction. The board must identify the long term goals and objectives of the organization as well as determine the core programs and services of the organization. The board must also counsel and advice the executive leadership and must look out for opportunities for service and innovation. Boardsource (2012) agrees with this opinion. They state that a board must determine the organizations mission and purpose and articulate the organization's goals, mission and primary constituents.

Renz (2010) asserts that the second board function is to establish proactive policy to guide organization action. To do so, Renz believes that the board must establish policy to guide decision making and action, set medium term organizational goals, approve overall organizational design including structure and core processes and ensure strategic plans and policies guide resource allocation.

Renz (2010) goes on to explain that the third board function is to ensure that the organization secures the resources needed to accomplish its mission, vision and goals. Boardsource (2012) have a similar opinion. They state that a board must ensure adequate

financial resources to fulfil its mission. They believe that the board has a strong fundraising role. It must ensure that there are adequate fundraising policies, plans and goals which are tied to the mission. It must ensure that board members themselves must be willing to raise funds through their network of contacts and by volunteer their services to help in fundraising efforts. They also must be able to evaluation the organization's successes in fundraising and recommend supportive or corrective action. Renz explains that the board does this by enabling the organization secure the resources necessary to implement the programs and services that are central to the achievement of the mission, vision and goals. The board must also ensure that the resources are sufficient to support these programs and services.

The fourth board function, is to ensure that the organization makes effective use of resources to accomplish its mission, mission and goals. Renz (2010). Renz believes that in order to this, the board must ensure that they allocate resource to implement the organization's strategic plans, ensure that effective systems are in place to enable resource monitoring and ensure that the organizations systems and policies are adequate to safeguard and guide the use of these resources. Boardsource (2012) explain that each board must protect the assets of the organization and provide financial oversight. They explain that the board must approve budgets and ensure financial controls and that finances are well managed and safely guarded. In addition, financial policies must be put in place to manage cash receipts, disbursements, budgets, investment, operating reserves, capital budget, risk and audits.

The fifth board function is to lead and manage the performance of the CEO. The board does this by recruiting, selecting and setting appropriate compensation for the CEO and providing regular performance direction and feedback mechanism to the chief executive with clear separation of board and executive roles to avoid micro-management. Renz (2010) Boardsource (2012) explain that it is the role of the board to select the chief executive and determine the responsibilities of the position. It is also the role of the board to support and evaluate this chief executive on a regular basis.

Renz (2010) states that the sixth board function is to engage with constituents by ensuring an effective ongoing relationship between the organization and key constituents including stakeholders and beneficiaries. The board protects and ensures the credibility of the organization, ensures that the organization is accountable to its constituents by providing

the required information and evaluates external trends and dynamics and their potential impact on the organization. Boardsource (2012) state that a board ensures an organizations public standing by articulating the mission, accomplishments and goals of the organization and by garnering public support. They state that effective boards form close links with constituents and are knowledgeable about the business of the organization in order to represent it at events. In concurrence, Eccles, Loannou and Serafeim (2014) find that highly sustainable firms adopt significantly more of the stakeholder engagement mechanisms. Indeed they are distinct in their stakeholder engagement model in that, compared to unsustainable firms they are more focused on understanding the needs of their stakeholders, making investments in managing these relationships, and reporting internally and externally on the quality of their stakeholder relationships.

Renz (2010) sees the seventh board function as that of ensuring and enabling accountability by ensuring that appropriate systems exist and function well in monitoring, assessing and documenting organizational performance and outcomes. He explains that the board must also ensure that appropriate systems exist to assess, document and report on organization compliance with policies, regulations, bylaws and other mandates. He also explains that the board must also ensure that organizational performance and outcomes are reported in a timely, accurate and useful manner to all relevant stakeholders as well as monitor the use of financial and other resources to ensure they are well managed. Boardsource (2012) explain the board's role in organizational evaluation as that of assessing and measuring an organization's impact based on its mission, vision and strategic priorities, developing indicators of success, developing a board calendar that includes the CEO's and board members' evaluations, board retreats to reflect on the overall mission, approval of performance objectives and review of financial results and other measurable outcomes.

The eighth and final board function according to Renz (2010) is to ensure board effectiveness by ensuring a high level of board performance and effectiveness. The board must attract, retain well qualified and committed members and ensure that these are appropriately oriented and trained. The roles of these members must be clarified in a way that will help the organization to achieve its objectives and an effective board assessment and evaluation system put in place to ensure performance. An appropriate board design and structure must also be refined in accordance with their roles. Boardsource (2012) sees it as

the board's role to build a competent board by using prerequisites for candidate selection and ensuring board member orientation and evaluation. They assert that in order to strengthen board composition, a board must include a mix of different personalities and perspectives.

Boardsource (2012) strongly believe that in carrying out its various roles, that board strategic thinking contributes to both the boards and the organization's thinking. They believe that strategic thinking involves that consideration of today's issues and developments that may have impact on tomorrow's activities. They also believe that a board is required to look continually ahead and posing relevant questions that help anticipate future events and keep their focus on what matters most. In so doing, the board must ensure reduced debate on routine, operational matters and set a regular agenda that focuses on matters related to strategic initiatives. Board debate must then promote robust strategic thinking and challenge traditional thinking.

The board of directors of the typical non-profit organization has multiple roles and responsibilities as outlined above. However, one of the most important responsibilities of the board are legal and fiduciary responsibilities. The board members, having been tasked with the role of being the governing body of the organization are legally accountable for the organization. Renz (2010) divides these responsibilities into three: the duty of care which involves taking reasonable and prudent care as any reasonable and prudent person would; the duty of loyalty which calls for the board members to act in good faith in order to advance the interest of the organization and the duty of obedience which requires obedience to the organizations bylaws and policies. Renz asserts that during the past decade, there has been increasing attention paid to the legal responsibilities of non-profit boards. Fiduciary responsibilities on the other hand are the requirements to treat the assets of the organizations as being held in trust on behalf of the organization. The resources are to be utilised in a reasonable, appropriate and legally accountable manner. As such, it is important the organizational resources are managed using appropriate policies, budgets, monitoring systems and that independent external reviews are regularly carried out. Renz (2010).

Good governance is led by people of unwavering integrity and competence and global trends demonstrate increased professionalism in the process of building boards. The trend in top corporates is to create a qualified and diverse board by proactively recruiting the

best directors to fill the gaps. In their study of the top one hundred companies in the United States, Shearman and Sterling (2014) found that the offices of the CEO and the chair of the board are separate and have separate responsibilities. One of the most common explanations companies give for separating these offices is that the two offices have different responsibilities. Shearman and Sterling explained that the CEO is responsible for daily operations and management of business affairs, while the chair is charged with independent leadership of the board. They also explained that it is commonly thought that the split allows the company to benefit from the unique skills, leadership ability and industry experience that each person possesses. In their study of the top one hundred companies in the United States, Shearman and Sterling found that ten companies have adopted an explicit policy of separating the offices of CEO and chair of the board, while fourteen companies specifically state that the offices of CEO and chair of the board should not be separated.

The chair of the board must be able to build a functional team that is able to deliver the mission of the organization. Boardsource (2012) state that in order to do this, the board membership must consist of a varied combination of experience, expertise and ideas. The chair must be able to use the organization's mission as a tallying point for decision making and he or she must foster a culture of trust rooted in respect, integrity and accountability built through frequent communication of expectations. Board members must hold each other accountable for ethical behaviour, confidentiality and disclosure. Team work must be fostered in and out of the boardroom through board social events and informal get-togethers.

The sustainability of an organization and effectiveness of a board is heavily dependent on how it is structured. Boardsource (2012) believe that the main objective of structuring a board is to increase its efficiency. They state that the best structure of a board is one that facilitates work flow and will be different from one organization to another and that some boards have task forces and committees while others do not. Boardsource however reiterate that well organized boards are well streamlined and they do not duplicate effort of complicate processes unnecessarily. They underscore the fact that the size of a board depends on an organization's culture and on the experience and expertise required to lead the organization and perform all the required functions. Boardsource however caution that a smaller board is finds it easier to work and make decisions and easier to schedule

meetings and form a quorum. In addition, Boardsource state that smaller boards incur lower costs of training, recruiting, meeting and communication.

A board with an efficient but flexible structure, Boardsource (2012) state, helps maximise board members' contributions. The board must set up board management bylaws that determine the structure of the board, the selection and composition of its members, their length of service and board procedure. Boardsource believe that, except for a few standing committees, board committees should be set up for particular purposes and should be dissolved once those purposes are completed. The CFACG (1992), determined that the effectiveness of a board is buttressed by its structure and procedures. Indeed one important aspect of board structure is the appointment of committees of the board, such as the audit, remuneration and nomination committees; and the effective management and oversight over these committees. Shearman and Sterling found that eighty four of the top one hundred companies have established committees of the board and that the three most common committees are finance, executive and public policy committees. Boardsource (2012) also believe that where necessary, audit committees, finance committees and governance committees should be set up as standing committees. Other committees like the executive committees, investment committees, fundraising or development committees and membership committees should be set up and dissolved as required. An effectively constructed board is important in developing and sustaining a sustainable non-profit organization that is able to carry out its proper role.

2.3 Board Competence and Performance and Sustainability

The Center for Health Care Governance (CHCG) (2009) noted that the failures of organizations such as Enron, Tyco and the Alleghany Health, Education and Research Foundation have focused a spotlight on boards, the way they govern and prompted a variety of reforms and mandates aimed at improving board performance and accountability. They explain that the ripple effect of these corporate and non-profit failures has been profound and that major donors are now paying more attention to the governance of the organizations they fund. The Centre observes that a growing body of research is beginning to connect competencies to both individual and organizational performance in many sectors and that this link is motivating interest in competency based selection and development of people in their service on both for-profit and not-for-profit governing boards.

Peter Drucker's ground-breaking work turned modern management theory into a serious discipline, and he influenced most aspects of its application, including decentralization, privatization, and empowerment. In his classic work, Drucker (1995) explains that non-profits tend not to give priority to performance and results, yet performance and results are far more important and difficult to measure for non-profits than for business organizations whose performance is determined by profits. He explains that the first question the leaders of a non-profit organization must answer is how the performance of the organization will be measured.

Drucker (1995) states that it is important the performance be measured by using results that further the mission of the organization. To be sustainable and effective, a non-profit needs a strong board, but a board that does the board's work. The board not only helps think through the institution's mission but also ensures that it stays true to that mission. The board has a responsibility to ensure that the organization has competent management, to appraise the performance of the organization and to act as the principle fund raising organ of that organization. A board that understand its real obligations and sets goals for its own performance will build a strong, competitive and sustainable organization. Drucker (1995).

Dr. David Hubbard, former president of the Fuller Theological Seminary in Pasadena, California, stated that board needs to know that it owns the organization, not for its own sake as a board, but for the furtherance of the organizations mission. Dr. Hubbard goes on to explain the importance of institutionalising board performance measurement using his experience at Fuller. The Fuller board members are evaluated when their term is expired based on attendance, participation, stewardship, and understanding among other performance criteria. If the board member is found incompetent, the member's term is not renewed. If he is found to be competent, his term is renewed if he is so willing. Drucker (1995).

The CHCG (2009) explain how, in the wake of corporate failures calling for greater board effectiveness and accountability, competencies are beginning to be applied to board work because of their capacity to improve performance. They observe that for several years, competencies have been used in health care governance at the individual level, although most boards tend to focus only on certain aspects of competency, such as professional knowledge and skills. They note however that few boards systematically look for or develop in their members aspects of competency that have to do with behaviour, both

individual and social. This behavioural aspect of competency is important because it not only helps people more clearly demonstrate their knowledge and skills, but can also support effective team work, which research indicates is linked to better board and organizational performance. They go on to observe that the ability of a board to monitor and evaluate its own competencies and the performance of its individual members is critical and key to overall effectiveness. Without this ability, a board's role is reduced to a series of meetings and an ad hoc decision making process. Indeed Estrella and Gaventa (2010) recognize that increasingly around the world, monitoring and evaluation approaches are being used to improve performance, especially in the development sectors. The need for the application of such processes to board performance has become increasingly important.

Research and writing about competency tells us that true competence is a combination of several components required for effective job performance. The CHCG (2009) define competency as the combination of knowledge, skills, personal characteristics and individual and social behaviours needed to effectively perform a job.

Renz (2010) examines in detail the key elements of non-profit board effectiveness and why some boards perform well when many others do not. He discusses six core competencies that were associated with the best performing boards. The first competency is contextual competency. The board understands and takes into account the culture, values, mission and norms of the organization it governs. The second is educational competency where the board takes the necessary steps to ensure that members are well informed about the organization, the professions working there and the board's own roles, responsibilities and performance. The third is interpersonal competence where the boards nurtures the development of its members as a group, attends to the board's collective welfare and fosters a sense of cohesiveness and teamwork. The fourth is analytical competence where the board recognizes complexities and subtleties in the issues it faces and it draws upon multiple perspectives to dissect complex problems and to synthesize appropriate responses. The fifth is political competence where the board accepts that one of its primary responsibilities is to develop and maintain a healthy two-way communication and positive relationships with constituents. The sixth and final competence is strategic competence where the board helps to envision and shape institutional direction and ensures a strategic approach to the organization's future.

The CHCG (2009) believe that these basic competencies would be valuable for members of all hospital and health system boards. The CHCG asserts that unlike professional knowledge and skill, competencies that are based on personal capabilities would be sought in all board members or board candidates.

The CHCG (2009) state that these capabilities are fourteen in number. The first is capability is accountability, which guides the creation of a culture of strong accountability throughout the organization and appropriately and effectively holds others accountable for demanding high performance and enforcing consequences of non-performance. It also includes the ability to accept responsibility for results of one's own work and that which is delegated to others. The second capability is achievement orientation. This capability ensures that high standards are set and communicated to all. It makes decisions, sets priorities or chooses goals based on quantitative inputs and outputs, such as consideration of potential profit, risks or return on investment. The third capability is change leadership which maintains an eye on strategic goals and values during the chaos of change. It exhibits constancy of purpose, providing focused, unswerving leadership to advance change initiatives. This capability demonstrates quiet confidence in the progress and benefits of change and provides direction for overcoming adversity and resistance to change. It defines the vision for the next wave of change. CHCG (2009).

The fourth capability is collaboration. Collaboration promotes good working relationships regardless of personal likes or dislikes, breaks down barriers, builds good morale or cooperation within the board and organization. It encourages or facilitates a beneficial resolution to conflict and creates conditions for high-performance teams. The fifth capability is community orientation which advocates for community needs at community, state and federal levels. This capability engages in meaningful actions at the national level to move recognized priorities forward and partners across constituencies to foster a better understanding of the needs of stakeholders and pushes their agenda forward. CHCG (2009).

The sixth capability is information seeking. This capability asks questions designed to get at the root of a situation, a problem or a potential opportunity below the surface issues presented and seeks comprehensive information. It also seeks expert perspective and knowledge and establishes ongoing systems or habits to get information. It enlists individuals to do regular ongoing information gathering and encourages adoption of best

practices from other industries. The seventh capability is innovative thinking. It makes complex ideas or situations clear, simple or understandable, as in reframing a problem or using an analogy. This capability tends to foster creation of new concepts that may not be obvious to others to explain situations or resolve problems and looks at things in new ways that yield new or innovative approaches and breakthrough thinking. It starts a new line of thinking and encourages these behaviours in others. CHCG (2009).

The eighth capability is complexity management which balances trade-offs, competing interests and contradictions and drives for the bigger, broader picture both to reach resolutions and expand knowledge. It exhibits highly developed conceptual capacity to deal with complexities such as expanding markets; understands the vision, mission and strategy and their implications for the organization's structure, culture and stakeholders. The ninth capability is organizational awareness. This involves becoming familiar with the expectations, priorities and values of stakeholders, recognizes internal factors that drive or block stakeholder satisfaction and organizational performance and addresses the deeper reasons for organization, industry and stakeholder actions, such as the underlying cultural, ethnic, economic and demographic history and traditions. CHCG (2009).

The tenth is capability professionalism: It ensures the development of governance roles and values compatible with improving lives and ensures that the organization values and exhibits professional and community-oriented behaviours. It commits to addressing the needs of the total population, including adopting new approaches that address diverse cultural attitudes. It ensures organizational stewardship and accountability for honesty and fair dealing with all constituents. The eleventh capability is relationship building. It builds and maintains relationships with influential people in the health care field, the community and other constituencies that involve mutual assistance and support. CHCG (2009).

The twelfth is strategic orientation. It understands the forces that are shaping development and helps shape the organization's vision and future direction. It aligns strategy and resource needs with the long-term environment and guides, positioning the organization for long-term success. The thirteenth is talent development which holds management accountable for developing people in the organization and ensures that succession plans for the CEO and senior leaders are robust and current. This capability serves to ensure coaching and mentorship is available within the board and organization as needed. The fourteenth and final capability is team leadership which establishes and models norms for

board behaviour. It takes appropriate action when board members violate the norms and works with board members to gain their personal commitment and energy to support board goals. It removes or reduces obstacles to board effectiveness and coaches and develops board members to top performance. The CHCG (2009) further suggests that not every board member needs to exhibit all necessary competencies upon joining the board but rather, the goal is to ensure that the board, as a whole, encompasses all needed competencies and further develops them among all board members.

Renz (2010) believes that strong and effective boards do not just happen by accident or develop overnight. Successful non-profits must invest time, energy and even money in building and sustaining strong boards. He introduces to us a board development framework that discusses the process by which boards develop and grow and also explores the ways that concepts of the framework might be used to guide board development. He believes that strong boards grow through an ongoing cycle of eight sequential and overlapping elements. Each element adds to the capacity and impact of the board and each poses its own challenges.

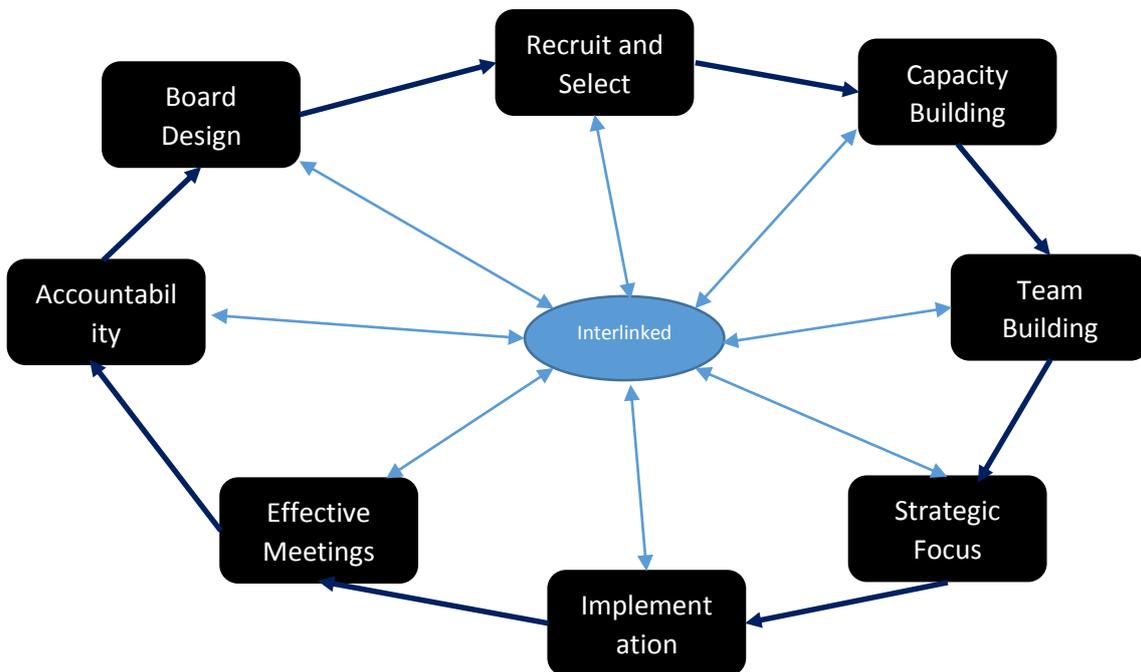


Figure 2.1: Board Development Cycle (Adapted: Renz (2010))

Each of the elements of the cycle contribute uniquely to the development of the board. The first element is to design the board. In this step, an appropriate board structure must be

developed including committees and task force and offices. Board processes like meetings, decision making and communication mechanisms are then determined. A clear delineation of the roles of the board in leadership, governance and management must be defined. Renz (2010).

The second element is to recruit and select members of the board. Every board must recruit and select competent personnel who serve, in a thoughtful, systematic and comprehensive process. Persons with the right skills, knowledge, and behaviour must be selected. The third element is to build the capacity of the board members. The new members must understand the nature and scope of his or her role. It is important the new members are provided with a comprehensive board orientation that covers the most pertinent aspects of the organization's work. Existing board members must also receive ongoing education activities that enhance their knowledge about their work and that of the organization. Renz (2010).

The fourth element is to build the board as a team. Much of the power of effective boards comes from the synergy of the individuals coming together to do things they could not do alone. In coming together, they become a team. The board's authority and responsibility derives its work as a collective body and the board must consolidate ideas and decisions and adopt them as its own as a collective body. To become a team, the board must develop a shared purpose and each member, led by the board chair, must work to fulfil that common purpose. The fifth element is to create and sustain a strategic focus. The board must work at the strategic level and do the work of governance and leadership at this level. The board must work to avoid getting entrenched in too much detail and losing focus on their role of making strategic choices. The sixth element is to implement and accomplish the board's work. Members must fulfil the roles which were defined for them in the design stage. Renz (2010).

The seventh element is conducive effective meetings. Board meetings must have a relevant agenda that is neither too long nor too short. It must address issues from a strategic perspective. Meetings must be efficient and effective to make decisions in a clear, organized and concise manner by strong and skilled board chairs. The eighth and final element is assessment and ensuring member accountability. Effective boards set goals for their own performance and measure their progress against these goals over time. They take

time to reflect on what is working well and what is not and needs to be improved. Renz (2010).

2.4 Business Planning and Sustainability

Historically, there has been lack of consensus in whether or not non-profits should use business tools or not or if indeed they need a financial or business plan. La Piana, Gowdy, Olmstead-Rose and Brent (2012) strongly assert that a “non-profit organization needs a business plan just as much as a business does; perhaps more so..” (p. 101) They state that a non-profit’s business plan must be tailored to the unique needs of each non-profit and that solid business plan goes beyond the articulation of strategy and projection of revenues and expenses. They believe that it must examine the organization’s “economic logic” (p. 109) and operational needs. They also believe that the plan must describe the leader’s or board’s assumptions and the budget they believe will lead to the sustainability of the organization. The plan must inform strategy.

A good business plan goes beyond the traditional strategic plan which focusses on a mission, vision, goals and objectives. La Piana et al (2012) indicate that a solid business plan is primarily useful as a source of an analytical process that drives strategic business decisions for the board. A business plan for non-profits must be tailored specifically for non-profits as they have different needs and priorities and source their funding in completely different ways. The business plan must integrate the unique characteristics of the non-profit with what La Piana et al describe as “the unavoidable reality of any economic enterprise: it must generate enough cash to cover its expenses, or it will fail...no matter how noble or essential its mission”. (p. 140).

Non-profit boards must make critical financial decisions that have far reaching effects on the organizations financial future. A decision to increase board emoluments by a certain percentage today will in turn increase the cost of doing business that will have incremental and far reaching effects in the future of the organization. It is therefore essential that that organization is able to evaluate the future effects of current financial decisions on the organization’s business model. Business planning is the process in which a non-profit board can understand, anticipate and effectively plan for these future effects. La Piana et al (2012).

2.4.1 Assessment of Current Business Model

When it is done well, the business planning process either validates or suggests changes to the existing business model. It is therefore imperative that the process begins by assessing the health of the current business model. Doing so will generate critical information that will inform both the business planning process and the business plan. La Piana et al (2012).

La Piana et al (2012) provide a basis for assessing the health of an existing business model using their DARE² Succeed Model. They use Geographic Scope, Programmatic Scope, Economic Scope and Customer Scope as the basis of a business assessment. They point out that an ailing business model will have a deficiency in one or more of these elements. The process of assessment must begin by deconstructing a business model into these elements. This allows a business model to assess the areas that are not working well.

Once an organization has understood what is and what is not working, it must assess its economic logic, specifically, funding and financing. A comprehensive financial assessment must examine year over year financial surpluses and how these are used, or even if they actually exist. Consistent deficits are indicators of structural deficiencies. The reliability of revenue must be examined. The availability of short or long term resources and their level of uncertainty must be well understood. The nature and extent of the organization's direct and indirect costs and the allocation methodology of costs across programs and functions must also be assessed as the failure to properly identify and apportion costs is the cause of the failure of many non-profits. The structure of assets, especially those that are capital intensive, must be well understood and if they are structured to support the needs of the organization over time. The use and existence of operating and long term liabilities like lines of credit and other debt instruments must also be examined and their appropriateness understood. Finally, the liquidity, cash reserve and cash flow position of the organization and its ability to meet immediate cash requirements and plan for large cash outflows must also be well understood. La Piana et al (2012).

Once an organization has assessed its economic logic, it must assess its financial risk. Members of the planning team must consider the areas examined in the economic logic and ask three questions: Where are we strong? Why are we struggling and where are we at risk? How will we address these risk factors? La Piana et al (2012).

Once the assessment of the current business model is complete, an organization must then begin to look at the external environment in which it operates. This will be done through market research as described in the next section.

2.4.2 Research and Review Market Factors

Market research is a critical component of answering the two most fundamental questions of business planning: What is the need of the goods and services to be offered and who are the competitors? Proper business planning requires an early focus of each one of these two questions. La Piana et al (2012).

Non-profit organizations exist in a competitive environment. They compete for funders, partners, media attention, government support, board members, staff, volunteers, beneficiaries and others. The organization must consider what its competitive edge is in view of the competitive environment it exists in. Primary and secondary research must be conducted to examine the competitive edge of the organization in its environment, what it offers that is so different or compelling that gives them an advantage, how they plan to maintain that advantage if competitors attempt to duplicate that advantage and how they would summarise their value proposition. La Piana et al (2012).

Once the external environment that a non-profit is operating in is well understood, the organization may now go on to develop a business plan based on the information it has gathered about its internal and external realities.

2.4.3 Developing the Business Plan

At this point in the planning, it should already be clear what the business model currently looks like. Once it is clear what needs to be changed or improved and the kind of market the non-profit is operating in; it is time to do the actual planning.

During this stage, an organization must consider the following key questions: how the internal operations and infrastructure will look like, how will the organization be managed and governed, what relationships will be important, what the marketing strategy will be, what will revenues and expenses will look like, what capital investments will be required and how the organization will evaluate and measure impact. La Piana et al (2012).

Even for non-profits, it is necessary to identify a value proposition or unique value they are offering and to communicate this to all stakeholders through a comprehensive marketing

and outreach strategy. It is important that the work the non-profit is doing is publicised to the broader community in order to generate interest in the work the non-profit is doing and to continue to engage those who show interest. It is also important to continually evaluate the effectiveness and impact of the marketing strategy the non-profit has employed. La Piana et al (2012).

A well thought out financial plan is a must for any business plan. These numbers are intended to support the business plan and not the other way round. Suffice to say, the financial projections that form a financial plan will be informed directly by the business plan that has been developed. The plan will take into consideration the strategic intent, governance and management structures, operations and infrastructure, relationship management, marketing and outreach strategy, revenue and expenditure, investments and impact evaluation. The financial plan is also used to demonstrate and track the financial sustainability of the non-profit into the future by setting measurable financial milestones. These financial projections are then supported by a funding plan which must demonstrate how the funds required to support the financial plan will be generated. La Piana et al (2012).

The launch of any major venture, including that of a business plan will always come with inherent risks, some which can be predicted and some which are unpredictable. The organization must form a deliberate risk management plan where it documents how it will identify, manage and mitigate against risk factors and what actions will be taken in the case where certain events take place or fail to take place. La Piana et al (2012). It is critical that the non-profit, which operates in an environment of uncertainty, have in place a contingency plan for risk factors that may affect it while it implements the business plan.

2.4.4 Implementing the Business Plan

The single most important factor of an organization's success is its leadership. For non-profits, this would be translated to an engaged, effective board of directors and a skilled CEO and management team. The board of directors must take lead in the implementation of the business plan, the update of plan in accordance with new information and the mobilization of resources to support the execution of the plan. La Piana et al (2012). The management must also identify one skilled and influential leader who will drive the implementation and be the "face" of the business plan launch. They must also set up a

team which will drive the implementation process and ensure that the role of each member of the team is clear.

2.5 Chapter Summary

This chapter examined the literature that exists around each specific objective and clarifies the importance of each objective in the study. The chapter highlights that very much like any business venture, the future of any non-profit organization is always uncertain and so is the environment in which it operates. It underscores the facts that the setup of a well-structured and effective board where board performance is managed well; and the development and implementation of a well thought-out business plan are imperative in the future of a non-profit's existence. As Benjamin Franklin, the father of time management once famously stated, "failing to plan is planning to fail".

CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter seeks to provide a comprehensive overview of the main methods that were used for collecting and analysing data for the study. It provides an academic description of sampling and data collection and analysis techniques that will be used in order to ensure that the final report provides an accurate and unbiased description of the results of the study.

3.2 Research Design

Rovai, Baker, Beach and Ponton (2013) state that a descriptive research design or study is meant to generate an accurate record of what is happening in a specific situation with a given population. The researcher does not attempt to exert any control over the phenomena of interest. Instead phenomena is observed as they occur in a situation or at a given point in time. Findings of such studies identify the defining characteristics of a phenomenon or group and determine the prevalence of those characteristics. However, descriptive research design do not explore causality and there are no independent and dependent variable. Rovai et al also define correlational designs as those which examine relationship between two or more existing and non-manipulated variables drawing from a single group of research participants. Rovai et al explain that correlational studies seek to determine relationships between variables but do not explain why the variables are related.

This study adopted a correlational study which was used to obtain data concerning the current status of the organizations under study. This survey approach was appropriate as it seeks to determine the relationship between organizational sustainability and board structure and roles, board competence and performance and business planning.

3.3 Population and Sampling Design

3.3.1 Population

The Directory of Development Organizations (DDO) (2011), listing 70,000 development organizations and includes civil society organizations, academic and research institutions,

governments and the non-profits in the private sector. The DDO identified that 702 civil society NGOs are registered in Nairobi, Kenya. This body of organizations constituted the population of the survey.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Sampling is the collections, analysis and interpretation of data gathered from random samples of a population under study. The target population to which the researcher wants to generalise study results and the sample will be measured. To foster external validity of study finding, it is important that both the experimentally accessible population and the sample be representative of the target population. Rovai et al (2013).

Morris (2006) stated that a sampling frame refers to an objective list of the population from which the researcher can select a sample. Rovai et al (2013) explain that a sampling frame is the list of sampling units of analysis from the experimentally accessible population. Thus randomly selecting study participants from a suitable sampling frame is an example of probability sampling. The sampling frame that was used was the DDO (2011) which identified that 702 civil society NGOs are registered in Nairobi, Kenya.

3.3.2.2 Sampling Technique

Rovai et al (2013) state that there are two types of sampling techniques, probability sampling and on-probability sampling. Probability sampling uses some form of random selection of research participants from the experimentally accessible population. Rovai et al state that only random sampling permits true statistical inference and fosters external validity. He goes on to explain that there are several probability sampling methods and that a simple random sample is one that is done in such a manner that all members of the population have an equal and independent chance of being selected.

This study used the simple random sampling technique so as to give all members of the population an equal and independent chance of being selected.

3.3.2.3 Sampling Size

When a sample is taken from a population, as opposed to collecting information from the whole population, there is a probability that the sample will not reflect the characteristics of the population. Rovai et al (2013) call this error the sampling error. Variability in

sample results is measured in terms of number of standard errors. A standard error is similar to the standard deviation of a data set, except a standard error applies to a sample. Standard errors are the building blocks of confidence intervals. A confidence interval is a statistic plus or minus a margin of error, and the margin of error is determined by the number of standard errors that one needs to get the desired confidence level. In this study, the desired confidence level was 90% which meant that for a population size of 702, the ideal sample size was 62 respondents.

3.4 Data Collection Methods

Rovai et al (2013) describes the Likert Scale as a unidimensional summative design approach to scaling. It consists of a fixed choice response format are applied to a series of equal weight questions or statements regarding attitudes, opinions and experiences. The set of statements or questions act together to provide a coherent measurement. Respondents must identify their level of agreement or disagreement to the statements. The choices on a five-point scale might be strongly disagree, somewhat disagree, neither agree nor disagree, somewhat disagree and strongly disagree.

Primary data was collected using a structured questionnaire which utilised the five point Likert Scale and which was developed in line with the specific objectives of the study. The questionnaire was short as it took only about seven minutes to fill out and contained closed ended questions which allowed the researcher to collect primary data in a short period of time, to reduce respondent fatigue and limit bias. Strict confidentiality was emphasised during the collection and the data analysis processes.

The questionnaires were administered on either a person-person basis or filled out using an online form developed using Survey Monkey, an online data collection tool. The use of the online form enhanced the response rate and confidentiality of data. The research made use of the services of two trained research assistants to aid data collection.

3.5 Research Procedures

The questionnaire was designed using a list of measurement questions raised from the research objectives and field tested. Following the field tests, it became apparent that some adjustments were necessary on the questionnaire. One adjustment that was made, was to eliminate the requirement to identify the name of the organization in the questionnaire as

respondents felt that this compromised the confidentiality of the information. The questionnaire was then copied into the Survey Monkey online tool. Then, the analysis tools for qualitative data analysis were prepared in readiness for data analysis using SPSS and Excel. Finally, the questionnaire was administered to the selected sample in order to collect the required information.

3.6 Data Analysis Methods

The data analysis exercise involved examination, categorization, tabulation and comparison of data using Excel and SPSS. This simplified and transformed the data in a way which will provide information about the relationships that exist within it.

Data presentation was then carried out. The study uses sustainability as a dependent variable and board performance, board function and business planning as the predictors and the data analysis checked for statistical significance of the regression model which would indicate that the predictors significantly predicts the dependent variable. The analysed data was presented in formats that are easy to interpret and which were used to draw useful conclusions. The researcher made use of tables and charts to present the data in a clear, concise and useful manner.

Conclusions were then drawn from observable regularities (trends), patterns and explanations in the data. These conclusions were used in the next chapter to draw logical conclusions.

3.7 Chapter Summary

This collection of primary data, its analysis and presentation provided valuable information with which to establish the impact of board effectiveness and board planning on the financial sustainability of national NGOs. The next chapter will focus on presentation of results and findings of the study.

CHAPTER FOUR

4 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents analysis interpretation and discussions of the findings. The chapter entails three parts. The first part covers general information about the respondents, the second, an analysis of board existence and structure, the third examines board performance, the fourth analyses business sustainability, while the final section looks at regression analysis.

4.2 General Response

4.2.1 Response rate

The researcher notified the various respondents of the intended research and personally collected the data in the form of questionnaires for the sampled 62 organizations. Out of the total 62 questionnaires administered using Survey Monkey, 49 were filled and returned, a 79% response rate. In addition, the respondents were categorized according to their positions in the organization which consisted of CEOs, operations managers, programs managers, procurement officers and finance officers. The distribution of response rate among the interviewees and their respective positions was as shown in table 4.1 below.

Table 4.1: Response Rate from the Administered Questionnaires 1

Position in the Organization	Interviewees	Percentage in response	Percentage in sample	Cumulative percentages
CEOs	13	26.54	20.97	20.97
Operations managers	12	24.49	19.35	40.32
Programs managers	12	24.49	19.35	59.67
Procurement officers	6	12.24	9.68	69.35
Finance officers	6	12.24	9.68	79.03
Non-Respondents	13	0.00	20.97	100.00
Total	62	100.00	100.00	

Figure 4.1 below demonstrates the response rate against the non-responsive rate.

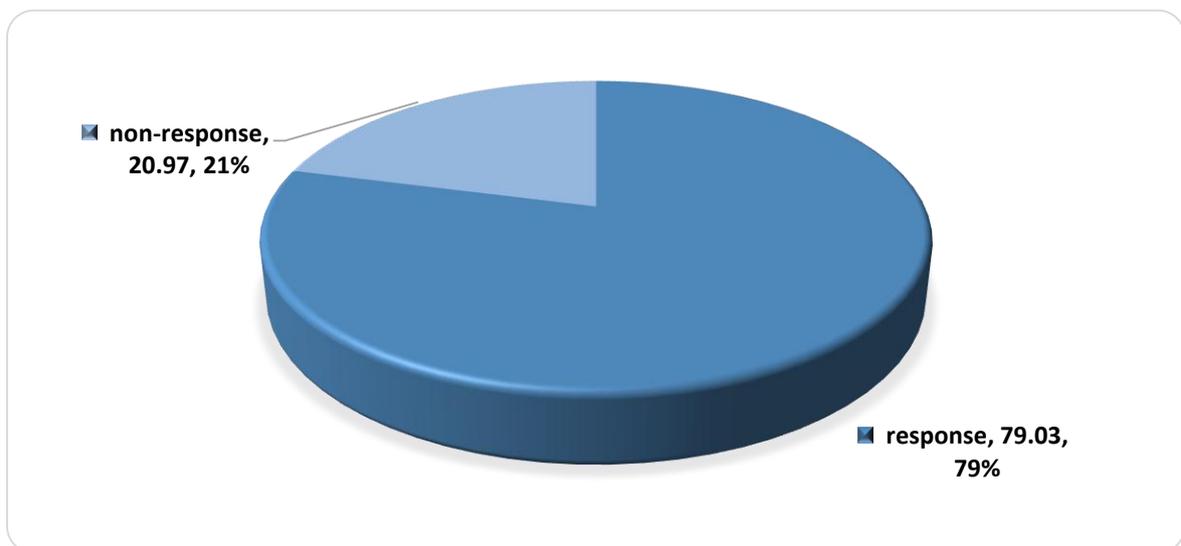


Figure 4.1: Response Rate 1

This response rate was considered satisfactory as a basis to make conclusions for the study. Mugenda & Mugenda (2003) observed that a 50% response rate is adequate, 60% and above good, while 70% is very good. Therefore, the response rate of 79.03% (cumulative without non-respondents) was considered sufficient for the study. This was attributed to careful data collection procedures and the use of Survey Monkey, a web based survey tool.

4.2.2 Years of Service of the Respondents

The length of service of the respondents was determined by the number of years the interviewees had served at their respective non-profits. This was distributed as shown in table 4.2 below.

Table 4.1: Experience Distribution among the Respondents 1

No. of years in the Organization	CEOs	Operations Managers	Programs Managers	Procurement Officers	Finance Officers	Total	Percentage
0-5	4	1	1	2	3	11	22.45
6-10	4	6	4	2	1	17	34.69
11-15	2	3	5	2	2	14	28.57
Above 15	3	2	2	0	0	7	14.29
Total	13	12	12	6	6	49	100.00

The average years of service of the respondents across the sampled non-profits was highest at the bracket 6-10 years at 34.69% while that of the eldest group in the non-profits (above 15 years) was lowest at 14.29%. The majority of respondents totalling 63.26% (34.69% and 28.57% respectively), were between the years of 6-10 through 11-15. The years of service of the respondents was collected in order to ensure that majority of respondents had

adequate longevity in the organization to be able to make informed responses about the governance of the organization.

The information above was used and presented in a bar graph for easier interpretation as shown in figure 4.2 below.

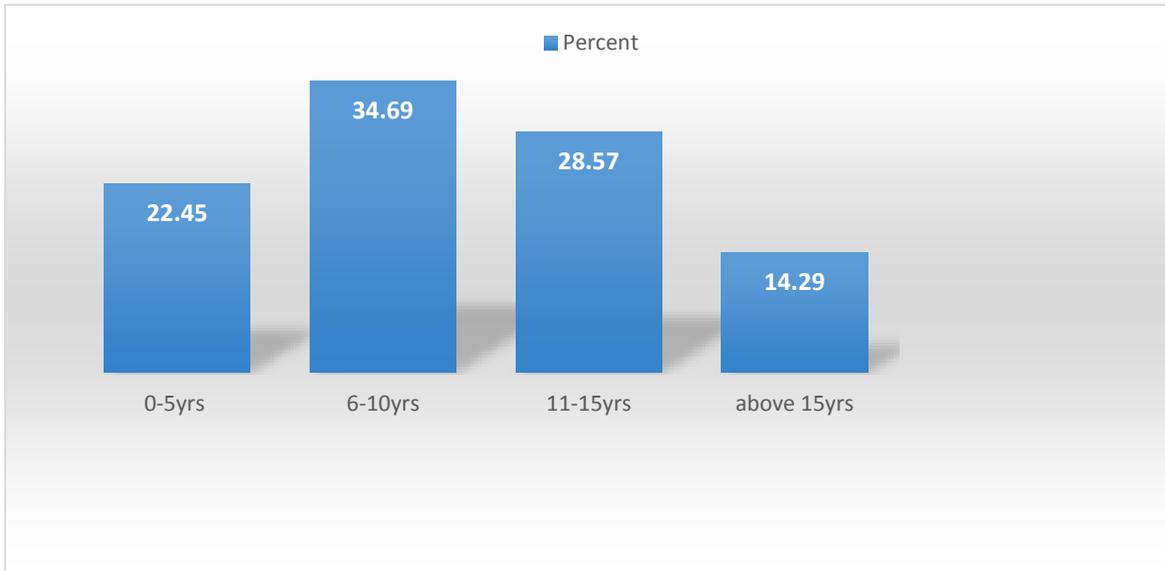


Figure 4.2: Years of Service in the Organization 2

4.3 Board Function and Role

This section examines the responses that examined the existence of functioning board of directors in the NGOs operating in Nairobi. Findings are depicted in the table below.

Table 4.2: Functioning Board 2

Extent of agreement	Frequency	Percentage
Strongly Agree	14	29
Agree	6	12
Disagree	18	37
Highly disagree	7	14
Undecided	4	8
Total	49	100

The majority of the respondents disagreed that there exists functional boards of directors in their non-profits at 51% (37% and 14%). 41% (29% and 12%) agreed that there are functional boards in their non-profits. These results demonstrate that majority of non-profits do not have a functioning board.

4.3.1 Board existence and Agreed-Upon Procedures

The research findings showed that, there is a varied response on the rating of this factor. The rating of the answers from the respondents based on whether their respective non-profits have functioning Board of Directors using Likert scale showed the following frequencies in table 4.3.

Table 4.3: Board Functioning with Agreed Upon Procedures 3

Extent of agreement	Frequency	Percentage
Strongly Agree	33	67
Agree	4	8
Disagree	7	14
Highly disagree	4	8
Undecided	1	2
Total	49	100

The extent of agreement on the existence of functioning Boards in the sampled NGOs in Nairobi showed that 67% of respondents strongly agree that their boards have agreed upon procedures. The “disagree” rating is the second at 14%, followed by a tie in the “agree” and “highly disagree” ratings at 8% each. The undecided respondents scored lowest at 2%. This implied that the existing boards use agreed-upon procedures to operate their activities within the NGOs in Nairobi.

The above information is presented using a bar chart for easier interpretation in Figure 4.3 below.

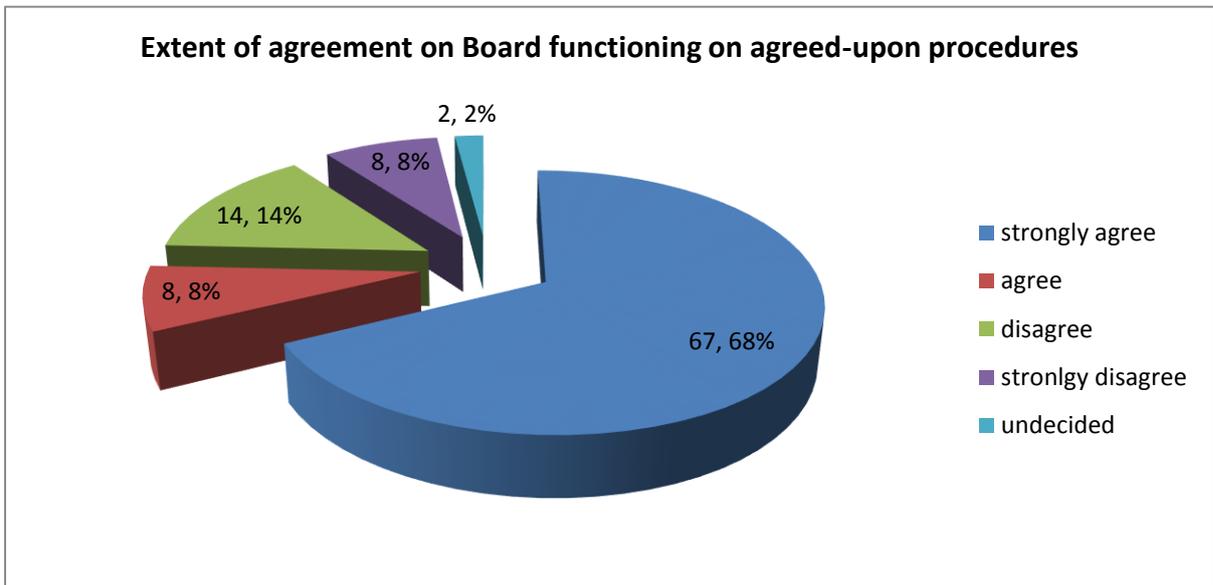


Figure 4.3: Pie chart on board functioning on agreed upon procedures 3

The findings from the research showed that majority of the NGOs have board functioning using agreed-upon procedures.

4.3.2 Documented and Operational Separation of Responsibilities between the Board Chairperson and its CEO

The agreement ratings on the documentation and operational separation of responsibilities between the chairman of the board and the CEO showed the following findings as presented in table 4.4 below.

Table 4.4: Operational separation of responsibilities of the Board chairman and the CEO 4

Extent of agreement	Frequency	Percentage
Strongly Agree	23	47
Agree	20	41
Disagree	3	6
Highly disagree	1	2
Undecided	2	4
Total	49	100

The study findings showed that there exists a variation on the ratings on documented responsibilities separating the role of the chairman of the board from that of the CEO of the NGO. The findings showed that strongly agree and agree ratings of the factor have highest frequencies at 47% and 41% respectively. This implied the existence of documented and operational separation of responsibilities between the board chairman and the CEOs of the non-profits.

Presenting the data above using a bar graph showed the Figure 4.3 below.

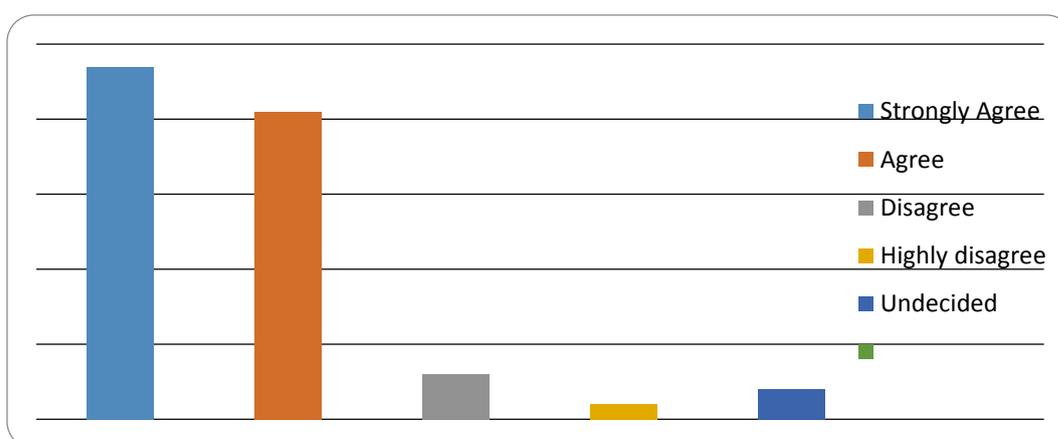


Figure 4.4: Operational Separation of Responsibility between the CEO and the Board Chair 4

4.3.3 Functional Committees of the Board

The research findings examined the existence of the functional committees of the board, such as the audit, remuneration and nomination committees; and whether there is effective management and oversight over these committees showed the data in following Table 4.5.

Table 4.5: Functional Committees of the Board 5

Extent of agreement	Frequency	Percentage
Strongly Agree	5	10
Agree	7	14
Disagree	9	18
Highly disagree	25	51
Undecided	3	6
Total	49	100

The findings showed that majority of the respondents highly disagree that there are any functional committees within the boards at a rating of 51%. This is higher than the sum of both highly agree and agree rating frequencies at 10% and 14% respectively.

The above data was presented in a chart area in the figure below.

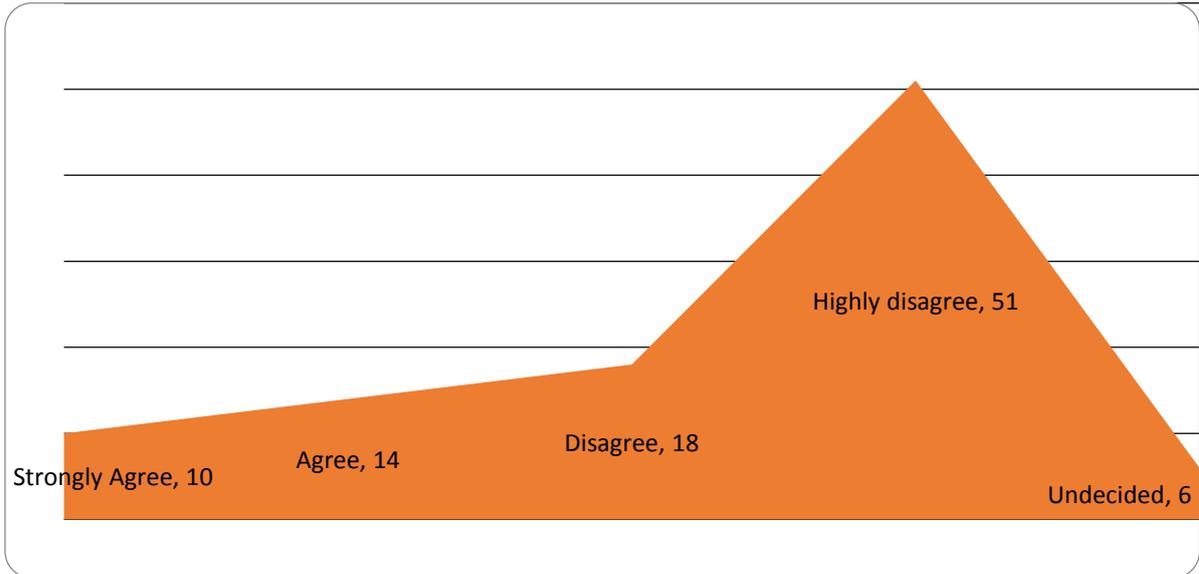


Figure 4.5: Functional Committees of the Board 5

4.4 Board performance and Competence

Board performance was based on five areas, namely: member selection methodology, performance evaluation system, documented training plan, re-appointment based on prior performance, and performance evaluation based on achievements. The findings are as shown in table 4.6 below.

Table 4.6: Board Performance Rating 6

Performance area	<u>Frequency</u>									
	Strongly Agree	%	Agree	%	Disagree	%	Highly disagree	%	Undecided	%
Member selection methodology	9	18	11	22	12	24	10	20	7	14
Performance evaluation system	0	0	10	20	16	33	11	22	12	24
Documented training plan	9	18	21	43	14	29	3	6	2	4
Re-appointment based on prior performance	3	6	8	16	14	29	17	35	7	14
Performance evaluation based on achievements	7	14	12	24	10	20	14	29	6	12
Total	28	11	62	25	66	27	55	22	34	14

The study intended to determine the levels at which board member selection methodologies are used in the sampled NGOs. The highest percentage (24%) disagreed on the use of the methodology, 22% agreed on the methodology.

On the other hand, the study of the existence of performance evaluation systems for boards in the non-profits showed that 33% disagreed while undecided scored 24%. The highly agree rating scored 0% implying that majority of the non-profits do not have of a board performance evaluation system.

Documented board training plans were shown to be in use in the non-profits, as the agree ratings were highest at 43% with undecided ratings scoring the lowest at 4%.

The study showed that re-appointment of the members of the board of directors is not necessarily based on prior performance as the highly disagree rating scored highest at 35% with highly agree rating at the lowest at 6%.

Moreover, board evaluation based on past achievement among the non-profits did not seem too common as the highly disagree rating scored highest at 35% while 29% disagreed.

Finally, performance evaluation of board members based on past achievements seemed to be uncommon with 29% strongly disagreeing and 20% disagreeing but 24% agreeing.

The findings were analysing using a compound line graph (Figure 4.5 below) to depict the rating of the sampled non-profits on board performance.

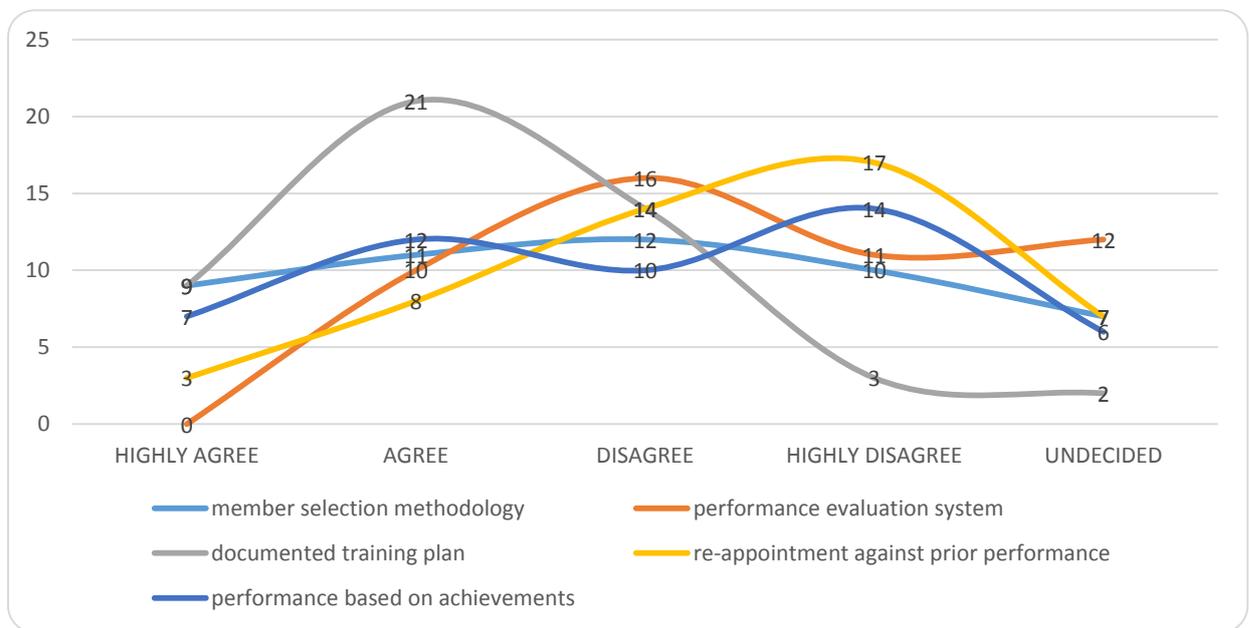


Figure 4.6: Compound line graph showing extent of agreement on Board Performance 6

Figure 4.6 above showed that the Board performance areas used have a common flow and pattern (inverted V) in rating. Except for documented training plan, whose highest frequency rating is at the agree rating, the rest of the Board performance are highest in either disagree or highly disagree ratings.

4.4.1 Board performance based on Highly Agree rating

The study used the highly agree rating to assess Board Performance since the greatest interest is in the positive findings. The findings are as shown in table 4.7 below.

Table 4.7: Board Performance based on Highly Agree Rating 7

Areas of Performance Analysis	Highly agree frequencies	Percentage
Member selection methodology	9	32.14
Performance evaluation system	0	0.00
Documented training plan	9	32.14
Re-appointment against prior performance	3	10.71
Performance evaluation based on achievements	7	25.00
Total	28	100.00

The table above showed the study findings that indicated two areas of Board Performance Measures (member selection methodology and documented training plan) having highly rating highest at the tying 32.14%, followed by performance evaluation based on achievements at 25.00%. On the other hand, performance evaluation system scored 0.00% as the lowest rating in the highly agree category, followed by re-appointment against prior performance at 10.71%. This implied that methodologies of board member selection and documented training plans are the mostly embraced areas in board performance unlike using performance evaluation systems for board performance management.

4.5 Business Planning

The study findings also examined the effects of Business Planning on sustainability among the NGOs in Nairobi used environmental review, plan implementation, performance measurement and whether financial plan demonstrate sustainability.

4.5.1 Review of Internal and External Environments

The study findings showed the data in the table below.

Table 4.8: Board Review of Internal and External Environments 8

Extent of agreement	Frequency	Percentage
Strongly Agree	6	12
Agree	9	18
Disagree	15	31
Highly disagree	9	18
Undecided	10	20
Total	49	100

Presenting the above data in a pictorial diagram below made the ease of interpretation of the findings.

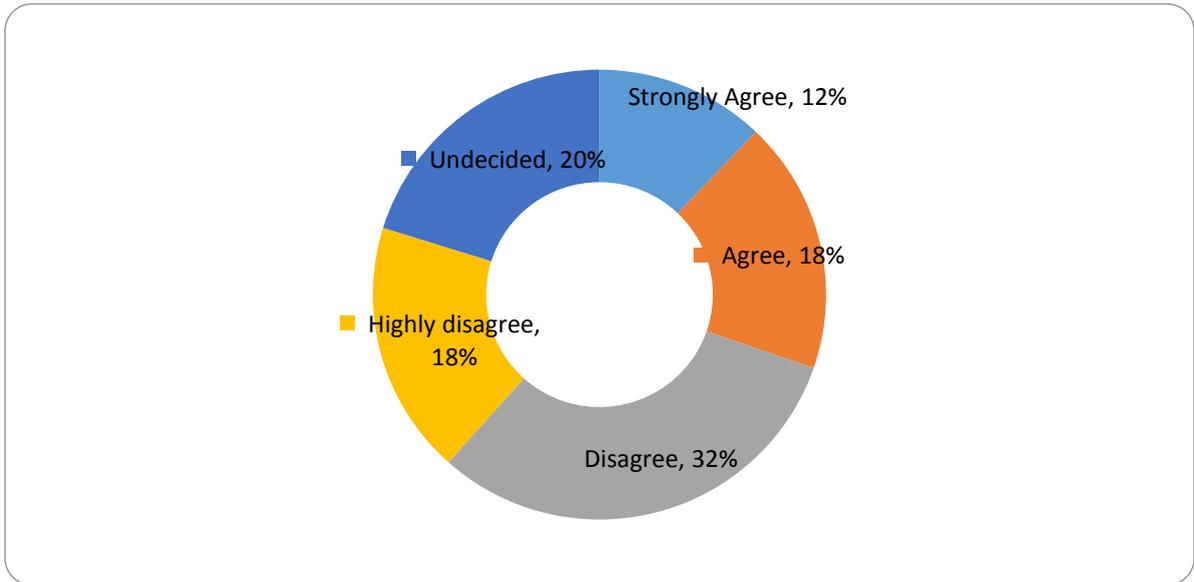


Figure 4.7: Board review of internal and external environments 7

The data above indicated that many NGOs do not carry out a review of the internal and external environments of their non-profits. This is shown with a highest score of disagree rating at 31%, followed by 20% at the undecided rating.

4.5.2 Business Plan Implementation

The study sought to find out how business plan implementation under the business planning contributes to business sustainability. The findings are shown in table 4.9 below.

Table 4.9: Business Plan Implementation 9

Extent of agreement	Frequency	Percentage
Strongly Agree	7	14
Agree	11	22
Disagree	14	29
Highly disagree	11	22
Undecided	6	12
Total	49	100

The findings showed that the highest percentage, 29% of the respondents disagreed that business plan were implemented in their respectively non-profits. Those who rated it as agree and highly disagree ratings tied at 22% each while undecided scored the least at 12%. This implied that majority of the non-profits in Nairobi do not implement business planning tools such as marketing plan, an investment strategy, a financial plan and risk management plan.

Presenting the above data in a diagram shows the following figure.

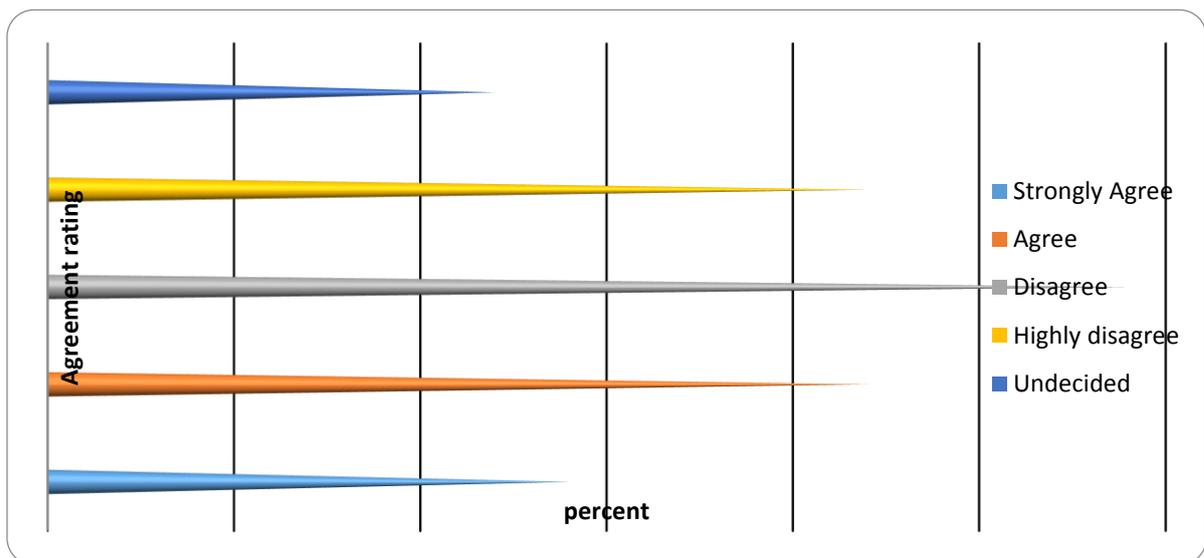


Figure 4.8: Business Plan Implementation 8

4.5.3 Performance Measurement System

The study sought to find out the status on the performance measurement system for the organization's management based on the business plan as a function of the board. The following table shows the study findings.

Table 4.10: Performance measurement System 10

Extent of agreement	Frequency	Percentage
Strongly Agree	7	14
Agree	11	22
Disagree	14	29
Highly disagree	11	22
Undecided	6	12
Total	49	100

The study findings above showed that majority of the non-profits, a combination of disagree and strongly disagree ratings adding up to 51% do not use performance measurement system for the organization's management based on the business plan. On the other hand, combining the strongly agree and agree ratings (14% and 22%) demonstrates that 36% embrace such systems.

4.5.4 The Relationship between Financial Planning and Sustainability

The study sought to establish whether the organization's financial plan tracks the financial sustainability of the non-profit by setting measurable financial milestones. The existence of financial plans was pitted against financial sustainability. Financial sustainability is represented by the ability of the organization to operate for 1 year if donor funding was frozen. The findings are as shown in table 4.11 below.

Table 4.11: Financial Planning and Sustainability 11

Extent of agreement	Planning	Sustainability
Strongly Agree	7	8
Agree	11	9
Disagree	14	12
Highly disagree	11	12
Undecided	6	8
Total	49	49

Presenting the above findings using a scatter gram shows the following figure.

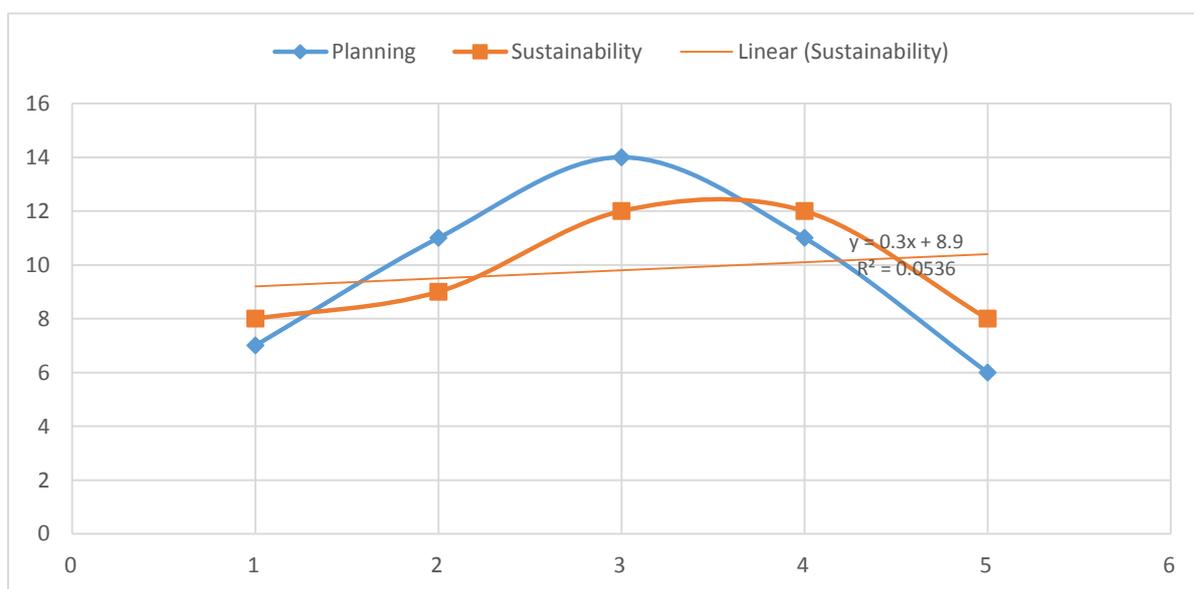


Figure 4.9: Financial Planning and Sustainability 9

The figure above indicates that ratings from 1 – 5 (1 strongly agree, 2 agree, 3 disagree, 4 highly disagree, and 5 undecided). The scatter gram shows an inverted V implying that the agreement to the use of financial planning to influence sustainability is highest and lowest at almost equal percentages across the NGOs. Assuming linearity in the response, the equation will be:

$Y = 0.3X+8.9$, with $R^2=0.0536$ and $R = 0.23$. This implies that financial planning only influences sustainability of non-profits by 5.36% which implies a low correlation.

4.6 Business Sustainability

The study explored the feelings of the respondents about their respective NGOs' efforts towards business sustainability. The questions investigated the agreement about the risk management plan, presence of documented and functioning funding plan, percentage of the NGOs' annual income, value proposition that addresses competition and sustainability and the ability to sustain itself if donor funding was withdrawn. The following table shows the findings from the respondents.

Table 4.12: Business Sustainability Rating 12

<u>Sustainability area Frequency</u>										
Extent of agreement	Risk management plan	%	Funding plan	%	Most income from donors	%	Addresses competition	%	Ability to sustain donor withdrawal	%
Strongly Agree	9	18	7	14	8	16	6	12	8	16
Agree	13	27	11	22	7	14	11	22	9	18
Disagree	10	20	13	27	14	29	12	24	12	24
Highly disagree	10	20	11	22	12	24	12	24	12	24
Undecided	7	14	7	14	8	16	8	16	8	16
Total	49	100	49	100	49	100	49	100	49	100

The findings for the risk management plan shows that 45% of respondents either agreed or highly agreed that their organizations had a risk management plan and that 40% of respondents either disagreed or highly disagreed that their organizations had risk management plans. More organizations had risk managements plans than those that did not.

The findings for the funding plan demonstrated that 36% of respondents either agreed or highly agreed that their organizations had a funding plan and that 49% either disagreed or highly disagreed. More organizations did not have a funding plan than those that did.

The findings for the organizations had more than 50% of their income being donor funded, show that 30% of respondents either agreed or highly agreed. 40% of respondents either disagreed or highly disagreed.

Findings showed that 48% of respondents either disagreed or highly disagreed that their organizations addressed competition and 30% of respondents either disagreed or highly disagreed.

Finally, 48% of respondents either disagreed or highly disagreed that their organizations are able to sustain themselves if donor funding was withdrawn. 34% either agreed or highly agreed.

The above data was presented in the form of a bar graph below for easier interpretation.

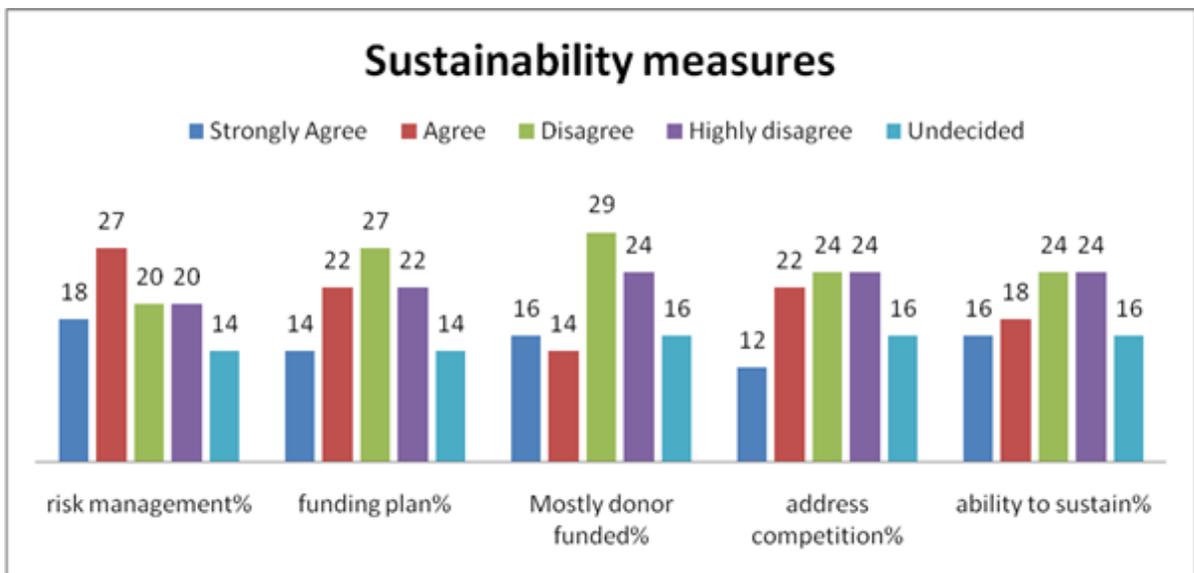


Figure 4.8: Business sustainability measures in the NGOs 10

4.7 Regression Analysis

Regression analysis on the effect of board function, performance and planning on sustainability using SPSS Ver. 21 gave the following statistics in the tables below.

Table 4.13: Model Summary 13

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000 ^a	1.000	.	.

a. Predictors: (Constant), BODPERFOR, BODFUNCT, BUSPLAN

The table above represents both R and R^2 . The R value is 1.000 which indicates the simple correlation of the independent variables against the dependent variable. R^2 indicates how much the total variations in the dependent variable (sustainability in the NGOs) is explained by the board function, performance and planning. This implies that 100% of the variations in sustainability is explained by the three independent variables, board function, board functioning and business planning in the Board. The zero (.) in the adjusted R represents insignificant figure implying that the phenomenon of R-square may not be altered by addition of any other variable in the model relating sustainability in the NGOs and the board function, performance and planning. The zero (.) in the standard error of the estimate also represents an insignificant figure that implies no variations in the upper and lower limits because of the total certainty of the level of sustainability using board function, performance and planning.

Table 4.14: ANOVAa 14

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	5.000	3	1.667	.	. ^b
1	Residual	.000	0	.		
	Total	5.000	3			

a. Dependent Variable: BUSSUSTAIN

b. Predictors: (Constant), BODPERFOR, BODFUNCT, BUSPLAN

The table above indicates statistical significance of the regression model which significantly predicts the dependent variable. The *P*-value of 0.0005 which is less than 0.05 at *df* 3 indicates that the regression model of the dependent variables (board function, board performance and business planning) statistically predict the dependent variable, business sustainability. The zeros in the mean square, *f* and sig. represent insignificant figures in the model which cannot give the respective summations in the last row of the table.

If we were asked to make a prediction without any other information, the best we can do, in a certain sense, is the overall mean. The amount of variation in the data that can't be accounted for by this simple method of prediction is the Total Sum of Squares.

Table 4.15: Coefficients^a 15

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	8.181	.000		. .		8.181	8.181
BODFUNCT	.096	.000	.894	. .		.096	.096
BUSPLAN	-.621	.000	-.681	. .		-.621	-.621
BODPERFOR	.356	.000	1.241	. .		.356	.356

a. Dependent Variable: BUSSUSTAIN

The findings show that sustainability is at a constant value of 8.181 while board function contributes $b=.096$ which show a positive correlation between board function and sustainability. Board planning shows a $b=-.621$ which shows a negative correlation between board planning and sustainability. Board performance shows a $b=.356$ which shows a positive correlation between board performance and sustainability. The *t*

significance levels are all zeros as there are insignificant variations in the 95% confidence interval between the upper and lower boundaries which implies equality across board functioning, planning and performance.

4.8 Chapter Summary

The study variables (role of the Board, performance of the board and Business planning) contributed to the sustainability of the NGOs from whichever area of influence. Regression and correlation analysis showed that indeed there is a relationship between the three variables against the dependent variable, sustainability. Findings on board performance against business sustainability using sustainability as a dependent variable and board performance, board function and business planning as the predictors, indicates statistical significance of the regression model which significantly predicts the dependent variable. The next chapter will summarise and interpret the results outlined in this chapter.

CHAPTER FIVE

5 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with the summary of research findings, conclusions and recommendations. The purpose of the study was to examine the impact of board effectiveness and business planning on financial sustainability of NGOs in Nairobi. The study sought to accomplish the objectives stated in Chapter One. The data was analysed and the results correlated and interpreted. This chapter also makes conclusions guided by the objectives of the study, recommendation and suggested areas of further research.

5.2 Summary

This study seeks to fill the study gap by establishing the impact of board effectiveness and board planning on financial sustainability in national NGOs in Nairobi, Kenya.

The general objective of this study is to fill this study gap by establishing the impact of board effectiveness and board planning on financial sustainability in national NGOs in Nairobi, Kenya. The specific objectives of the study to is to determine whether the structure and role of the board influences the financial sustainability of national NGOs; to determine whether the competence and performance of the board influences financial sustainability of national NGOs and to determine whether the business planning role of the board influences the financial sustainability of national NGOs in Nairobi.

This study adopted a correlational study which was used to obtain data concerning the current status of the organizations under study. This survey approach was appropriate as it seeks to determine the relationship between organizational sustainability and board structure and roles, board competence and performance and business planning. A confidence interval is a statistic plus or minus a margin of error, and the margin of error is determined by the number of standard errors that one needs to get the desired confidence level. In this study, the desired confidence level was 90% which meant that for a population size of 702, the ideal sample size was 62 respondents.

The reason for the study was to assess impact of Board of directors' effectiveness and business planning on financial sustainability of NGOs in Nairobi. Overall, all the study variables (role of the Board, performance of the board and Business planning) positively contributed to the sustainability of the NGOs from whichever area of influence. Regression and correlation analysis showed that indeed there is a relationship between the three variables against the dependent variable, sustainability. Findings on board performance against business sustainability using sustainability as a dependent variable and board performance, board function and business planning as the predictors, indicates statistical significance of the regression model which significantly predicts the dependent variable. The findings statistically predict the dependent variable, business sustainability. This implied that NGOs with functioning boards, boards that perform and have business planning are more likely to be financially sustainable. The impact of the functioning of the three independent variables has impact on the business sustainability of the NGOs in Nairobi region.

The findings of the study have unearthed the impact of the Board existence and functioning, performance and planning on financial sustainability of the NGOs. It is expected that these findings will form a baseline for further debate on the subject and will lead to the implementation of more comprehensive and functional board performance. The findings of this study provides grounds for future research work. While the study explored the impact of Board existence, performance and planning on business sustainability of NGOs, probable future studies would focus on the factors that inhibit the existence and functioning for boards and to evaluation further the effectiveness of boards on financial sustainability.

5.3 Discussion

5.3.1 Response Rate

The study determined the structure and role of the board influences on the financial sustainability of National NGOs, determined the competence and performance of the board influences on financial sustainability of the NGOs and determined the business planning role of the board influences on the financial sustainability. Out of the 62 administered questionnaires, 49 (79%) were filled and returned with a distribution of the respondents as CEOs, operations managers, programmes managers, procurement officers and finance officers. Majority of the respondents' average experience lay at the bracket 6-10 years at

34.69% while that of the eldest group in the NGOs (above 15 years) were the lowest at 14.29%.

5.3.2 Board Function and Role

Board function and roles were examined based on the existence of the board, whether the board had functioning agreed-upon procedures, is there is separation of responsibilities between the board and chair and if the board had functional committees.

The majority of the respondents disagreed that there exists functional boards of directors in their non-profits at the rate of 51% (37% and 14%). 41% (29% and 12%) agreed that there are functional boards in their non-profits. These results demonstrate that majority of non-profits do not have a functioning board.

The extent of agreement on the existence of functioning Boards in the sampled NGOs in Nairobi showed that 67% of respondents strongly agree that their boards have agreed upon procedures. The “disagree” rating is the second at 14%, followed by a tie in the “agree” and “highly disagree” ratings at 8% each. The undecided respondents scored lowest at 2%. This implied that the existing boards use agreed-upon procedures to operate their activities within the NGOs in Nairobi.

The study findings showed that there exists a variation on the ratings on documented responsibilities separating the role of the chairman of the board from that of the CEO of the NGO. The findings showed that strongly agree and agree ratings of the factor have highest frequencies at 47% and 41% respectively. This implied the existence of documented and operational separation of responsibilities between the board chairman and the CEOs of the non-profits.

The findings showed that majority of the respondents highly disagree that there are any functional committees within the boards at a rating of 51%. This is higher than the sum of both highly agree and agree rating frequencies at 10% and 14% respectively.

In addition, the findings show that sustainability is at a constant value of 8.181 while board function contributes $b=.096$ which show a positive correlation between board function and sustainability.

In summary, it is clear therefore that NGO boards, while they may exist may not be fully functioning and also that these boards do not have a well-structured and executed board performance management system. We have shown the correlation between poor board performance management system and sustainability which implies that poor board performance is likely to lead to lack of financial sustainability of NGOs.

5.3.3 Board Competence and Performance

Board performance was based on five areas, namely: member selection methodology, performance evaluation system, documented training plan, re-appointment based on prior performance, and performance evaluation based on achievements.

The study intended to determine the levels at which board member selection methodologies are used in the sampled NGOs. The highest percentage (24%) disagreed on the use of the methodology, 22% agreed on the methodology. On the other hand, the study of the existence of performance evaluation systems for boards in the non-profits showed that 33% disagreed while undecided scored 24%. The highly agree rating scored 0% implying that majority of the non-profits do not have of a board performance evaluation system.

Documented board training plans were shown to be in use in the non-profits, as the agree ratings were highest at 43% with undecided ratings scoring the lowest at 4%. The study showed that re-appointment of the members of the board of directors is not necessarily based on prior performance as the highly disagree rating scored highest at 35% with highly agree rating at the lowest at 6%. Moreover, board evaluation based on past achievement among the non-profits did not seem too common as the highly disagree rating scored highest at 35% while 29% disagreed. Finally, performance evaluation of board members based on past achievements seemed to be uncommon with 29% strongly disagreeing and 20% disagreeing but 24% agreeing. The findings were analysing using a compound line graph (Figure 4.5 below) to depict the rating of the sampled non-profits on board performance.

Table 4.14 demonstrates that board performance shows a $b=.356$ which shows a positive correlation between board performance and sustainability.

In summary, it is clear therefore that in general, NGOs have poor board performance management systems, except documented training plan. We have shown the correlation a positive between board performance management system and sustainability which implies that poor board performance is likely to lead to poor financial sustainability of NGOs.

5.3.4 Business Planning

Business planning was assessed based on whether the board has carried out a review of internal and external environments, whether the board has implemented a business planning tool, whether the board has set up a performance measurement system for the organizations management and whether the organization's financial plan demonstrates and tracks financial milestones.

Table 4.9 and 4.10 demonstrate that the majority of the non-profits in Nairobi do not implement business planning tools such as marketing plan, an investment strategy, a financial plan and risk management plan. The tables also showed that majority of the non-profits, a combination of disagree and strongly disagree ratings adding up to 51% do not use performance measurement system for the organization's management based on the business plan.

Table 4.14 reveals that board planning shows a $b = -.621$ which shows a negative correlation between board planning and sustainability which implies that board planning does not necessarily lead to financial sustainability of NGOs.

In summary, it is clear therefore that in general, NGOs do not use performance management systems. However, we have a negative correlation between board planning systems and sustainability which implies that poor board planning systems are unlikely to lead to poor financial sustainability of NGOs.

5.4 Conclusions

The main thrust of the study was to assess impact of Board of directors' effectiveness and business planning on financial sustainability of NGOs in Nairobi. Overall, all the study variables (role of the Board, performance of the board and Business planning) positively contributed to the sustainability of the NGOs from whichever area of influence.

Regression and correlation analysis showed that indeed there is a relationship between the three variables against the dependent variable, sustainability. Findings on board

performance against business sustainability using sustainability as a dependent variable and board performance, board function and business planning as the predictors, indicates statistical significance of the regression model which significantly predicts the dependent variable. The P-value of 0.0005 which is less than 0.05 at df 3 indicates that the regression model of the dependent variables (board function, board performance and business planning) statistically predict the dependent variable, business sustainability.

This implied that NGOs with functioning boards, boards that perform and have business planning are more likely to be financially sustainable. The impact of the functioning of the three independent variables has impact on the business sustainability of the NGOs in Nairobi region.

5.5 Recommendations

5.5.1 Recommendations for Practice

The findings of the study have unearthed the impact of the Board existence and functioning, performance and planning on financial sustainability of the NGOs. It is expected that these findings will form a baseline for further debate on the subject and will lead to the implementation of more comprehensive and functional board performance.

5.5.2 Recommendations for Future Research

The findings of this study provides grounds for future research work. While the study explored the impact of Board existence, performance and planning on business sustainability of NGOs, probable future studies would focus on the factors that inhibit the existence and functioning for boards and to evaluation further the effectiveness of boards on financial sustainability.

It is important for socio-economic planners and practitioners to validate how management board existence and functioning, performance and financial planning impact the financial sustainability of the NGOs. In exploring such areas of interest, it is important for the NGOs' management to be aware and implement the proper role of Boards to ensure financial sustainability.

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APPENDICES

Appendix 1: Cover Letter

The United States International University – Africa
P.O. Box 14634 – 00800
Nairobi

Dear Respondent,

RE: MBA RESEARCH STUDY

I am conducting a survey on the impact of board effectiveness and business planning on the financial sustainability of NGOs in Kenya. This is in partial fulfilment of the requirement of the Master of Business Administration program at the United States International University – Africa.

The findings from the study will serve to fill the knowledge gap in understanding the impact of board effectiveness and planning on financial sustainability of national NGOs. I believe that the results of this survey will enable organizations to take their development agenda to a level where the impact of local and international funding trends is less devastating.

You are kindly requested to fill in the attached questionnaire to the best of your knowledge and ability.

This is an academic questionnaire and confidentiality is strictly observed. The identity of both you and your organization will be kept confidential and will not appear anywhere on the report.

Thank you for your kind attention.

Yours sincerely,
Hellen Amadi
Researcher

Appendix 2: Questionnaire

1. Background Information

1.1. Number of Years in the Organization

1.2. Position in the Organization

2. Board Function	Strongly Agree	Agree	Strongly Disagree	Disagree	Undecided
1.3. Does the organization have a functioning Board of Directors?					
1.4. Does the organization's board have functioning agreed-upon operating procedures?					
1.5. Is there a documented and operational separation of responsibilities between the organization's board Chairperson and its CEO?					
1.6. Does the board have functional committees of the board, such as the audit, remuneration and nomination committees; is there effective management and oversight over these committees?					
3. Board Performance					
7.1. Is there a systematic methodology in the selection of board members to ensure a balance of skills or competencies?					
7.2. Does the board have a functional performance evaluation system for board members?					
7.3. Does the organization have a documented and functioning board orientation and training plan / procedures?					
7.4. Is a board member's re-appointment dependent on his/her prior performance?					

7.5. Is the board's performance evaluated against its achievements based on a documented business plan?					
4. Business Planning					
13.1. Has the board carried out a comprehensive review of its internal and external environments?					
13.2. Has the board implemented a business planning tool that incorporates a marketing plan, an investment strategy, a financial plan and risk management plan?					
13.3. Has the board set up a performance measurement system for the organization's management based on the business plan?					
13.4. Does the organization's financial plan demonstrate and track the financial sustainability of the non-profit into the future by setting measurable financial milestones?					
5. Sustainability					
19.1. Does the organization have a documented and functioning risk management plan?					
19.2. Does the organization have a documented and functioning funding plan?					
19.3. Does 50% or more of the organization's annual income come from donations or voluntary giving?					
19.4. Has the organization developed and marketed a clear value proposition (unique value) that addresses competition and sustainability?					
19.5. If donor funding for the organization is frozen for a period of 1 year, would the organization still be operating and able to meet its financial obligations by the end of that year?					