

**INFLUENCE OF ORGANISATIONAL CAPACITY ON THE ATTRACTION OF
DONOR FUNDING: A CASE OF NATIONAL NONGOVERNMENTAL
ORGANISATIONS IN SOMALIA**

BY

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the Award of the Degree of Master of Arts in Project Planning and Management of
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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 University of Nairobi for academic credit.

Signed.....Date.....

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

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DEDICATION

This project is dedicated to my mother Leila Ali Aray, my husband Dr Hashim Abdirahman Shuria, my three angels Ibtisam, Zayan, Ahmed and my unborn child.

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I am deeply indebted to my supervisor; Dr. Dorothy Kyalo, whose help in stimulating suggestions and guidance helped me during the time of this project. I must acknowledge as well the many friends, colleagues, students, faculty team, my research assistant, data entry clerk who assisted, advised, and supported my research and writing efforts over the years.

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LIST OF ACRONYMS AND ABBREVIATIONS

ALNAP	Active Learning Network for Accountability and Performance in Humanitarian Action
CEO	Chief Executive Officer
GHA	Global Humanitarian Assistance
HFP	Humanitarian Futures Programme
INGOs	International Non-Governmental Organizations
NGO	Non-Governmental Organizations
ODA	Official Development Assistance
ODI	Overseas Development Institute
SMTs	Senior Management teams
SPSS	Statistical Package for the Social Sciences
UN	United Nations
USA	United States of America
USD	United States Dollars

ABSTRACT

The purpose of the study was to determine the influence of organizational capacity on the level of donor funding of the national NGOs in Somalia. The specific objectives were to determine the influence of strategic planning on the attraction of funding of the national NGOs in Somalia. The second objective was to explore the relationship between human resource capacity and attraction of funding of the national NGOs in Somalia. The third objective was to establish the relationship between financial management and attraction of funding of the national NGOs in Somalia. Finally, the fourth objective was to assess the influence of external relations practices on attraction of funding of the national NGOs in Somalia. The study used descriptive design and positivism approach in the methodology section. The study population was 104 respondents who were identified from the senior management of the national NGOs registered with the Somalia NGO Consortium to deliver aid for the people of Somalia. Further, census survey of all 104 senior managers was selected as the sample for this study. Before the main study, the validity and reliability of the research instruments was done through a pilot study. The research instruments used for the study were structured questionnaires which were administered to the selected respondents directly by the researcher. The data was analysed by the use descriptive statistics using of the SPSS computer software. Findings were presented in tables, charts and regression tables. The study found that strategic planning significantly influenced the attraction of funding of the national NGOs in Somalia. The study established that there was positive significant relationship between human resource capacity and attraction of funding of the national NGOs. From the regression results the study found that there was positive significant relationship between human resource capacity and attraction of funding of the national NGOs in Somalia. The study established that external relations practices positively influenced the attraction of funding of the national NGOs in Somalia. The study recommends that there is need for the management of National Non-Governmental Organization to embrace the spirit of strategic planning. There is need for the organization to have clear policies on pay and reward which are consistently followed and to have a functional system in measuring and evaluating staff performance. There is need for adherence of financial and administrative procedures, there is need to prepare and approve bank reconciliation on time and for the NGOs to maintain account categories for separating project funds. The study recommends that there is need for management of National NGOs to cooperates and shares resources with the international community and have agreements or MoUs with external parties that are not based on funding

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Leaders in the non-profit sector are increasingly aware of the importance of non-profit capacity building and organizational effectiveness (Frumkin and Kim, 2001). According to Hansberry (2002) a Nongovernmental Organisation's capacity is shown in its ability to achieve its mission effectively and efficiently through its management, governance, and persistent rededication to achieving results. Organisational Capacity assessment is comprised of a broad range of activities, including improving leadership, realigning the organization's mission and vision, financial management, program development and implementation, marketing, collaboration, training, fundraising, and evaluation (De Vita, Flemming, & Twombly, 2001). For both for-profit and non-profit organizations, financial capacity consists of resources that give an organization the ability to seize opportunities and react to unexpected threats while maintaining general operations of the organization (Bowman, 2011). Building the capacity to track operations in this way and communicating it directly to funders is imperative if non-profit organizations expect to establish financial support. However, accountability efforts place heavy demands on some non-profits that need the funding but lack the staff time to develop and maintain comprehensive outcome measurement programs (Zimmerman and Stevens, 2006).

Today, the NGO sector plays an increasingly important role in the provision of vital services in many fields such as health, social services, and education (Frumkin and Kim, 2001). The size of this sector has increased rapidly over the past years which include non-profits that are organized for educational, charitable, religious, as well as scientific and research purposes. Africa has been one of the greatest receiver and beneficiary of humanitarian aid for the last thirty years despite the fact that aid agencies have served communities from all over world for many years (Active Learning Network for Accountability and Performance in Humanitarian Action [ALNAP], 2009). This aid has saved thousands of lives in Africa in the recent years and continues to give hope to many more, (Smock, 1996) with Somalia being one of the main beneficiaries of these

humanitarian aid activities in Africa (Global Humanitarian Assistance [GHA], 2013). This humanitarian aid delivered is composed of both food and non-food items such as farm inputs, livestock, cash, medicine, food stuffs, clothing, shelter among others, (GHA, 2013).

Somalia stands out among the main recipients of humanitarian aid in Africa because of the recurring insecurity in the last two decades making it one of the most insecure countries in the world. This has even affected the operations of the NGOs as it has increased the cost and difficulties in delivering aid to the affected communities/ people, (Bradbury 2010). According to Bradbury (2010), Somalia is the most outstanding symbol of a collapsed state in the world and far more the one that has been benefiting from humanitarian aid the most. Furthermore there are so many humanitarian aid organizations who have been operating in Somalia for the last two decades despite the fact it is very restrictive and also insecure for the delivery of humanitarian aid. It has argued that much of the humanitarian aid delivered is greatly influenced by the politics of the developed countries as well as the international humanitarian organizations or back donors. However, this has not affected the delivery of humanitarian aid by the local NGOs a lot as they are still able to deliver. In support of this thinking, Curtis (2001) says that humanitarian aid has never been disbursed solely on the basis of needs but is highly politicised by the leaders at the helm of the organization as well as the donor and recipient countries. This is also determined by the amount and type of the humanitarian assistance given by a particular organization in various countries, (Curtis, 2001). At the same time, the leadership strategy at the helm of the humanitarian organization also determines how the aid is delivered to the constituencies, (Bradbury, 2010).

The ability of NGOs to develop sustainable funding is a pressing concern for the sustainability of the NGO sector (Parks, 2008). Humanitarian organizations need resources to help them continue providing services to the community. Non-Governmental Organizations (NGOs) for a long time have relied on the generosity of donors to support their project activities through grants and donations. In the donor world the funding trends are changing. We see donors are using basket funding or sometimes shift in

funding from NGOs to focus on government institutions and hence the NGOs end up competing for the same funds with the government institutions that have resources and capacity to mobilize for resources (Parks, 2008).

Resource mobilization requires a lot of time and skills to seek resources from different sources and the pressure to mobilize resources may lead the organizations to use methods that compromise the values they are fighting for through their work (Beverly et al., 2012). The most commonly identified challenging issues for NGOs include; Fundraising, limited financial and management expertise, limited institutional capacity, low levels of self-sustainability, isolation/lack of inter-organizational communication and/or coordination, lack of understanding of the broader social or economic context difficulties of managing NGOs with operations in several countries also raised concerns (Bromideh, 2011).

Many organizations lack sound systems for financial management, program monitoring and evaluation and managing overall program performance that ensure they consistently earn stakeholders trust. Organizations can employ human resource practices to enhance the effectiveness of their employees and overall organizations. There has been a growing interest in the non-profit sector to build capacity and utilize human resource development practices and principles to help build more effective organizations and improve performance (Brooks & Nafuhko, 2006). It takes resources to raise resources and organizations need experienced and skilled personnel and board members in resource mobilization if they are to be successful to get resources. Non-profit leaders, including board members, shape program delivery, organizational strategy and resource development (Hodge & Piccolo, 2005). Strong relationship with donors is important. Board members may also provide critical links to external entities e.g., non-profits, government agencies, funders, influential individuals (Vidovoch & Currie, 2012).

Notwithstanding the considerable promise of the concept for improving organizational performance, the nascent body of literature on human resources in NGOs suffers from the lack of empirical data. Indeed, this limitation is part of a broader issue in the existing

research on human source management in NGOs. Despite the publication of numerous prescriptive studies about human resource management practices, there is surprisingly scant empirical evidence describing how NGOs have used these human resource practices in influencing donor funding (Guo, et al., 2011). An important part of planning for an NGO is increasing financial security and becoming independent of donors. Funder accountability requirements shape non-profit reporting and the use of various performance measures such as outcome measurement (MacIndoe & Barman, 2013). Keeping a trusted and confident relationship with their sponsors and donors is stated as another popular challenge for NGOs. Sustainability and survival of every NGO is strongly dependent on a close and trusted relationship with its donors (Lewis & Kanji, 2009).

Fafchamps and Owens (2009) found that managerial characteristics, including age of NGO and network membership were significant predictors of funding. In regard to this, the dedicated human resource is a factor that can help improve the chances for NGOs in accessing grant funding, thus challenging claims that grants are allocated to more motivate and more effective NGOs. Some measures proxy for the efficiency, accountability and financial transparency of both the NGO and/or its manager and according to our screening model should better predict the funding patterns of international donors than those of local donors (Bougheas, Isopi & Owen, 2008).

1.2 Statement of the Problem

According to Rhoden, (2014) there is limited documentation on organisational capacity in humanitarian section by way of research. In addition, very little of the research in the field of organisational capacity in relation to donor funding has been covered in the humanitarian sector (Hyndman & McDonnell, 2009). Local NGOs face difficulties securing enough funds because the projects undertaken require substantial amounts of resources, both financial and non-financial.

There is significant capacity limitation among indigenous NGOs in terms of human resource and due to having insufficient staff then to pursuing appropriate funding or

resources remains elusive to many (Beverly et al., 2012). Organizations sometimes underestimate the time, resources and skills involved in resource mobilization and also maintaining good communication and relations with donors. Human resources is necessary for the success and operation of an organisation, whether for profit or non-profit. The human resource capacity of an organisation strongly influences the way in which the organisation operates, based on difference in expertise, thinking capacities and the strategies used by the individuals and the organisation (Rhoden, 2014).

The common challenge that local NGOs make is to become over dependent on a single source of funding. When that source reduces or dries up the organization struggles to generate new funding when it is too late, hence programs are compromised or terminated. Further, there are high rates of senior management turn-over, internal wrangles caused by power structures, and poor financial reporting and the intense scrutiny of financial expenditures by donors and governments hence management focus remains biased on short-term performance (Berkshire, 2013).

The current literature lacks a broad perspective of strategic directions that NGOs undertake in their quest to remain financially viable to effectively deliver their services to satisfy the growing social needs due to lack of funding (Hyndman & McDonnell, 2009). Services to strengthen the local NGOs can better achieve their mission are funded and in some cases actually delivered by foundations, in areas spanning from improving the use of technology to problem solving on long-term fundraising strategy. NGOs use strategic planning as a blueprint for the work ahead and its likely effects or for management and decision making as a project or programme develops and progresses (Parsons & Broadbridge, 2004).

Acknowledging a donor's resource contribution through managing, monitoring and reporting on the use of resources and agreed mechanisms which are often spelled out in the agreements is crucial to maintain good relations with the donor and forms a foundation for potential on-going resources and must not be overlooked (DiMattia, 2008). Despite the increase in the amount of funding disbursed by donors through NGOs

there is a notable lack of understanding on the allocation criteria, if any, that institutional donors follow when they give funds to an NGO (Bougheas, Isopi & Owen, 2008).

Somalia has been one of the biggest receivers of humanitarian aid from international organizations for more than twenty years, (GHA, 2013). Given the increasing importance of the NGO sector in Somalia in terms of numbers and funding offered by donors, and given their potential for delivering services to the poor, a thorough analysis of the sector in Somalia is overdue. In the recent years many aid organizations such as the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP) and the Overseas Development Institute (ODI), have realised that there is lack of research or limited research on the overall capacity of the humanitarian organization to influence the level of donor funding that comes to them. Therefore they have been engaged in carrying out development programmes mainly focusing on organizational leadership field to the fill in the identified gaps, (Clarke, 2013; ODI, 2016).

Furthermore, delivery of humanitarian aid remains the main duty of the humanitarian aid organizations in Somalia. DiMattia (2008) opines that the influence of organisational capacity on the attraction of funding is critical for the management of humanitarian organisations in any situation. This therefore demonstrates that there is an existing gap in the management of humanitarian aid organizations which needs to be linked to the influence of organizational capacity on the attraction of funding in Somalia. This study filled this gap by providing an understanding of the influence of organizational capacity on the attraction of funding among the humanitarian aid organizations operating in Somalia, (Bradbury, 2010).

1.3 Purpose of the Study

The purpose of this study was to determine the influence of organisational capacity on the level of donor funding of the national NGOs in Somalia.

1.4 Research Objectives

This study was guided by the following specific objectives;

1. To analyze the influence of strategic planning on the attraction of funding of the national NGOs in Somalia.
2. To explore the relationship between human resource capacity and attraction of funding of the national NGOs in Somalia.
3. To establish the relationship between financial management and attraction of funding of the national NGOs in Somalia.
4. To assess the influence of external relations practices on attraction of funding of the national NGOs in Somalia.

1.5 Research Hypothesis

H0₁: There is no significant relationship between strategic planning and the attraction of funding of the national NGOs in Somalia.

H0₂: There is no significant relationship between human resource capacity and attraction of funding of the national NGOs in Somalia.

H0₃: There is no significant relationship between financial management and attraction of funding of the national NGOs in Somalia.

H0₄: There is no significant relationship between external relations practices and attraction of funding of the national NGOs in Somalia.

H0₅: Environmental complexity significantly moderates the relationship between organisational capacity and attraction of funding of the national NGOs in Somalia.

1.6 Significance of the Study

The study may be useful in understanding the influence of organisational capacity on the level of donor funding of the national NGOs in Somalia. While Majority of the NGOs rely on institutional donor funding, there has been shrinkage of international donations from international and NGOs, foreign agencies. This study may therefore be particularly of interest to the following stakeholders.

Executives of the NGOs

The management of NGOs may benefit from the outcome of the study. It may help the management of NGOs to know the extent of the influence of organisational capacity on the level of donor funding and to come up with better strategies to enhance their organisations capacity to maximize funding from different stakeholders.

Policy makers and Donors

The strategies employed various NGOs to acquire funding and attract external attention is a major concern for the donors, other governments in the African Continent, policy makers and developed countries. Therefore the findings from this research may be used to understand the link between organisational capacities on the level of donor funding of national NGOs in Somalia.

Researchers and Academicians

The impact of the financial crisis non NGOS is a concern for researchers, public policy makers, managers as well as financial and behavioural analysts. This study may contributes to the pool of knowledge on the relationship between organisational capacity and the level of donor funding.

1.7 Scope of the Study

The study targeted 104 top level managers from the national NGOs which provide humanitarian aid in Somalia. It covered the whole of Somalia because the NGOs work whole of Somalia. All the 22 NGOs registered with Somalia NGO Consortium which is the umbrella body that manages the work of the NGOs took part in the study. This study was carried out in the year 2016.

1.8 Limitations of the study

The study was conducted only on national NGOs in Somalia. It did not cover international NGOs. However, the international NGOs are perceived to have strong organisational capacity and operate more than one country. In addition, the study only covered only four major component of organisational capacity, the study could not have covered all the facets of organisational capacity on one research but the most critical themes of organisational capacity from the both empirical and practical perspective.

1.9 Definition of terms

Strategic Planning

In the context of this study strategic planning is the procedure of outlining an organization's plans for the realization of its missions. It involves the process by which an organization outlines its strategic direction and how it makes decisions for the allocation of its resources to implement it, (Pearce & Robinson, 2011; Grant, 2013).

Human Resource Capacity

Is the process of equipping individuals with the understanding, skills and access to information, knowledge and training that enables them to perform effectively (Fernand, 2006; Lotsmart, 2007).

Financial Management Practices

The process through which organisation leaders make sure that an organization manages its resources well. The four specific tasks are the starting point for assessing and building financial management capacity are planning and budgeting, accounts record-keeping, financial reporting and financial controls (Cammack, 2007; Shariq, Zamila & Nahukul, 2011).

External Relations Practices

It's the process through which institutions relate and react to one another, forming an exchange of ideas, resources, and responsibilities (Biswas, 2006; Frank & Smith, 2009).

Environmental Complexity

The quantity of change and complication in the setting of a business or industry (Roberts, 2010); Bachelet, et al. 2011).

Attraction of Funding

It's the level of accessibility, the amount, frequency of funds received by the national NGOs from institutional donors (Parks, 2008; Guo, et al., 2011).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the empirical literature, theoretical review, conceptual framework, and finally, underscores the gap to be filled. It has review the existing literature in relation to the influence of organisational capacity on the level of donor funding, a case of national NGOs in Somalia.

2.2 Strategic Planning and Donor Funding

Many of these strategic and corporate planning concepts have been extensively adopted by companies in different national environments (Capon, Farley & Hubert, 2007). The study of Capon, Christodoulou, Farley and Hubert (2006) highlights the significant differences in the strategic planning practices of the Australian and the USA large manufacturing companies. It is clear that the concepts in corporate and strategic planning have been used by the companies in different national environments in differing ways to achieve their organizational goals. At the end of 1970s and early 1980s strategic planning suffered a downturn in popularity (Glaister & Falshaw, 2009) and came under heavy attack from management scholars (Grant, 2013).

The major critique of the strategic planning was its low performances in unstable environment (Quinn, 2010). However, some research studies found that strategic planning was positively associated with unstable environments (Grant, 2013). Thus, research findings about the relationship between strategic planning and unstable environments are ambiguous. Ansoff (2011) one of the prominent scholars in strategic planning criticizes the Mintzberg notion of “strategic planning can work only in stable environments” and asserts that strategic planning generally produces better alignments and performances than does trial and error learning. Furthermore, Miller and Cardinal (2004) conclude that strategic planning and performance has a positive relationship and claims that the results of Mintzberg (2010) and Greenley (2006) which shows planning

does not benefit performance appear to have been incorrect because of the methodological errors in their research studies.

According to Mintzberg design school, strategy formulation must be a deliberate behaviour of conscious thought and responsibility of that control and conscious must rest with the chief executive officer (Mintzberg *et al*, 2008). According to Bonn & Christodoulou (1999) the substantial changes in company's strategic planning systems include increased flexibility of planning systems, decentralized strategic planning to divisions or business units, moving the planning responsibility from staff personnel to line managers, and changing the role of corporate planning departments.

The legal basis for establishing a non-governmental organization is "to advance the welfare of the community in a non-commercial way" (Bryce, 2012). This legal definition, however, tells us very little about the purpose or goals of the group. It is the vision and mission statement of an organization that more directly answers the question of why the organization exists (Light, 2010). A clear statement will articulate what is unique or distinctive about the organization and can serve as a long-range planning tool for the organization. An organization's vision and mission provide a good starting point for assessing its capacity and needs. They not only reflect the types of programs and services offered by the organization, but also affect the other components of the capacity-building model. For example, the vision and mission of an organization will influence its ability to attract and retain leaders who share its goals. The leaders, in turn, will be influential in setting, maintaining, or redirecting the mission of the organization (Twombly, 2010).

The vision and mission of the organization are probably most directly articulated through the leadership component of the organization, but other factors in the model also are affected. For example, as the organization seeks resources whether recruiting staff or seeking funds the vision and mission of the organization come into play. Potential staff and donors must find a comfortable match between their own needs and values and those of the organization's vision and mission (Twombly, 2010). Similarly, the guiding principles of the vision and mission statement will shape the outreach activities of the organization. While most Non-Governmental Organizations engage in some type of

networking or sharing of information, how actively they pursue this goal and with whom they seek external contacts may vary depending on their overall vision and mission. An organization established primarily to serve the needs of its members is likely to engage in a very different set of outreach activities than one that seeks to advocate for social change (Light, 2010).

The organization's vision and mission also provide an important context for measuring the effectiveness of its work. For example, if a community theatre group's mission is to offer culturally diverse arts programs, it can use "cultural diversity" as a criterion for assessing its program activities at the end of the year. In many instances, however, mission statements are written in ways that make it very difficult to measure and evaluate outcomes (Bryce, 2012). A mission statement might focus on improving the community's quality of life, promoting youth development, creating arts, or preventing disease. While such missions are worthy goals, they are difficult to measure and assess. Particularly in an era of public accountability, organizations are being asked to demonstrate their accomplishments in concrete ways. Public perceptions of effectiveness can be influenced by the ability of the organization to demonstrate clear and measurable outcomes of their products or services. Although vision and mission statements are meant to have enduring qualities, they need to be reviewed and possibly revised from time to time. Non-Governmental Organization can sometimes stray from their original purpose or become bogged down in routine activities that distract them from seeking new opportunities (Bright & Skahen, 2007).

The NGO in the world operates in an environment of high competitiveness and observant stakeholders who are willing to relocate to new locations if provoked. Implementation of strategic plan by NGOs is enhancing donor funding (Cooperrider & Whitney, 2001). Much as NGOs would like to see their strategic plans implemented, most are not implemented according to the plans outlined by donors. Donors have their values and priorities that must be taken care-off in NGOs. Burbank (1994) in his study of small NGOs observed that the flow of funds in NGOs was largely controlled by the donor thus placing great weight on the style of management to be employed, communication types in

that organization and strategic planning in the organization. From the literature reviewed it is evident that strategic planning strongly influences donor funding, however there is limited empirical evidence on how strategic planning influence donor funding among International NGOs in Somalia. This study seeks to fill the existing research gap by conducting a study to analyze the influence of strategic planning on the attraction of funding of the national NGOs in Somalia.

2.3 Human Resource Capacity and Donor Funding

Capacity building on an individual level requires the development of conditions that allow individual participants to build and enhance existing knowledge and skills. It also calls for the establishment of conditions that will allow individuals to engage in the process of learning and adapting to change (Economic and Social Council, 2006). Capacity building may relate to leadership development, advocacy skills, training or speaking abilities, technical skills, organizing skills, and other areas of personal professional development (Linnell, 2003).

Similarly, individual level capacity building was described as linked to personal development such as leadership development, advocacy skills, training and facilitating abilities, technical skills, and organizing skills. Often good leadership or strong leadership is needed for an efficient institution. In other words, having the right professionals is the first prerequisite for better institutions and policies, as they are more able to take care of any policy constraints even in the absence of appropriate legal frameworks and unresponsive institutional settings” (Biswas, 1996).

Human resource development is the process of equipping individuals with the understanding, skills and access to information, knowledge and training that enables them to perform effectively (Sheng & Mohit, 1999). The knowledge, skills, attitudes, behaviors and abilities of individuals can develop through many approaches: formal and informal education, training, workshops, conferences, meetings, field day/study tours, learning by doing, and on-the-job training (UNESCO, 2006). It is also understood that developing

individual capacities will automatically lead to improved organizational capacity and performance (Horton, 2002).

Donor funding is necessary for the survival and development of NGOs (Fernand, 2006). According to Liang (2003) the availability of international funding sources is surely indispensable in the initial stage of NGO sector and it is highly dependent on Human Resource Capacity of NGOs. Contributing to the discussion, Lotsmart (2007) noted that local NGOs in Cameroon are principally funded externally, which is influenced by the human resource capacity in terms of start and expertise. Barr *et al* (2005) in their study of NGO in Uganda argue that the NGO sector grants received from international NGOs account for nearly half of the total funding in 2001. Grants from bilateral donors are the next most important source with grants from the local government being the third. Fafchamps and Trudy (2006) observe that grants represent about 80 percent of local NGOs funding in Uganda.

In his study of challenges of NGOs in Anglophone Cameroon, Lotsmart (2007) revealed that dependency of NGOs on external funding depicts mixed results of possible impacts on the lives of NGO and the state as a whole. From positive perspective Lotsmart (2007, p. 35) argues that external funding through state or local NGO strengthen North – South relationship. Lotsmart (2007) further argues that external funding through local NGOs provides opportunity for apprenticeship development. What this implies is that local NGOs can sit back and learn the art of financial management and project management from old and experienced external NGOs.

Liang (2003), however, reveals that strong dependency from external funding can be a serious problem for the long-term development of local NGOs, which lack human resource capacity. Liang (2003) further maintains that international donors operate according to their own goals and project management styles, and NGOs have to conform to their human resource capacity requirements in order to receive financial support. As NGOs have to respond to the changing needs of their local membership, the creative

development of local NGOs could be constrained by the standardized assessment methods of foreign governments and international foundations (Lekorwe, 2007).

Most NGOs depend on voluntary staff to run their activities and programmes and generally do not have control over the quality of labour they obtain. Their staffing levels are determined by those who volunteer their services. Some of the personnel used to run the affairs of NGOs are not well trained to effectively carry out their duties. According to Lekorwe (2007), lack of well trained and experienced human resources limits the extent to which NGOs are able to manage their daily affairs and their capacity to effectively plan, appraise, implement, and monitor their projects and programmes. Lekorwe (2007) maintains that most knowledgeable and experienced volunteers do not normally provide adequate support for NGOs' activities partly because of the limited time they have to render their services. Lack Human Resource capacity significantly affects NGOs funding from donors.

Ibrahim and Muhtesem (2006) reveal that not all people working for NGOs are volunteers. There are paid staffs who typically receive lower pay than in the commercial private sector. As a result, staff turn-over is high in NGOs. They further maintain that the poor quality of training or lack of importance attached to training NGO workers contribute to the organizations' inability to raise funds. Similarly, Lotsmart (2007) asserts that lack of human resource capacity to raise local funds is similar to the absence of institutional mechanism for local fund raising. Lotsmart further argues that local fund raising requires people having the skills and willingness to do it as well as having a good public reputation. This however means that expertise is needed to plan when, where, and how to seek for funds, especially in an environment where the population is poor and may be suspicious of the motives or abilities of fund raisers. Scarce funding greatly complicates the ability of NGOs to attract high-quality employees. This study seeks to explore the relationship between human resource capacity and attraction of funding of the national NGOs in Somalia.

2.4 Financial Management Practices and Donor Funding

UNESCO (2006) states that capacity building focuses on building the individual and organizational capacity to perform core tasks, solve problems, and extensively work on accomplishing their developmental needs. This statement is supported by Morgan who referred to capacity building as improving or promoting the person's, teams' and institution's ability, to carry out their tasks and achieve goals over a certain time limit. In addition, capacity building is substantial for all individual and or national corporate organizations (Horton, 2002). Capacity building also denotes to building community organizational capacities and supporting the creation of non-profit organizations (NPOs) (Paul & Thomas, 2000).

Capacity building processes can be initiated from within or from outside. They can facilitate links with local areas for individuals and organizations to further pursue and manage their development goals with greater sustainability. United Nations Development Program (UNDP) reported in 2009 that capacity building means to know how to work out development mechanisms. Self-dependence and ownership are part of the process of capacity building. Both self-dependence and ownership are very key to the development process (UNESCO, 2006).

Financial management capacity building is a key way of achieving a more effective organization. This then leads to an improved program of activities. With strong financial management capacity, the group or organization becomes abler to control its own affairs. Without it, the future is often uncertain; it may be impossible to predict when money will be short and, crucially, it may become impossible to fund programs (Cammack, 2007). There are four key groups who will benefit from financial management capacity-building: members of the management committee, the leader and managers, non-finance and programed people and finance people.

International funding has partnered with (NGOs) for the delivery of family planning and reproductive health services since the 1960s. They found NGOs to be reliable and effective partners in service delivery during the years before public-sector programs were

established. Throughout the developing world, NGOs also have been important centers of innovation for clinical, training, and service delivery research. More recently, concerns about poorly targeted subsidies in the public sector have highlighted the role that NGOs can play to reduce pressure on public-sector resources for example, by providing care for clients who can afford to pay for services, or by providing or managing services through private-public-sector partnerships (Paul & Thomas, 2000).

Financial management capacity building can bring enormous benefits to an organization, yet, it is a challenging process. It takes time to develop a full understanding of how each organization works. Resources are not always available, so concentrate on ways of building financial management capacity that do not require high additional costs. Sometimes two organizations can help each other with no cost involved. If there are costs, for example, the costs of providing training for the staff ought to be planned in advance and discussed with the funding organization. When building any sort of capacity, it is important to be sure that the changes are ‘embedded’ into the organization as a whole. For instance, it should be ensured that more than one person is involved, and people should be encouraged to write down their new ways of working, as part of a simple procedure (Cammack, 2007).

If an individual, having been trained, decides to quit, the organization may not find the alternative. Similarly, when a donor is funding an organization a capacity building training, it may not know how long its commitment is likely to last, and whether the funding will continue. Here, it should be ensured that an organization itself ‘owns’ the capacity being built, so that any change of donor has less impact. The organization should be continually preparing itself for the eventual departure of each donor (Cammack, 2007). Financial management is making sure that an organization manages its resources well. The four specific tasks are the starting point for assessing and building financial management capacity are planning and budgeting, accounts record-keeping, financial reporting and financial controls.

Top management defines their objectives for the year and forecast the cost of achieving them. This is the annual budget. As the year progresses, top management compares actual performance with budget forecasts. It can then decide whether any action is needed for example, to increase or decrease spending, or undertake more fundraising. This regular monitoring of the budget also helps to manage donor funding and reporting. A group or organization must keep accurate accounting records and up-to-date records of transactions. These are the basis of the information needed to manage the organization, and they will be used for internal and external financial reports (Songco, Nijem & El Farra, 2006).

Financial reporting includes producing the annual accounting statements and reporting to beneficiaries, the donors, and (if necessary) the government. Top management is responsible for financial controls which protect property and equipment and minimize the possibility of error and theft, for example, a system for authorizing expenditure when a purchase is made. Finance staff can advise on which controls to introduce, but the leadership team must make sure that the controls are working effectively. The four specific tasks of financial management and external audit are not enough on their own. There are wider organizational aspects which will help you to run your organization professionally and build strong financial management capacity (Shariq, Zamila & Nahukul, 2011). This study seeks to establish the relationship between financial management and attraction of funding of the national NGOs in Somalia.

2.5 External Relations Practices and Donor Funding

The importance of creating an enabling environment or systems in building capacity is widely accepted. Frank and Smith (2009) stressed that without supportive policy and legislative framework, no agency will have the capacity to perform effectively however capable the individuals within it. Often the creation of appropriate policy and legal environments is not enough. It is the implementation of them that counts. However, even people with full legal and institutional authority may not be able to make appropriate decisions or take full responsibility due to lack of initiative and an entrepreneurial spirit (Biswas, 2006). In many countries, policies and laws support the capacity building

process, being effective in achieving capacity building. However, the improvements of policies and laws are not essential for facilitating appropriate capacity building conditions. As Biswas (2006) explained, it depends on the “will and the determination of the people to take up and implement most of what can be achieved under the existing policies and laws” (p. 400).

Non-Governmental Organizations leaders make management decisions in dynamic and changing environments. At the hub of these fluid environmental systems are three key institutional players: business, government, and Non-Governmental Organizations. These institutions relate and react to one another, forming an exchange of ideas, resources, and responsibilities. They also are affected by consistently shifting external forces, such as sociodemographic factors, economic conditions, political dynamics, and the values and norms of the community (Biswas, 2006).

This convergence of evolving factors creates the environmental context in which capacity-building initiatives must operate. As the literature suggests, some Non-Governmental Organizations form to fill voids left by government and business. For example, a Non-Governmental Organizations may begin operations to meet the needs of an underserved population or to satisfy a perceived need in the community. The organization will continue to operate until its mission is achieved or it cannot be sustained, at which point the Non-Governmental Organizations will cease to exist. During its life cycle, Non-Governmental Organizations will cooperate and compete with other Non-Governmental Organizations and with business and government entities (Frank & Smith, 2009).

This dynamic can be seen in many ways. For example, several Non-Governmental Organizations groups may come together to form collaborative ventures for the purpose of sharing capital or program costs, or they may form a coalition that works with local government and the business community to address complex and multifaceted issues, such as affordable housing or economic development (Biswas, 2006). While the goals for such projects may come from a shared vision (such as the desire for high-quality public

schools), the proposed operational form may create conflict (e.g., direct funding for public schools versus use of vouchers). The coalition of Non-Governmental Organisation, government, and business that formed to address one set of issues may dissolve if conditions change or if a consensus cannot be reached on a particular course of action. Indeed, the relationships among institutional players are continuously evolving and are likely to change over time and across issue areas (Frank & Smith, 2009).

Environmental factors consistently push and pull institutional relationships. Socioeconomic and demographic factors not only change the composition of a community, but also its needs and preferences. Single-parent families may need a different mix of services than two-parent families need. A change in racial and ethnic composition may introduce a new set of cultural values into the community. Economic and market conditions may affect the labour market structures and industrial base in communities. If a major employer enters or leaves the local area, the livelihood and economic stability of local residents can be affected (Lindblom, 2010).

Political factors encompass a myriad of conditions, such as how decision-making power is distributed among grassroots groups and community elites, and how tax policies or regulations affect market structures. Values and norms undergird and affect each of the other conditions and relate to the sense of justice, fairness, and equity embedded in a community. For a non-profit to develop or sustain its organizational capacity, it must successfully navigate these environmental factors. Shifts in environmental conditions usually occur in an incremental fashion (Frank & Smith, 2009).

Lindblom (2010) described in detail the slow evolution of policy and public action over time. The shift of many urban labour markets from a manufacturing base to a service oriented economy unfolded gradually over the previous three decades, although the information and technological revolution has accelerated the pace of environmental changes. In systems that are slowly transforming, Non-Governmental Organizations have more time to adjust to changing demographic, market, or political conditions, but when a sudden and fundamental change occurs, organizations are forced to respond quickly or

they will miss new opportunities. The introduction of welfare reforms in 1997, for example, fundamentally altered the funding patterns and rules for some human service providers. Non-Governmental Organizations social service providers scrambled to adapt to new funding and program requirements (Biswas, 2006).

Environmental factors also place pressure on Non-Governmental Organizations to conform to community norms and expectations. Existing economic and political structures often press Non-Governmental Organizations to conduct business as usual. Because developing institutional capacity requires time and resources, some Non-Governmental Organizations decide that conforming to the existing norms is the best way to heighten their chance of survival. New Non-Governmental Organizations may sometimes find themselves struggling to operate within the rules of an environment that was formed decades earlier (Biswas, 2006). These groups may push outward from the institutional nexus in cooperation or competition with other groups to change the environment around them. These underlying tensions to conform to the existing socioeconomic and political structures or to initiate change must be weighed and balanced in the development of a capacity-building strategy (Lindblom, 2010).

External shareholders in NGOs can be divided into market environment, socio-political and technological environments, depending on the nature of their relationship with the organization, and therefore how they might affect the funding of the NGO (Cummings & Doh, 2000). Donors are therefore very influential individuals and groups who are vitally interested in the actions of an NGOs looking back into the past, present and future operations plus the environment of the organization (Pearce & Robinson, 2004).

Simpson and Lyddon (1995) note that different donors each with their own needs and expectations will have different views of what a programme will seek to achieve. Whereas some stakeholders can be nominated, others like the donors are indeed difficult to avoid yet they are crucial in the successful funding of NGOs. The various needs must be grouped in order to identify which needs are in conflict with the others and hence bringing them in line with the NGO funding. When the management pulls to one side

while donors pull in the opposite direction it results into several non-performing NGOs with huge resources being wasted. Much of the research reviewed in this study on external relations practices and donor funding have been conducted in developed countries, there is need to fill the existing research gap between developed and developing countries like Somalia, by assessing the influence of external relations practices on attraction of funding of the national NGOs in Somalia.

2.6 Theoretical Framework

This study was based on organizational and management theory. The organizational and management theory emphasizes the operational decisions and trade-offs that groups face when building their financial and political capacity (Pfeffer & Salancik, 2008). Decisions concerning the use of staff, choice of products and services, fundraising and marketing strategies, and even the selection of a board of director's can significantly impact the success or failure of an organization. Decision-making involves foregoing one option in favour of another. In short, organizational management decisions produce trade-offs that may be either beneficial or detrimental to the short-run or long-term viability of the organization (Aldrich, 2009).

All types of organizations face pressures from other groups when attempting to meet their goals. Institutions such as government and Non-Governmental Organization may either cooperate or conflict with one another in their efforts to promote community decision-making each with a specific view on what constitutes economic and social balance (James, 2013). Non-Governmental Organization play a key role in affecting local decision-making, particularly by representing less popular and competing views in the political process. However, to be effective players, Non-Governmental Organization must build and sustain financial, political and institutional capacity (Smith & Lipsky, 2003).

One theory is that Non-Governmental Organizations are important to communities because they address the flaws of competitive markets. Weisbrod (2008) noted that Non-Governmental Organization can overcome government failure. Government tends to respond to majority concerns and, as a result, some minority concerns are not addressed

through public action. For example, there may be a need for after-school programs for children in low-income urban areas, but if the constituency for such programs is not large or strong enough to produce government action, Non-Governmental Organization may form to supply the afterschool care (James, 2013). Non-Governmental Organization often provide public goods where government fails to respond to the preferences of small groups of citizens. Another theory is that the formation of Non-Governmental Organization is encouraged by the availability of tax benefits for charitable organizations. Such benefits generally include exemptions from property and sales taxes and, in some cases, tax deductible charitable donations (Brody & Cordes, 2009).

2.7 Conceptual Framework

Conceptual and theoretical framework is used by researchers for designing studies and in the development of empirical literature which can be tested and hypothesis which can be refuted. The term conceptual framework is used to describe the particular functions and the type of relationship between the processes involved in the research (Leshem & Trafford, 2007). According to Camp (2001) a conceptual framework is a structure which shows how a study will be carried out and is the best for explaining the natural development of a phenomenon under study. A conceptual framework offers hypothetical explanation of what researchers aim to find out (Leshem & Trafford (2007).

In conceptual framework, a variable can play different roles in a research design. The two main components are the independent variables and dependent variable (Carlson & Wu, 2012). The independent variables are the ones that causes the dependent variable in a relationship where they are both tested. They are the ones that causes changes in the dependent variable which is theorised in the formulation of the relationship between the study variables. The dependent variable is the one affected by the independent variable to demonstrate the cause-effect relationship. The two variables are combined and used to carry out the research.

Based on the literature review, organisational capacity can be studied from multiple facets. The component of the humanitarian aid context is the components of the

organizational capacity identified for study. Therefore, this study will use four variables to measure organisational capacity, namely Strategic planning, human resource capacity, financial management practices and external relations practices. The study’s specific objectives were formed from each of the four independent variables. In this study, the organisational capacity influences the level of the funding of the national NGOs. In regard to this, the level of donor funding is the dependent variable. The conceptual model was used to present the link between the independent variables and dependent variables and even the moderating variable.

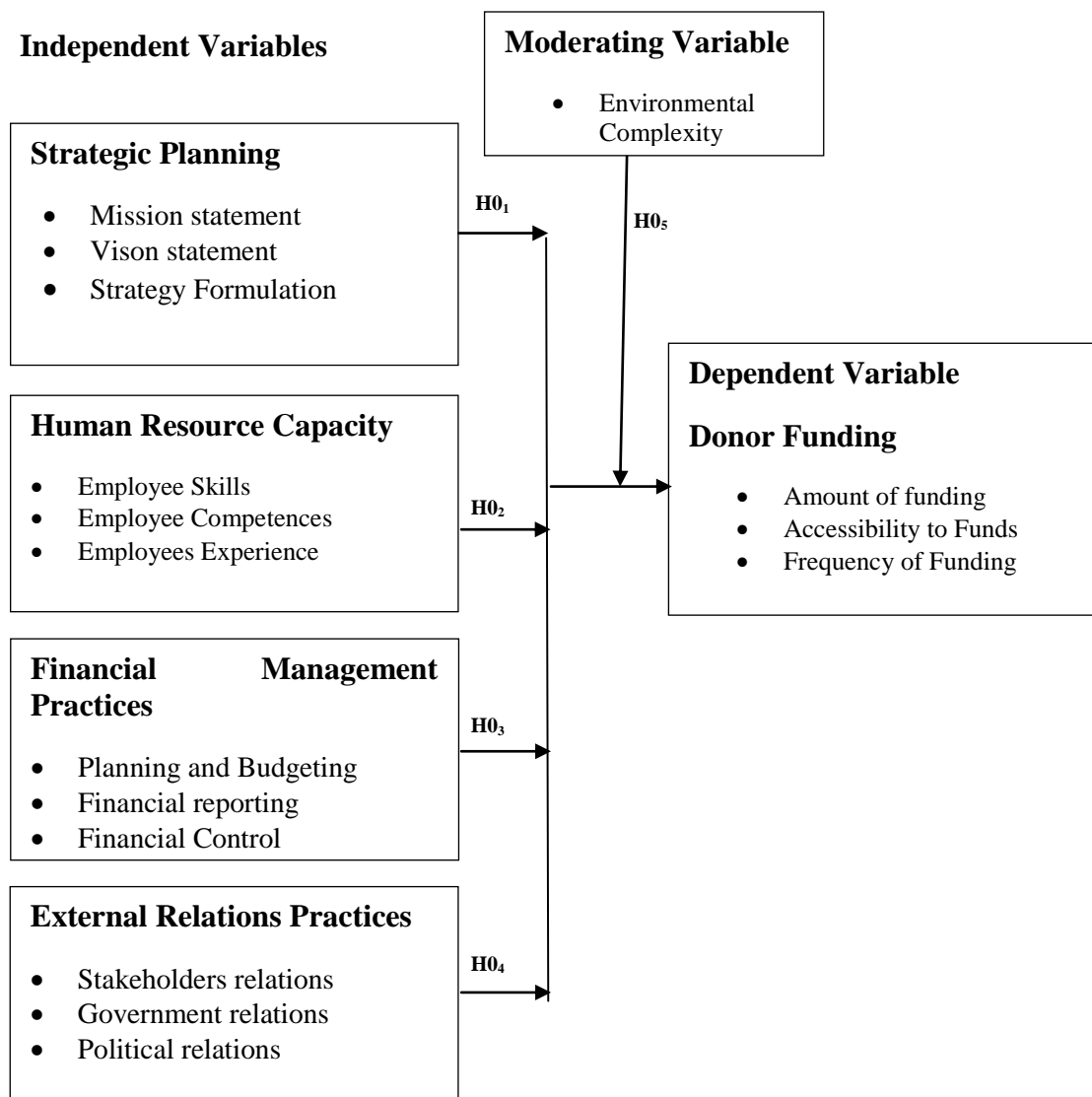


Figure 2.1: Conceptual Framework

Figure 2.1 presents the conceptual framework showing the relationship between independent variables, dependent variable and the moderating variable which be tested using a regression model. The regression model was also used to test the five research hypotheses.

Therefore, this study will use four independent variables to measure organisational capacity, namely strategic planning, human resource capacity, financial management practices and external relation practices. The four study variables were used to formulate each of the specific objectives. Complexity of the environment (turbulent environment) was the moderating variable which according to this study was perceived to either enhance or inhibit the influence of organizational capacity on attraction of funding the humanitarian aid NGOs operating in Somalia.

H0₁: There is no significant relationship between strategic planning and the attraction of funding of the national NGOs in Somalia.

H0₂: There is no significant relationship between human resource capacity and attraction of funding of the national NGOs in Somalia.

H0₃: There is no significant relationship between financial management and attraction of funding of the national NGOs in Somalia.

H0₄: There is no significant relationship between external relations practices and attraction of funding of the national NGOs in Somalia.

H0₅: Environmental complexity significantly moderates the relationship between organisational capacity and attraction of funding of the national NGOs in Somalia.

2.8 Chapter Summary

In summary this chapter has reviewed the existing literature on the influence of organisational capacity on the level of donor funding, a case of national NGOs in Somalia. In specific the chapter has capture the strategic planning and donor funding, human resource capacity and donor funding, financial management practices and donor funding, external relations practices and donor funding, theoretical framework, conceptual framework, explanation of relationships of variables in the conceptual framework and gaps in literature reviewed. Literature reviewed suggests a plethora of

work in the area of organisational capacity in both developed and developing countries relating to strategic planning, financial management practices, human resource capacity and external relations practices and donor funding. Nonetheless, so far, there is no empirical data regarding influence of organisational capacity on the level of donor funding. Thus, this study would like to explore the influence of organisational capacity on the level of donor funding among National NGOs in Somalia.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research methodology that was used in the study. It gives the specific procedures followed in undertaking this study. The research design, population, sampling design, data collection methods are covered in this chapter.

3.2 Research Design

Research design is the plan of what data to gather, from whom, how and when to collect the data and how to analyze the data obtained. According to Hallebone and Priest (2009), for a researcher to gain a better understanding of how and why to choose a particular methodological approach in a study, the initial discussion should first start with the philosophy that best fits the focus of the study. Researchers have classified research philosophy mainly into four categories; positivism, post-positivism, constructivism, and critical theory (Saunders, et al., 2007). Positivism is based upon values of purpose, fact, rationality and is focused purely on facts that is gathered through direct observation and experience and measured empirically by quantitative methods (Eriksson & Kovalainen, 2008). Therefore, based on this analysis, this study used positivist approach as the data was collected objectively through a survey method and quantitative data analysed through statistical analysis to test research hypothesis with minimal interference of the researcher.

The research design employed in this study is descriptive in nature. Research design is the conceptual structure within which research is conducted and that it constitutes the blue print for the collection, measurement and analysis of data (Kothari, 2007). Descriptive survey was used to obtain information on the current status of the population, in this case the national NGOs working in Somalia Descriptive survey is concerned primarily with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes (Gill

and Johnson, 2006). The particular characteristic was sought by this study was the influence of the organizational capacity on the attraction of funding.

3.3 Target Population

A population is the total of all the individuals who have certain characteristics and are of interest to a researcher; therefore, all the items under consideration in any field of inquiry constitute a population (Kothari, 2007). The population composed of senior management teams (SMTs) of national non-governmental organizations (NGOs) working in the humanitarian sector in Somalia. The members of the senior management teams (SMTs) of each NGO will be selected to form the sample unit of analysis. In this study, the senior management teams (SMTs) are referred to as the country director (CEO) and his/her strategic decision making team comprising of deputy director, the department heads of, programmes, finance, and human resource & administrations.

The population was composed of 104 senior management members of 22 national NGOs working in Somalia that were registered with Somalia NGO Consortium (Somalia NGO Consortium, 2016). Somalia NGO consortium was the biggest NGO consortium that coordinates the operations of humanitarian organisations working in Somalia (GHA, 2013). In addition, there is no government body that regulated and registered NGOs operating in Somalia at the time of this study. The NGOs registered with Somalia NGO consortium were required to submit annual reports such as annual institutional audits of their operations in Somalia (Somalia NGO Consortium, 2016). Therefore, the targeted NGOs that are registered with consortium is believed to have worked in Somalia for are period of time to deliver humanitarian aid assistance in Somalia.

3.4 Sample and Sampling Procedure

3.4.1 Sampling Frame

Sampling frame is the list of elements from which a sample is actually drawn (Kothari, 2007). The sampling frame for this study is the list of senior management teams (SMT) of national NGOs that were registered with Somalia NGO consortium (Somalia NGO Consortium, 2016) that delivered humanitarian aid assistance in Somalia. A total of 104

senior management members of 22 organisations formed the sample frame of this study as shown in table 3.1.

Table 3.1: Sampling Frame of this Study

Top Management Category	Population	Percentage
Country Directors	22	21%
Deputy directors	18	17%
Programs Directors	22	21%
Finance Directors/	20	19%
Human Resource & Administration Directors	22	21%
Total	104	100%

3.4.2 Sampling Procedure

This study adopted census for the quantitative components of this study (Onwuegbuzie & Collins, 2007). According to Kothari (2007), census is a complete enumeration of all the items in the population. According to Onwuegbuzie and Collins (2007), selecting an appropriate method or strategy is a critical issue in any research. Sample surveys differ from census surveys in that they only utilize responses from a cross section of the entire population (Creswell, 2008). However, the use of either census or sample survey in a study depends on several factors including how large or small is the population, costs and time of the study (Onwuegbuzie & Collins, 2007).

While sample surveys take less time and resources compared to census surveys, conducting census surveys has the ability to collect better demographic data across the population when the population is small (Israel, 2013). Although cost considerations make this impossible for large populations, a census is recommended for small populations (Pinsonneault & Kraemer, 1993). In addition, a census eliminates sampling error and provides data on all the individuals in the population as well as the entire population would have to be sampled in small populations to achieve a desirable level of precision (Israel, 2013). Since, the target population is small for this study; census survey will be used to cover entire population of the senior management teams (SMTs) of the NGOs.

3.4.3 Sample Size

The choice of sample size is important in order to determine the extent to which the researcher can make statistical or analytic generalizations (Onwuegbuzie & Collins, 2007). There is rule of thumb requiring 5 observations per indicator in setting a lower bound for the adequacy sample sizes which have been extensively used by researchers and modellers (Acobucci, Saldanha, & Deng, 2007). Additionally, this study also took into consideration the expected response rate, questionnaires missing response that cannot produce enough information for analysis. In regards to this discussion, all 104 senior managers were sampled through census for the survey.

3.5 Data collection Instruments

The data used in this study was collected using structured questionnaires administered on the selected NGOs. The questionnaire is composed of closed questions and the structure of the questionnaires derived from the research questions. The questionnaire is divided into three parts. Part one covers the background information of the respondents and part two and three covers the questions related to each of the research objectives. Part two covers the attraction of funding. Part three is further subdivided into four sections. Section one covers the strategic planning (SP) while section two covers the human resources (HR). Financial management (FM) and external relations (ER) is covered in section three and four.

The items used to measure the constructs for this study were selected from the review of the previous studies and relevant literature that were relevant to the context of this study. One of the purposes of the review of the previous literature is to determine the items that measured the content of each construct for this research, and determine the extent to which they represent definitions and dimensions of each construct and composite variables used in this study. Therefore, all the scales used in this study were adopted from previous studies, while validity and reliability of the scales was examined to ensure these scales were acceptable and relevant to this study through a pilot study.

3.6 Validity and Reliability of the Instruments

3.6.1 Validity of the Instrument

Validity is the extent to which the instrument measures what it purports to measure. Content validity pertains to the degree to which the instrument fully assesses or measures the construct of interest. The questionnaire provided an adequate measure that covered the content area of the research questions. Meaning the questions in the questionnaire must give adequate answers to the research questions of the study. The information gathered in this research must give its relevance and appropriateness to the research questions. Face validity is a subjective conclusion on the operationalization of a construct (Drost, 2011). The respondents were asked to comment on the wordings of the questions, sequence and layout to establish the 'face validity' criterion during pretesting of the questionnaire at the pilot stage.

3.6.2 Reliability of the Instruments

Reliability is the extent to which a questionnaire or any measurement procedure produces the same results on repeated trials. It is the stability or consistency of scores over time or across raters. The process of developing and validating an instrument is in large part focused on reducing error in the measurement process. In increasing validity in this research the researcher did Pretesting or pilot testing of the questionnaire to allows for the identification of errors and correct before issuing the questionnaire to the respondent. The questions and the instructions of the questionnaire were made clear for a common understanding of the respondents. The data was cross-checked for any outliers. The reliability of the measure items used in the questionnaire was assessed using the internal consistency test (Cronbach's alpha). The Cronbach's alpha estimate value above 0.70 was considered as acceptable (Tolmie, Muijs, & Mcateer, 2011).

3.7 Data Collections Procedures

The questionnaire was developed and designed by the researcher based on the research questions. The questionnaire was pretested to a small sample of five selected NGOs. This is to ensure that the clarity and understandability of the questions by the respondents. Once the pretesting is completed, corrections arising out of this stage were made and the

survey was undertaken in the following three weeks after pretesting. The research targeted the country director (CEO) and his/her strategic decision making team comprising of deputy director, the department heads of, programmes, finance, and human resource & administrations. Drop and pick method of delivering the questionnaires to the physical offices of the selected organizations was adopted. Feedback was given to any question or queries arising from the respondents through email or a call. A follow up call or email was made to organizations to inform them on the collection date of the duly filled questionnaires. Visits were made to the organizations to collect the dully filled questionnaires from the respondents once the time given the respondents has lapsed.

3.8 Data Analysis

The primary purpose of this research study was to determine how organisational capacity influences the attraction of funding within the national NGOs in Somalia. In order to achieve these objectives, this study used Statistical Package for Social Sciences (SPSS) to analyse the preliminary data and test the proposed hypothesized model.

The data was analyzed using descriptive methods. The data collected was inspected and erroneous data if possible corrected. This was done at data entry. Descriptive statistics techniques and methods were employed to present the data and make information easier. Descriptive statistics of central tendency of mean, percentages and regression analysis was used to analyze the data. Graphical representations of graphs and charts such as bars and pie charts will be used to explain variables such as strategic planning (SP), human resources (HR), Financial management (FM) and external relations (ER) on the level of NGO funding. Multiple regression analysis was used to test the relationship between independent and dependent variables of this study. In the regression analysis, variables representing organizational capacity were taken as the independent Variables while the donor funding was taken the dependent variable. The model was presented by the regression function:

$$Y_1 = \alpha + \beta_1 SP + \beta_2 HR + \beta_3 FM + \beta_4 ER + \varepsilon_1$$

Where;

α is the constant (y intercept);

$\beta_1, \beta_2, \beta_3$ and β_4 are the regression coefficients

SP=Strategic planning

HR=Human Resource Capacity

FM=Financial Management Practices

ER=External Relation Practices

ϵ_1 = **Error term** (the ϵ_1 is assumed to be 0)

Y_1 is the level NGO funding.

Moderated regression analysis was performed to test the moderating effect of environmental complexity on the association between the components of organizational capacity as predictor variable and attraction of funding as outcome variable. Moderated regression analysis provides the most straightforward method for testing hypotheses in which an interaction is applied (Arnold, 1982; Williams, Grajales & Kurkiewicz, 2013; Brown, 2009). To test the moderating effect of the environmental complexity (ENVI) on the relationship between organizational Capacity (OCA) and attraction of funding (LOF), a hierarchical multiple regression analysis was used. According to Frazier and Tix (2004), hierarchical regression highlights the change in predictability related with independent variables entered later in the analysis compared to the changes in predictability contributed to by predictor variables entered earlier in the analysis. In the first step, the independent variable (organizational capacity) was entered into the model as the predictor of the outcome variable attraction of funding (LOF). In the second step, an interaction term which is the product of the independent variable (OCA) and the moderator (EV) was computed. An interaction term presents a joint relationship between organizational capacity and environmental complexity and this relationship accounts for additional variance in the dependent variable beyond that explained by organizational capacity alone.

The moderator effect is present if the interaction term explains a statistically significant amount of variance in the dependent variable. The single regression equation was presented as $Y = \alpha + \beta_1 X + \beta_2 Z + \beta_3 XZ + \epsilon_1$ where α was a regression constant or intercept, β_1 is the coefficient relating to the independent variable, X (OCA) to the outcome, Y

(LOF), when Z (EV) =0, β_2 was the coefficient relating to the moderator, Z, to the outcome when X=0, XZ was the product of organizational capacity and environmental complexity and ϵ_i was the error term. The regression coefficient for the interaction term β_3 provided an estimate of the moderation effect. If β_3 was statistically different from zero, there was a significant moderation on the X (OCA) and Y (LoF) relation. The moderated regression model is indicated below

$$\text{LOF} = \alpha + \beta_1 \text{OCA} + \beta_2 \text{EV} + \beta_3 \text{OCA} * \text{EV} + \epsilon_1$$

Where;

α is the constant (y intercept);

β_1 , β_2 , and β_3 are the regression coefficients

OCA=organisational Capacity

EV=Environmental complexity

OCA*EV=the interaction between Organisational capacity and environmental complexity

ϵ_1 = **Error term** (the ϵ_1 is assumed to be 0)

LOF is the level NGO funding.

3.9 Ethical Considerations

Ethical issues are considered to be a major issue in social and business science research. Informed consent by fulfilling ethical values is a prerequisite for all research involving identifiable subjects. In the present study, during the data collection process, the cover letter will be attached to each self-administered questionnaire form. The names and the address of the researcher, and the university will also be included in the cover letter to increase respondent's confidence and to ensure respondents know with whom they were dealing with. Participants were informed that completing the survey instrument and sending it back to the researcher was assumed to be their consent of participation. A copy of the cover letter is presented with the questionnaire in appendix 1.

In this research, the issue of confidentiality was addressed as these studies excluded the names and identities of the participants and were kept anonymous. The respondents' information was kept confidential and they were be described in any way that allows

them to be identified. To maintain the confidentiality and privacy of the respondents, only aggregate results were used in reporting results of this study. Participants' personal information was identified in any of the findings of this study. In addition, the data collected was not be used for any other purpose other than as the purposes stated in this study objectives, which were only aimed for academic research for fulfilment of the requirements of a master thesis.

3.10 Operational definition of Variables

In this study, the constructs also known as unobserved or latent variables were measured by composite variables. There are six (6) latent variables and twenty-one (21) composite variables that were used to measure the latent variables. The summarized definitions and relevant literature sources are shown in table 3.2

Table 3.2: Operational Definition of Variables

Construct	Definitions	Hypothesized relationships	Item/ Measures	Literature
Strategic Planning (SP)	Strategic planning is the process of defining an organization's plans for achieving its mission. It is the process through which an organization defines its strategy, and makes decisions on allocating its resources to pursue this strategy.	SP→LoF	(1) Mission statement (2) Vision statement (3) Strategy Formulation	(Pearce & Robinson, 2011; Grant, 2013; Mintzberg et al, 2008)
Human Resource Capacity(HR)	is the process of equipping individuals with the understanding, skills and access to information, knowledge and training that enables them to perform effectively.	HR→LoF	(1) Employee Skills (2) Employee Competences (3) Employees Experience	(Horton, 2002; Fernand, 2006; Lotsmart, 2007)
Financial Management Practices(FM)	The process through which organisation leaders make sure that an organization manages its resources well. The four specific tasks are the	FM→LoF	(1) Planning and Budgeting (2) Financial reporting (3) Financial	(Cammack, 2007; Shariq, Zamila & Nahukul, 2011; Paul

	starting point for assessing and building financial management capacity are planning and budgeting, accounts record-keeping, financial reporting and financial controls.		Control	& Thomas, 2000).
External Relations Practices(ER)	The process through which institutions relate and react to one another, forming an exchange of ideas, resources, and responsibilities.	ER→LoF	(1) Stakeholders relations (2) Government relations (3) Political relations	(Biswas, 2006; Pearce & Robinson, 2004; Frank & Smith, 2009; Smith (2009)
Environmental Complexity (ENV)	The amount of change and complexity in the environment of an industry.	ENV Moderates the combined components of organisational capacity on LoF	(1) Disasters and Emergencies (2) Insecurity	(Hofmann, et al. (2004); Roberts, (2010); Bachelet, et al. (2011); Weiss &
Attraction of funding(LoF)	The level of accessibility, the amount, frequency of funds received by the national NGOs from institutional donors.	Dependent Variable	(1) The frequency of funding (2) Accessibility of funds (3) The amount of funding	Zimmerman and Stevens, 2006). (Parks, 2008 Guo, et al., 2011). Bougheas, Isopi & Owen, 2008)

CHAPTER FOUR:

DATA ANALYSIS, PRESENTATION INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents the research findings to determine the influence of organisational capacity on the level of donor funding of the national NGOs in Somalia. Descriptive and inferential statistics were used to analyze the data. In the descriptive statistics, relative frequency tables, pie charts were used and results interpreted and inferential statistic multiple regression analysis was used.

4.2 Questionnaire Return Rate

Data were collected from 104 respondents by use of a questionnaire; out of 104 targeted respondents 71 respondents filled-in and returned the questionnaires which make a response rate of 68.3%. The response rate was representative. According to Mugenda and Mugenda (2008), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to excellent.

4.3 Demographic Information

Table 4.1: Distribution of Respondent by Gender

Gender	Frequency	Percent
Female	33	46.5
Male	38	53.5
Total	71	100.0

The study sought to determine the gender of the respondent. From the findings the study revealed that majority of the respondents as shown by 53.5% indicated that they were males, whereas 46.5% indicated they were females in (table 4.1). The findings clearly show that both male and female were involved in this study though not in equal proportion.

Table 4.2: Organization Status

Organization Type	Frequency	Percent
National NGO	71	100
Total	71	100.0

On the respondent's organization status, the study established that majority of the respondent as shown by 100% were from National Non-governmental organization in (table 4.2). This is an indication that all of the respondents were from National Non-Governmental Organization, which was the target organization.

Table 4.3: Respondent Role in the Organization

Role	Frequency	Percent
CEO or Country Director	11	15.5
Deputy CEO or Country Director	13	18.3
Programe Director/ Manager	17	23.9
Finance Director/ Manager	15	21.1
Human Resource/ Admin director/ Manager	15	21.1
Total	71	100.0

The study requested the respondents to indicate their role in their organization. From the findings in(table 4.3) the study revealed that most of the respondents as shown by 23.9% were programe director/ manager, those who indicated that they were finance director/ manager and human resource/ admin director/ manager were shown by 21.1% in each case , 18.3% indicated they were deputy CEO or country director and 15.5% were CEO or country director. This clearly shows that all categories of respondents were well represented in this study.

Table 4.4: Participation in Delivery of Humanitarian aid in Somalia

Opinion	Frequency	Percent
Yes	70	98.6
No	1	1.4
Total	71	100.0

On whether the respondent's organization participated in delivery of humanitarian aid in Somalia, the study in (table 4.4) found that majority of the respondent as shown by 98.6% indicated yes while 1.4% of the respondents were on the contrary. This is an indication majority of organization were involved in delivery of humanitarian aid in Somalia.

Table 4.5 Type of Aid Delivered by the Organization for the last 3 Years

Type of Aid	Frequency	Percent
Food Relief	44	62.0
Non- Items(e.g. Medicine, shelter, household items etc)	18	25.4
Cash Relief	8	11.3
Other (please specify)	1	1.4
Total	71	100.0

From the findings on (table 4.5) the type of aid delivered by the organization for the last three years. The study revealed that majority of the respondents as shown by 62.0 delivered food relief services, those that delivered non-items such as shelter were depicted by 25.4%, 11.3% indicated that they delivered cash relief and 1.4 % depicted that they delivered other services like monetaries.

4.4 Attraction of funding By International Donors

Table 4.6: Funding by Institutional Donors for Last 12 Months

Opinion	Frequency	Percent
No	1	1.4
Yes	70	98.6
Total	71	100.0

On whether the institution had received funding from institutional donors for the last 12 months, the study in (table 4.6) found that majority of the respondents as shown by 98.6% indicated yes whereas 1.4% percent was on the contrary. This is an indication that the institutions were constantly receiving funding from institution donors.

Table 4.7: Institutional Donors Funding the Organization

Institution	Percent
Corporate Sector	71.8
International NGO	47.9
Foundations	60.6
Government Agencies (E.G. USAID DFID)	77.5
UN And UN Agencies	56.3

From the finding on the institutional donors funding the organization, the study in (table 4.7) found that institutional donors funding the organization were; government agencies as shown by 77.5%, corporate sector as shown by 71.8%, foundations as shown by 60.6%, UN and UN Agencies as shown by 56.3% and international NGOs as shown by 47.9 percent. This shows organizations were being funded by various institutional donors.

4.5 Strategic Planning and attraction of Funding

In this section the study sought to analyze the influence of strategic planning on the attraction of funding of the national NGOs in Somalia.

Table 4.8: Influence of Strategic Planning on the attraction of Funding

Statements	Mean	Std. Deviation
My organization have a clear and consistent vision and mission statements that provide focus and direction	3.6901	.91950
All members understand the vision and mission of the organization	2.4930	1.14484
There is evidence of existence of organizational values and principles and have been written down	2.8873	.99354
The organization have a clear long-term (3-5 years) strategic plan document	4.1831	.91511
The key stakeholders (including beneficiaries) have been involved in developing the strategic plan	1.8592	1.30160

On the respondent's level of satisfaction on the influence of strategic planning on the attraction of funding of the national NGOs, the study in (table 4.8) found that majority rated the following as adequate, the organization have a clear long-term (3-5 years) strategic plan document as shown by a mean of 4.1831 and the organization have a clear and consistent vision and mission statements that provide focus and direction as shown by a mean of 3.6901.

There is evidence of existence of organizational values and principles and have been written down was rated as need for improvement as shown by mean of 2.8873. Those rated as unsatisfactory were all members understand the vision and mission of the organization as shown by mean 2.4930 and the key stakeholders (including beneficiaries) have been involved in developing the strategic plan as shown by mean 1.8592. The study finding were found to in line with the findings of Farley and Hubert (2006) who argues that strategic planning have been used by the companies in different national environments in differing ways to achieve their organizational goals. Grant (2013) found that strategic planning was positively associated with unstable environments. Miller and Cardinal (2004) states that strategic planning and performance has a positive relationship and claims

4.6 Human Resource Capacity and attraction of Funding

In this section the study sought to explore the relationship between human resource capacity and attraction of funding of the national NGOs in Somalia.

Table 4.3: Relationship between Human Resource Capacity and attraction of Funding

Statements	Mean	Std. Deviation
The organization have a clear human resource management policy document	3.9718	.97059
There clearly defined Job descriptions for all staff	3.1549	.85604
The organization have staff with appropriate experience/ expertise in managing grant funding	2.8451	.95091
The organization have a functional system in measuring and evaluating staff performance	2.4789	.99799
The organization have clear policies on pay and reward, which are consistently followed	2.8873	.88720
there a mechanism of identifying staffs training needs and is there provision for opportunities for staff development	2.4789	1.0122
the recruitment processes is transparent, fair and competitive	2.5775	.93598
there is existence of grievances and conflict resolution procedures	2.3099	1.0363
There is functional disciplinary procedures	2.2817	1.1610
There is health and safety policy in place	1.9718	1.2067

On the respondents' attraction of satisfaction on the relationship between human resource capacity and attraction of funding of the national NGOs, the study in (table 4.9) identified that majority of the respondents rated the organization having a clear human resource management policy document as adequate. Respondent rated the following as need for improvement: there clearly defined job descriptions for all staff was rated as shown by a mean of 3.1549, the organization have clear policies on pay and reward, which are consistently followed as shown by a mean of 2.8873, the organization have staff with appropriate experience/ expertise in managing grant funding as shown by a mean of 2.8541 and the recruitment processes is transparent, fair and competitive as shown by a mean of 2.5775. Those rated as unsatisfactory: the organization have a functional system in measuring and evaluating staff performance as shown by a mean of 2.4789, there a

mechanism of identifying staffs training needs and is there provision for opportunities for staff development as shown by a mean of 2.4789, there is existence of grievances and conflict resolution procedures as shown by a mean of 2.3099, there is functional disciplinary procedures as shown by a mean of 2.2817 and that there is health and safety policy in place as shown by a mean of 1.9718. These findings agree with the findings of Horton (2002) who argues that that developing individual capacities will automatically lead to improved organizational capacity and performance. Lotsmart (2007) noted that local NGOs in are principally funded externally, which is influenced by the human resource capacity in terms of start and expertise.

4.7 Financial Management and Attraction of funding

Section 4.7 presents the research findings on the relationship between financial management and attraction of funding of the national NGOs in Somalia.

Table 4.4: Relationship between Financial Management and Attraction of Funding

Statements	Mean	Std. Deviation
There is a corporate level risk framework and associated policy and is there a risk register that is regularly updated	3.3239	.93770
There is evidence that financial and administrative procedures are adhered to	2.3803	1.12588
The budgets are prepared for all of the costs of running the organization, every year and do they compare with actual	2.5070	1.02641
There is an accounting system in place	2.5775	1.05101
the Bank reconciliations are prepared and approved on time	2.1549	1.15447
the organization maintain a standard Chart of Accounts for coding all the financial transactions in the cashbooks	2.5775	1.02347
there a proper approval system to ensure review of key processes and documents (e.g. segregation of duties & authorization of procurement)	2.6620	.99919
All cash in the office is kept in a locked cash box or safe	3.6761	.82418
The organization have external and independent audits as well as internal audits conducted on a regular basis	2.8592	.85014
The organization have a functioning Supply Chain Management System is in place and procurement policy document	2.6901	.91950
The organization maintain account categories for separating project funds	2.1549	1.14203

On the respondents' level of satisfaction on the relationship between financial management and attraction of funding of the national NGOs, the study in (table 4.10) found that majority of the respondents rated the all cash in the office is kept in a locked cash box or safe as shown by a mean of 3.6761 as adequate. The following statements were rated as need for improvement: There is a corporate level risk framework and associated policy and is there a risk register that is regularly updated as shown by a mean of 3.329, the organization have external and independent audits as well as internal audits conducted on a regular basis as shown by a mean of 2.8592, the organization have a functioning supply chain management system is in place and procurement policy document as shown by a mean of 2.6901, there a proper approval system to ensure review of key processes and documents (e.g. segregation of duties & authorization of procurement) as shown by a mean of 2.6620, the organization maintain a standard chart of accounts for coding all the financial transactions in the cashbooks and there is an accounting system in place as shown by a mean of 2.5775 and the budgets are prepared for all of the costs of running the organization, every year and do they compare with actual as shown by a mean of 2.5070.

The following statements were rated as unsatisfactory, there is evidence that financial and administrative procedures are adhered to as shown by a mean of 2.3803 and the bank reconciliations are prepared and approved on time and the organization maintain account categories for separating project funds as shown by a mean of 2.1549. The study findings were in agreement with findings of Paul and Thomas (2000) who argues that financial management capacity building can bring enormous benefits to an organization. Cammack (2007) asserts that financial management is making sure that an organization manages its resources well.

4.8 External Relations Practices and Attraction of funding

In section 4.8 the study presents the research findings on the influence of external relations practices on attraction of funding of the national NGOs in Somalia.

Table 4.5: Influence of External Relations Practices on Attraction of Funding

Statements	Mean	Std. Deviation
The organization have a good relationship and works together with government departments	3.5775	.78671
The organization have support and goodwill from the community (evaluation reports)	3.4085	.74790
The organization cooperates and shares resources with the international community (UN, NGOs)	1.8028	1.28307
The organization part of coordination networks and plays an active role in promoting it	3.3380	.86096
The organization have the ability to maintain sustainable and fruitful relationships with other parties (community, government and clusters etc)	2.9437	.89263
The organization have agreements or MoUs with external parties that are not based on funding (strategic partnership)	1.7042	1.17588

On the respondents' level of satisfaction on the influence of external relations practices on attraction of funding of the national NGOs. The study in (table 4.11) identified that majority of the respondents rated The organization having a good relationship and works together with government departments as adequate as shown by a mean of 3.5775, the following statements were rated as need for improvement: The organization have support and goodwill from the community (evaluation reports) as shown by a mean of 3.4085, the organization part of coordination networks and plays an active role in promoting it as shown by a mean of 3.3380 and the organization have the ability to maintain sustainable and fruitful relationships with other parties (community, government and clusters etc) as shown by a mean of 2.9437. The following statements were rated as unsatisfactory: The organization cooperates and shares resources with the international community (UN, NGOs) as shown by a mean of 1.8028 and the organization have agreements or MoUs with external parties that are not based on funding (strategic partnership) as shown by a mean of 1.7042. Frank and Smith (2009) stressed that without supportive policy and

legislative framework, no agency will have the capacity to perform effectively however capable the individuals within it. Non-Governmental Organizations social service providers scrambled to adapt to new funding and program requirements (Biswas, 2006).

4.9 Environmental Complexity

Section 4.9 the study sought to establish how environmental complexity significantly moderates the relationship between organizational capacity and attraction of funding of the national NGOs in Somalia

Table 4.6: Moderating Of Effect of Environmental Complexity

Statements	Mean	Std. Deviation
Frequent droughts in Somalia is one of the major factor that create humanitarian emergencies	3.4648	.98316
Frequent floods affect the humanitarian operations and funding of my organization	3.1831	1.04622
Famine is one major external factor that contribute to humanitarian disasters	3.5634	.98172
Political instability affects how my organization deliver humanitarian interventions in Somalia	3.5352	1.21692
Frequent clan wars affect how my organization deliver humanitarian interventions	3.6197	1.12588
Groups insurgencies affect humanitarian aid operations of my organization	3.6479	1.07036

On the respondents' level of satisfaction on complexity significantly moderating the relationship between organizational capacity and attraction of funding of the national NGOs, the study in (table 4.12) identified that majority of the respondents rated the following statements as adequate: Groups insurgencies affect humanitarian aid operations of my organization as shown by a mean of 3.6479, frequent clan wars affects how my organization deliver humanitarian interventions as shown by a mean of 3.6179, famine

is one major external factor that contribute to humanitarian disasters as shown by a mean of 3.5634 and political instability affects how my organization deliver humanitarian interventions in Somalia as shown by a mean of 3.5352. They rated the following statements as need for improvement: frequent droughts in Somalia are one of the major factors that create humanitarian emergencies as shown by a mean of 3.4648 and frequent floods affect the humanitarian operations and funding of my organization as shown by a mean of 3.1831.

4.10 Regression Analysis

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874 ^a	.764	.731	.12225

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in (table 4.13) below the value of adjusted R squared was 0.731 an indication that there was variation of 73.1% on the donor funding due to changes in strategic planning, human resource capacity, financial management practices and external relations practices at 95% confidence interval. This shows that 73.1 % changes in donor fundings could be accounted to changes in strategic planning, human resource capacity, financial management practices and external relations practices. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table below there was a strong positive relationship between the study variables as shown by 0.874.

Table 4.8: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.616	4	0.4039	3.131	.048 ^b
	Residual	8.514	66	0.129		
	Total	10.130	70			

From the ANOVA statistics in the (table 4.14), the processed data, which is the population parameters, had a significance level of 4.8% which shows that the data is ideal for making a conclusion on the population parameters as the value of significance (p-value) is less than 5%. The F calculated value was greater than the F critical value (3.131>1.9861) an indication that strategic planning, human resource capacity, financial management practices and external relations practices significantly influence donor funding among National Non-Governmental Organization in Somalia.

Table 4.9: Coefficients

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.878	.357		2.459	.016
	Strategic planning	.305	.097	.402	3.145	.002
	Human Resource Capacity	.245	.147	.182	1.664	.010
	Financial Management Practices	.158	.100	.183	1.583	.017
	External Relations Practices	.071	.093	.091	.760	.049

The established regression equation was

$$Y = 0.878 + 0.305 X_1 + 0.071 X_2 + 0.158 X_3 + 0.245 X_4$$

From the above regression equation, it was revealed that (table 4.15) holding strategic planning, human resource capacity, financial management practices and external relations practices to a constant zero, donor funding would stand at 0.878, a unit increase in strategic planning would lead to increase donor funding by a factor of 0.305. A unit increase in human resource capacity would lead to increase in donor funding by factors of 0.071. A unit increase in financial management practices would lead to increase in donor funding by a factor of 0.158 and unit increase in external relations practices would lead to increase in donor funding by a factor of 0.245. The study in further revealed that

strategic planning, human resource capacity, financial management practices and external relations practices were statistically significant to influencing donor funding , as all the p value (sig) were less than 0.05. The study also found that there was a positive relationship between strategic planning, human resource capacity, financial management practices and external relations practices and donor funding.

4.11 Hypothesis Testing: The Moderating Role of Environmental Complexity Relationship between organisational capacity and the attraction of funding

A moderated regression analysis was performed to test the moderating effect of environmental complexity on the association between the components of organizational capacity and attraction of funding. Consequently, the moderating role of the environmental complexity was hypothesized as follows:

H0₅ Environmental complexity does not significantly moderate the relationship between organisational capacity and attraction of funding of national NGOs in Somalia

H1₅ Environmental complexity significantly moderate the relationship between organisational capacity and attraction of funding of national NGOs in Somalia

The moderating effect was computed by use of hierarchical multiple regressions by testing the main effects of the independent variable (organizational capacity) and moderator variable (environmental complexity) on the dependent variable (attraction of funding) in the first model. Secondly, the interaction between organizational capacity and environmental complexity was included in the model to test the change in variance. However, the significance of the independent variable and the moderator variable was not particularly relevant in determining moderation. In this case, moderation was assumed to take place if the interaction between organizational capacity and environmental complexity was significant.

A single item indicator representing the product of the organizational capacity (OCA) and environmental complexity (EV) was formed to create an interaction term (OCA*EV). The interaction variable was created by multiplying the Z scores of organizational capacity (OCA) and environmental complexity (ENV). The results (table 4.14) showed

that organizational capacity (SL) and environmental complexity (EV) explained 24.9% of the variation in attraction of funding ($R^2=.24.9$) in the first model. Under change statistics (Table 4.15), the results revealed that the R^2 change increased by 2.1% from .249 to .270 (R^2 change=.021) when the interaction variable (organizational capacity [OCA] * environmental complexity [EV]) was added. However, the change was not statistically significant at $\alpha=.05$ (p-value=0.176).

Table 4.16 The Goodness-Of-Fit of the Hierarchical Multiple Regression Model

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. Change	F
1	.499 ^a	.249	.226	2.14745	.249	11.102	2	67	.000	
2	.519 ^b	.270	.236	2.13369	.021	1.867	1	66	.176	

a. Predictors: (Constant), EV, OCA

b. Predictors: (Constant), EV, OCA, EV_X_OCA

The results in (table 4.16) indicated a statistically significant relationship between organizational capacity (OCA), environmental complexity (ENV) and interaction term (OCA*EV) with $F=8.120$, p value=.001). This indicated that the overall regression model with the interaction variable was statistically significant.

Table 4.17 The Overall Significance of the Hierarchical Multiple Regression Model

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	102.398	2	51.199	11.102	.000 ^b
	Residual	308.974	67	4.612		
	Total	411.371	69			
2	Regression	110.897	3	36.966	8.120	.000 ^c
	Residual	300.474	66	4.553		
	Total	411.371	69			

a. Dependent Variable: LOF
b. Predictors: (Constant), EV, OCA
c. Predictors: (Constant), EV, OCA, EV_X_OCA

The results showed statistically significant regression coefficients for Organizational capacity ($\beta=.449$, $p\text{-value}=.00$) indicating that there was a linear dependence of Attraction of funding on organizational capacity. Besides, the moderating effect of environmental complexity on the relationship between organizational capacity and attraction of funding was tested (Table 4.17). The result indicated that the interaction variable between environmental complexity and organizational capacity (OCA*EV) was not significant at $P<0.05$, indicating ($\beta_1=1.182$, $t=1.366$, $P=.176$). This implied that environmental complexity does not moderate the relationship between organizational capacity (OCA) and attraction of funding (LOF).

Table 4.18 The Coefficients Significance of the Hierarchical Multiple Regression Model

Coefficients^a						
Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-1.412	1.455		-.970	.336
	OCA	1.516	.379	.449	3.999	.000
	EV	.400	.390	.115	1.027	.308
2	(Constant)	6.377	5.881		1.084	.282
	OCA	-1.380	2.153	-.409	-.641	.524
	EV	-1.565	1.489	-.450	-1.051	.297
	EV_X_OCA	.723	.529	1.182	1.366	.176

a. Dependent Variable: LOF

In summary, the multiple regression equation used to estimate the moderating effect of environmental complexity on the relationship between Organizational capacity and attraction of funding was stated as follows:

$$LOF = -.409OCA + -.450EV + 1.182OCA * EV + \epsilon$$

Where:

LOF= attraction of funding

EV= Environmental Complexity

OCA=organizational Capacity

OCA*EV= the Interaction between organizational Capacity and Environmental Complexity

ϵ 1= Error term

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key findings, which are set out in line with the study themes or objectives. The themes were to analyze the influence of strategic planning on the attraction of funding of the national NGOs in Somalia, to explore the relationship between human resource capacity and attraction of funding of the national NGOs in Somalia, to establish the relationship between financial management and attraction of funding of the national NGOs in Somalia and to assess the influence of external relations practices on attraction of funding of the national NGOs in Somalia.

5.2 Summary of Findings

The study revealed that national NGOs had received funding from institutional donors for the last 12 months. The study further revealed that Institutional Donors funding the organization were government agencies, corporate sector, and foundations, UN and UN Agencies and international NGOs.

5.2.1 Strategic Planning and Attraction of funding

From the finding on the influence of strategic planning on the attraction of funding of the national NGOs in Somalia, the study revealed that the organization have a clear long-term (3-5 years) strategic plan document, organization have a clear and consistent vision and mission statements that provide focus and direction, there is evidence of existence of organizational values and principles, they have been written down was rated as need for improvement. The study revealed all members understand the vision and mission of the organization and the key stakeholders (including beneficiaries) have been involved in developing the strategic plans were unsatisfactory. The study finding were found to in line with the findings of Farley and Hubert (2006) who argues that strategic planning have been used by the companies in different national environments in differing ways to achieve their organizational goals. Grant (2013) found that strategic planning was positively associated with unstable environments. Miller and Cardinal (2004) states that

strategic planning and performance has a positive relationship and claims.

5.2.2 Human Resource Capacity and Attraction of funding

On the relationship between human resource capacity and attraction of funding of the national NGOs in Somalia, the study found that organization having a clear human resource management policy document was adequate. The study also found that there was need for improvement on clearly defined job descriptions for all staff was rated , organization having clear policies on pay and reward, which are consistently followed, the organization have staff with appropriate experience/ expertise in managing grant funding, the recruitment processes is transparent, fair and competitive.

The study findings were in agreement with the findings of Linnell (2003) who found that capacity building may relate to leadership development, advocacy skills, training or speaking abilities, technical skills, organizing skills, and other areas of personal professional development. Those that were unsatisfactory were the organization have a functional system in measuring and evaluating staff performance, there a mechanism of identifying staffs training needs and is there provision for opportunities for staff development, there is existence of grievances and conflict resolution procedures, there is functional disciplinary procedures and that there is health and safety policy in place. These finding agree with the findings of Horton (2002) who argues that that developing individual capacities will automatically lead to improved organizational capacity and performance. Lotsmart (2007) noted that local NGOs in are principally funded externally, which is influenced by the human resource capacity in terms of start and expertise.

5.2.3 Financial Management and Attraction of funding

On the findings on the relationship between financial management and attraction of funding of the national NGOs in Somalia, the study established that all cash in the office is kept in a locked cash box or safe was adequate. There was need for improvement there is a corporate level risk framework and associated policy and is there a risk register that is regularly updated, the organization have external and independent audits as well as internal audits conducted on a regular basis, the organization have a functioning supply

chain management system is in place and procurement policy document, there a proper approval system to ensure review of key processes and documents (e.g. segregation of duties & authorization of procurement), the organization maintain a standard chart of accounts for coding all the financial transactions in the cashbooks and there is an accounting system in place and the budgets are prepared for all of the costs of running the organization, every year and do they compare with actual. The study findings were in agreement with findings of Paul and Thomas (2000) who argues that financial management capacity building can bring enormous benefits to an organization. Cammack (2007) asserts that financial management is making sure that an organization manages its resources well.

5.2.4 External Relations Practices and Attraction of funding

From the finding on the influence of external relations practices on attraction of funding of the national NGOs in Somalia, the organization having a good relationship and works together with government departments was adequate. There was need for need for improvement on the organization have support and goodwill from the community (evaluation reports), the organization part of coordination networks and plays an active role in promoting it and the organization have the ability to maintain sustainable and fruitful relationships with other parties (community, government and clusters). Those found to be unsatisfactory were the organization cooperates and shares resources with the international community (UN, NGOs) and the organization have agreements or MoUs with external parties that are not based on funding (strategic partnership). Frank and Smith (2009) stressed that without supportive policy and legislative framework, no agency will have the capacity to perform effectively however capable the individuals within it. Non-Governmental Organizations social service providers scrambled to adapt to new funding and program requirements (Biswas, 2006).

5.2.5 Environmental Complexity

On how environmental complexity significantly moderates the relationship between organizational capacity and attraction of funding of the national NGOs in Somalia, the study found that groups insurgencies affect humanitarian aid operations of my

organization, frequent clan wars affects how my organization deliver humanitarian interventions, famine is one major external factor that contribute to humanitarian disasters, political instability affects how my organization deliver humanitarian interventions in Somalia. The study revealed that there was need for improvement on frequent droughts in Somalia is one of the major factors that create humanitarian emergencies and frequent floods affect the humanitarian operations and funding of my organization.

5.3 Conclusion

From the findings on the influence of strategic planning on the attraction of funding of the national NGOs in Somalia, the study found that strategic planning significantly influenced the attraction of funding of the national NGOs in Somalia. The study concludes that strategic planning positively influence the attraction of funding of the national NGOs in Somalia.

On the relationship between human resource capacity and attraction of funding of the national NGOs in Somalia, the study found that there was positive significant relationship between human resource capacity and attraction of funding of the national NGOs. From the finding the study concludes that there is positive significant relationship between human resource capacity and attraction of funding of the national NGOs in Somalia.

From the regression results on the relationship between financial management and attraction of funding of the national NGOs in Somalia, the study found that there was positive significant relationship between human resource capacity and attraction of funding of the national NGOs in Somalia. Thus the study concludes that human resource capacity positively influenced the attraction of funding of the national NGOs in Somalia.

On the influence of external relations practices on attraction of funding of the national NGOs in Somalia, the study established that external relations practices positively influenced the attraction of funding of the national NGOs in Somalia. From the findings the study concludes that external relations practices positively influenced the attraction of funding of the national NGOs in Somalia.

5.4 Recommendations

The study recommends that there is need for the management of National Non-Governmental Organization to embrace the spirit of strategic planning as it was found that strategic planning significantly influenced the attraction of funding of the national NGOs in Somalia.

Within the National NGOs in Somalia, there is need for clearly defined job descriptions for all staff; there is need for the organization to have clear policies on pay and reward which are consistently followed and to have a functional system in measuring and evaluating staff performance.

There is need for adherence of financial and administrative procedures, there is need to prepare and approve bank reconciliation on time and for the NGOs to maintain account categories for separating project funds, as the study revealed that these were unsatisfactory within the organization.

The study recommends that there is need for management of National NGOs to cooperates and shares resources with the international community and have agreements or MoUs with external parties that are not based on funding, as they were found to be unsatisfactory.

5.5 Areas for Further Research

This study sought to determine the influence of organisational capacity on the level of donor funding: a case of national NGOs in Somalia. The study recommends an in-depth study should be done on the influence of organisational capacity on performance of national NGOs in Somalia

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APPENDICES

Appendix 1 Cover Letter to the respondents participating in this Survey

20th October 2016

Dear Sir/Madam

RE: DATA COLLECTION FOR RESEARCH PROJECT

My Name is Nafisa Ahmed. I am student undertaking master of Project Planning and Management. I am undertaking a research project as a part of my master's dissertation at University of Nairobi. The project aims to understand the influence of organizational capacity on the level of donor funding in Somalia.

In the attached questionnaire below, you will be presented with a series of questions. Please answer the questions freely and as honestly as you can. Your answers will of course remain completely confidential. A quick response is generally the most useful. The questionnaire should not take you more than about 10 minutes to complete. Also, do not spend too long on any question. Your first thoughts are usually your best! Please complete all of the questions in each of the following sections. In doing so, please provide only one response for each scaled item.

The survey data will be used for analysis only, and the final overall results will be used for academic research purposes. The questionnaire will be picked by the researcher after 5 days after the questionnaire is submitted to you.

Your participation in this project would be greatly appreciated. Any queries about your participation in this project may be directly communicated to me at (Nafisa.guhad@gmail.com; or ph. +254-722541243.

Thank you for your Cooperation

Nafisa Ahmed

University of Nairobi

Email: Nafisa.guhad@gmail.com)

Ph. +254-722541243

Appendix 2 Questionnaire

Part 1: Background Information (Please Tick the Relevant Box)

(A1) What is your gender?

- [1] Female
- [2] Male

(A2) What is the status of your organization?

- [1] National NGO
- [2] International NGO

(A3) What is your role in the organization?

- [1] CEO or Country Director
- [2] Deputy CEO/country director
- [3] Programme Director/manager
- [4] Finance Director/manager
- [5] Human Resource/Admin director/manager
- [6] Others..... (Please Specify)

(A4) Does your organization participate in delivery of Humanitarian Aid in Somalia?

- [1] No
- [2] Yes

(A5) If Yes for question A2, what type of aid has your organization delivered for the last 3 years?

- [1] Food relief
- [2] Non-food items (e.g. Medicine, shelter, Household items etc.)
- [3] Cash Relief
- [4] Others..... (Please specify)

Part 2: attraction of funding by international donors

(B1): Were you funded by Institutional Donors for last 12 months?

- [1]No
- [2] Yes

(B2): Kindly tick all the types of Institutional Donors funding your organization.

[1]Corporate Sector	<input type="checkbox"/>
[2]International NGO	<input type="checkbox"/>
[3]Foundations	<input type="checkbox"/>
[4]Government Agencies (E.G. USAID DFID)	<input type="checkbox"/>

[5]UN And UN Agencies	<input type="checkbox"/>
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(B3): Kindly tick the amount of funds (USD) your Organisation received from the types of Institutional Donors funding your organization for the last 12 months.

(Please tick the bracket amount for each organization type you received funds from)

	0-100,000\$	100,001-500,000\$	500,001-900,000\$	900,001-1300,000\$	More than 1300,000\$
[1]Corporate Sector					
[2]International NGO					
[3]Foundations					
[4]Government Agencies (E.G. USAID DFID)					
[5]UN And UN Agencies					

Part 3: Please indicate your level of satisfaction with the following: using a rating scale of 1 to 5 as shown below:

- 1- Not functioning, needs urgent attention
- 2- Unsatisfactory, needs major improvements
- 3- Needs Improvements
- 4- Adequate, room for some improvements
- 5- Excellent, needs maintaining

No	1. STRATEGIC PLANNING(SP)	1	2	3	4	5
1	My organization have a clear and consistent vision and mission statements that provide focus and direction					
2	All members understand the vision and mission of the organization					
3	There is evidence of existence of organizational values and					

	principles and have been written down					
4	The organization have a clear long-term (3-5 years) strategic plan document					
5	The key stakeholders (including beneficiaries) have been involved in developing the strategic plan					
Any comments related to strategic planning experience you would like to share?						
2. HUMAN RESOURCES(HR)						
6	The organization have a clear human resource management policy document					
7	There clearly defined Job descriptions for all staff					
8	The organization have staff with appropriate experience/ expertise in managing grant funding					
9	The organization have a functional system in measuring and evaluating staff performance					
10	The organization have clear policies on pay and reward, which are consistently followed					
11	there a mechanism of identifying staffs training needs and is there provision for opportunities for staff development					
12	the recruitment processes is transparent, fair and competitive					
13	there is existence of grievances and conflict resolution procedures					
14	There is functional disciplinary procedures					
15	There is health and safety policy in place					
Any comments related to human resource capacity experience you would like to share?						
3)FINANCIAL MANAGEMENT(FM)						
16	There is a corporate level risk framework and associated policy and is there a risk register that is regularly updated					
17	There is evidence that financial and administrative procedures are					

	adhered to					
18	The budgets are prepared for all of the costs of running the organization, every year and do they compare with actual					
19	There is an accounting system in place					
20	the Bank reconciliations are prepared and approved on time					
21	the organization maintain a standard Chart of Accounts for coding all the financial transactions in the cashbooks					
22	there a proper approval system to ensure review of key processes and documents (e.g. segregation of duties & authorization of procurement)					
23	All cash in the office is kept in a locked cash box or safe					
24	The organization have external and independent audits as well as internal audits conducted on a regular basis					
25	The organization have a functioning Supply Chain Management System is in place and procurement policy document					
26	The organization maintain account categories for separating project funds					
Any comments related to financial management experience you would like to share?						
4)EXTERNAL RELATIONS (ER)						
27	The organization have a good relationship and works together with government departments					
28	The organization have support and goodwill from the community (evaluation reports)					
29	The organization cooperates and shares resources with the international community (UN, NGOs)					
30	The organization part of coordination networks and plays an active role in promoting it					
31	The organization have the ability to maintain sustainable and fruitful relationships with other parties (community, government					

	and clusters etc)					
32	The organization have agreements or MoUs with external parties that are not based on funding (strategic partnership)					
any comments related external relations you would like to share						
	5)Environmental Complexity					
33	Frequent droughts in Somalia is one of the major factor that create humanitarian emergencies					
34	Frequent floods affects the humanitarian operations and funding of my organization					
35	Famine is one major external factor that contribute to humanitarian disasters					
36	Political instability affects how my organization deliver humanitarian interventions in Somalia					
37	Frequent clan wars affects how my organization deliver humanitarian interventions					
38	Groups insurgencies affect humanitarian aid operations of my organization					

Thank you for your time