

**THE EFFECT OF ORGANIZATIONAL CAPACITY ON
PERFORMANCE: THE CASE OF CIVIL SOCIETY
ORGANIZATIONS IN KENYA**

By

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DECLARATION

I certify that this research is my original work and has not been presented to any examination body before.

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Abstract

Many concerns have been raised about the capacity of civil society organizations (CSOs) in Kenya, especially by donors seeking to support their programs. However, little empirical evidence on the organizational capacity of CSOs in Kenya exists. This study analyzed the correlation between organizational capacity factors and organizational performance measures.

The use of structured survey was applied with pen and paper closed-ended questions. The results were analyzed using factor analysis (rotated) and Chi-square to test the null **hypothesis to establish the association between the capacity and the performance level of the CSOs.**

The null hypothesis of the study was that there is no significant difference between the performance levels of organizations using goal model and those that do not. X^2 yielded a $p=7.844$ which was greater than the 0.05 threshold. Therefore the null hypothesis was rejected. There was a significant difference in the performance levels of CSOs using the goal model and those that do not. Organizations using the goal model perform better than those that do not.

There is a correlation between organizational capacity and organizational performance of CSOs in Kenya. These results provide evidence for the need of structured and continuous assessment organizational capacity and its effect on performance of CSOs in Kenya.

ABBREVIATIONS AND ACRONYMS

CBOs	Community based organizations
CSOs	Civil Society Organizations
CVF	Competing Values Framework
KCSSP	Kenya Civil Society Strengthening Program
NGO	Non- governmental Organization
SIDA	Swedish International Development Agency
USAID	United States Agency for International Development

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CHAPTER ONE

INTRODUCTION

This chapter contains the background of the research study setting the context, stating the problem, objectives and research questions as well as the significance of the study for policy, practice and theory.

1.1 Background of the study

1.1.1 Organizational capacity

An organization is a planned social unit deliberately structured for the purpose of attaining specific goals (Parsons, 1960). An organization's capacity is its potential to perform (Ker, 2003), its ability to successfully apply its skills and resources to accomplish its goals and satisfy its stakeholders' expectations. Organizational researchers have conceptualized organizations using a variety of expressions, including rational entities in the pursuit of goals (Latham & Locke, 1991; Perrow, 1970). Organizational capacity includes the resources, knowledge and processes employed by the organization to achieve its goals. These comprise the staffing, physical infrastructure, technology, and financial resources; strategic leadership, program and process management; and networks and linkages with other organizations and groups. The organization's procedures and processes for managing its resources and programs as well as its external relationships all constitute its total capacity.

Evaluation is the systematic determination of the merit, worth, or significance of something (Scriven, 1991). An organizational capacity evaluation provides a framework for diagnosing or assessing an organization's capacity. It presents a model of the

organization that represents it as an open system and provides a checklist to guide the collection and analysis of information related to key variables (Lusthaus et al, 1995). Evaluation of one form or another is a regular activity in organizations yet few managers or business professionals refer to their work as evaluation. Terms such as benchmarking, assessing, auditing, researching, and reviewing are used fluently within organizational settings, while evaluation is reserved primarily for referring to performance appraisals (Martz, 2008).

1.1.2 Performance

Performance is the ability of an organization to meet its goals and achieve its overall mission. An organization's performance can be expressed in terms of four key indicators: effectiveness, efficiency, relevance, and financial sustainability (Lusthaus et al, 1995). Effectiveness refers to the degree to which an organization achieves its goals; efficiency is the degree to which unit costs are minimized; relevance is the extent to which output and results are valued by its stakeholders; while financial sustainability is achieved through effective acquisitions and development of financial, human and physical resources.

1.1.3 Expected effect of organizational capacity on performance

The policy makers, managers and those responsible for development cooperation continually search for improved ways of strengthening organizational capacity. Of particular interest to evaluation is the need for methods to evaluate organization capacity effort (Horton, 2001; Jackson & Kaasam, 1998; Moore 1995) and to use evaluation to foster organizational performance (Rowe 1999). Few capacity development initiatives have systems for monitoring or evaluating changes in the organizations they are designed

to strengthen, and there are few recognized methods to evaluate their processes, outputs, and impacts (Rist, 1995; Taschereau, 1998).

The ultimate impact of capacity development programs depends upon the appropriate use of evaluation. Those who design programs need to review the existing capacities and identify important areas that require strengthening. The managers need to monitor activities and evaluate results in order to adjust, redirect and improve the performance of their organizations. Finally, those who fund organizational capacity development initiatives need information about their results and impacts in order to justify their continued support.

1.1.4 Civil society organizations

The civil society organizations (CSOs) include the structures of voluntary associations, the values and norms that mobilize citizen action, and the modes of independent communication and information sharing that enable citizen awareness and activity (Bratton, 1994). Like all organizations, nonprofit organizations are dynamic systems. A nonprofit organization's capacity is multi-faceted and continually evolves. Its mission, vision and strategy are the driving forces that give the organization its purpose and direction. Program delivery and impact are the primary reason for such organization's existence, just as profit is the chief aim for profit companies (Fate & Hoskins, 2001). In Kenya, CSOs are registered and regulated by the NGO Coordination Board which is currently managed by the Ministry of National Heritage. The board's mandate is to streamline and coordinate the registration of CSOs.

1.2 Research problem

The past two decades have seen a drastic increase in the role and expectations of CSOs in development, placing greater demands on the evaluation of CSOs and associated programs. Indeed, concerns have been raised about the capacity of CSOs in Kenya by various stakeholders, especially donors seeking to support their programs. A number of programs seeking to build the capacity of CSOs in Kenya exist. Some of these programs include the Kenya Civil Society Strengthening Program (KCSSP), Capacity Kenya, and FANIKISHA Institutional Strengthening Project. Coincidentally, all the programs are funded by the US Government through its United States Agency for International Development (USAID), Swedish development cooperation agency. Expectedly, each program evaluates the capacity of CSOs using various techniques and tools but only in the areas of interest. Further, these studies are aimed at providing baselines for the various interventions of the projects. Consequently, no empirical evidence of the overall organizational capacity of CSOs in Kenya currently exists.

The situation is understandable because evaluating organizational capacity for nonprofit can be difficult. For instance, it is hard to develop measurements for assessing organizational performance for nonprofit organization since, unlike for profit companies, there is no financial bottom line to appraise. Thus it is not feasible to employ such experimental methods as comparison group studies since there are too many variables that influence CSOs over time. Linking capacity building interventions to outcomes and ultimate social impact is not easy either. Given these barriers, it is not surprising that consultants and trainers who work with nonprofit organizations have performed little rigorous evaluations of their capacity efforts.

Chaplowe and Engo-Tjega (2012) investigated the attributes of CSOs in Africa and the contexts in which they operate. They concluded that CSOs working in Africa are grossly misunderstood. They proposed the need to constantly evaluate the capacity and environment in which the CSOs operate independent of the donors which they aver undertake biased organizational capacity assessments. Watson (2006) investigated the approaches to evaluating the capacity of CSOs working in development. He concluded that there are very few examples of projects evaluating the capacity of CSOs; the existing literature on the topic is very broad in nature and biased towards donors; and most of the programs use a systems approach and do not set out objectives at the onset. He recommends dialogue and research to establish a more structured and systematic approach to evaluate the organizational capacity of CSOs.

Ekirapa, Mgomella and Kyobutungi (2012) assessed the capacity of CSOs to deliver health services in informal settlements in Nairobi. They concluded that even though the CSOs demonstrated capacity in a number of areas, the same did not seem to have any impact on the delivery of services. They explained that service delivery remained poor in these areas. Critically, they acknowledged that they did not validate the data collected from respondents in the target area. It is possible, therefore, that the results of the study did not give a true picture of the capacity of the CSOs they studied and cannot be generalized for CSOs in Kenya.

Odindo (2009) conducted an assessment of CSOs which had applied to participate in a Global Fund program. He concluded that the organizations were weak in resource mobilization, monitoring and evaluation, and assessment of project progress. Notably, his focus was on community based organizations.

Hall and Kennedy (2008) explore how factors of organizational effectiveness can guide nonprofit organizations towards program effectiveness. In the findings from their survey of 591 community based organizations (CBOs), they found that clarity of mission, board capacity, effective personnel management, use of strategic planning and fiscal health all have a significant relationship with achieving program goals. They also found that the clarity of mission have the strongest relationship.

Evidently, the researcher did not find any evidence of an empirical research study which has investigated the overall organizational capacity of CSOs in Kenya. Therefore, the question on what capacity the CSOs in Kenya have to achieve their overall organizational goals remains unanswered. This study seeks to fill this information gap regarding organizational capacity of CSOs in Kenya.

1.3 Objectives of the study

1.3.1 General objective

The general objective of this study is to investigate the effect of organizational capacity on the performance of civil society organizations in Kenya.

1.3.2 Specific objectives

- i. To examine the extent to which CSOs in Kenya use the goal model to evaluate their organizational performance;
- ii. To assess the organizational performance of CSOs in Kenya; and
- iii. To relate the use of the goal model of evaluating organizational capacity to organizational performance.

1.4 Research questions

- i. To what extent is the goal model of evaluation being used as a measure of CSOs' organizational performance in Kenya?
- ii. What is the performance of the CSOs in Kenya vis-à-vis their set goals?
- iii. How does the use of the goal model of evaluation relate to organizational performance?

1.5 Research hypothesis

A hypothesis is a tentative statement about the relationship between two or more variables. A hypothesis is a specific, testable prediction about what one expects to happen in a study. Two general forms of hypotheses exist. The null hypothesis is the hypothesis which the researcher tries to disprove, reject or nullify. The alternative hypothesis, on the other hand, is the opposite of the null hypothesis. The null and alternative hypotheses of this study are as below:

Null Hypothesis (H₀): There is no significant difference in the performance levels of CSOs that use the goal model and those that do not.

Alternate hypothesis, H_a: The difference in performance level of organizations that use goal model and those that do not is significant.

1.6 Significance of the study

The study will be of great significance to the management of civil society organizations in Kenya, to create and enhance importance of organizational capacity evaluation and to influence on capacity interventions by cooperative development agencies. Significantly, the results of the study will be used to influence policy on organizational capacity

evaluation within the Kenya context. The results will also be used to support and provide guidance for organizational capacity evaluation practice. The results can also contribute to the dialogue on organizational capacity evaluation theory and models.

1.7 Chapter conclusion

In summary this chapter covered the background of the study discussing organizational capacity evaluation, performance, and their expected effect on organizational performance of civil society. The chapter also presented the research problems, objectives of the study, hypothesis and significance of the study. It was evident that even though some studies have been conducted on assessing the organizational capacity of CSOs in Kenya, they were restricted to specific areas and did not cover the overall organizational capacity.

CHAPTER TWO

LITERATURE REVIEW

This chapter presents a review of literature relating to the effect of organizational capacity factors and organizational performance among civil society organizations. The chapter contains the theoretical reviews of the models of evaluation, empirical review and concludes by way of gaps identified between theory and empirical studies.

2.1 Introduction

A literature review is a critical and in-depth evaluation of previous research. It is a body of text that aims to review the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and as such, do not report any new or original experimental work. A good literature review is not a chronological catalog of all of the sources but an evaluation integrating the previous research together, and also explaining how it integrates into the proposed research program (Dellinger, 2005). All sides of an argument must be clearly explained, to avoid bias, and areas of agreement and disagreement should be highlighted. A literature review is also not a collection of quotes and paraphrasing from other sources. It is a summary and synopsis of a particular area of research, allowing anybody reading the paper to establish why the current researcher is pursuing this particular research program (Hart, 1998).

2.2 Theoretical review

A number of organization theorists have questioned the impartiality of organizational assessment, specifically referring to criteria that seemingly serve as expressions of an individual's values and preference for what defines an effective organization (Keeley, 1984; Steers, 1977). Some theorists have even called for a moratorium on organizational effectiveness¹ studies due to this lack of objectivity, inability to articulate a single model or theory of organizational effectiveness, and unanswered questions regarding a clear definition of the construct (Goodman, Atkin and Schoorman, 1983; Hannan and Freeman, 1977).

The section below provides an overview of five classifications of models to assess organizational performance.

1. The Goal Model

The goal model defines performance as a complete, or at least, the partial realization of the organizational goals (Etzioni, 1960, 1964, 1975; Price, 1972; Bluedorn, 1980; Hall, 1980, Latham & Locke, 1991). Goals are commonly accepted as part of the organizational culture, design and structure. An organization's purpose is generally operationalized in the form of a specific goal or set of goals. For example, for a non-profit organization, the purpose may be to serve a particular community's needs. This purpose may be operationalized in terms of the number of clients served, the efficacy of its program, efficiency of operations, and community impact. The relationship between an organization's purpose and its goals reinforce the natural inclination and legitimacy of

¹ Organizational effectiveness is used interchangeably with organization performance and is intended to give the same meaning.

organizational goals to be considered as a suitable criterion for evaluating organizational performance and effectiveness (Martz, 2008).

The proponents of the goal-oriented approach to evaluating organizational performance focus on outcomes or the ends resulting from the organization's activities. The criterion model (Wallace, 1965; Dunnette, 1966; Schmidt & Kaplan, 1971) and behavioral approach (Gagne, 1962; Briggs, 1968) both center the attention on identifying specific organizational task or behaviors followed by the determination of whether these sets of objective-based criteria were attained. Goal achievement model presumes organizations are rational, deliberate and goal seeking. It also assumes that organizational goals exist and are specific and measurable, realistic, operative and not simply officially stated goals, relevant to the organizational purpose, and reflect outcomes and not means.

Steers (1977) advances a common argument supporting the goal model for evaluating organizational performance. He states that the major advantage of the goal approach in evaluating effectiveness is that organizational success is measured against organizational intentions instead of against an investigator's value judgment. Other challenges with respect to goal attainment as the criterion of effectiveness include the lack of specificity of goals, measurement of partial completion of goals, identification and handling of side effects, importance weighting, confliction goals, and confusing constraints with goals, among others. Etzioni (1960) suggests that it is basic methodological error to compare a real state (organization) to an ideal state (goal) as if the goals were also a real state.

Goal approach is concerned with the output side and whether the organization achieves its goals in terms of desired levels of output. Etzioni (1960) suggests that it is a basic

methodological error when comparing a real state (the organization) to an ideal state (goal) as if the goal was also a real state. In a different way, Seashore (1983p. 59) supports Etzioni's argument and explains that: "The goal model makes eminent good sense when viewed as a model for describing purposive forces exerted on the organizational system. It makes little or no sense when viewed as a model for self-generated purposiveness within organizational systems". Constraints appear in an organization in the form of policy statements, directives or decision rules that guide behaviors (Pennings and Goodman, 1977).

One variation of the goal model intended to shift the balance of power slightly in favor of consumers is goal attainment scaling (GAS) (Kiresuk and Sherman, 1968). This methodology was designed to measure partially completed goals using individualized and scaled description of the of the outcome achievement.

2. The System Model

A system is broadly defined as a group of independent but interrelated elements comprising of a unified whole. Early proponents of the systems – oriented approach to assessing organization performance included Etzioni (1960) as well as Katz and Kahn (1966, 1978). The perspective taken by this group was that effectiveness construct is best understood in terms of the entire organizational system and control within the environment. The system model does not necessarily disregard the organization's goals. Instead, it considers them as only one of the potential criteria for measuring organization effectiveness.

3. The Process Model

The third model of assessing effectiveness builds on the foundational aspects of the goal and system oriented models and places a strong emphasis on internal process and operations of the organizations. Steers (1976) suggests that the process models provide managers with a framework for assessing the major processes involved in performance. In the process model goals are used to evaluate performance of organizations, but goal optimization, not goal achievement, is the focus. Goal optimization considers the desired goal based on the constraints facing the organization.

4. Strategic Constituencies Model

According to the strategic constituencies' model, an effective organization is one that satisfies the demands of its constituencies. Various authors (Ford and Schellenberg, 1982; Gartner and Ramnarayan, 1983; Pfeffer, 1978) have wrapped their definitions of organizational effectiveness around the concept of the organization as a political entity that bargains with and satisfies multiple constituencies. Gartner and Ramnarayan (1983p.97), argue that effectiveness in organization is not a thing, or goal, or a characteristic of organizational outlets or behaviours, but rather a state of relations within and among relevant constituencies of the organizations.

5. Competing Value Framework

The competing values framework (CVF) includes two fundamental premises: (1) there are multiple and conflicting criteria associated with assessing organizational effectiveness; and (2) multiple constituencies will give preference to certain values that differ according to their organizational perspectives and the interests they represent. Quinn and Ronbaugh (1981, 1983) initially developed the CVF to clarify the language

used in defining the organizational effectiveness construct in analysis, development, and design.

2.3 Empirical review

The organizational capacity factors include strategic leadership, human resources, financial resources, organizational processes, program management, infrastructure, and inter-institutional linkages. A review of each of these factors is presented hereunder:

2.3.1 Strategic leadership

Strategic leadership is the ability to influence others to voluntarily make day to day decisions that enhance the long-term viability of the organization while at the same time maintaining its short-term financial stability (Rowe, 2001).

Davis (2004) defines strategic leaders as the ones having strategic orientation; translate strategy into action; align people's needs with the organization's needs; determine effective strategic intervention points; and develop strategic competencies. A strategic leader displays a dissatisfaction or restlessness with the present; absorptive capacity; adaptive capacity; and wisdom. Davis (2004) also highlights the concept of "adaptive capacity" and explains that it is a strategy that enables leaders to change and learn through asserting and mastering chaos. Complexity and change management requires new ways of "seeing and thinking" (Sanders, 1998).

A strategic leader is strategically future-oriented. A strategic leader's eyes are always on the horizon, not just on the near at hand. A strategic leader influences "the organization by aligning their systems, culture, and organizational structure to ensure consistency with

the strategy” (Beatty and Quinn, 2010 p. 7). Influencing employees to voluntarily make decisions that enhance the organization is the most important part of strategic leadership. A strategic leader, in both instances, prepares for the future and considers both the long-term goal as well as the understanding of the current contextual setting of the organization.

Strategic leadership tends to advocate a leader-centric approach to strategy, one in which the leader positions the organization competitively within an environment. Based on complexity theory², it is generally understood that strategic leadership in a fast-paced environment works to organize both the environment and the organization in ways that enhance the firm’s adaptability, innovativeness and fitness. Strategic leaders should propose and foster cooperative relationships within the organization’s environment, and enable adaptive organizations that partners in the strategic leadership function (Davis, 2004). The strategic leadership is, as it should be, a high level plan defining capability including mission, goals, purpose, functional areas, SWOT-analysis, a logical framework analysis, risk analysis, HR development, future work program and financial planning. A possible weakness with the strategic leadership is that it is relatively complex with a high number of objectives to achieve and rather detailed when it comes to what and how to do things, issues that run the risk of becoming obsolete over time. Strategic leadership is developing the tools to suit the organization’s needs.

² This is a set of concepts that attempts to explain complex phenomenon which are not explainable by traditional (mechanistic) theories. It recognizes that complex behavior emerges from a few simple rules, and that all complex systems are networks of many interdependent parts which interact according to those rules.

2.3.2 Human resource

Human resource management involves the planning, implementation and monitoring of the organizational performance. The human resources of any organization are among its most valuable assets and given the scope of the organization this is especially true for organizational capacity. The planning and recruitment of new staff is carried out by the HR unit within the organization performance. The HR policies normally include a general HR policy, an equal employment opportunity policy and a safety policy. An appraisal performance is conducted annually with each employee to follow up performance on an individual level.

Human resources capacity is the ability to deploy human capital (i.e. paid staff, interns and volunteers) within the organization, and includes the competencies, knowledge, attitudes, motivation, and behaviors of individuals in the organization. It is perceived to be the key element that impacts directly on all other capacities (Hall et al, 2003). This dimension is one of the greatest strengths in nonprofit and voluntary organizations which recognize volunteers and staff for their commitment, dedication and ability to work with limited resources.

Recruitment of general volunteers, staff, and board members is one of the most significant issues affecting human resource capacity. However, other issues such as the need for more specialized staff, need for training for board members, and need for effective volunteer management strategies are also significant. Competent human resources is linked to financial capacity and organizational performance, where greater

access to stable funding would enable nonprofit and voluntary organizations to better develop human resources capacity (Sanders, 1998).

2.3.3 Financial management

Good financial management is essential for business expansion. Getting one's finances in order means the business can work more efficiently and puts the stakeholders in a better position when seeking funding for growth. Financial management is that managerial activity which is concerned with the planning and controlling of the firm's financial resources. It involves the planning, directing, monitoring, organizing and controlling of the monetary resources of an organization (Kithinji, 2000).

2.2.4 Program management performance

Mullen (2004) notes that program effectiveness is based on the measurement of generally agreed upon outcomes of success such as: 1) outcomes, as defined when measured in routine practice; and 2) quality, as defined in comparison "to some standard of desirability effects, based on a number of objective indicators that are generally recognized as measures of success (Hatry, 1997; Geer, Maher and Cole, 2008; Van Dooren, 2008; Whitaker, Sauer and Henderson, 2004; Rivenbark and Menter, 2006). However, even the most "objective" measures are based on value judgments. In essence, Forbes (1998) describes two basic approaches to organizational effectiveness, as it relates to program impact: 1) the goal attainment approach, which identifies objective measures as more or less direct indicators of organizational effectiveness; and 2) the reputational approach, which associates effectiveness with the reported opinions of key persons such as clients or service professionals.

Program management is a means of organizing a range of projects. Use of program management reduces confusion since it is used as a means of organizing the portfolio of projects (Turner 1999). It involves the elimination of risks arising from interfaces between the projects; the coherent prioritization of resources; and reduction in management effort.

Program management enables resources to be shared across projects thus reducing the problems faced by individual project managers and recognizes the dependencies that exist between projects. It provides a framework for senior management engagement and, with a focus on benefits, can deliver a sum greater than the outputs of individual projects (Hatry, 2006). Program management is normally a top-down approach. A program should take forward the strategy of the organization. It should be formed around a single strategic objective of the organization even though it may have benefits for another. Aligning the program with a single main objective should help to ensure that it is possible to identify a single owner - this is considered further under key roles.

2.3.5 Organizational management

Organizational management focuses on ways to motivate employees to improve their performance. The goal of the performance management process is performance improvement, initially at the level of the individual employee, and ultimately at the level of the organization. The performance appraisal is a technique that has been credited with improving management performance (Bagozzi, 1980; DeCarlo and Leigh, 1996; Jaworksi and Kohh, 1991) and building both job satisfaction and organizational commitment

(Babakus et al, 1996; Babin and Boles, 1996; Brown and Peterson, 1994; Churchill et al, 1985).

Although the relationship between appraisals and performance may not be a direct and causal one, their impact on management performance may be attributed to their ability to enhance role clarity, communication effectiveness, merit pay and administration, expectancy and instrumentality estimates, and perceptions of equity. Duhinsky et al (1993) discuss the concept that increases in role clarity can affect both the effort/performance expectancy and performance/reward instrumentality estimates. Thus, by reducing ambiguity performance appraisals may positively influence the levels of motivation exhibited by employees. More frequent appraisals and feedback help employees to see how they are improving, and this should increase their motivation to improve further (Kluger and DeNisi, 1996).

Appraisals are generally considered to have a positive influence on management performance, but they also may have a negative impact on motivation, role perceptions, and turnover when they are poorly designed or administered (Churchill et al, 1985). The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance. Thus, ideally, the performance appraisal provides information to help managers manage in such a way that employee performance improves (DeNisi and Pritchard, 2006). Providing the employee with feedback is widely recognized as a crucial activity. Such feedback may encourage and enable self-development, and thus will be instrumental for the organization as a whole (Baruch, 1996). Larson (1984) supports the importance of evaluations in terms of their

effect on organizational effectiveness, stating that feedback is a critical portion of an organization's control system.

2.3.6 Organizational process

Organizational process alignment refers to arranging the various parts of a company so that they can work together harmoniously and head in the same direction. Therefore, they can seek common organizational goals, improve performance and sustain competitive advantage (Weiser, 2000). Previous studies demonstrated that organizations must design proper structures, strategy, technology and systems to align the contingencies of the dynamic environment (Lewin, 1999). Organizational process alignment can be defined as the organizational effort required making processes and platform for organizational structure, strategic planning and information technology (Sabherwal et al, 2001). Empirically, a significant and positive relationship between organizational process alignment and organizational performance has been found (Gresov, 1989). Since innovation has been widely viewed as a vital role in creating sustainable competitive advantage and enhancing organizational performance in this increasingly complex and rapidly changing environment (Subramaniam and Youndt, 2005), this study further extends the relationship between organizational process alignment and organizational innovation.

Harrington (1991) refers to a process as “any activity or group of activities that takes an input, adds value to it and provides output to an internal or external customer. Processes use an organization's resources to provide definitive results.” Therefore, a performance process framework will take strategy as an input; deploy the strategy so that it can derive a number of measures which are effectively activities; add value to the strategy by

examining its validity and implementation; and deliver the performance results to the organization or its shareholders and customers. This is in essence the approach followed by the balanced score card through the deployment of strategy to a number of goals and the development of measures to measure the effectiveness of those goals.

The organizational performance process enables the organization to manage organizational performance by iteratively analyzing aggregated project data, identifying gaps in performance against the business objectives, and selecting and deploying improvements to close the gaps. In the process area, the term “improvement” includes all incremental and innovative process and technology improvements, including those improvements made to project work environments. “Improvement” refers to all ideas that would change the organization’s processes, technologies, and performance to better meet the organization’s business objectives and associated quality and process performance objectives (Neely, 1999).

Business objectives that this process area might address include improved product quality (e.g. functionality, quality attributes); increased productivity; increased process efficiency and effectiveness; increased consistency in meeting budget and schedule; increased cycle time; greater customer and end-user satisfaction; shorter development or production time to change functionality, add new features, or adapt to new technologies; improved performance of a supply chain involving multiple suppliers; and improved use of resources across the organization. The organization analyzes product and process performance data from the projects to determine if it is capable of meeting the quality and process performance objectives. Process performance baselines and process performance

models, developed using Organizational Process Performance processes, are used as part of the analysis (Harrington, 1991).

2.3.7 Infrastructure

Infrastructure issues are affecting all businesses (Leclaire, Cooper and Gorrio, 2000). Infrastructure is often intertwined with organizational structure and business processes. It can be either an enabler or a barrier of planning and implementing new competitive strategies and organizational changes (Broadbent, Weill and St Clair, 1999; Davidson and Movizzo, 1996). This becomes a more critical business in forcing companies to make fundamental changes to their business strategies and processes, and do it fast. In addition, it advances at a faster pace never experienced before, with shorter life cycle and faster performance improvement. Organizations must continuously upgrade and renew their capacity performances. Many organizations have found that infrastructure today is more often an inhibitor of change than an enabler (Broadbent et al, 1999). As a result, infrastructure becomes an increasingly important factor that affects organizational performance (Weill and Broadbent, 1998).

Star and Ruhleder (1996) characterize an infrastructure in terms of seven dimensions: embeddedness, transparency, reach or scope, links with conventions of practice, embodiment of standards, built on an installed base, and becomes visible upon breakdown. Infrastructure is the basic physical organizational structures needed for the operation of a society or enterprise, or the services and facilities necessary for an economy to function. It can be generally defined as the set of interconnected structural elements that provide the framework supporting an entire structure of development. It is an important term for judging a country or region's development.

Infrastructure typically refers to the technical structures that support a society, such as roads, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as “the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions”. Viewed functionally, infrastructure facilitates the production of goods and services, and also the distribution of finished products to markets, as well as basic social services such as schools and hospitals. For example, roads enable the transport of raw materials to a factory (Wikipedia, 2012). In military parlance, the term refers to the buildings and permanent installations necessary for the support, redeployment, and operation of military forces (Broadbent et al, 1999).

2.3.8 Inter institutional linkages

Inter-organizational linkages have gained increasing prominence across countries and industries in recent decades. Today, vertical cooperation and horizontal alliances of all sorts are more than commonplace in the business world. Inter-organizational relationships place emphasis on three features: inter-organizational relationships are formal arrangements that bring together assets (of whatever kind, tangible and intangible) of two or more legally independent organizations with the aim to produce joint added value (of whatever kind, tangible or intangible). That is, both input and output are formally shared by the independent organizations that are involved in the relationship (Knights and McCabe, 2003).

Inter-institutional linkage forms of cooperation are characteristic of today’s business world. Relationships cut across organizational and industry boundaries, as well as

national borders. They form complicated and permanently changing networks with moving centers and peripheries. Not very surprisingly, contemporary management literature mimics this development by increasing the number of concepts and publications devoted to issues of inter-organizational relationships, varying from partner selection and alliance control to network structure and supply chain management (Jarillo, 1988; Ebers 1997; Child and Faulkner, 1998; Gulati et al, 2000; Grabher and Powell, 2004; Kotabe and Mol, 2006). With regard to the quality of inter-institutional linkages, in terms of such features as their friendliness or trustworthiness, much has been said about the attractiveness of close forms of cooperation between legally independent organizations, providing an alternative possibility to the ‘traditional’ transaction modes of hierarchical internalization and the market oriented externalization of business activities (Williamson, 1975; 1985). Depending upon the opportunities and threats involved, as well as the costs and benefits of these different options, a firm is supposed to select strategically the “optimal” transaction mode, which under current conditions of capitalist developments often means that “hybrid” forms of cooperation are preferred.

Despite the enormous attention that these issues have received, and still do so, in the current debate within organization and strategic management, the bulk of existing literature in these fields seems to be too narrowly focused to get a firm grip on the central questions related to the social constitution of business relationships. It looks on micro level of relationships where the role of inter-personally developed forms of trust, risk and power are analyzed (Mintzberg, 1985; Lyons and Mehta, 1997; Knights and McCabe, 2003), largely bypassing the influence of macro-institutions, or indeed focus on the macro level where national business systems are compared, more or less ignoring the

underlying micro-mechanisms on which these systems build (Hofstede, 1991; Fukuyama, 1995; Whitley, 1999).

2.4 Organizational performance

Organizational performance is gauged in terms of organization effectiveness, efficiency, relevance and sustainability. The reviews are hereby presented below:

2.4.1 Effectiveness

This involves doing the right things at the right time, with the right quality. It is defined as a ratio of actual output to expected output (Rolstadas, 1998). For example, producing a desirable output is called “effective production” and the word “effective” here is considered as an adjective. Effectiveness is the contribution towards organizational goals (Mathiyalakan and Chung, 1996). Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce. The idea of organizational effectiveness is especially important for organizations as most people who donate money to organizations and charities are interested in knowing whether the organization is effective in accomplishing its goals.

According to Richard et al (2009) organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as corporate social responsibility. An organization’s effectiveness is also dependent on its communicative competence and

ethics. An organization must exemplify respect, honesty, integrity and equity to allow communicative competence with the participating members.

2.4.2 Efficiency

Organization efficiency is generally understood to be a ratio that reflects a comparison of some aspects of unit performance with cost (e.g. time money, space) incurred for that performance. It is often used to measure aspects of process other than just physical output, insofar as efficiency include a reference to the amount of resources involved (O'Donnell and Duffy, 2002). Efficiency is a question of input and transformation process and is defined as the ratio of resource expected to be consumed to the resource actually consumed (Rolstadas, 1998). Efficiency is inherent in any activity but it is difficult to measure (O'Donnell and Duffy, 2002), necessitating use of perception based measures.

A higher ratio of energy outputs to energy inputs suggests a higher level of efficiency. The more efficient the operation, the less energy return required to maintain ongoing activities. When sustained over time, the efficiency-generated surpluses results in organizational growth and survival power (Katz and Kahn, 1978). However, the efficiency ratio does not guarantee the results are of any useful size. Because of this limitation, efficiency measures are generally supplemented by other measures of organizational performance or success. Although efficiency is essential to effective functioning of an organization, improvements in internal efficiency do not always suggest increased organizational effectiveness.

Attempts to define organizational effectiveness by equating it with organizational efficiency are common and incorrect (Ridley and Mendoza, 1993). From an economic perspective, a more efficient organization is a more healthy and effective organization. However, efficiency does not measure effectiveness.

2.4.3 Relevance

This is the ability of an organization to meet the needs and gain the support of its priority stakeholders in the past, present and the future. In today's context the organizational relevance relates to the ability of an organization to keep its mission, goals, programs/projects and activities aligned with the evolving needs of its key stakeholders and constituents. There are two aspects of relevance: 1) the ability to keep its key stakeholders satisfied, the key stakeholders being clients as well as donors; and 2) ability to create new and more effective situations as a result of insight and new knowledge. Indicators of relevance include: stakeholder satisfaction (clients, donors, etc.); number of new programs and services; changes in programs and services related to changing client system; change in partner attitude; role changes; changes in funders (quality and quantity); changes in reputation among peer organizations; changes in organizational reputation among key stakeholders; acceptance of programs and services by stakeholders; support earmarked for professional development/capacity building; changes in organizational innovation and adaptability (Rolstadas, 1998).

The relevance is highly important to organizational capacity. Since capacity has almost no internal or long term core funding, staying relevant is the short-term key to staying (project-) financed. A relatively large number of donors and a constant development of new projects that find funding are indicators of a high degree of relevance.

2.4.4 Financial sustainability

According to Harris (1991) financial viability is about being able to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow growth while maintaining service levels. Assessment of financial sustainability is an integrated process involving a review of a provider's audited financial statements, financial performance reports, business plan and other information that supports financial analysis. In order to perform well, an organization also has to pay attention to its ability to generate sufficient financial resources. Monitor closely the income and expense statement ratio, the saving ratio which shows the percentage of after tax income saved during a time period.

Thus financial sustainability is perceived here as the ability of an organization to raise the necessary funds to meet its functional requirements in the short, medium and long term. The financial viability may be considered to consist of three dimensions: 1) The ability to generate enough cash to meet its expenditures (short and long-term cash flow); 2) The sources and types of revenues on which the organization bases its costs (reliability); and 3) The ability to live within its allocation (financial management).4) The ability of organization to diversify it source of funding the (investments decisions).

2.5 Chapter conclusion

This chapter presented the literature review of both the theoretical and empirical models on organizational capacity evaluation and performance. From the foregoing, it is clear that a knowledge gap on the organizational capacity of CSOs in Kenya exists. Particularly, there is little information on the relationship between organizational capacity of these CSOs and their performance.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the research methodology, research design as well as the sampling approach. It also presents the data collection techniques and tools as well as the analysis technique. The chapter also presents the steps taken by the researcher to ensure data validity and reliability.

3.1 Introduction

Research methodology is the collective term used to describe the scientific approach to conducting research. It is the systematic combination of methods of conducting research (Kothari, 2004). This chapter presents the methodology that was used to conduct this research. Particularly, it states and justifies the research design, population, sampling technique, data collection technique, data analysis, reliability and validity of this study.

3.2 Research design

This study used the survey research design. Isaac and Michael (1997) explain that a survey research method is used to answer questions that have been raised, to solve problems that have been posed or observed, to assess needs and set goals, to determine whether or not specific objectives have been met, to establish baselines against which future comparisons can be made, to analyze trends across time, and generally, to describe what exists, in what amount, and in what context.

The use of structured survey was applied with pen and paper closed-ended questions (Armstrong, 1987). The five-point Lickert-type scale will be applied where 1 represents strongly disagrees while 5 represents strongly agrees. The study particularly used factor

analysis as well as correlation approach to establish the existence of a relationship or interdependence between the evaluation process of organizational capacity and performance.

3.3 Target population

The target population in this research is the civil society organization in Kenya. Specific population about which information is desired will be drawn from 5,929 civil society organizations registered in Kenya by 2009 (NGOs Board, 2009). According to Kothari (2004), a population is a well defined set of people, services, elements, and events, group of things or households that are being investigated. This definition ensures that population of interest is as homogeneous as possible. And by population the researcher means a complete census of the sampling frames. Censuses are more representative because everyone has an equal chance to be included in the final sample that is drawn (Mugenda and Mugenda, 2003). This study will focus on all civil society organizations in Kenya.

3.4 Sampling design and sample size

The latest statistics from the NGOs Coordination Board indicate that there were 5,929 civil society organizations registered in Kenya by 2009 (NGOs Board, 2009). These statistics presented by the NGO Coordination Board forms the sampling frame from which the researcher shall draw a sample for this study.

The researcher will use random stratified sampling. This is a method of sampling that involves the division of a population into smaller groups known as strata. In stratified random sampling, the strata are formed based on members' shared attributes or

characteristics. A random sample from each stratum is taken in a number proportional to the stratum's size when compared to the population. These subsets of the strata are then pooled to form a random sample. The main advantage with stratified sampling is how it captures key population characteristics in the sample. Similar to a weighted average, this method of sampling produces characteristics in the sample that are proportional to the overall population. Stratified sampling works well for populations with a variety of attributes.

The researcher will select a sample of 40 organizations. The sample selection criteria is the researcher will use is include; the national coverage of the organization; the net worth of organization; level of funding and the number of staff. The key informants from these organizations were three senior staff of the organization.

3.4 Data collection method

The study utilized primary data collected through three key informants who are senior level staff of the CSOs. Primary data will be collected using self-administered questionnaires of closed ended questions. The secondary data will be collected using relevant guides and checklists.

The reason for choosing these data collection methods is primarily due to their practicability, applicability to the research problem and the size of the population. They are also cost effective and give adequate time to the subjects to respond at their convenience.

3.6 Data analysis methods

The primary data of this research study was analyzed using factor analysis to reduce factors and correlation of the organizational factors and performance using Chi Square. The later, is a statistical test commonly used to compare observed data with data one would expect to obtain according to a specific hypothesis (Lilliefors, 1967). Essentially, Chi Square tests whether variations in observed and expected results are by chance or influenced by certain factors. It is used to test the probability of association or independence of facts. Generally, the Chi Square tests the null hypothesis, which states that there is no significant difference between the expected and observed results (Satora and Bentler, 2001). Given that this study investigates the association or independence of the evaluation approach and organizational performance, a Chi Square test is most appropriate for it. As stated earlier the null hypothesis of this study is that there is no significant difference between the performance levels in the CSOs that use the goal model of evaluation and those that do not. The alternative hypothesis is that there is a significant difference in the performance level of organizations that use the goal model and those that do not.

3.7 Model for the study

Comparative factor analysis (CFA) was used by the researcher as model of study; this because the researcher sought to determine if the factors and loading of measured (indicators) variables on them conform to what is expected on the basis of pre established goal model theory. In particular the researcher indicate the need to apply Principal component analysis factor model also known as principal component analysis,

considers the total variance and derives factors that contains small proportions of unique variance and, in some instance error variance. Hare et.al makes the analogy for choosing the number of factors to be interpreted with focusing a microscope .Too high or too low an adjustment will obscure a structure that is obvious when the adjustment is just right. The researcher therefore applied sum of squares for the 54 factors to extract three for analysis on the component analysis. Each variable contributes to a value of 1 to the total eigenvalue. This adapted from (Hare et al.1998). The factor analysis is used to investigate whether a number of variables of interest Y_1, Y_2, \dots, Y_i are linearly related to a smaller number of un observed factors F_1, F_2, \dots, F_k .The R- type factor analysis will be used. For the study, the observable variables

3.8 Chapter conclusion

This chapter covered the research design, population size from which the sample for the study will be drawn. It also presented the data collection and analysis methods as well as a brief summary of the model that the researcher intends used for the study.

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter focuses on data collection, analysis and presentation. Data was collected from forty (40) civil society organizations targeting three respondents each. This constituted a target population of 120 respondents. The researcher was able to collect 103 duly filled questionnaires from the 150 questionnaires she distributed.

The primary data was collected from key informants from the forty civil society organizations, mainly from senior level officers in the organizations working in finance, human resource and programs offices. This was informed by their understanding of the capacity factors and performance of the organizations.

4.2 General information on respondents

The general information on the respondents from the sampled forty organizations includes gender, age, level of education and years of service. This information from the 103 respondents who filled the questionnaire is presented below.

a) Gender

Forty (40) of the respondents were female representing 38.8% while 63 of the respondents were male. This represented 61.8%. This is summarized in Table 1 below:

Table 1: Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid FEMALE	40	38.8	38.8	38.8
MALE	63	61.2	61.2	100.0
Total	103	100.0	100.0	

Source: Primary data

b) Age

One respondent (1.0 per cent) was aged below 20 years; 1.9 per cent were aged above 50 years; 8.7 per cent had attained the age between 41-50 years; 35 per cent were between 21-30 years; while the remaining 53.4 per cent were between 31-40 years. This summarized below in Table 2.

Table 2: Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20 Years	1	1.0	1.0	1.0
21-30 Years	36	35.0	35.0	35.9
31-40 Years	55	53.4	53.4	89.3
41-50 Years	9	8.7	8.7	98.1
Above 50	2	1.9	1.9	100.0
Total	103	100.0	100.0	

Source: Primary data

c) Level of education

The majority (55%) of the respondents had university level of education while the minority had secondary level of education at 1%. Table 3 below summarizes the distribution of the education levels of the respondents.

Table 3: Level of Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid College	30	29.1	29.1	29.1
Others	15	14.6	14.6	43.7
Secondary	1	1.0	1.0	44.7

University	57	55.3	55.3	100.0
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Source: Primary data

d) Length of service

The results of the study showed that 3.9 per cent of the respondents had served their respective organizations for more than 10 years; 4.9 per cent indicated that they had served their organizations for less than 1 year. This was followed by 31.1 per cent who reported that they had worked in their organizations for between 5-10 years. The remaining 60.2 per cent reported that they had served the organizations for between 1-4 years. Table 4 below summarizes these results.

Table 4:Length of Service

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid -1 Year	5	4.9	4.9	4.9
1-4 Years	62	60.2	60.2	65.0
10+ Years	4	3.9	3.9	68.9
5-10 Years	32	31.1	31.1	100.0
Total	103	100.0	100.0	

Source: Primary data

e) Department

The study inquired the departments the respondents worked in. It emerged that 1 per cent reported that they worked in Procurement, 1.9 per cent in Planning, 5.8 per cent in Health, 7.8 per cent in Monitoring and Evaluation 12.6 per cent worked in Human Resource department, another 12.6 per cent in Programs, 22.3 per cent in Administration while the remaining 35.9 per cent worked in the Finance department in their organizations. Table 5 below summarizes these findings.

Table 5: Department

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Administration	23	22.3	22.3	22.3
Finance	37	35.9	35.9	58.3
Health	6	5.8	5.8	64.1
Human Resource	13	12.6	12.6	76.7
Monitoring and Evaluation	8	7.8	7.8	84.5
Planning	2	1.9	1.9	86.4
Procurement	1	1.0	1.0	87.4
Programs	13	12.6	12.6	100.0

Source: Primary data

4.3 Data analysis

Using factor extraction and rotation as per criteria set below, three variables or factors were extracted. Table 6 below is an output which used the **univariate** option on the **/print** subcommand. It was noted that the only way to understand how many cases were actually used in the factor analysis is to include the **univariate** option on the **/print** subcommand. The number of cases used in the analysis would be less than the total number of cases in the data file if there are missing values on any of the variables used in the factor analysis, because, by default, SPSS does a listwise deletion of incomplete cases. Three variables were extracted with loading factors greater than 1 as shown below and are namely: progress on goal achievement are evaluated on a regular basis; program performance is shared with all stakeholders; growth in income or increase in number of employees is regularly evaluated as illustrated by Table 6 below:

Table 6: Factor extraction and rotation

Factors a	Initial Eigen values ^b			Extraction of the squared sum of loading ^f			Rotation of square loadings		
	Total c	of variance	Cum' %	Total	% of variance	cumulative	Total	% of variance	Cumulative
1	6.249	52.076	52.057	5.851	48.759	48.759	2.950	24.583	24.583
2	2.349	20.123	62.322	.806	6.719	55.479	2.655	22.127	46.710
3	1.345	5.992	68.313	.360	3.00	58.478	1.412	11.769	58.478

4	.829	5.109	73.423						
5	.729	4.676	78.099						
6	.503	4.196	82.291						
7	.420	3.927	86.218						
8	.369	3.240	89.456						
9	.348	3.066	92.524						
10	.252	2.735	97.904						
11	.106	2.645	54						
12	.089	2.096	30						

Table 7 below contains the rotated factor loadings (factor pattern matrix), which represent both how the variables are weighted for each factor but also the correlation between the variables and the factor. Because these are correlations, possible values range from -1 to +1. On the /format subcommand, the researcher used the option blank (.30), which instructs SPSS not to print any of the correlations that are .3 or less. This makes the output easier to read by removing the clutter of low correlations that are probably not meaningful anyway.

Table 7: Rotated Factor Matrix A^B

	Factors ^c		
Factors ^a	Progress on goal achievement	Program performance shared with stakeholders	Increase in number of employee
1	.771		
2	.726		
3	.676		
4	.591		
5	.587	.446	
6		.739	
7		.540	
8	.402	.533	
9		.559	.446
10			
11	.449	.377	.668
12	.324	.321	.652
13			

Extraction method: Principal axis factoring; Rotation method: Vari max

Factor score coefficient matrix as shown in the Table 8 below was used to derive the factor weight matrix and is used to compute the factor scores.

Table 8: Factor score coefficient matrix

	Factors ^c		
Factors a	Progress on goal achievement	Program performance shared with stakeholders	Increase in number of employee
1	.409	-.155	-.102
2	.309	-.095	-.106
3	.252	.004	-.052
4	.152	.431	-.120
5	-.023	.147	-.150
6	.171	-.107	.15
7	-.093	-.056	.34
8	-.023	.041	.56
9	-.006	-.004	.75
10	-.076	.420	.436
11	-.009	-.082	
12	.042	-.021	.

Extraction method: Principal axis factoring; Roatation method: Vari max

Table 9 below indicates that the rotation done is an oblique rotation. If an orthogonal rotation had been done (like the varimax rotation shown above), this table would not appear in the output because the correlations between the factors are set to 0. Here, the factors are highly correlated.

Table 9: Factor correlation matrix

	Progress on goal achievement	Program performance shared with stakeholders	Increase in number of employee
1	1	.662	.758
2	.662	1	.727

3	.758	.727	.1
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Extraction method: Principal axis factoring; Roatation method

The Factor Score Covariance Matrix table 10 below indicates that an orthogonal rotation was used. This should be a diagonal matrix, meaning that the same number should appear in all three places along the diagonal. In actuality the factors are uncorrelated. However, because factor scores are estimated there may be slight correlations among the factor scores. This is the factor weight matrix and is used to compute the factor scores

Table 10: Factor Score Covariance Matrix

	Progress on goal achievement	Program performance shared with stakeholders	Increase in number of employee
1	.773	.088	.124
2	.088	.747	.114
3	.124	.114	.632

Extraction method: Principal axis factoring; Roatation method: Vari max

Test of the Null hypothesis

Table 11 :Chi-Square Tests

Growth in income or increase in number of employee is regularly evaluated		Value	Df	Asymp. Sig. (2-sided)
Agree	Pearson Chi-Square	16.273 ^a	15	.364
	Likelihood Ratio	15.588	15	.410
	N of Valid Cases	48		
Disagree	Pearson Chi-Square	6.222 ^b	6	.399
	Likelihood Ratio	7.468	6	.280
	N of Valid Cases	7		
Neutral	Pearson Chi-Square	4.705 ^c	8	.789
	Likelihood Ratio	5.636	8	.688
	N of Valid Cases	19		
Strongly Agree	Pearson Chi-Square	6.738 ^d	6	.346
	Likelihood Ratio	6.556	6	.364
	N of Valid Cases	21		

Strongly Disagree	Pearson Chi-Square	.889 ^e	3	.828
	Likelihood Ratio	1.359	3	.715
	N of Valid Cases	8		

For those who agreed, the table above shows that growth in income or increase in the number of employee is evaluated regularly has a statistic value of 16.273 while the p value is 0.364. Thus the hypothesis that growth in income or increase in number of employees is evaluated regularly is accepted.

In the Chi Square analysis above, those who strongly disagreed that growth in income or increase in number of employees is regularly evaluated had a static value of 0.889 with a p-value of 0.828, $p > 0.01$ and therefore the null hypothesis is rejected as the hypothesis is accepted.

Table 12: Program performance

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.637 ^a	9	.000
Likelihood Ratio	35.878	9	.000
N of Valid Cases	103		

9 cells (56.3%) have expected count less than 5. The minimum expected count is .34.

In the Chi Square above, the p-value is less than 0.0001, therefore $p < 0.001$. The Chi Square test statistic 34.637 with an associated value of $p < 0.001$. The null hypothesis is therefore rejected but the hypothesis that the performance of the organizations' dependent on vision and missions of the organizations is accepted.

Table 13 : Program performance stakeholders cross tabulation

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)

Pearson Chi-Square	20.480 ^a	15	.154
Likelihood Ratio	18.572	15	.234
N of Valid Cases	103		

a. 17 cells (70.8%) have expected count less than 5. The minimum expected count is .07. The chi square has a statistic value of 20.48 with a p-value of 0.154, the (significance level) critical value was 0.05, $p > 0.05$. The hypothesis that “the performance of organizations depends on the vision and mission of the organization” is accepted.

b) Table 14: Test of significance using Chi square

Chi-Square Tests						
Goal achievement a key accountability of management performance		Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
	Pearson Chi-Square	a.				
	N of Valid Cases	1				
Agree	Pearson Chi-Square	7.844 ^b	6	.250		
	Likelihood Ratio	8.248	6	.220		
	N of Valid Cases	33				
Disagree	Pearson Chi-Square	3.000 ^c	1	.083		
	Continuity Correction	.750	1	.386		
	Likelihood Ratio	3.819	1	.051		
	Fisher's Exact Test				.400	.200
	N of Valid Cases	6				
Neutral	Pearson Chi-Square	47.763 ^d	6	.000		
	Likelihood Ratio	15.921	6	.014		
	N of Valid Cases	42				
strongly Agree	Pearson Chi-Square	14.246 ^e	6	.027		
	Likelihood Ratio	10.653	6	.100		
	N of Valid Cases	21				

Source: Primary data (SPSS)

4. 4 Data Interpretation

a. Factors - The initial number of factors is the same as the number of variables used in the factor analysis. However, not all 54 factors were retained. Here, only the first three factors were retained. Three variables were extracted with loading factors greater than 1

as shown below. The factors were: Progress on goal achievement are evaluated on a regular basis; Program performance is shared with all stakeholders; Growth in income or increase in number of employee is evaluated regularly.

b. Initial **Eigen values** - Eigen values are the variances of the factors. Data was conducted on factor analysis on the correlation matrix, the variables are standardized, which means that the each variable has a variance of 1, and the total variance is equal to the number of variables used in the analysis, in this case, N= 54. The output did not pick the factors with Mean. These are the means of the variables used in the factor analysis. Std. Deviation - These are the standard deviations of the variables used in the factor analysis.

c. Rotation **Sums of Squared Loadings** - The values in this panel of the table represent the distribution of the variance after the varimax rotation. Varimax rotation tries to maximize the variance of each of the factors, so the total amount of variance accounted for is redistributed over the three extracted factors.

d. The observable variable on organizational capacity and performance

Table 14 above has three variables: Evaluation of goal achievement is structured process, growth in income or increase in number of employee is evaluated regularly and program performance is shared with all stakeholders.

For those who agreed that growth in income or increase in number of employee is evaluated regularly as well as those who agreed that evaluation of goal achievement is a structured process suggest that there is a relationship between program performance with these factors were fourteen (14). One (1) respondent disagreed that there was a

relationship between growth in income, and program performance is shared with all stakeholders and evaluation. While four (4) people were neutral that growth in income or increase in number of employee is evaluated regularly; that there is a relationship between program performance with all stakeholders and the evaluation of goal achievement is a structured process while two (2) strongly agreed that there is a relationship between the program performances is shared with all stakeholders.

e. Test of significance

In the Chi Square tests shown above the predetermined alpha level of significance (0.05), and our degrees of freedom ($df = 1$).

For agree: Since the observable p-value is 7.844 which is greater than 0.05 and therefore the calculated value is greater than the critical value, the null hypothesis is rejected.

For disagree: The calculated value (3.00) is greater than the significance level (0.05) so the researcher rejects the null hypothesis and then accepts the hypothesis that there is significant difference between CSOs that focus on goal achievement (use goal model) and those that do not. The P-Value =3.00, Significance level=0.05.

For Neutral: The P-Value=47.763, the significance Level=0.05. The researcher rejects the null hypothesis and accepts the hypothesis. The p- value is greater than the target level of 0.05.

For strongly agree: The calculated p-value=14.246 while the significance level is 0.05. The researcher rejects the null hypothesis and accepts the hypothesis. From the analysis above the researcher concludes that the null hypothesis is rejected while the hypothesis is accepted.

4.5 Limitation of the study

Among the challenges faced by the researcher include time constraints, respondent hesitancy to fill the questionnaire, confidentiality and skepticism about divulging information regarding their organizations.

Halo effect, which is a research error emanating from the respondent's impression of the researcher, may also have had an impact on the research findings. This is more so because the respondents were aware that their organizations were being assessed. It is possible that the respondents may have attempted to overrate their organizations and thereby creating the halo effect.

The researcher also experienced the challenge of non responsive organizations. Of the target sample notable few organizations deliberately refused to fill the questionnaire, demanding written consent from their organizations to participate in the study. This had not been foreseen by the researcher.

Factor analysis is a technique that requires a large sample size. Factor analysis is based on the correlation matrix of the variables involved, and correlations usually need a large sample size before they stabilize. Tabachnick and Fidell (2001:588) cite Comrey and Lee's (1992) advise regarding sample size: 50 cases is very poor, 100 is poor, 200 is fair, 300 is good, 500 is very good, and 1000 or more is excellent. As a rule of thumb, a bare minimum of 10 observations per variable is necessary to avoid computational difficulties. The researcher, however, had three samples per organization giving variable size of 120 and exactly 103 were collected.

4.6 Chapter conclusion

This chapter covered the data collected, the primary data analysis, where the variables or factors observed were reduced to three factors by factor extraction using principal axis factor and rotation using varimax. The chapter also provides a test of the null hypothesis tested using the Chi- square test of significance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Chapter Introduction

This chapter presents the summary of the findings from the research conducted from one hundred and three respondents as well as the researcher's conclusions and recommendations.

5.2 Summary Findings

The majority of the respondents were male, with university level of education and working in the finance department. The researcher also realized that the majority of the respondents had worked for their organizations for between 5 to 10 years. This is a good measure of staff motivation and retention level which is one of the capacity factors.

The research findings on organizational capacity factors indicate that more than 50% of the respondents agree on the significance of the organizational capacity factors. The majority of them agreed on the factors evaluated.

On organizational performance, it was evident that the respondents agreed and strongly agreed with the researcher on effectiveness, efficiency, relevance and financial sustainability as measures of performance. Most respondents agreed that these factors are significant measures of performance of their organizations.

Since in all the cases, the calculated P-Values: P-Value =7.844. Significance level=0.05; a p-value of 0.828, $p > 0.01$; of 20.48 with a p-value of 0.154. These values are greater than the significance level. Therefore, the null hypothesis was rejected. Thus the Hypothesis that “The difference in performance level of organizations that use goal model and those that do not is significant” has been accepted.

5.3 Conclusion

The researcher concluded that it is true that organizational performance is significantly influenced by organizational capacity factors. The organizations that focus on the achievement of their goals perform better than their counterparts that do not.

The researcher concluded that the goal model is one of the best models for measuring the organizational performance since organizations can easily relate achievement of organizational goals to progress. It can also be easily observed.

The method of analysis, Chi Square, provided a best fit for testing the significance due to the large sample size.

5.4 Recommendation

The researcher recommends that organizations should focus on organizational goals and constantly monitor their progress on achieving such set goals.

Nonetheless, the researcher also recommends that organizations should constantly gauge their relevance to the needs of the beneficiaries and communities they serve. She further recommends that organizations should explore other measures of performance such as competing value framework and process models.

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APPENDICES

Appendix 1: Questionnaire

Part A: Bio-Data of the Respondents

1. Gender

Male

Female

2. Age

20yrs. 21-30 years 31-40 yrs 41- 50 yrs Above 50

3. Level of education

Primary Secondary

College University Other

4. No of years worked in CSO-K

-1 yr.

1-4 Yrs

5-10 Yrs

10+ Yrs

5. Department.....

Part B: The organization capacity evaluation

To what extent do you agree or disagree with the following statements. Use a scale of 1-5 where 1; strongly disagree. 2; Disagree 3; Neutral 4; Agree 5; strongly agree

	1	2	3	4	5
Organization strategic plans have clear achievable objectives or goals					
Organizational goals are set or reviewed at the beginning of the year					
Organization have vision and mission statement					

Staff and beneficiaries share in the organization vision					
The set values drive the activities of organisation					
The organization goals or objectives are SMART					
Progress on goal achievement are evaluated on a regular basis					
The management set objectives with staff at beginning of fiscal year					
Staff understand the set objectives and strive to attain them					
Goal achievement a key accountability of management performance					
Evaluation of goal achievement is a structured process					
The organization activities are derived from the set goals					
The efficacy of its program are clear and assessed					
The assessment is a merely an internal process					
The achievement of goals is mainstreamed to organization performance					
The process of monitoring goals attainment is part of staff performance appraisal					
The organization goal setting is a participatory process					
The goals and objectives are continuous reviewed with all stakeholders					

Part C: Evaluating Organization performance

1. EFFECTIVENESS

To what extent do you agree or disagree with the following statements. Use a scale of 1-5 where 1; strongly disagree. 2; Disagree 3; Neutral 4; Agree 5; strongly agree

	1	2	3	4	5
Mission ,goals only reviewed during the strategic planning process					
Staff refer to organizational goals, objectives and activities on a yearly basis					
The organization monitors its effectiveness on a regular basis					
Growth in income or increase in number of employee is evaluated regularly.					
Number of employee per supervisor is assessed regularly					
Employee knowledge of mission, value and strategy is evaluated regularly					
Investment in leadership development is assessed regularly					

8. EFFICIENCY

To what extent do you agree or disagree with the following statements. Use a scale of 1-5 where 1; strongly disagree. 2; Disagree 3; Neutral 4; Agree 5; strongly agree

	1	2	3	4	5
Staff abilities are maximized by the organization					
physical facilities(equipment, building etc) are maximized by the organization					
Systems that facilitate for optimal use of financial resources exist					
Progress is benchmarked against set objectives to assess achievement on regular basis					
The system of assessment used is informed by set standards					
The assessment of performance is shared with all stakeholders					
Administrative systems that provide for internal and external feedback on performance exist					
Increased consistency in meeting budget and schedule a measure used					
Greater customer and end-user satisfaction considered important to organization					
Adaptation to new technologies is valued highly to improve process.					

9. RELEVANCE

To what extent do you agree or disagree with the following statements. Use a scale of 1-5 where 1; strongly disagree 2; Disagree 3; Neutral 4; Agree 5; strongly agree

	1	2	3	4	5
There exist systems to continuously scan the environment					
Regular program revision to reflect changing environment and capacity					
The mission is reviewed on regular basis					
The organization monitors its reputation regularly					
Innovation is encouraged					
Stakeholder needs assessment is a participatory process					
The organization regularly analyses its role					
The external donor largely influences the activities of organization.					
The organization mission is relevance					

10. FINANCIAL VIABILITY

To what extent do you agree or disagree with the following statements. Use a scale of 1-5 where 1 - strongly disagree. 2 - Disagree 3 - Neutral 4 - Agree 5- strongly agree

	1	2	3	4	5
Changes to the net operating capital over the past 3 years have been positive and on the rise					
The organization consistently obtains new funding					
The organization does not depend on a single					

source of funding					
Partners are hired to provides services on regular basis					
Finances are monitored on a regular basis					
Financial statement are produced and used on a regular basis					
Organization jointly fundraise with other organizations					
The financial challenges facing organization are known					