

**STRATEGIES ADOPTED BY NON GOVERNMENTAL
ORGANIZATIONS TO ACHIEVE FINANCIAL SUSTAINABILITY
IN KENYA**

By

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DECLARATION

This research project is my original work and has not been presented for examination to any other university.

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Lastly, I thank all those who contributed either directly or indirectly towards the completion and presentation of the final version of this research paper.

DEDICATION

I would like to solemnly dedicate this research paper to my late sister Judith Obara who was also writing her research project in the same University but the angry hands of death denied her the opportunity to achieve her dreams of completing masters and proceeding to PHD. We love you and miss you so much. We will strive to make true your dreams and aspirations.

I also dedicate this to my beloved parents, wife, sisters and brother for their moral support throughout the writing of this paper. May God bless you all.

ABSTRACT

Financial sustainability is a state in which an institution has a reasonable expectation of covering its costs for the foreseeable future through a combination of donor funding and locally generated income. The purpose of this study was to identify the strategies that can be adopted by Non Governmental Organisations (NGOs) to achieve financial sustainability. The push for financial sustainability for NGOs is more real than ever before. Kenya is a developing country that has various challenges in terms of social economic development. This has necessitated the work of various nongovernmental organizations across the country. This study tried to identify the factors that nongovernmental organizations (NGOs) have adopted to increase financial sustainability, as data from the National Council of NGOs show that donor funding declined from Sh87 billion in 2007 to Sh81 billion in 2008 and Sh73 billion in 2009. The objective of the study was to find out how strategic financial management, paradigm shift in programming, internal financial funding, strategic alliances and organization structure contributes towards financial sustainability in NGOs. Data was collected using questionnaires and random sampling design used to select the sample of development NGOs whose head office is in Nairobi. The data was analyzed using Statistical Package for Social Sciences (SPSS) 17.0. The study used descriptive statistics and content analysis since the data was qualitative and quantitative in nature. Clearly, from this study strategic financial management was ranked highly followed by proper governance system, strategic alliances, internal financial sources, organisational structure, development funding and paradigm shift in programming in that order. This is a little different from the findings of the study carried out to investigate the strategies adopted by

NGOs in Kenya to increase financial sustainability a case study of Meru County, (Waiganjo et al 2012). In this study, paradigm shift in programming was ranked highly followed by strategic financial management, then strategic alliances, organizational structure and finally internal financial resources in that order. These calls for further quantitative research on the topic to enhance on the findings established under each variable and establish consensus and relationship between variables. From the research, there is need for NGO to critically strategize on their financial sustainability as the environment of their operation is changing very fast and the needs of NGOs are increasing day by day due to disease epidemics, global climatic changes, natural disasters, diseases and drug abuse.

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ABBREVIATIONS AND ACRONYM

BC	: Before Christ
CBOs	: Community Based Organisations
EABL	: East African Breweries Limited
KCB	: Kenya Commercial Bank
KES	: Kenya Shillings
MDG	: Millennium Development Goals
NGO	: Non Governmental Organizations
NPO	: Not for Profit Organizations
PBO	: Public Benefits Organisation
PAI	: Population Action International
PHD	: Doctor of Philosophy
USAID	: United States Agency for International Development
SPSS	: Statistical Package for Social Sciences
SWOT	: Strengths Weaknesses Opportunity and Threats
YMCA	: Young Men Christian Association
YWCA	: Young Women Christian Association

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

There is no doubt that Not for Profit Organizations (NPOs) and Non Governmental Organizations (NGOs) serve a valuable and unique role in the development of developed and developing countries. The work of NGOs of protecting the environment, advocating for the poor and marginalized, helping the sick and needy, assisting farmers, providing relief where disaster has hit, preserving arts and culture among others interventions is by nature unprofitable. Traditionally, NGOs rely on the goodwill and generosity of others to cover the costs of their activities through grants and donations. Today, unfortunately, NGOs find that such traditional funding sources are often insufficient to meet growing needs and rising costs. When the costs of NGOs core activities exceed the inflow of grants and donations, it is forced to either reduce the quantity and/or quality of its work, or to find new sources of funds to cover the difference.

Over-reliance on external donor funds has led to the inability of NGOs to sustain themselves or their projects. NGOs loyalty and accountability has been toward their external donors rather than to the local stakeholders. This further erodes credibility. Until recently, NGOs have not considered local donors as a possible source to support the activities of the sector. The NGO sector now finds itself in a dilemma: How to mobilize local resources from a society that sees the sector as well funded by external donors, having a questionable impact on society, and poor credibility and image. Among the biggest challenge the NGO sector faces in Kenya is the question of identity. As the sector

grows in size there is a need to clearly define the role of NGOs and value of NGOs to society (Waiganjo, Ng'ethe & Mugambi 2012).

The sector cannot continue on the path of total dependence on external donor funds, as this contradicts their role as facilitators of sustainable development and self reliance. Reaching out to new donors with innovative fund-raising approaches is usually the first step. There are 8,374 NGOs registered in Kenya as of August 2012 according to NGO coordination board. Many of these NGOs are facing these same challenges and there are strategies that the NGOs can adopted to counter the challenges, this study will try to establish solution that can achieve their financial sustainability and offer necessary recommendations.

1.1.1 Concept of Strategy

The top management of an organization is concerned with the selection of a course of action from among different alternatives to meet the organisational objectives. The process by which objectives are formulated and achieved is known as strategic management and strategy acts as the means to achieve the objective. Strategy is the grand design or an overall 'plan' which an organization chooses in order to move or react towards the set of objectives by using its resources. Strategies most often devote a general programme of action and an implied deployed of emphasis and resources to attain comprehensive objectives. An organisation is considered efficient and operationally effective if it is characterized by coordination between objectives and strategies. Strategy helps the organization to meet its uncertain situations with due diligence. Without a strategy, the organisation is like a ship without a rudder.

The word 'strategy' has entered in the field of management from the military services where it refers to apply the forces against an enemy to win a war. Originally, the word strategy has been derived from Greek, 'strategos' which means generalship. The word as used for the first time in around 400 BC. The word strategy has been defined differently by different people: Oxford Dictionary defines strategy as the art of war, especially the planning of movements of troops and ships etc.. into favorable positions; plan of action or policy in business or politics etc. Wikipedia defines strategy as a plan of action designed to achieve a vision. Strategy is all about gaining (or being prepared to gain) a position of advantage over adversaries or best exploiting emerging possibilities. According to Glueck, (1980) "Strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process"

After considering all the definitions, strategy can simply be put as management's plan for achieving its objectives. It basically includes determination and evaluation of alternative paths to an already established mission or objective and eventually, choice of best alternative to be adopted.

Every NGOs requires to identify alternative options that will assist the organization in achieving its set objectives. These are called strategies. This strategies will be to assist the organization achieve financial sustainability and reduce reliance on donor funds to execute its mandate.

1.1.2 Financial Sustainability

Globally many NGOs financial sustainability is uncertain. According to Alymkulova & Seipulnik (2005) one of the greatest challenges facing non-profit organizations in Central Asia, particularly Kazakhstan and Kyrgyzstan, is how to sustain and support NGO activities financially. The primary reasons why NGOs need to find different strategies for long-term survival are: decreased donor funding in general, decreased allocations for the region, donor focus on new markets and decreased amounts for the social programs. The most sustainable financing strategy is to diversify income sources. A sustainable approach to NGO financing is one that avoids dependency on any single source of revenue, external or internal.

According to BOND Networking for International development guidance notes No. 6: Every NGO should have plans for the future, but a core funding strategy is probably the most essential plan. An organization can only look ahead with confidence when the fundamental core costs are securely funded. The first priority for any NGO is to ensure that the core funds of the organisation are met on a sustainable basis (development guidance notes No. 6). This will require a subtle mix of different strategies. Some of the strategies are as identified by BOND notes No. 9 are; strategic funding, apportioning overheads into project budgets, own resources or 'self generated' income, developmental funding and cost reduction/minimisation.

In a study carried out to investigate the strategies adopted by NGOs in Kenya to increase financial sustainability a case study of Meru County. (Waiganjo et al 2012). The

following strategies were identified as the ones that have been employed to enhance financial sustainability: paradigm shift in programming, strategic financial management, strategic alliances, organizational structure and internal finance funding.

1.1.3 NGO Sector in Kenya

The NGO sector in Kenya has made enormous contributions to the development process. NGOs are in all development sectors of the economy providing basic services that include education, economic employment, environment and natural resource conservation, agriculture, health, training and credit facilities, technical co-operation, training and awareness. Kameri-Mbote (2002) reported that NGOs agenda and existence has been multifaceted and the following specific societal changes have spurred the formation, growth and development of NGOs; worldwide economic recessions, emergence of new diseases, recurrence of armed conflict, environmental degradation and climate change and dwindling job opportunities due to population explosion. Jillo & Kisinga (2009) agreed that NGOs have experienced increased economic importance in Kenya as providers of health, educational, social and environmental services. In addition Fowler (1997) agrees that NGOs have a lot of potential that had been exploited and unexploited. They are seen as better able to enable the people to produce their own development than the state.

This sector is very vibrant due to various reasons namely; Kenya is a developing country and has various developing challenges that are of interest to the international development community, the country has stable economic and political stability hence it is used as the regional headquarters for many NGOs that are operating in the region.

From the late 1980s, the country has witnessed increased proliferation of organisations carrying out non-profit work. The last three decades has witnessed unprecedented growth in number and activities of these organisations. The volume of resources controlled by the sector has also grown. During 1990s we had 1,254 registered NGOs, the number grew to 4,099 by 2005. According to the NGO coordination board strategic plan 2008 – 2012 there were approximately 5,461 NGOs (August 2008) registered and operating in various sectors of the economy and in every corner of the country. This number now stands at 8,374 as of August 2012. The number is growing by over 400 organizations per year. In 2008, it was estimated that the sector was contributing KES 80 billion annually to the Kenyan economy. Hence the sector is significant towards overall Kenyan economic development.

An NGO is a voluntary organization or grouping of individuals or organizations which is autonomous and not-for-profit sharing; operating in the voluntary sector: organized locally at the grassroots level, nationally, regionally or internationally for the purpose of enhancing the legitimate economic, social and/or cultural development or lobbying or advocating on issues of public interest or interest of a group of individuals or organizations; but shall not include Trade Unions, social clubs and entertainment sports clubs, political parties, private companies or faith propagating organizations (sessional paper no. of 2006 NGO)

NGOs in Kenya gather its membership from international, regional and national NGOs operating in Kenya and working with a host of CBOs and groups. These NGOs are active in a cross section of sectors including: agriculture, water, education, environment, health, human rights, gender and development, children's rights, poverty alleviation, peace.

population, training, counseling, small scale enterprises, disability and many others. The NGO Council provides overall leadership to the NGO sector. It champions the key values of probity, transparency, accountability, justice and good governance. It enhances the self-regulation of its members, and assists them to realize their potential in improving services that improve the socio-economical status of Kenyan society in pursuit of sustainable development.

Voluntary development initiatives in Kenya have their basis in the Harambee motto. Harambee means pulling together for mutual assistance. NGOs in Kenya draw much of their local contemporary strength from Harambee roots. Through Harambee people in a given locality would organize themselves to accomplish certain production tasks and assist members in need. Through Harambee communities mobilized themselves and their resources and contributed freely to efforts to build local schools, health clinics, water-wells, cattle dips and later, village polytechnics.

At independence Kenya faced serious floods and famine. She became an international centre of focus and an entry point for many foreign relief agencies and local voluntary organizations. Many local volunteer and civil society bodies such as the YWCA, YMCA and Maendeleo Ya Wanawake Organization expanded their activities during and after this period. By the late 1970s, Kenya had about 120 NGOs, both foreign and national, which were involved in more than relief and welfare activities. Warm relations between the government and NGOs as exemplified especially by the support granted to the latter in terms of tax exemptions, secondments of government staff to NGOs projects and general collaboration in development endeavors has seen this sector grow. Kenya over

time has become a favoured base for foreign NGOs operating in Eastern and Northern Africa. This is as a result of the relatively welcoming attitude of the government and also because of the absence of major political upheavals.

Currently there are many national, regional and international NGOs in Kenya. Some of these deal with issues such as gender, human rights, environment, advocacy and participatory development. All of them have been assisting in strengthening the civil society through informing and educating the public on various issues, such as their legal rights, entitlements to services or by helping them attune to government policies. The government of Kenya and development partners recognizes the role of NGOs as agents of development and positive change.

1.2 Research Problem

Strategy, in general, refers to how a given objective will be achieved. Consequently, strategy in general is concerned with the relationships between ends and means, between the results we seek and the resources at our disposal. Strategy and tactics are both concerned with conceiving and then carrying out courses of action intended to attain particular objectives. Together, strategy and tactics bridge the gap between ends and means. Strategy and tactics are terms that originated from the military. Their use in business and other civilian enterprises has required little adaptation as far as strategy in general is concerned. However, corporate strategy and competitive strategy do represent significant departures from the military meaning of strategy. Corporate strategy defines the markets and the businesses in which a company will operate. Competitive or business strategy defines for a given business the basis on which it will compete. Corporate

strategy is typically decided in the context of defining the company's mission and vision. that is, saying what the company does, why it exists, and what it is intended to become. Competitive strategy hinges on a company's capabilities, strengths, and weaknesses in relation to market characteristics and the corresponding capabilities, strengths, and weaknesses of its competitors. Every organisation whether private, government and even NGOs require a strategy in one time or another. In particular NGOs in Kenya, now more than ever require strategies that will assist them to achieve financial sustainability.

According to Alymkulova & Scipulnik (2005) one of the greatest challenges facing non-profit organizations in Central Asia, particularly Kazakhstan and Kyrgyzstan, is how to sustain and support NGO activities financially. In Palestine, available data suggest that funding to NGOs fell by more than 50% in the second half of the 1990s, (Abdelkarim, N. 2002). Analysis of 2005 data shows donors as the largest and the main source of NGO income. According to the NGO coordination board, revenue of about \$285 million was received in 2005, of this amount, close to 90% came from donors. Many Kenyan companies that channeled their corporate social responsibility funds through NGOs have started own foundations like; Safaricom, Equity Bank, EABL and KCB. These Foundations have also diverted funds that were once channeled to NGOs. (Rawlings, 2010). With donor funding drying quickly or diverted to other needy disaster prone areas, humanitarian organizations are deepening forays into commerce as they race to reduce reliance on dwindling inflows. (Rawlings, 2010).

The above phenomenon has seen NGOs sector across the world shift their focus on financial sustainability. Kanyinga & Mitullah, (2006) NGOs tend to rely exclusively on external sources of funding. This funding is mainly provided by the international donor community. The shifting donor priorities have seen these NGOs device survival strategies. Particularly in the Kenya context, NGOs like Kenya Red Cross Society having started Red Court Hotels and Ambulance services are example of alternative ways NGOs are adopting for survival. This study will try to establish key strategies that the NGOs in Kenya can adopt in order to increase their financial sustainability.

A number of studies have been undertaken across the world on NGO financial sustainability but not a lot has been written about Kenya. MBA project study undertaken by Rono, N. C. (2006) and Nkirote, F. (2008) on NGO financial sustainability in Kenya only identified the factors that affect financial sustainability but not the strategies that achieve financial sustainability. A study conducted on the strategies adopted by NGO in to increase financial sustainability only focused on the Meru County (Waiganjo et al, 2012). These findings cannot be considered true reflection of the NGO sector in Kenya.

The sector cannot continue on the path of overreliance on external donors, as this contradicts their role as facilitators of sustainable development and self reliance. There are many NGOs that are facing this challenge. This study tries to answer two main questions. Are there strategies that NGOs can adopt to achieve financial sustainability? If there are which strategies are they?

1.3 Research objectives

The objectives of the study were;

- i) To determine strategies adopted by NGOs to achieve financial sustainability
- ii) To establish the level of financial sustainability within the various NGOs in Kenya

1.4 Value of the study

It is important to underline that there have been few studies on financial sustainability of the NGO sector in Kenya. This sector is an important employer and provides important services to the Kenyan society and should not be ignored. The findings presented in this study will constitute an important reference point for future studies on the sector.

The policy makers and practitioners will find this data an invaluable source of information on the sector. The finding will assist the government and international development partners to not only fund organizations for short term objectives like floods, hunger, and droughts but build the capacity of funded organization to achieve financial sustainability. The government can also use the findings to develop enabling policy framework for the sector. to fully tap the potential of the sector. The strategies identified from the study can also be pursued by NGOs in Kenya to achieve financial sustainability.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Purpose of this chapter is to identify and review the writings that are related to the study of strategy and financial sustainability. This chapter lays a foundation for the analysis of finding from the study thus leading to understanding of the concept of strategy financial sustainability and the strategies that can be adopted to achieve financial sustainability. The chapter explores the NGO sector in Kenya and winds up with an attempt to understand possible strategies that can be adopted by NGOs to achieve financial sustainability.

2.2 The Concept of Strategy

Business environments have become more dynamic. It has thus become key to "sink or swim", and adapt to the needs, challenges and rigours of one's business landscape. In this sense, evolutionary strategic management is essentially Darwinist, and follows a classical Darwinian path. Organisations must develop or nurture traits that will help them survive and prosper within their given markets. If they do not, they will perish. A major facet of evolutionary strategic management is a population ecology model, in which firms in an industry are seen akin to a population of animals. Evolutionary strategy stems from an inability to track properly complex environments. If an industry has continuously changing factors, rational planning is futile. An organisation holds no choice but to "adapt or die".

Every organization has to compete for leadership and aspires to leave competition way behind in the highly competitive environment of modern day marketplace. The complex and highly interrelated series of actions and reactions which an organization undertakes are mainly aimed at making the best use of available opportunities and nullifying the lurking threats so that corporate objectives and goals are achieved to the maximum extent possible. The entire result of these actions, steps, decisions to act, react, or not to take any action at all, or be proactive before competitors can take the first mover advantage, form what is known as corporate strategy. (Ansoff, 1965). Charles Lindblom (1959) claimed that strategy is a fragmented process of serial and incremental decisions. He viewed strategy as an informal process of mutual adjustment with little apparent coordination. Strategy can either be intended or planned as explained bellow.

2.2.1 Intended Strategy

Intended strategy is nothing but a plan or an intended course of action thought to be most suitable for achieving predetermined corporate goals. Sometimes, if the situation so desires, a ploy or a maneuver, tricky, cheeky or otherwise, to surmount an immediate obstacle or to browbeat a serious competitor; is also called a strategy. The basic concept of strategy is that it is pre-planned in nature and is given a proper shape after a lot of brainstorming. Strategy also determines the basic consistency in behaviour and approach of a particular firm towards the economy in general and the market in which it operates in particular. Strategy also formalises the positioning of the firm in the market. By positioning it is meant how a firm would relate with the external environment and what would be its reaction in case of a change in the parameters of such environment. Some

authors are of the opinion that strategy is in a nutshell the basic prism through which an organisation perceives the entire world outside its own internal environment.

Management experts have also gone on to further classify strategy into content, process and context, (De Wit, B and Meyer, R, 1999). Content of a strategy is basically an exposition of the current position of the company and the desired status the management would like to attain at the end of the plan period. It is nothing but a detailed brief of where it is now and the broad steps to be taken to reach where it intends to. The context part of a strategy deals in detail with the internal and expected external environment of an organisation and in effect undertakes an extensive SWOT analysis to ensure that the organisation can reach the set targets with least effort. The process part of a strategy actually lays down the timing of different actions and clearly defines who would take part in the actions directly and who would remain in indirect support thus ensuring unity of action and streamlining of efforts to prevent efforts getting wasted by working at cross purposes or overlapping and repetitive actions. But, this analysis of strategy into various components only goes on to further emphasize the basic nature of intended strategy – it is pre-planned and depends entirely on the quality of forecasts available with the management. (McGee, John; Thomas, Howard and Wilson, David, 2005)

2.2.2 Emergent Strategy

The real life scenario is however quite different from what is envisaged by planners as new opportunities and threats continually seem to unfold every day. A company which thinks with its feet and is quick to grab the opportunities while adroitly avoiding the threats and banana peels, is the one which leads the pack. But this is possible only if

strategies keep evolving with the internal and external environment and not remain static. Strategy should be as dynamic as the real world scenario and must be adaptable to changing equations. Some authors recognised the importance of dynamism and incorporated agility in the entire system by accepting the fact that strategic corporate decisions are not taken as part of a big picture based on forecasts and predictions but are indeed taken incrementally, as it were, in tandem with changes occurring in corporate environment. Thus, these authors admitted that corporate strategy is actually a bits and pieces approach which is shaped more by external factors than what is desired by Board of Directors. (Burgelman, 1980)

Henry Mintzberg was the first expert who coined the word 'emergent' while describing the continuous evolution of corporate strategy of an organisation as it not only strived to keep pace with but also attempted to overtake the external environment to reach the pre-determined targets. The emergent strategy however, is not a brainwave of one person or a group of persons at the helm of affairs of a company. It is not a flash of individual brilliance or motivation but a learning process where the entire corporate entity absorbs facts and figures from external environment and evaluates the changes in external (and internal) environment and proceeds to formulate a proper and relevant answer in the form of a revised strategy, (Mintzberg, 1987). Thus the final policy adopted by a corporate is nothing but a judicious combination of the basic framework of pre-planned strategy and an adjustment or alteration of the main flow keeping in mind the ground realities in the marketplace. So, realised strategy is nothing but the best of both worlds where the basic corporate goals and objectives are married to market realities.

2.2.3 Mixed Strategy

The ultimate strategy adopted by an organisation is surely a mixture of intended and emergent strategies as these are not exclusive of one another. Indeed every progressive organisation actively encourages its middle and lower management to be aware of the changes that continually take place in external environment and considers the inputs provided by the middle management as a valuable learning process which is a must in an age where technology is advancing by leaps and bounds and obsolescence has become almost a daily occurrence. Though many companies are not as flexible as others but almost each one of them aware and very rarely can one spot a company which is not awake to the possibilities of causing a market coup.

But all companies or organisations need not be as aware to emergent strategies. Government departments or mining companies need to have strategic stability for proper functioning and operational consistency. Emergent strategies would not be able to deliver desired results, indeed might cause an unprecedented chaos. So, it can be concluded that while emergent strategies very often lead to unprecedented benefits to an organisation, it is the nature of the organisation and the environment in which the organisation operates which determine the final realised strategy which an organisation adopts.

NGO can sure pursue intended strategy for stability and focus in operational. But there has arisen situations in the past that has informed the need to arise to the occasion and pursue short term strategy to benefit from one off opportunity. This was evident in 2007/2008 post election violence. This incidence brought fourth very many opportunities for NGOs that grabbed the chance. Donor, governments and private companies disrupted

there long term funding to attend to this crisis and meant that there was a lot of money available for example organizations that could offer consultancy services and earn a fee.

2.3 Financial Sustainability

Financial sustainability is differs from one organisation to another but it is general construed to mean; the ability of an organisation or project to have sufficient funds to meet all its resource and financing obligations, whether these funds come from user charges or budget sources. Program brief No. 12 (2008) defines financial sustainability as a state in which an institution has a reasonable expectation of covering its costs for the foreseeable future through a combination of donor funding and locally generated income. Achieving institutional financial sustainability is a goal that all organizations strive for. Theoretically, this financial sustainability will enable organisations to cover their administrative costs and to prioritize their activities so as to accomplish their missions without undergoing interminable negotiations with donors for example who may or may not agree with their vision or with their cost percentages.

Many NGOs seek donors that will allow them to set up a trust fund or income-generating opportunities that yield a profit margin above market conditions. The ingenuity and creativity of non-profit organizations has led to the development of many innovative mechanisms. This ability to dream and to persuade others to realize these dreams is one of this sector's principal strengths. Nonetheless, the percentage of organizations that achieve financial sustainability remains very low. This is due not to a lack of creativity or commitment, but rather to the fact that many organizations continue to have a donor-dependent vision. If a trust fund is obtained, it is usually through an outside source.

Moreover, attaining a profit margin that exceeds market conditions generally requires appealing to the organization's non-profit status in order to obtain special concessions. While it is important to consider this capacity for access to capital or preferential terms as a competitive advantage enjoyed by a non-profit organization, attaining financial sustainability through a single source or mechanism is a stroke of luck.

On the threshold of the twenty-first century, faced with an increasingly competitive market, a globalized economy, and a context in which change is a constant rather than a variable, organizations must employ more sophisticated methods to attain financial sustainability. The survival of the sector depends on their ability to achieve this goal.

The corporate sector offers the most successful model to date, not to be copied, but to be adapted to many NGOs reality. The main difference between the two sectors is that the surplus generated in the corporate sector is used to create individual wealth. In the nonprofit sector, this surplus is reinvested to accomplish a mission. After all, "not-for-profit" does not mean "for losses." If the corporate sector is efficient, in theory, NGOs must be even more efficient to reach their objectives. NGOs cannot allow themselves the luxury of relying on a stroke of luck.

When donor funding declines, an organisation may work to return to financial sustainability through some combination of cost control and income generation strategies. In order to best understand financial sustainability, it is important to understand the context within which the term is defined. The concept of sustainability does not have a

single meaning and is generally associated with how anthropogenic systems impact on the environment and arises from the concept of sustainable development which sees development as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” The concept however is not limited to only environmental issues, but also includes economic and social policy issues.

One study sees the discourse on sustainability as having two streams: on one hand sustainability is understood as “an outcome that can be traced to the efficacy of organisational planning” and is rooted in the financial model of sustainability. On the other hand it is seen more “as a process rooted in an ecological model of sustainability”. Using the financial model of sustainability, it is possible to understand NGO sustainability as being affected by four interrelated factors: organizational viability, financial security, program effectiveness and enduring impact.

In other words NGO sustainability is seen as having strong governance (organizational viability), which can positively impact on the organization’s credibility and hence the ability to attract funding (financial viability), resulting program effectiveness to the long term benefit of society (enduring impact). The interplay of these factors constitutes a conceptual framework for NGO sustainability. For example the U.S. Agency for International Development (USAID)—the largest donor to family planning programs—has seen its funding for population assistance decline in real terms since 1995 (PAI 2008).

2.4 Strategies Used by NGOs to achieve Financial Sustainability

Several strategies have been advanced as best suited to achieve financial sustainability for NGOs. The BOND publication notes No. 9 identifies; strategic funding, apportioning overheads into project budgets, own resources or 'self generated' income, developmental funding and cost reduction/minimization as some of the strategies that can be pursued by NGOs to achieve financial sustainability. Waiganjo et al, (2012) identified the following strategies; paradigm shift in programming, strategic financial management, strategic alliances, organizational structure and internal finance funding. There seems to be some relationship in some of the strategies. Some of the strategies are detailed as follows: Strategic Financial management - strategic financial management affects financial sustainability of the organization. The study argues that the NGO world has attracted big brains in competition with private sector and due to increase of collaboration and networking with many companies towards achieving corporate social responsibility.

In their study they established a strong positive relationship between strategic financial management and financial sustainability of the NGO. Astute financial management aims at reducing core costs to an acceptable minimum. Advantage of securing donations in kind and volunteers are excellent ways of minimising costs, as long as these donations and the volunteers are effective in ensuring that core activities are delivered. Both are common routes of funding for emerging NGOs.

Paradigm Shift in Programming - the way NGOs have strategically aligned themselves to adhere to most donors' requirement and shift as per requirement on the policies of the

new constitution is also one of the strategies that has been pursued by some organisations. Various donors have different requirements and wish to assist as per their own assessment of the problem at the ground. With the change of the new constitution and global changes, most donors will like the funds to reach the beneficiary as fast as possible. Studies carried out by Waiganjo et al (2012) found a strong positive relationship between Paradigm Shift in Programming and financial sustainability of the NGO.

Strategic alliances - NGOs do not work in isolation. They combine their expertise and resources to achieve common goals as long as they share common objectives. Hence NGO collaboration and partnership is a key pillar to NGO financial sustainability. One NGO could have financial resources but lack the organizational capacity to deliver a certain project hence the need to partner. NGOs level of alliances has been touted as one of the strategies adopted to increase its financial sustainability. As such a number of NGOs have strategically aligned themselves in terms of partnership established, networks with government and corporate and other local institutions. This can be borrowed from the way USAID programmes are run in the country through consortiums established with a number of NGOs depending on their core capabilities and competencies.

According to a research carried out in Meru County on financial sustainability of NGOs, most respondents from the data gathered in the field established that 34% of respondents said that NGOs have partnership programmes, 20% have alliances with religious institutions, 17% have collaboration with the government, and 15% have networks with corporate and 14% have alliances with local authorities. This indicates that there is a

strong positive relationship between strategic alliance and financial sustainability of the NGO.

Organizational Structures - this is a framework, typically hierarchical, within which an organization arranges its lines of authority and communications, and allocates rights and duties. Organizational structure determines the manner and extent to which roles, power, and responsibilities are delegated, controlled, and coordinated, and how information flows between levels of management. The structure depends entirely on the organization's objectives and the strategy chosen to achieve them. In a centralized structure, the decision making power is concentrated in the top layer of the management and tight control is exercised over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions have varying degrees of autonomy. An organizational chart illustrates the organizational structure. Donor would prefer organizations that have clear organizational structure with level of independence at various levels of control. Waiganjo et al (2012) established a strong positive relationship between organization structures and financial sustainability of the NGO.

Own Resources or 'Self Generated' Income - also referred as internal financing sourcing this is the NGOs strategy for sustaining its core costs. NGOs strategically align themselves in raising of funds internally so that they can survive in case of impromptu withdrawal of a donor. This strategy helps the organization to survive even when challenges like global economic crunch affect the source of the funding. According to the studies carried out in Meru County NGOs on financial sustainability: most respondents

from the data gathered in the field indicated that 69% of the respondents said that NGOs use membership as a source of internal finance sourcing, 22% of NGOs rely on Income generating activities and 9% rely on investments. Internal Income generating avenues like endowments income, legacy income, membership income, fundraising events and trading are practiced by various organizations.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter examined the aspects of research methodology that was crucial for the study to establish the strategies that can be adopted by NGOs in Kenya to achieve financial sustainability. In this chapter we define the target population, sampling procedures, and data collections tools and analysis methodologies.

3.2 Research Design

Survey research design was used because it is not possible to study all population. Descriptive survey was used to establish the strategies adopted by development NGOs in Kenya to achieve their financial sustainability and established the levels of such financial sustainability.

Descriptions of variables in strategies adopted by development NGO to achieve financial sustainability (Waiganjo et al 2012) were evaluated to identify their causal relationships; this included the study of organisations that do not see their third birthday and those organisations that implement only one project in a given sector for a short period and withdraws. Also description of problems experienced in the NGO financial sustainability too took centre stage.

3.3 Population

The population of interest to this study consisted of all development NGO. As per the NGO Coordination the registered members were 8,374 as of August 2012, of which 845

are in development work. Random sampling was done on the 300 NGOs that have their Head Offices in Nairobi. This was the target population due to the limited time and resources to cover all of the development NGOs across the whole country.

3.4 Sampling Procedure

In the study, I sampled the 7th NGO from all the target population of 300 development NGOs whose head office is in Nairobi. This sample I believe was representative of the entire development NGOs in Kenya. This technique allowed me to collect quantitative and qualitative data, which was analyzed quantitatively using descriptive statistics and content analysis.

3.5 Data Collection

Most of the data collected was obtained primarily in the population identified. Under primary data collection, I collected data using interview and questionnaires. I will collect data that is unique to the research.

Questionnaires were used as means of collecting data. Questionnaires were sent to sampled NGOs and the respondents included Chief Executive Officers, Finance Managers, Finance Directors, Accountants, Fund Raising Managers and Program Directors. Other questionnaires were sent to donor organization to provide an overview of the intended financial sustainability.

Limited interviews were also used to gain an understanding of the underlying reasons and motivations for people's attitudes, preferences or behavior on the subject of study. Interviews were undertaken on a one-on-one to obtain clarification.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter aims at analyzing, presenting and discussing the results and findings of the study carried out to determine strategies adopted by NGOs to achieve financial sustainability. This study provides us with various sectors in which NGOs operate, the various places where they source their funding from and the various strategies that they have employed to raise this funds and those strategies that they perceive to be employed to achieve financial sustainability. After completing collecting field data, attention was turned to data analysis. A coding sheet was developed in which the data received was coded, entered and analysed using SPSS 17.0.

This being a descriptive study, descriptive statistics and content analysis has be used to analyze data collected with the intent to extract useful information and develop conclusions.

4.2 Questionnaire Return Rate

A total of 40 development NGOs were targeted having been identified through random sampling. Questionnaires were sent to all the organization and a total of 30 questionnaires were returned. Out of the 40 questionnaires distributed, 75% were completed, returned and met the requirement of the study. This was found to be adequate data for this study because a 50% response rate is adequate for analyzing and reporting survey research data.

After receiving back the filled self-administrated questionnaires, editing was done to detect errors, omissions and corrected them where possible and ensured that the

minimum data quality standards were achieved. Coding of data was done by assigning numbers to answers so as to enable them be grouped in to a limited number of categories.

Major rules used to guide establishment of the category sets were that responses were:

- i) Appropriate to research problems and purpose
- ii) Exhaustive
- iii) Mutual exclusive
- iv) Derived from one classification principle

The data received was coded, keyed in and analyzed to percentages. In this study, many of the key NGO staff were targeted were difficult to find due to their busy schedules while others outright refused to respond to our enquiries.

4.4 Organisation's Background

On establishing how old the organisation was we asked the respondent to state which year the organization was founded as we were keen to target organization which had been in existence for over 3 years. Out of the 30 organisation sampled 87% were more than 3 years old. This was necessary as the older the organization is, the better placed it is to have been able to respond to the environmental dynamics that face organizations from time to time.

We were also keen to know how long our responded has been with the organization in order to establish whether the employee understood the phases through which the

organization has undergone in its strategic planning. Out of the 30 organisation sampled 67% of the responded had worked for the organization for over 3 years.

The respondents were also asked to state the area of specialization that their organisation fall under. The result is as follows;

Table 1: NGOs area of specialization

NGO Area of Specialisation	Frequency	Percentage (%)
Educational NGO	2	7%
Financial NGO	2	7%
Environmental NGO	2	7%
Health NGO	0	0%
Agricultural NGO	0	0%
Relief NGO	0	0%
Human Rights NGO	0	0%
Multi-Sectoral NGO (a combination of two or more of the above)	24	80%
Other (Please specify)	0	0%
Total	30	100%

The study found out that 80% of the responded were working in a combination of two or more sectors with 20% specializing in only sector. On probing the respondents further they explained that the need to intervene in various sectors was for the sole reason of being diverse in their operation in order to attract more funding.

4.5 Sources of Funding for NGOs

This study sought to know and understand the various sources of funding for Non Governmental Organisation. The type of organizations, governments, individuals or activities though they generate their funding from. To get this insight the respondents were asked to choose and state the level of funding that they received from Donors.

Government, Individual Company's, Well Wishers. Membership Contributions or state any other source. The result is tabulated below:

Table 2: Sources of Funding for NGOs

Percentage of annual budget arises from?	100%		≥ 50 %		< 50 %		0%		Total Frequency	Total %
	F	%	F	%	F	%	F	%		
Donors	10	33%	16	53%	2	7%	2	7%	30	100%
Government	2	7%	0	0%	8	27%	20	67%	30	100%
Private Companies	0	0%	0	0%	6	20%	24	80%	30	100%
Well wishers	0	0%	0	0%	6	20%	24	80%	30	100%
Memberships contribution	0	0%	2	7%	4	13%	24	80%	30	100%
Others – Campaigns	0	0%	0	0%	6	20%	24	80%	30	100%
- Consultancies	0	0%	0	0%	4	13%	26	87%	30	100%
- Income generating ventures	0	0%	2	7%	8	27%	20	67%	30	100%

Key

F	Frequency
%	Percentage

Out of the 30 respondent, 33% said that they relied 100% on donor grants. 53% financed over 50% of their annual budget using donor money while only 7% of the responded funded less than 50% of their annual budget using donor money. A partial 7% of this responded never received any funding from donors. From the finding of this study 93% of the organized surveyed relied on donors funding on one way or another. Of these organizations 86% had over 50% of their annual budget funded by donor grants.

Other than mainstream methods of funding annual budget by the NGOs, online giving campaigns, undertaking consultancies in the areas of expertise and income generating

ventures like designing small handcrafts, building of hostels and apartments were mentioned as some of the sources of funds for financing annual budget.

The findings of the study indicate that Donors, Government, Membership Contribution and Income Generating Ventures are the top three biggest funders of NGO operation respectively. Of the organization surveyed 86% funded over 50% of their budget using donor money, 7% using membership contribution, 7% using government money while 7% funded their annual budget using money generated from other income ventures.

Table 3: Extent to which NGOs rely on various financing sources

Extent to which organisation rely on various sources of financing	Very Great Extent		Great Extent		Moderate Extent		Less Extent		No Extent		Total	Total
	F	%	F	%	F	%	F	%	F	%		
Donors	16	53%	8	27%	2	7%	2	7%	2	7%	30	100%
Government	2	7%	0	0%	2	7%	4	13%	22	73%	30	100%
Private Companies	0	0%	0	0%	2	7%	2	7%	26	87%	30	100%
Well wishers	0	0%	0	0%	2	7%	2	7%	26	87%	30	100%
Memberships contribution	0	0%	2	7%	2	7%	2	7%	24	80%	30	100%
Others – Campaigns	0	0%	0	0%	0	0%	2	7%	28	93%	30	100%
- Consultancies	0	0%	2	7%	2	7%	2	7%	24	80%	30	100%
- Income generating ventures	0	0%	4	13%	4	13%	2	7%	20	67%	30	100%

Key

F	Frequency
%	Percentage

The study shows that 53% of all organizations sampled believe their company depends on donor grants to a very great extent. 27% believe their company depends on donor grants to a great extent while 7% of the NGOs sampled believe that their organization depends on donor grants to a moderate extent, less extent and no extent respectively. Out of the organization sampled; 7% said they very greatly relied on the government to fund their budget, 7% greatly funded their annual budget through membership contribution and another 7% funded greatly funded their budget through money earned from consultancies. 13% of the organization sampled greatly relied on money generated from various income generating ventures.

This result proves that many NGOs very greatly depend on donor money which is not sustainable and hence they need to develop strategies that can enable them attain financial sustainability.

4.6 Overhead Management Strategies

This study also sought to gauge some of the overhead management strategies used by organizations. Among the four options presented to the respondents in the survey namely; outsourcing support services like cleaning, security, courier services, level of engagement of staff in contract, consultancy or volunteer basis, organisation's policy on printing private work, personal calls, personal browsing and sharing of office space with other organizations. 73% of the respondents used level of engagement of staff in contract, consultancy or volunteer basis to a very great extent and great extent. 67% on the other hand outsourced support services like cleaning, security, courier services to a very great extent and great extent. Sharing of office space with other organisations and

organisation's policy on printing private work, personal calls, personal browsing being least favoured among the four cost management strategies.

Table 4: Extent to which organisation rely on various overhead management strategies

Extent to which to which organisation rely on various overhead management strategies	Very Great Extent		Great Extent		Moderate Extent		Less extent		No Extent		F	%
	F	%	F	%	F	%	F	%	F	%		
Outsourcing support services like cleaning, security, courier services	6	20%	14	47%	0	0%	10	33%	0	0%	30	100%
Level of engagement of staff in contract, consultancy or volunteer basis	12	40%	10	33%	6	20%	2	7%	0	0%	30	100%
Organisation policy on printing private work, personal calls, personal browsing	0	0%	4	13%	10	33%	12	40%	4	13%	30	100%
Sharing of office space with other organizations	4	13%	8	27%	4	13%	2	7%	12	40%	30	100%

Key	
F	Frequency
%	Percentage

4.7 Strategies to Achieve Financial Sustainability

The findings of some of the perceived strategies that can be adopted by NGO to achieve financial sustainability are discussed here under. Question was posed to the respondent whether they agreed or disagreed that these strategies contributed to financial

sustainability or not. The strategies that were surveyed are; strategic financial management, NGO organizational structure, internal financing sources, NGO paradigm shift in programming and strategic alliances.

4.7.1 Strategic Financial Management

The study focused on three variables that try to address the issue of strategic financial management. This was a result of conviction that strategic financial management would affect financial sustainability of the organization. With a point to note that from the field the NGO world has attracted big brains in competition with private sector and due to increase of collaboration and networking with many companies towards achieving corporate social responsibility. From the data gathered there is a Strong positive relationship between strategic financial management and financial sustainability of the NGO.

When we asked the respondents if they agreed that strategic financial management contributed to NGO financial sustainability 93% agreed while only 7% disagreed. Most of the responded said that strategic financial sustainability demonstrated much required financial accountability, reduces high expenditure in projects, allows optimization of resources and budget allocation depending on resources, facilitates in making prudent decisions with a view to ensure that resources are properly utilized and contributes to the financial health of the organisation and also helps in winning donors good will, trust and confidence.

4.7.2 NGO Organizational Structure

There is a strong positive relationship between organization structures and financial sustainability of the NGO. 93% of the respondents agreed that NGO organisational structure contributes to financial sustainability with 7% having a contrary opinion. Majority of the respondents who agreed said that lean organizational structure reduces administration cost and donors are not keen in funding bloated organizational structures. The 7% of the respondents who had a contrary opinion observed that an organization either had the money or not and however good the organisations structure was it will still have to incur costs for which they have to raise money.

4.7.3 Internal Financing Sources

Internal financing sources measures the way the NGOs strategy for sustaining its core costs. This study intended to know how the NGOs have strategically aligned themselves in raising of funds internally so that they can survive in case of impromptu withdrawal of donor and surviving when challenges like global economic crunch affect the source of the funding. According to most respondents from the data gathered in the field 87% of the respondents said that they believed developing internal financing sources contributed to NGOs financial sustainability. Some of the internal financing sources mentioned included, membership contribution, interest earned from short term investment on idol funds and undertaking of consultancy services in their area of specialty. There is a positive relationship between internal finance funding and financial sustainability of the NGOs.

4.7.4 NGO Paradigm Shift in Programming

This was to gauge the way the NGOs program their activities. The study intended to know how the NGOs have strategically aligned themselves to adhere to most donors'

requirement and shift as per requirement on the policies of the new constitution and donor dynamics. This was important in the sense that most donors have different requirement and wish to assist as per their own assessment of the problem at the ground. With the change of the new constitution and global changes, most donors will like the funds to reach the beneficiary as fast as possible. There is a relatively strong positive relationship between paradigm shift in programming and financial sustainability of the NGO. 60% of the respondent agreed that NGOs paradigm shift in programming contributes to financial sustainability while 40% had a contrary opinion. Majority of the respondent that agreed said that the shift helps the NGO to maintain dynamism and relevance in the donor world and positions the NGO to approach multiple donors. The 40% that had a contrary opinion stated that an organization did not necessarily need to change its mandate to attract financing. They also believed that it not about the programs that you undertake but rather how to implement them.

4.7.5 Strategic Alliances

Assessing NGOs strategic alliances was to measures the NGOs level of alliances adopted to increase its financial sustainability. The study intended to know how the NGOs have strategically aligned themselves in terms of partnership established, networks with government and corporate and other local institution. According to most respondents from the data gathered in the field, 80% agree that strategic alliances contribute to NGO financial sustainability. 20% of the respondents had a contrary opinion. 50% of respondents said that NGOs have partnership programmes with international donors, 20% have alliances with religious institutions, 15% have collaboration with the government, and 10% have networks with corporate and 5% have alliances with local authorities.

There is a strong positive relationship between strategic alliance and financial sustainability.

4.8 Ranking of strategies perceived to achieve financial sustainability

We asked NGO to rank various strategies perceived to be applied to achieve financial sustainability. Of the entire respondents surveyed, 47% ranked strategic financial management as the excellent way of achieving financial sustainability. 40 stated that strategic financial management is very good and 13% ranked it good. Proper government structures scored 33% excellent as a strategy perceived to achieve financial sustainability. 13% ranked it very good, 40% good and 14% fair. Strategic alliance was also ranked fairly high, 20% regarded it as an excellent strategy that can be applied to achieve financial sustainability, 40% of the respondent ranked it very good, 20% good, 13% fair and 7% poor.

Table 5: strategies perceived to achieve financial sustainability

Ranking of some of the strategies perceived to achieve financial sustainability	Excellent		Very Good		Good		Fair		Poor		F	%
	F	%	F	%	F	%	F	%	F	%		
	Strategic Financial Management	14	47%	1	2	4	13%	0	0%	0		
Organisational structure	4	13%	1	0	1	40%	4	13%	0	0%	3	100%
Internal financial sources	4	13%	8	27%	4	13%	1	40%	2	7%	3	100%
Paradigm shift in programming	2	7%	8	27%	8	27%	8	27%	4	13%	3	100%
Strategic alliances	6	20%	1	2	6	20%	4	13%	2	7%	3	100%
Proper governance system	10	33%	4	13%	2	40%	4	13%	0	0%	3	100%
Development funding	4	13%	8	27%	6	20%	8	27%	4	13%	3	100%

Key	
F	Frequency
%	Percentage

Clearly, from this study strategic financial management was ranked highly followed by proper governance system, strategic alliances, internal financial sources, organisational structure, development funding and paradigm shift in programming in that order. This is a little different from the findings of the study carried out to investigate the strategies adopted by NGOs in Kenya to increase financial sustainability a case study of Meru County. (Waiganjo et al 2012). In this study, paradigm shift in programming was ranked highly followed by strategic financial management, then strategic alliances, organizational structure and finally internal financial resources in that order. These calls for more research on the topic to enhance on the findings established under each variable and establish consensus.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Institutional donors provide a substantial proportion of the funds that NGOs spend. They often require tightly-specified project proposals as a precondition of providing funds. This mechanism worsens the problem of projects, encouraging NGOs to claim that they can deliver more and with certainty, and to focus on upward accountability – all at the expense of the process-based approach required for genuine development. This kind competition for funds by NGOs has put pressure on them to develop strategies that can assist them achieve financial sustainability.

5.2 Summary

In order to measure the above strategies the study presented to the respondents a number of questions on the level of sources of their budget financing and level of management of overhead costs in NGOs whose headquarters is in Nairobi. According to most respondents from the data gathered in the field, 86% funded over 50% of their budget using donor money, 7% using membership contribution. 7% using government money while 7% funded their annual budget using money generated from other income ventures. Private companies and well wishers contributed insignificantly to NGOs annual budget.

Hence the conclusion that many NGOs rely on donor funding putting it as a challenge on their financial sustainability in the long run. According to most respondents from the data gathered in the field, 53% of the respondent said that NGOs rely on donor funding to a

very great extent, 27% great extent, 7% moderate extent, 7% less extent and 7% no extent.

This shows continuous shift from the traditional source of NGO funding due to the change of external environment like global crunch and development of donor fatigue especially from the western countries. On reliance on private companies as a source of income, 7% of the respondent said it's to a moderate extent, 7% to a less extent while 87% to no extent. On reliance on Government as a source of income, 7% of the respondent said it's to a very great extent, 7% to a moderate extent, 13% to a less extent and 22% to no extent. On reliance on well wishers as a source of income, 7% to a moderate extent, 7% to a less extent and 87% to no extent. 7% relied on membership contribution to a great extent, 7% to a moderate extent, 7% to a less extent and 80% to no extent. Lastly, 13% relied on income generating venture to a great extent, 13% moderate extent

This study also tried to measure financial sustainability by measuring level of overhead cost management from the NGOs. Some of the cost management strategies that were measured included level of outsourcing support services like cleaning, security, courier services, level of engagement of staff in contract, permanent basis or volunteer basis, organization policy on printing private work, calling personal calls, browsing during office hours and rate of the organization in terms of general management of overhead costs. According to most respondents from the data gathered in the field, 40% of the respondents said that many NGOs engage staff in contract, consultancy or volunteer basis to a very great extent, 33% to a great extent, 20% to moderate extent and 7% to a less

extent. Only 20% of the respondent considered adopting outsourcing of support services from other services provides to a very great extent. On the other hand 13% of the respondent considered sharing of office space as a cost management strategy to a very great extent.

5.2 Conclusion

From the study, there is evident that the work of NGOs is key towards the development on the economy, with one county having over 10,000 NGOs, this show that one key factor towards grass root development is the recognition and strengthening the work carried out by the NGOs. There seems to be greater change within the environment outside the NGO at a greater extent than change within the NGOs. This is evident by the fact that most NGOs seem to over rely on donor funding and do not seem to have developed mechanism towards financial sustainability. A number of NGOs have moved towards that direction notably Kenya Red Cross on having Key income generating activities like Red court hotel. selling some merchandises, venturing in ambulance services and they are said to be building a five star hotel. Other organination like YMCA, YWCA have for a long period run hostels, restaurants, apartments among other income generating activities.

5.3 Recommendations

On the economic growth, the NGO sector contributes immensely towards the country's economic growth. The employs a sizable number of employees and commands a magnitude amounts of billions that is used directly or indirectly in development of the

economy. As such the government needs to develop policies that enable this sector to thrive.

For community development and involvement, there needs to be more close collaboration with government and private companies especially in corporate social responsibility. This is particularly for the simple reason that NGO have close link with communities at closer level in comparison with corporate and government since this is their area of focus. The government needs to create an enabling environment through enacting favorable legislations to increase the works of NGOs especially at the community level.

There is a need to encourage local private companies on their role on corporate social responsibility in terms of channeling their activities through the NGOs. With many firms establishing foundations like KCB foundation, equity foundation, Safaricom foundation, cooperative foundation. East African Breweries foundation to name a few, we need a better collaboration with NGOs that have a primary link with the community on the ground for efficient work of these foundations. These efforts need to be collaborated through NGOs. The enactment of the new constitution requires a research to be done on the way NGO activities can be aligned with the county formation towards contribution to increasing livelihood of the populations and reduction of poverty levels.

For Kenya to achieve vision 2030, MDG goals, and other government objectives like management of natural disasters and improvement of livelihood of the Kenyan people, the policy on the work of NGOs need to be strengthened since they play a leading role

towards the achievement of the national policies. Many NGOs have a very transparent mechanism and less bureaucratic processes to implement policies of national importance in comparison with the government hence the need to strengthen their policy framework.

To attain financial sustainability, NGOs need to keenly look for ways to strategically aligning themselves towards financial sustainability. NGO needs to venture in capital investments like building hospitals, hotel industry and ambulance services. They need to radically invest some of their idol funds in market securities like shares and treasury bills. This will enhance their financial muscle and assist them in achievement of their goals.

5.4 Limitation of Study

This is study like any other study encountered a number of challenges which I believe could alter the conclusions arrived above. Time and budget constrains meant that the sample was restricted to development NGOs that have their headquarters in Nairobi. There are many other development NGOs that have their head quarter outside Nairobi that were not included in the population. Also, a survey approach was applied due to a large population with limited finances. If the whole population could be studied the conclusion arrived at could change.

5.5 Suggestions for Future Research

Based on the outcome of this research and limitation encountered in both time and resources, I wish to recommend the following areas as consideration for future research.

To form better understanding of strategies that can be adopted by NGOs to achieve financial sustainability a further quantitative study will need to be undertaken to explore the relationship between variables.

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APPENDICES

Appendix 1 – Letter of Introduction

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11th September, 2012

Dear Sir / Madam,

RE: MBA RESEARCH PROJECT

The above subject refers.

I am a student at The University of Nairobi pursuing MBA and I am currently conducting my MBA research project entitled: *"Strategies Adopted by Non Governmental Organisations to Achieve Financial Sustainability in Kenya"*

In order to undertake this research, you have been selected to form part of my study. This is therefore to request your assistance in filling in the attached questionnaire as truthfully as you can. The information required is needed purely for academic purpose and will be treated in strict confidence. Even where a name has been provided it will not under any circumstance appear in the final report.

After completing the form please save it and forward it to my email address at geffbells@yahoo.com.

Your assistance and co-operation will be highly appreciated.

Kind Regards,

Yours Sincerely,



Geoffrey Kengere Onsongo

Appendix 2: Questionnaire

PREAMBLE: Please answer all the questions to the best of your knowledge and as clearly as possible by ticking where necessary and/or filling in the spaces provided as appropriate. (Note: All the information provided will be kept confidential.)

Questions

Part One: Background of the Company

Please fill in the space provided.

1. Name of Organization: _____
2. Year of Registration: _____
3. Name of Respondent: _____
4. Position Held in the organisation: _____
5. How long have you been with the organisation?
 - 3 years and below
 - 3 - 5 years
 - 5 - 7 years
 - Over 7 years
6. Which area of specialization does your organization fall under? (Please tick the box which best applies)
 - Educational NGO
 - Financial NGO
 - Environmental NGO
 - Health NGO
 - Welfare NGO
 - Relief NGO
 - Human Rights NGO
 - Multi-Sectoral NGO (a combination of two or more of the above)
 - Other (Please specify)

Part Two: Sources of NGO Funding

7. What percentage of your annual budget arise from? (Please tick the box that best applies)

- i) Donors
- ii) Government
- iii) Private Companies
- iv) Well wishers
- v) Memberships contribution
- vi) Others (Please specify)

8. To what extent does your organisation rely on the following sources of financing? (Please tick the box that best applies)

- i) Donors
- ii) Government
- iii) Private Companies
- iv) Well wishers
- v) Memberships contribution
- vi) Others (Please specify)

	Very Great Extent	Great Extent	Moderate Extent
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. To what extent does your organisation rely on the following overhead management strategies? (Please tick the box that best applies)

- i) Outsourcing support services like cleaning, security, courier services
- ii) Level of engagement of staff in contract, consultancy or volunteer basis
- iii) Organisation policy on printing private work, personal calls, personal browsing
- iv) Sharing of office space with other organizations

	Very Great Extent	Great Extent	Moderate Extent
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part Three: Strategies to Achieve Financial Sustainability

10. Can you list the strategies adopted by your company to achieve financial sustainability

i) _____

11. Among the ones listed above, please list those that have been most successful in your organization

i) _____

12. Do you agree that strategic financial management contributes to NGO financial sustainability? (Please tick the box that best applies)

Agree

Disagree

If you agree, how does it contribute?

If you disagree, why not?

13. Do you agree that NGO organisational structure contributes to financial sustainability? (Please tick the box that best applies)

Agree

Disagree

If you agree, how does it contribute?

If disagree, why not?

14. Do you agree that internal financing sources contribute to NGO financial sustainability? (Please tick the box that best applies)

Agree

Disagree

If you agree, list internal strategies applied by your organisation to generate extra income apart from grants?

i) _____

If disagree, why not?

15. Do you agree that NGO paradigm shift in programming contributes to financial sustainability? (Please tick the box that best applies)

Agree

Disagree

If you agree, how does it contribute?

If you disagree, why not?

16. Do you agree that strategic alliances contribute to NGO financial sustainability? (Please tick the box that best applies)

Agree

Disagree

If you agree, list organisations with whom you are strategically aligned to or partnered with?

i) _____

If you disagree, why not?

17. Some of the strategies that have been touted as the best to be pursued by NGOs to achieve financial sustainability are listed below. How do they rank in regard to how you perceive them as best placed to achieve financial sustainability for your organisation? (Please tick the box that best applies to each.)

- i) Strategic Financial Management
- ii) Organisational structure
- iii) Internal financial sources
- iv) Paradigm shift in programming
- v) Strategic alliances
- vi) Proper governance system
- vii) Development funding

Excellent

Very Good

Good

Appendix 3: Sampled Development NGO targeted for the study

1. Kenya Gatsby Trust
2. Financial Sector Deepening Kenya
3. ADEO
4. British Council
5. HIVOS
6. Kenya Markets
7. CLOUT
8. CEISP
9. KEFAT
10. ACT Change Transform
11. Carolina for Kibera
12. Decentralized Financial Deepening
13. Wild Wide Fund
14. East Africa Grain Council
15. Children International – Kenya
16. AFREC
17. Kenya Community Development Foundation
18. MEPST Trust
19. Pact Kenya
20. Maji Na Ufanisi
21. Opportunity Kenya
22. NOPE
23. TBPT
24. Land Alliance
25. Diakoine
26. Adeso
27. YWCA
28. YMCA
29. AGRA – ACEF
30. IPAK
31. AWF
32. Grameen Foundation
33. Undugu Society of Kenya
34. Fintrack
35. Kenya land Conservation Trust
36. KDA
37. Farm Input Promotions Africa
38. Hone Care Africa
39. Water Services and Trust Fund
40. Farm Africa