

**FACTORS INFLUENCING THE FORMATION AND OPERATION
OF NON GOVERNMENTAL ORGANISATIONS IN KENYA**

By
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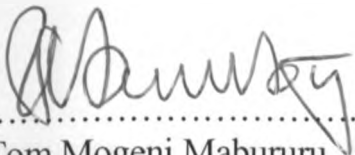
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A management research project submitted in partial fulfilment of the requirements for the award of Master in Business Administration (MBA) degree, Faculty of Commerce, University of Nairobi

November 2003

DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

Signed  Date 6/11/03

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This research project has been submitted for examination with my approval as University Supervisor

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DEDICATION

To my wife, Sabina

&

my children, Bridgid and Sandra

For their patience and understanding during the long period of this research

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ACKNOWLEDGEMENT

My appreciation goes to several people whose support enabled me to complete this project as well as the MBA degree course.

First, I acknowledge Mr Jackson Maalu for his guidance and meaningful insights which enabled me to complete this study. I also acknowledge Prof. Isaac Mbeche for his advice and encouragement during the course of this study which I highly valued.

My appreciation also goes to my wife for her patience and encouragement during the long period of my study. Lastly, I also acknowledge the support and solidarity of my friends which saw me through this project.

ABSTRACT

The objective of this study was to explore the factors influencing the formation and operation of NGOs in Kenya. It focused on those NGOs with their headquarters in Nairobi.

The number of NGOs operating in Kenya continued to increase during the 1980s and 1990s. Likewise, the role NGOs are playing in development has also continued to increase during the same period. At the same time, donors have shifted their funding channels with funding to NGOs increasing while that of state has been declining.

The government has taken several measures to co-ordinate the NGOs activities culminating in the passing of the NGO Co-ordination Act in 1991. Under this Act, new NGOs are required to seek formal registration from the NGO Co-ordination Bureau before they are allowed to start operations. NGOs are also required to present their project initiatives to the District Development Committees. The aim of this requirement is to ensure that projects implemented by NGOs are in line with and complement government development plans. Further NGOs are required to make annual returns to the NGO Co-ordination Bureau indicating their funding levels and sources of funds among other things. This means that government recognises NGOs as part of its development partners. There is evidence of collaboration between government and NGOs especially during policy formulation and implementation of projects. For instance, NGOs were recognised as key players during the development of the Poverty Reduction Strategy Paper. It is against this background that this

study set out to establish the factors influencing the formation and operation of NGOs in Kenya.

472 NGOs are based in Nairobi. This constituted the population of the study. A random sample of 70 NGOs was selected from this population. The chief executive officers of these NGOs were requested to fill a questionnaire designed for this study. 40 NGOs filled the questionnaire. This represented 57% response rate.

The study found out that for new organisations to successfully enter the NGO sector they need to build their credibility, gain the trust of donors, develop positive relations with target communities and develop links through which services can reach beneficiaries, among other factors. These factors act as entry barriers.

Competition among NGOs was rated as moderate by 59% of the NGOs. Analysis of the level of competition against the sectors in which the NGOs operate, the number of districts in which they operate and the type of ownership of the NGO revealed similar results. For instance, competition was rated as moderate by 89% of NGOs operating in less than 5 districts, 83% by NGOs providing relief and welfare services, and 75% of NGOs that are wholly foreign owned. The moderate level of competition provides impetus for the formation of new NGOs and enhances successful operation of the existing ones. With regard to the nature of competition prevalent in the sector, 22 NGOs (64%) indicated that they compete for donor funds while 22 NGOs (64%) indicated that they compete in provision of better services to target communities. This shows that for an NGO to successfully operate

within this sector, it needs to secure a reliable funding base and provide better services to target communities.

Co-operation among NGOs is another key for successful operation. All NGOs indicated that they have co-operated with others in the past and that their objectives for co-operation were achieved. 48% of the NGOs indicated that they co-operate in doing advocacy, 89% of the NGOs co-operate in joint implementation of projects while 77% co-operate in sharing of information. With regard to factors influencing the selection of NGOs that that one co-operates with, 51% of the NGOs indicated that they consider rated similarity of vision, mission while 66 % of the NGOs consider the reputation of the organisation as the most important factors. Whereas the level of competition is rated moderate, co-operation is seen as the most preferred mode of operation among NGOs.

The study also established that the NGO-Government relations are healthy. 91% of the NGOs indicated that they have a positive relationship with government. 83% of the NGOs indicated that the government provides support required that they require although this support was rated inadequate by 57% of the NGOs.

Donor influence on NGO operations seems to be average. 45% of the NGOs indicated that the most profound influence of donors is felt on the choice of projects. With regard to the influence of target communities on operations of NGOs, 62% of the NGOs indicated that communities have a high influence on their choice of projects, 40% indicated that communities have a high influence on their timing of projects while 45% indicated that communities influence on the implementation of projects is high.

The study also focused on the perception of Chief Executive Officers (CEOs) of NGOs on the current and future state of sector. 49% of the CEOs agreed that the number of NGOs is likely to continue increasing in the next five years. 64% agreed that the increase of the number of NGOs in Kenya has made competition for donor funds intense. 92% of the CEOs agreed that donors mainly fund those NGOs that they trust. 74% indicated that NGOs are now involved in making development policies while 82% agreed that NGOs are now under more pressure to show how their projects benefit target communities. However, 46% disagreed that it has now become easier for new NGOs to obtain registration.

Finally, respondents identified the various challenges that NGOs face in their operations. 10 NGOs identified sustainability of operations, 17 NGOs identified fundraising and 7 identified donor fatigue. Other challenges that NGOs have to contend with include high turn over of skilled staff, maintaining of professionalism and poor infrastructure. NGOs need to focus their strategies in overcoming these challenges so as to successfully operate within the sector.

Overall, the study found out that entry of new NGOs into the NGO sector in Kenya is bound to continue. This is because the main entry barriers are achievable and the level of competition in the sector is largely moderate. NGOs identified the main drivers of competition to be securing of donor funds and provision of better services to target communities. Co-operation is also a preferred mode of operation among NGOs and most of the co-operation ventures are successful. The influence of donors on NGOs is seen to be

reducing while that of target communities is increasing. Therefore, NGOs may be becoming more responsive to the need of the communities they serve. The government-NGO relations are largely positive but the quality of support the government gives NGOs is inadequate. The NGO CEOs perceive the NGO sector as undergoing various changes. For instance, competition for donor funds is likely to become more intense, pressure on NGOs to show impact of their interventions and number of NGOs is also likely to continue increasing. The main challenges facing the NGOs in the sector include sustainability of their operations, fundraising and donor fatigue. This shows that competition for donor funds is likely to play a key role in determining successful operation of NGO in Kenya in the future.

CHAPTER I: INTRODUCTON

1.1 Background

Organisations are environment dependent. They acquire inputs from the environment, which they process into outputs which they then release into the same environment. These outputs are in the form of goods and services which meet specific needs in the organisation's environment (Pearce and Robinson, 1997 and Johnson and Scholes, 1999). Therefore, it is important that organisations maintain an effective relationship with their environment in order to acquire inputs from and deliver products to the environment efficiently.

Grant (1998) observes that the environment within which an organisation operates consists of all external influences that impact on its performance. Organisations should monitor and analyse these external influences so as to formulate effective strategies. However, given the vast number and range of these influences, managers may not successfully monitor and analyse all the environmental conditions in a way which can contribute to strategic decision making. Therefore, it is important that they select only those factors that impact more on their organisations for monitoring and analysis.

All the external influences do not impact on the organisation homogeneously. Some of the influences have greater impact than others. Johnson and Scholes (1999); Grant (1998) and Hax and Majluf (1996) have defined a three-step framework for analysing the impact of external influences on an organisation. The first step involves an initial view of the nature of the organisation's environment in terms of how uncertain it is. This helps in deciding the focus that environmental analysis should take. This is followed by an audit of environmental

influences. The aim of the audit is to identify the macro environmental influences likely to affect an organisation's performance considering the social, economic, political and technological influences. The third step involves analysis of the immediate environment of the organisation. This is the competitive arena in which an organisation operates; it involves the analysis of key forces operating in the immediate or competitive environment of an organisation, which constitute an organisation's industry. Porter (1980) observes that the external forces operating at this level have stronger influence in determining the competitive rules as well as the strategies potentially available to the firm. Therefore, these forces are paramount in the development of effective strategies.

Hax and Majluf (1996) and Thompson (1997) define industry as a group of firms producing products that are close substitutes for each other. This definition looks at industry from the customer's point of view. This means that organisations operating in the same industry compete for market share. This, in part, determines the organisations' profitability in the long run.

Ng'ethe (1991) defines not-for profit organisations as those organisations that do not provide goods and services in exchange for profit. These organisations range from community based organisations, religious organisations, universities, hospitals and non-governmental organisations among others and they have varied missions. Therefore they cannot be treated homogeneously. Non-Governmental Organisations (NGOs) are categorised under not-for-profit organisations.

1.2 NGO sector

Moyo (2000) defines non-Governmental Organisations (NGOs) as organisations that receive funds from donors to implement projects and do not make profit or pay dividends. This definition excludes other not-for-profit organisations such as religious organisations, hospitals, and schools among others. In terms of characteristics, NGOs have some form of membership, elected leaders, several full time staff, some sort of hierarchy, budget and an office (Poter, 1996). However, these are general features and do not necessarily apply to all NGOs.

The number of NGOs world-wide has been growing rapidly in recent years. At the international level, the number has risen from just over 1000 in the late 1950's to 29000 in the early 1990s. The number of NGOs with consultative status with the United Nations Economic and Social Council (ECOSOC) has increased from about 200 in 1950 to almost 1000 in the early 1990s and 1500 by 1995 (Thomas & Allen, 2000).

In Kenya, The numbers of NGOs have grown steadily since the 1970s. By late 1970s, there were about 120 NGOs in the country registered with the Kenya National Council of Social Services, the department that was responsible for registration of voluntary development organizations at the time. By 1988, the number had grown to about 288 NGO. Estimates for the early 1990s stood at about 400 NGOs (Fowler, 1995; Kanyinga, 1995). The NGO Co-ordination Board directory of 1996 has a total of 672 registered NGOs. However, it is difficult to ascertain the number of NGOs registered in Kenya because the NGO Co-Ordination Bureau has published an updated directory since 1996.

Several factors account for this high growth NGOs. First is the introduction of the Structural Adjustment Programmes (SAPs) by the World Bank. The central feature of SAPs was the encouragement of market liberalisation. The size and efficiency of the public sector was seen as the main cause of lack of growth in developing countries, Kenya included. The World Bank's concern therefore was to institute policy changes that involved reduction of the role of the state in development. The alternative was to promote the activities of NGOs and the private sector to fill the gaps resulting from government withdrawal (Kanyinga, 1993)

The other factor accounting for the increase in the number of NGOs is donors demand for better accountability from states in the South including Kenya. This has resulted in a much more favourable attitude to NGOs. Donors prefer NGOs for many types of service provisions citing their efficiency, quick returns, effectiveness and grassroots linkages (Kanyinga, 1995). Nge'the (1991) further observes that NGOs are perceived as having practical experience in mitigating local development problems, utilising cost-effective and flexible methods of development operations and understanding and incorporating local institutions and values. Therefore, the changes in donors policies in favour of NGOs derive from the disillusionment with past disbursements through the state and the surge to neo-liberal influence in the North leading to increase of funds for both foreign and local NGOs and the growth of new ones.

The precise figure on NGO resources in Kenya are difficult to obtain because of inadequate records and generally unsystematised knowledge of NGO activities. Lekyo (1989) estimated that the NGOs contribute between US\$150 million and US\$200 million annually. Fowler

(1989b) shows that budgetary figures for about 100 NGOs operating in Kenya were close to US\$72 million or above US\$228 million for the entire 400 NGOs operating in the country, assuming the same size and activity. From the returns made by NGOs to the NGO coordinating bureau, the volume of NGO financial contributions is estimated at about Kshs250 billion for the period 1990 and 2000.

It is therefore apparent that the increase in numbers is in tandem with the expansion of the role NGOs are playing in development. Moyo (2000) observes that NGOs are now a ubiquitous feature of the development interventions in Africa. They have become essential players in the socio-economic and political development of many countries throughout the world. This situation is a result of the weakening role played by the state in development because of the massive deficits, privatisation policies and restructuring programmes being implemented across Africa and other continents. Subsequently, NGOs have found themselves acquiring new roles and claiming considerable space in the development arena. This has created a new dimension on the State-NGO relations. The main issue driving these relations is: "who leads development?" (Sandberg, 1994).

Fowler (2000) adds that most of the NGOs rely on donor funding. This has raised concerns about the sustainability of these organisations as institutions. Reliance on donor funding exposes them to the effects of changing donor policies. It means that if the changes in donor policies do not match the NGOs mission, then either the NGO changes its mission or seeks new donors with favourable policies. This challenge has pushed NGOs to seek alternative ways of sustaining themselves. Some NGOs have turned to resource generating strategies

while others have turned to ways of subsidising their services. Thus, the reference to commercialisation of NGOs.

1.3 The Five Forces Model

Porter (1980) developed the five forces model which is commonly used in industry analysis. This model identifies forces determining competitiveness and attractiveness of an industry. (Grant, 1998; Johnson and Scholes, 1999) have proposed that the model, though developed with for-profit organisations in mind, is applicable across most organisations including NGOs. The five forces constituting this model include the threat of entry of new organisations into the industry, the bargaining power of buyers, the bargaining power of suppliers, threat of substitute products and competitive rivalry among existing organisations.

The threat of entry of new organisations into an industry largely depends on the barriers hindering new organisations from entering the industry. An entry barrier is any phenomenon that prevents new organisations from entering the industry and serving the market in an economical way (Oster, 1995). Barriers to entry differ from industry to industry. What is important is to establish the barriers existing in an industry and the extent to which they are likely to prevent entry of new organisations.

Oster (1995) proposes that the typical entry barriers within the not-for-profit industry include reputation of the organisation, access to distribution channels, scale of economies, government regulations and presence of specific assets. Therefore, for a new organisation to enter the not-for-profit industry, it should have the ability to achieve these factors.

The bargaining power of buyers and suppliers also affects organisations operating in an industry. All organisations obtain resources from the environment through the suppliers and deliver their products to the same environment through buyers. This is the supply chain, value chain or value system (Johnson and Scholes, 1999). The relationship of buyers and suppliers can have similar effects in constraining the strategic freedom of an organisation.

Fowler (2000) observes that in the NGO sector, buyers and suppliers are looked at differently. The donors act as buyers by funding the purchase or production of goods and services provided by NGOs. The beneficiaries of the services are different from the buyers (donors). These are the communities which receive the goods and services provided by the NGOs. Therefore, donors are on the supply side while the beneficiaries or users of goods and services produced by NGOs are on the demand side.

Readily available substitutes for goods and services produced by organisations in an industry reduce the organisations' ability to attract customers in the case of for-profit organisations. In the NGO sector, the concept of substitute products cannot be applied the same way as it is applied in the for-profit sector. Oster (1995) observes that this concept is closely linked to the competition among NGOs and those with more innovative ways of serving the communities will be preferred than those whose services are not perceived by the community to be meeting their needs. Therefore, though Porter (1980) identified this as a major force in determining competitiveness, in the NGO industry this force will be combined with that of competition among NGOs.

Organisations operating in the same industry need to be concerned with the extent of rivalry or competition among them. This rivalry or competition is driven by the organisations' desire to increase their market share and profitability. The intensity of competition determines the industry's attractiveness. Therefore, industry attractiveness decreases with the rise in number of competitors while diversity among competitors on the other hand increases market attractiveness.

Hax and Majlut (1996) observe that the five forces model represents industries as battlefields with conflicting and clashing forces. The mere selection of wording is quite revealing. However, competitive advantage may not always be achieved through competition. It is possible that collaboration between organisations may be a more sensible route to achieving advantage. Oster (1995) described this concept of collaboration as co-operation. He argues that NGOs are known to co-operate among themselves to achieve important missions.

Nalebuff and Brandenburger (1966), focusing mainly on the for-profit industries, observe that "business is co-operation when it comes to creating a pie and competition when it comes to dividing it up". In other words, business is war and peace simultaneously. You have to compete and co-operate at the same time". This notion is equally applicable to NGOs.

1.4 Statement of the problem

There has been widespread recognition that the NGO sector has rapidly expanded over the years globally. In Kenya, this rapid increase has also been witnessed during the 1980s and 1990s. It is estimated that there were 291 NGOs in Kenya in 1987 and this increased to 672 in 1996. It is claimed that Kenya has perhaps the largest number of NGOs within the East and Southern African region (Ng'ethe 1991).

NGOs are receiving much credit and gaining greater status in development work while public sector activities continue to be heavily criticised for having contributed to the current economic problems. NGOs are seen as a better alternative channel that would ensure that development aid to developing countries reaches the poorest of the poor. This has resulted in donor agencies channelling more development funds through the NGOs while funds channelled through the state have continued to diminish. A situation has emerged where NGOs control considerable amount of resources that make them a key actor in the development arena. Consequently, the state has instituted several measures in order to regain its place as the key actor in development or control the resources in the hands of the NGOs.

One of the government measures include the passing of the NGO Co-ordination Act by Parliament in 1991. Under this Act, an NGO Bureau was established to register and regulate the activities of all NGOs. NGOs are required to make annual returns to the bureau including their funding levels and activities. In addition, to ensure NGOs programmes fit into the overall government development objectives, District Development Committees are required to approve all NGO development projects.

The rapid proliferation of NGOs as credible alternative development actors, coupled with the weakening of the State through massive fiscal deficits, privatisation and restructuring programmes, has created a new dimension to relations among the government, aid agencies and NGOs. The relations between State-NGO relations should therefore be viewed against this background. Another factor that shapes this relationship is the increasing involvement of NGOs in the promotion of democracy and democratisation, human rights and good governance processes. In Kenya, the NGOs involvement in these processes is viewed by the government as being engaged in political activities. Nevertheless, positive State-NGO relations are important if NGOs are to realise their objectives.

NGOs have over the years relied heavily on funding from donor agencies to carry out their activities. This has made them vulnerable to the extent that their activities become more donor driven instead of responding to the real development needs. In addition, the sustainability of the NGOs as institutions may not be achieved as donors change their policies from time to time. As a result, NGOs are now beginning to develop different resource mobilisation strategies in order to ensure their sustainability as institutions. Some of the strategies include establishment of income generating activities. Overall, this has led to what has been referred to as commercialisation of NGOs or the creation of profit-making non-profits organisations (Fowler 2000).

The NGO industry in Kenya has expanded rapidly over the recent years and it is important that the factors underlying this expansion and operations of the NGOs are explored. It is also important to find out how the features outlined above affect the operations of the NGOs. By

analysing these factors, this study seeks to answer the question: what factors influence the formation and operation of NGOs in Kenya?

1.5 Objectives of the study

The objectives of this study were:

- i) To establish the factors influencing the formation and operation of the Kenyan NGOs.
- ii) To establish what NGO operatives perceive as the key features of the Kenyan NGO industry.

1.6 Significance of the study

The managers of NGOs will use the findings of this study to develop effective strategies for their organisations. The study will also contribute to the understanding of the implications of various public policies on the operations of NGOs and in turn enable policy makers develop effective policies. The study will also assist donors to develop a better understanding of the environment within which they are providing funding to NGOs. This will enable them formulate better strategies and funding policies. The study will also assist researchers in the area of NGO management to understand the nature of the environment within which NGOs in Kenya operate.

1.7 Scope of the Study

This study focused on the factors influencing the formation and operation of NGOs in Kenya. This study used some aspects of the five forces model to examine these factors. In addition, other aspects, outside this model were also included in this study. This is because

the five forces model would not adequately address the factors explaining the formation and operation of NGOs in Kenya. Some of the forces in this model; such as the power of buyers, suppliers and threat of substitute products, do not directly relate to the NGO industry.

Therefore, the study focused on the following aspects:

- i) Threat of entry of new NGOs into the industry
- ii) Competition and co-operation among existing NGOs
- iii) The influence of donors
- iv) The influence of target communities
- v) The relations between NGOs and the state

1.8 Overview of the proposed project report

This report is divided into five chapters. Chapter 1 contains the introduction focusing on the background of the NGO sector and the statement of the problem. Chapter 2 presents the review of relevant literature on industry analysis and publications on the NGO sector. Chapter 3 focuses on how the study was designed and carried out, how data was collected and analysed. Chapter 4 presents data analysis and the findings of the study. Chapter 5 discusses the summary, conclusions, and limitations of the study and recommendations for further study. The appendix includes the references, questionnaire and the letter to respondents.

CHAPTER II: LITERATURE REVIEW

2.1 Introduction

Porter (1980) and Hax and Majluf (1996) define an industry as a group of firms offering products or services that are close substitutes of one another. These products have a high close elasticity of demand. Industry and competitive analysis is a process that attempts to capture the structural factors that define the long-term profitability prospects of an industry.

Oster (1995) suggest that the analysis of not-for-profit industry should focus on what constitutes salient characteristics that determine success or failure of the not-for-profit organisations. This analysis helps form a picture of the industry in which the not-for-profit organisations operate. The factors to be looked at in the analysis of the not-for-profit industry comprise entry barriers for new organisations, relations among existing organisations and the influence of the use group (target communities) and funding group (donors).

2.2 Organisational growth

Daft (1986) defines organisations as social entities that are goal-directed, have deliberately structured activity systems with identifiable boundaries. As a social entity, an organisation is composed of people who make up the social building blocks of the organisation. An organisation should be goal-directed. It exists for a purpose and people within an organisation try to achieve this purpose. Deliberately structured activities involve the use of knowledge to perform work activities. An organisation's tasks are deliberately sub-divided into separate departments and sets of activities. The boundaries of an organisation should be distinct. The elements that are in and outside of the organisation should be visible.

Organisations exchange resources with the environment but must maintain itself as an entity from the environment. Therefore, as observed by Johnson and Scholes (1999), the organisation should develop an effective relationship with its environment for it to be successful in achieving its goals.

Robey (1991) looks at organisations as open systems. An organisation interact with the environment to survive, it both consumes resources and exports resources to the environment. Therefore, it must continuously change and adapt to the environment. In relating with the environment, Daft (1986) points out that “ an organisations has to find and obtain needed resources, interpret and act on environmental changes, dispose of outputs and control and co-ordinate internal activities in the face of environmental disturbances and uncertainties.”

Robey (1991) that organisations have a life cycle; they are born, grow, mature, degenerate and die or rejuvenate. At birth, organisations are small, young firms trying to establish themselves. At growth stage, organisations increase in size; they become larger and departmentalised with formal structures. It is during these two stages that organisations strive to overcome the entry barriers to their industry. At maturity stage, organisations are stable, efficient firms using more bureaucratic structures but less innovative. After this, organisations move into the decline stage where they stagnate, their market share declines and their products no longer match customer's needs.

NGOs, like all organisations exhibit the features described above. They need to define their relationship with the environment effectively for them to achieve their objectives. At birth

stage, they contend with entry barriers and during the other stages, the need to develop capability to deliver their services effectively and efficiently.

2.3 Entry barriers

Porter (1980) defines entry barriers as factors that prevent new organisations from entering an industry and serving the market in an economically viable way. In the NGO sector, Oster (1995) observes that key entry barriers comprise of the reputation of the NGO, access to the distribution channel, economies of scale, government regulations and the presence of specific assets. New organisations entering the NGO sector need to achieve or overcome the entry barriers in order to be successful.

2.4 Relations among existing organisations

The nature of relations between and among organisations in the same industry to a large extent determines the success of their operations. Organisations within the same industry can compete or co-operate with each other. Porter (1980) observes that competition is driven by the desire to increase the organisation's market share and profitability.

Johnson and Scholes (1999) indicates that the level of competition is determined by a number of factors. Firstly, competition is likely to be intensive in industries where competitors are in a balance. This means that competitors are roughly of equal size and each organisation strives to gain dominance over others. Conversely, there is low competition in industries with a clear dominant organisation. Secondly, market growth rates also determines the level of competition. Conditions in markets differ from growth stage, maturity stage and declining stage. In each of these stages, organisational competitive behaviour is different. For instance, organisations can achieve an increase in their own

market share through growth in the market during the growth stage whereas market maturity stage is achieved through taking market share from competitors. During this stage, the level of competition is likely to be high.

Pierce and Robinson (1991) & Hunger and Wheelen (1996) argue that industries have unique drivers of change. The strongest of these drivers of competition determines the profitability of an industry and so is of greatest importance to strategy formulation. Each industry has an underlying structure or characteristics that give rise to competitive forces.

Oster (1995) observes that in analysing competition in the not-for-profit industry, some of the factors to be considered include the number of organisations in the industry and the diversity among the competitors. Competition for donors, clients, and staff is reduced in markets with few rivals. Such markets provide more co-ordination opportunities than do denser markets. Diversity allows organisations to specialise in particular niches and also avoid head-to-head competition.

Johnson and Scholes (1999) observe that advantages may not always be achieved through competing. It is possible that collaboration between organisations may be a more sensible route to achieving advantage; that organisations may seek to compete in some markets and collaborate in others simultaneously. Collaboration is likely to be advantageous when combined costs of buying and transactions are less through collaboration than the external cost that could be incurred by operating alone. For instance collaboration allows organisations to concentrate on its own core competencies and avoid peripheral, wasteful activities.

Oster (1995) and Moyo (2001) also confirm that the concept of collaboration, which they refer to as co-operation, is also prevalent among NGOs. NGOs band together in joint ventures to produce in ways that would benefit all but from which no single organisation could capture those benefits. Many not-for-profit organisations manage for a mission that transcends the boundaries of their organisations. Therefore, they co-operate with others in achieving this mission for the common good.

Barnard (1992) observes that NGOs co-operate at various levels. These include exchange of information, policy lobbying, public education, co-management of projects, project development and division of project execution responsibilities. Co-operation enables the organisations to avoid duplication of projects in certain areas while other areas are starved of development assistance. In addition, access to resources is expanded and capacity to outreach is increased.

2.5 Donors and target communities

Hossain and Myllyla (1998) observe that the NGO sector has witnessed changing funding trends, strategies and policies by donors and international NGOs. This has seen a shift to direct provision of financial assistance by official donors to NGOs in countries other than their own. Fowler (2000) supports this observation by asserting that the rapid growth of NGOs in the developing countries has been fed by and resulted in a heavy dependence on foreign aid.

Given this dependency on funding from international financial sources many observers including NGOs, donors and government are concerned over the sustainability of the NGO funding base. Typically the critical concern is the degree of dependency on donors, which has evolved over the years among NGOs. Therefore, most NGOs find themselves in a situation where they have to compete for donor funds (Moyo, 2000).

Fowler (2000) and Oster (1995) argue that in the NGO sector, donors are on the supply side. Donors provide funds for services that NGO provide to their target communities. Thus unlike the for-profit industries where the buyer is the consumer of the good and services provided, in the NGO sector, the donor acting as the buyer is not the consumer of the goods and services provided. The communities are on the demand side of the NGO's services. However, given that communities are not, in most cases, buying these services, it is difficult to measure their satisfaction with the services provided. Sometimes a gap may exist between the expectations of the donor (being on the buyer side) and communities (being on the consumer side). The balance of expectations across the divide influences successful operations of the NGO.

2.6 Government – NGO relations

The government – NGO relations can be looked at against the backdrop of the changes that have taken in the role that NGOs play in development. Salamon (1999) in a study of non-profit organisations in 22 countries selected from Western, Eastern and Central Europe and Latin America observes that non-profit organisations are a major economic force and significant contributor to economic and social life. Ng'ethe (1991) observes that the role of NGOs in development grew tremendously during the 1980's, a fact that reflected by two

factors. First, the number of NGOs operating increased from relatively few charity relief oriented organisations in 1960's to about 20,000 NGOs in the developed countries channelling financial and human resources to some 10,000 to 20,000 NGOs in the developing countries. Second, there has been an increasing amount of resources transferred from developed to developing countries passing through NGOs. Owing to this, the NGO sector has been referred to as the new "growth sector".

The NGO sector in Kenya has also witnessed a considerable proliferation of NGOs. There were 125 registered NGOs in 1974 (Ng'ether, 1991), 291 in 1987 (Fowler, 1993) and 673 in 1996 (NGO Co-ordination Board Directory). Salamon (1999) attributes this growth in numbers partly to the growing doubt of the state to cope with the social, welfare, developmental and environmental problems facing nations today on its own.

The role NGOs are playing in providing welfare, relief and development services has also grown in tandem with the increase in their numbers. This is reflected in the survey done by Nge'the et.al (1990) which traces the emergence of NGOs as key actors in the development arena from 1963 through to 1990. The Government first recognised NGOs as key actors in development in the sessional paper No.1 of 1986. In the 1989-1993 National Development plan, the government explicitly recognised NGOs' effort in the development process by calling them "partners in development". Subsequently, various Government ministries started working with NGOs in service delivery. For example in 1989, the Ministry of Health co-opted NGOs as a player in development. For instance, in the local medical committees, 2 out of the 6 members were drawn from NGOs. For instance, NGOs contribute 40% of Kenya's total health requirements and 40% to 50% of total family planning services. The

Ministry of Planning also estimated that 30% to 40% of Kenya's development lay out was provided by NGOs in 1980s.

Fox, (2000) carried out a study on the relations between the Kenyan Government and NGOs. The study indicates that the major factors defining the relationship between the Government and NGOS are political, legal/policy and regulatory factors and participation in the basic functions of development i.e. making and implementation of development decisions. This study observes that relationships between the Government and NGOS was characterised by conflict and hostility in first half of 1990s but this hostility was reduced towards the end of 1990s. Fox (2000) attributes this to the change in the flow of funds from donors to the government. International donors significantly reduced funding to the government of Kenya but increased funding to the NGOs. These changes in roles of government and NGOs lay seeds of conflict and tension that came to mark the 1990's.

2.7 NGOs' strategic management practices

Several studies have been undertaken focusing on strategic management practices prevalent in the NGO sector. Kiliko (2001) in a study investigating strategic planning within NGOs in Kenya with emphasis on factors influencing strategy formulation observed that most NGOs are adopting strategic planning as a way of ensuring their sustainability. This study found out that the external environment within which NGOs operate in Kenya is constantly changing. Therefore, NGO managers should learn to become managers of change. This would require formal strategic planing with constant monitoring, and redefining objectives.

Bwibo (2001) carried out a survey of strategic change management practices within NGOs in Kenya. The study focuses on how NGOs formulate and implement strategic change. This study found out that most NGOs see the need for strategic change and prepare formal explicit long-term plans. This study underscores that an effective strategy enables the NGO to respond to changes in the environment effectively.

Ndiao (2001) carried out a survey of the factors influencing strategic choices in NGOs offering in the relief and development services in Kenya. This study found out that leadership of an organisation plays a primary role in the selection of strategy. Leadership is seen as an interface between the organisation and its external environment. Analysis of the external environment found out that the donor community is interested in the choice taken by NGOs because they provide a substantial outlay of funds required by NGOs. Other factors influencing the NGO's strategic choice include the target communities and other NGOs. Therefore it is important that NGO leadership understands the factors influencing the operation of their organisations so as to formulate effective strategies.

All these studies underline the importance of clear understanding and analysis of the external environment within which NGOs operate for formulation of effective strategy. The factors influencing successful operation of NGOs are key factors within the NGO environment which should be considered in strategy formulation. They constitute the task environment of the NGOs.

CHAPTER III: RESEARCH DESIGN

3.1 Introduction

The primary aim of this study was to determine the factors influencing the formation and operation of NGOs in Kenya. This study used exploratory survey to study the influence of the factors underlying the five identified in the conceptual framework section on the formation and operation of Kenyan NGOs.

3.2 Population and Sampling Frame

The population for this study comprised of all the NGOs registered and having their headquarters in Nairobi. This is because Nairobi is the social, economic and political centre of Kenya and majority of these NGOs have their headquarters there (NGO Co-ordination Board Directory, 1996). The factors being studied may not vary substantially by region across the country.

The 470 NGOs with headquarters in Nairobi will constitute the population of this study. The NGO Co-ordination Board directory provide details of these NGOs' names, registration number, postal and physical address, telephone numbers, contact persons, sector(s) and area of operation. Two point criteria was used to determine the sampling units: the organisation has its headquarters or registered offices located in Nairobi; and the organisation has clear physical and postal addresses including telephone numbers. The physical and postal addresses were also required to enable the research visit the organisations given that the study adopted the "drop and pick later" data collection methodology.

3.3 Sampling

The random sampling method was used to select organisations that comprised the study sample. This method gives equal chance for all the NGOs comprising the sampling frame to be selected. The 470 NGOs identified above were assigned numbers. These numbers were arranged to form a table of random numbers. 70 numbers were then picked at random. This constituted about 15% of the sampling population. This is a fairly big sample that will represent the characteristics of the NGOs based in Nairobi and allow for generations of findings for the not-for-profit industry in Kenya.

3.4 Data collection

The “drop and pick later” method was adopted for this study. This method was appropriate for this study because it enabled the respondents to dedicate enough time convenient to themselves to fill the questionnaire. The questionnaire was also structured in such a way the respondents could fill it without the assistance of the interviewer. The researcher dropped a letter of introduction (Appendix 1) and a questionnaire (Appendix 2) to each respondent. The Chief Executive Officer of each sampled organisation was contacted and requested to fill the questionnaire. The Chief Executive Officers were targeted as respondents because they deal with environmental issues affecting their organisations more frequently. The researcher then picked the filled/completed questionnaire at an agreed time.

The questionnaire (Appendix 2) was constructed based on what constitutes key variables of the five forces identified in section 1.7. This questionnaire was pre-tested on a few NGOs that were not included in the study sample. The questionnaire was then revised where

appropriate based on the pre-test results. The revised and final questionnaire were then used to collect the primary data for this study.

3.5 Data analysis

The completed questionnaires were edited for completeness, consistency and coherence. The data was initially tabulated and put into various categories. Some of the categories included ownership of the NGO, type of sectors the NGO is operating and number of districts the NGO is covering.

The data collected was further tabulated and classified into sub-categories based on the five factors being explored. This aided the analysis of the responses of the NGOs to different factors. This involved computation of frequency distribution, percentages and cross tabulations of these responses.

CHAPTER IV: FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the results of data collected in frequencies, percentages, cross tabulations and chi-square analysis. 70 NGOs, with their main offices in Nairobi, were randomly sampled for this study from a population of 470 NGOs. Questionnaires were distributed to the 70 NGOs. Of the seventy, 13 NGOs partially filled the questionnaires while 17 NGOs did not fill the questionnaires. Some of these NGOs claimed that their Chief Executive Officers were not available to fill the questionnaire. 40 questionnaires were received and used for data analysis. This represents a response rate of 57% which was considered adequate for statistical analysis. The data collected is analysed and presented under the headings: profile of the NGOs, factors influencing formation of NGOs, factors influencing the operations of NGOs and perceptions of the NGO CEOs on the factors influencing formation and operation of NGOs.

4.2 Profile of NGOs

The profile of the NGOs from which data was collected under this study is categorised on the basis of ownership of the NGO, sectors in which the NGO operates and the number of districts in which the NGO operates. The description of the above categories is considered important because it would indicate variations of the influence of various factors affecting formation and operation of NGOs across the categories outlined above.

Table 1: Profile of NGOs by ownership

Ownership of NGO	Frequency	Percentage
Wholly local	21	52.5%
Wholly foreign	13	32.5%
Both local and foreign	6	15.0%

Source: Research data

The table above indicates that more than half of the NGOs sampled (52.5%) are locally owned while 32.5% are foreign owned. This is consistent with the findings of Kanyinga (1990) which indicated that foreign owned NGOs tend to be half the number of the locally owned NGOs. Only 15% of the sampled NGOs were both locally and foreign owned.

Respondents were also asked to indicate the number of districts in which they operated. Analysis of the responses shows that 16 organisations operate in over 15 districts while 15 NGOs operate in between 5-15 districts while 9 out of the 40 NGOs sampled operate in less than 5 districts. The number of districts an NGO operates is partly indicative of the size of the organisation. The table below summarises this analysis.

Table 2: Profile of NGOs by number of districts

Number of districts	Frequency	Percentage
Less than 5 districts	9	22.5%
5-15 districts	15	37.5%
More than 15 districts	16	40.0%

Source: Research data

Respondents were also asked to indicate the sectors in which their NGO operates. The analysis of the responses indicates that 24 NGOs in the sample offer social-economic development services while 6 NGOs offer relief and welfare services. The table below presents the analysis of these responses.

Table 3: Profile of NGOs by sector

Sector	Frequency	Percentage
Human Rights and good governance	10	27%
Relief and welfare	6	16%
Social and economic development	24	68%
Institutional development	12	35%

Source: Research data

4.3 Formation of new NGOs

Respondents were asked to rate the importance of a range of factors in determining the formation of a new NGO. The table below shows the analysis of these responses.

Table 4: Factors determining successful formation of NGOs

	Factor	Level of importance		
		Less important	Important	Most important
A	Building of the NGO's credibility	0%	21%	79%
B	Developing links through which services can reach beneficiaries	0%	31%	69%
C	Gaining registration from the NGO Co-ordination Bureau	10%	44%	46%
D	Employing staff with required skills	0%	42%	58%
E	Developing positive relations with the government	3%	69%	28%
F	Developing positive relations with other NGOs	0%	69%	31%
G	Developing positive relations with target communities	0%	8%	92%
H	Gaining trust of donors	10%	19%	81%

Source: Research data

This analysis indicates that NGOs consider all the factors above to be generally important in determining successful formation of new NGOs. However, four factors are rated as most important by a high number of NGOs in the sample. These include developing of positive relations with target communities (92%), gaining of donor trust (81%), building of the NGO's credibility (79%) and developing links through which services can reach beneficiaries (69%). This finding agrees with the Oster's (1995) observation that typical entry barriers within the not-for-profit industry include development of good reputation, access to distribution channel among others. Therefore, the four factors identified above can also be considered as those constituting barriers for new NGOs entering the sector. That is new NGOs should strive to achieve these factors, among others, to make a successful entry

into the sector. However, it should also be recognised that the other factors are also generally important in determining successful formation of NGOs and should therefore be given considerable attention.

Respondents were also required to rate how difficulty or easy it is to achieve the above factors. The analysis of the responses provided is presented in the table below.

Table 5: Level of difficulty in achieving the factors determining successful formation of NGOs

	Factor	Level of difficulty		
		Easy	Manageable	Difficult
A	Building of the NGO's credibility	13%	72%	15%
B	Developing links through which services can reach beneficiaries	13%	87%	0%
C	Gaining registration from the NGO Co-ordination Bureau	21%	64%	15%
D	Employing staff with required skills	34%	64%	2%
E	Developing positive relations with the government	15%	82%	3%
F	Developing positive relations with other NGOs	26%	74%	0%
G	Developing positive relations with target communities	28%	72%	0%
H	Gaining trust of donors	18%	62%	20%

Source: Research data

With regard to achievement of the factors considered as important in determining successful formation of NGOs, most respondents rated them as manageable. Less than 20 % of the NGOs rated these factors as difficult to achieve. A review of the four factors identified as the most important in determining successful formation of NGOs indicates that most NGOs rated these factors as manageable. Tabulation of each of these factors shows that the percentage of NGOs rating them as manageable is as follows: developing of positive relations with target communities, 72%, gaining trust of donors, 62%, building the NGO's

credibility, 72% and developing of links through which services can reach the beneficiaries, 87%. The fact that most of these factors are manageable means that the barriers hindering entry of new NGOs into sector may be described as moderate. This shows that new NGOs can achieve these factors with considerable effort.

4.4 Operations of NGOs in Kenya

This study focused on various factors influencing successful operations of NGOs in Kenya. The questions were clustered around the themes of competition in the NGO sector, co-operation among NGOs, influence of donors' policies and communities on NGOs and NGO-government relations. The analysis of the responses to these questions is presented in this section.

4.4.1 Competition among NGOs

Respondents were asked to rate the level of competition with other NGOs. 59% of the NGOs rated competition as moderate, 36% of the NGOs rated competition as strong while only 5% rated competition as fierce. Generally, this analysis shows that competition in the NGO sector in Kenya tends to be moderate although a considerable percentage of NGOs rated competition as being strong. Few NGOs felt that competition is fierce.

Analysis of the competition in the NGO sector based on the type of ownership of the NGOs reveals a similar trend. The table below presents this analysis.

Table 6: The state of competition against the type of NGO ownership

Ownership of NGO	Number of NGOs	State of competition		
		Moderate	Strong	Fierce
Wholly local	21	48%	9%	43%
Wholly foreign	12	75%	8%	17%
Both local and foreign	6	67%	0%	33%

*Pearson's Chi-Square is .529

Source: Research data

This analysis shows that 48% of the locally owned NGOs rated competition as moderate while 43% rated competition as fierce. Few locally owned NGOs (9%) rated competition as strong. 75% of the foreign owned NGOs rated competition as moderate while 17% rated competition as fierce. With regard to the both locally and foreign owned NGOs, 67% rated competition as moderate and 33% rated competition as fierce.

Table 7: The state of competition against the number of districts in which an NGO operates

Number of districts in which the NGO operates	Number of NGOs	State of competition		
		Moderate	Strong	Fierce
Less than 5 districts	9	89%	11%	0%
Between 6-15 districts	14	57%	14%	29%
Over 16 districts	16	44%	0%	56%

*Pearson chi-square is 0.044

Source: Research data

The above table summarises the analysis of the state of competition among NGOs in respect to the number of districts in which an NGO operates. The analysis shows that most NGOs rated competition as moderate. However there are some variations in the ratings for strong and fierce state of competition. 11% of the NGOs operating in less than five districts rated competition as strong while none felt that competition is fierce. 14% of the NGOs operating in between 6 and 15 districts rated competition as strong while 29% felt that competition is

fierce. 56% of NGOs operating in over 16 districts indicate that competition as fierce while 44% rated competition as moderate and none felt that competition is strong.

Table 8: The state of competition against the sectors in which an NGO operates

Sector in which the NGO is operating	Number of NGOs	State of competition			Pearson Ch-Square
		Moderate	Strong	Fierce	
Human rights and good governance	10	30%	10%	60%	.086
Welfare and relief	6	83%	0%	17%	.373
Socio-economic development	24	63%	4%	33%	.424
Institutional development	12	58%	8%	34%	1.00

Source: Research data

With regard to the sector in which an NGO operates, the above analysis shows that most NGOs in welfare and relief sector (83%), socio-economic development sector (63%) and institutional development (58%) rated competition as moderate. In the human rights and good governance sector, 60% rated competition as fierce.

The competition among NGOs is one of the factors determining successful operation of NGOs and the attractiveness of the sector to new NGOs (Oster, 1995). The fact that most NGOs rated competition as moderate indicates that most NGOs can successfully operate within the sector. It also makes the sector attractive thus providing an impetus for formation of new NGOs.

Respondents were further asked to indicate what NGOs compete for. The analysis of the responses shows that 22 NGOs indicated that they competed for donor funds and provision of better services to target communities. 10 NGOs indicated that they competed for project concepts/ideas while a small number, 9 NGOs, competes for acceptance by target

communities and 6 NGOs indicate that they compete for human resources. The table below summarises this analysis.

Table 9: Factors driving competition among NGOs

	Number of times mentioned	Percentage
Donor funds	22	64%
Project ideas/concepts	10	29%
Provision of better services to target communities	22	64%
Human resources	6	18%
Acceptance by target communities	9	23%
Total	69	

Source: Research data

This analysis agrees with the observation by Moyo (2000) and Fowler (2000) that NGOs in the developing countries source most of their funds from donors. However, they need to show the results of their interventions at community level in order to continue receiving donor funds. Therefore, donor funds and provision of better services to target communities are perceived as the most important drivers of competition.

Respondents were asked to indicate the most important methods they employ in competing with other NGOs. Respondents cited a variety of methods which are summarised below.

Table 10: Methods used by NGOs in competing among themselves

Method of competition	Number of time mentioned	Percentage
Professionalism	10	26%
Maintaining good relations with local counterparts	2	5%
Diversifying funding bases	4	10%
Retaining client loyalty	2	5%
Networking - developing linkages with other NGOs	7	18%
Focusing on a market niche	2	5%
Proper and timely implementation of projects	7	18%
Focusing of projects with greater impact on beneficiaries	5	13%
Offering better services	4	10%
Specialisation on technical expertise	1	3%
Recruiting quality and competent staff	5	13%
Developing credibility of the organisation	3	8%
Generating good project proposals	2	5%
Marketing the organisation	3	8%
Improving financial accountability	4	10%
Total	61	

Source: Research data

The table above indicates the methods used by NGOs in competing among themselves. Those methods widely used include professionalism in providing services (26%), recruiting of qualified and competent staff (13%), improving financial accountability (10%), developing linkages with other NGOs (18%), proper and timely implementation of projects (18%), offering better services (10%) and focusing on projects that have greater impact on beneficiaries (13%). Comparing these factors with the drivers of competition in this sector, it can be seen that the methods used by NGOs in competing with others point to those factors that build internal capacity and credibility to enable the NGO access donor funding and provide better services to target communities. NGOs also identified these two factors as those that they compete for most.

4.4.2 Co-operation among NGOs

Respondents were asked to indicate whether they have co-operated with other NGOs in the past, the reasons for the co-operation and whether their objectives for co-operation were achieved. All NGOs interviewed indicated that they have co-operated with other NGOs in the past and their objectives for co-operating were achieved. This shows that co-operation is preferred by most NGOs.

The analysis of the forms of co-operation among NGOs show that 71% of the NGOs co-operate in advocating for common issues, 89% co-operate in joint implementation of projects and 77% of the NGOs co-operate in sharing of information. As observed by Oster (1995), this may be explained partly by the fact an individual NGO may not have the capacity to respond to the needs of their target communities satisfactorily. However, few NGOs indicated that they co-operate in fundraising (48%) and sharing of resources (46%). The table below summarises the forms of co-operation among NGOs.

Table 11: Forms of cooperation among NGOs

	Number of times mentioned	Percentage
Fundraising	17	48%
Advocacy	25	71%
Joint implementation of projects	31	89%
Sharing information	27	77%
Sharing resources	16	46%
Total	116	

Source: Research data

Respondents were further asked to rate the importance of a set of factors in determining the selection of NGOs that one co-operates with. 51% of the NGOs rated similarity of vision and mission as most important and 66% consider the reputation of the organisation as most

important in choosing the NGOs to co-operate with. Similarity of values is considered as most important by 46% of the NGOs while outcomes of past co-operation with the organisation is considered as most important by 41% of the NGOs. Whereas most NGOs rated similarity of vision and mission and reputation of the organisation as most important factors determining selection of the NGO to co-operate with, it should be noted that it is a combination of these factors that determine selection of co-operating partners and not each factor in isolation. Below is a summary of the rating of these factors.

Table 12: Factors determining selection of NGOs to co-operate with

Factor	Level of importance		
	Less important	Important	Most important
Similarity of vision and mission	3%	46%	51%
Similarity of values	8%	46%	46%
Outcomes of past co-operation with the organisation	5%	54%	41%
Reputation of the organisation	3%	31%	66%

Source: Research data

Respondents were also asked whether they have faced problems in co-operating with other NGOs. 56% of the NGOs respondent positively. The nature of the problems these NGOs have faced in co-operating with other NGOs include conflict of interest, low commitment, lack of professionalism, lack of trust, clash of personalities, and different funding cycles for similar projects among co-operating NGOs.

However, it should be noted that 44% of the NGOS indicated that they have not faced problems in co-operating with other NGOs. This situation reveals that co-operation among NGOs is an important factor determining successful operation of NGOs in Kenya and

NGOs have applied it widely and successfully in the past. The table below summarises the problems faced by NGOs in co-operating with others.

Table 13: Problems NGOs face in co-operating with other NGOs

Problem	Number of Times Mentioned	Proportion
Conflict of interest	16	73%
Lack of professionalism	3	14%
Low commitment to the purpose for co-operation	7	32%
Lack of resources	5	23%
Misuse of funds	1	4%
Slow implementation of projects	2	9%
Lack of trust	1	4%
Different funding cycles for projects	1	4%
Clash of personalities	1	4%
Total	37	

Source: Research data

4.4.3 NGO – Government relations

Respondents were asked whether they implement projects that require collaboration with the government. 71% of the NGOs indicated that they implement projects that require support from the government. 83% of these NGOs responded that the government provides the support required. However 57% of these NGOs indicated that the support given by the government was fairly inadequate while 17% felt the support was adequate and 15% rated government support as inadequate.

Therefore, this analysis shows that although the government provides the support the NGOs require this support is in most cases inadequate. The table below indicates the type of government support commonly required by NGOs.

Table 14: Government support required by NGOs

Support required	Number of times mentioned	Proportion
Co-operation in implementation of projects	4	14%
Security/protection	5	17%
Registration	6	21%
Physical infrastructure	4	14%
Technical assistance	5	17%
Provision of essential services	2	6%
Policy formulation	1	3%
Providing information	1	3%
Community mobilisation	2	6%
Total	30	

Source: Research data

The analysis of the government support required by NGOs shows that 14% of the NGOs require government co-operation in the implementation of their projects, 17% of the NGOs require security from the government, 21% indicated that they require registration from the government, 14% require physical infrastructure and 17% require technical assistance. This analysis shows that most NGOs require the government to provide an enabling environment to implement their projects.

Respondents were also asked to indicate whether their relation with the government is positive or negative. Notwithstanding that most NGOs rate the government support as inadequate, 91% of the NGOs indicated that their relations with the government is positive. NGOs cited various reasons that demonstrate the nature of this positive relationship with the government. Some of the NGOs explained that they are able to achieve their project objectives through the support of the government, the government also approves their projects, it allows the NGOs to access government data for their own use and provides them

security. Those that indicated a negative relationship with government (9%) indicated that the government disrupts their activities.

This analysis shows that relations between most NGOs and government are positive. This reflects the findings of Fox (2001) in the study examining the dynamics that characterise the relationships between the state and the NGOs in the greater horn of Africa. Fox indicates that government –NGO relations in the first half of the 1990s were characterised by hostile, war-like tension and ill will. However, the situation started softening towards the end of the 1990s with indications of incremental improvement of relations being evident.

4.4.4 Influence of donor policies on NGO operations

Respondents were asked to rate the level of effect of donor policies on various aspects of their organisation. The focus was on the effect of donor policies on the internal operations of the NGO and on the way NGOs implement their projects. The influence of donor policies on NGOs in Kenya can be considered as average with most NGOs rating this influence to be low. As shown in the table below, 85% of the NGOs rated influence of donor policies on the NGOs' mission as low. Other factors rated low by a majority of NGOs include selection of target communities (58%), selection of geographical areas (59%) and internal policies of NGOs (52%). Donor influence seems to be more profound into two areas: the timing of projects rated high by 40% of the NGOs and the choice of projects which was rated as medium by 45% of the NGOs and as high by 25% of the NGOs.

Table 15: Influence of donor policies on NGO operations

Factor	Level of importance		
	Low	Medium	High
Choice of projects	30%	45%	25%
Timing of projects	18%	42%	40%
Modification of your organisation's mission	85%	5%	10%
Selection of target communities/groups	58%	32%	10%
Selection of targeted geographical areas	59%	31%	10%
Internal policies of your NGO	52%	28%	20%

Source: Research data

Respondents were further asked to indicate how they respond to the influence of donor policies. Most NGOs indicated that they respond to the influence of donor policies by improving the implementation of projects (74%) and improving financial accountability (62%).

Table 16: NGOs response to the influence of donor policies

Response to influence of donor policies	Number of times mentioned	Proportion
Lobbying	14	40%
Collaboration with other NGOs	17	48%
Improving financial accountability	22	62%
Improving implementation of projects	26	74%
Total	79	

Source: Research data

4.4.5 Influence of target communities on NGO operations

Respondents were asked to rate the level of influence of target communities on various operational aspects of NGOs. Most NGOs indicated that the level of influence can be considered as medium or high. Comparatively, communities seem to have a higher influence on NGOs operations than donors. On specific operations aspects, the communities' influence is highest on the choice of projects which was rated high by 62% of the NGOs. 40% of NGOs put the level of influence of communities on the timing of

projects at both medium and high. 45% of the NGOs also rated communities' influence on implementation of projects as high. However, most NGOs (41%) put communities' influence on their mission at low and medium. The table below summarises this analysis.

Table 17: Influence of target communities on NGO operations

Factor	Level of importance		
	Low	Medium	High
Choice of projects	10%	28%	62%
Timing of projects	20%	40%	40%
Modification of your organisation's mission	41%	41%	18%
Implementation of projects	8%	48%	45%
Evaluation of projects	20%	45%	35%

Source: Research data

4.4.6 CEO's perception of the NGO sector in Kenya

Respondents were also asked to rate the extent to which they agree or disagree with various statements regarding the NGO sector in Kenya. This revealed their perceptions about the current and future trends in the sector. Most CEOs (64%) perceive competition for donor funds as becoming intense. This shows that although the state of competition in the sector is moderate, competition for donor funds is taking an upward trend. Donors' influence on identification of projects is minimal as most CEOs (41% disagree with the statement that NGOs implement those projects favoured by donor policies and not those favoured by communities. There was overwhelming agreement (92% of the CEOs) with the statement that donors only fund those NGOs that they trust. This shows that building credibility of key for successful operation of NGOs. This is consistent with the perception of most CEOs (72%) that it is easy for NGOs that are more than 3 years old to be funded by donors. It shows that it takes time to build credibility.

With regard to the influence of target communities on NGOs operations, 82% of the CEOs agreed that NGOs are now under pressure to show how their projects have benefited the target communities. This is consistent with the finding that one of the major drivers of competition is provision of better services to target communities. Although NGOs recognise communities as important, some of them do not involve the communities adequately in project identification. 36% of the CEOs agreed that beneficiaries are not involved in project identification while 44% of the CEOs neither agreed nor disagreed and 20% disagreed with this statement.

The study also sought the CEOs' perceptions on formation of new NGOs. 54% CEOs disagreed with the statement that it is now more difficult for new NGOs to be formed. This again points to the continued increase of the number of new NGOs being formed in Kenya. 49% of the CEOs are of the view that this trend is likely to continue for the next 5 years. However, gaining registration seems to be an impediment to new NGOs. 46% of the CEOs disagreed with the statement that it is now easier for new NGOs to obtain registration.

Further 74% of the CEOs agree with the view that NGOs are now more involved in making national development policies than in the past. This is consistent with the finding that most NGOs see their relations with government as positive and this makes it possible for them to participate in making development policies.

The table below summarises the analysis of the CEOs perceptions on various aspects of the NGO sector.

Table 18: Perceptions of CEOs on the NGO sector

Statement	Agree	Neither agree nor disagree	Disagree
The increase of the number of NGOs in Kenya has made competition for donor funds intense	64%	26%	10%
NGOs implement projects favoured by donor policies and not necessarily required by communities	23%	36%	41%
It is easy for more than 3 years old NGOs to be funded by donors than new NGOs	72%	15%	13%
It has now become more difficult for new NGOs to be formed	28%	18%	54%
In most projects, beneficiaries are not involved in project identification and design	36%	44%	20%
The government is in most cases hostile to NGOs	43%	39%	18%
Most donors only fund those NGOs that they trust	92%	0%	8%
NGOs are now more involved in making national development policies than in the past	74%	23%	3%
NGOs are now under pressure to show how their projects have benefited the intended beneficiaries than in the past	82%	13%	5%
It is now easier for new NGOs to obtain registration	8%	46%	46%
The number of NGOs operating in Kenya is likely to continue increasing in the next five years	49%	21%	30%

Source: Research data

4.4.7 Challenges facing NGOs in Kenya

Respondents were also asked to list what they consider to be the main challenges facing their organisations. A variety of responses were given. These are tabulated in the table below.

Table 19: Challenges facing NGOs in Kenya

Challenge	Number of times mentioned	Proportion
Maintaining professionalism	5	13%
Financial accountability	3	7%
Sustainability of operations	10	25%
Fund raising	19	48%
Competition from other NGOs	5	13%
Infrastructure	5	13%
Poverty among target communities	3	7%
Donor fatigue	7	17%
Increasing pressure from beneficiaries	2	5%
Political interference	2	5%
High turn over of skilled staff	5	13%
Limited resources	2	5%
Unpredictable future	2	5%
Total	70	

Source: Research data

The table shows that fundraising (48%), sustainability of operations (10%) and donor fatigue (7%) are ranked highest as the main challenges facing NGOs. These factors are all related; due to donor fatigue in funding projects, fundraising becomes a major problem for NGOs. Problems with fundraising in turn make it difficult for NGOs to sustain their operations. Other challenges include maintaining professionalism (5%), Competition from other NGOs (5%) and infrastructure (5%).

CHAPTER V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study and conclusions. It also presents the limitations of the study and suggests related areas for further study.

The objective of this study was to establish the factors influencing the formation and operation of NGOs in Kenya. To achieve this objective, respondents, who were chief executive officer of NGOs based in Nairobi, were asked to fill a questionnaire designed for the study. The questionnaire focused on the various factors and issues related to the NGO sector. 40 questionnaires were collected and analysed using frequencies, cross tabulations and Pearson's chi-square analysis. The analysis is presented in the previous chapter.

5.2 Summary

This study found out that new NGOs need to build their credibility, gain the trust of donors, develop positive relations with target communities and develop links through which services can reach beneficiaries in order to successfully enter the NGO sector. With regard to how easy or difficult its is to achieve these factors, the following percentage of NGOs indicated that these factors are manageable: building of credibility, 72%, developing of positive relations with target communities, 72%, gaining of donor trust, 62% and developing links through which services can reach beneficiaries, 87%. This shows that it entry barriers hindering formation of NGOs can be described as moderate; neither too high nor too low. Indeed this tallies with the percentages of NGO CEOs' perceptions about the sector. 54% of the CEOs disagreed with the statement that "it has become more difficult for new NGOs to

be formed” and just about half of the CEOs (49%) agreed that “the number of NGOs is set to continue increasing for the next five years”.

Analysis of the factors influencing operations of NGOs focused on competition and co-operation among NGOs, the state-NGO relations, and the influence of donors and communities on NGOs. Competition among NGOs was rated as moderate by 59% of the NGOs. Analysis of the level of competition against the sectors in which the NGOs operate, the number of districts in which they operate and the type of ownership of the NGO reveal similar results. For instance, competition was rated as moderate by 89% of NGOs operating in less than 5 districts, 83% by NGOs providing relief and welfare services, and 75% of NGOs that are wholly foreign owned. This shows that there is impetus for new NGOs to be formed and that there are high chances of successful operation of those NGOs that are in operation. With regard to the nature of competition prevalent in the sector, 22 NGOs (64%) were found to compete for donor funds and 22 NGOs (64%) indicated that they compete in provision of better services to target communities. This shows that for an NGO to successfully operate within this sector, it needs to secure funding from donors and to provide better services to target communities. Small number of NGOs indicated that they compete for project concepts (10 NGOs), human resources (6 NGOs) and acceptance by target groups (9 NGOs).

Co-operation among NGOs is another key for successful operation. All NGOs indicated that they have co-operated with others in the past and that their objectives for co-operation were achieved. With regard to the forms of co-operation with others NGOs, 48% of the NGOs indicated that they co-operate in doing advocacy, 89% of the NGOs co-operate in joint

implementation of projects while 77% co-operate in sharing of information. In selecting NGOs that one co-operates with, 51% of the NGOs rated similarity of vision, mission and 66 % of the NGOs rated reputation of the organisation as the most important factors to be they consider. Whereas the level of competition is rated moderate, co-operation is seen as the most preferred mode of operation among NGOs.

The research also found out that the NGO-Government relations are healthy. 91% of the NGOs indicated that they have a positive relationship with government. 83% of the NGOs indicated that the government provides support required that they require although this was rated inadequate by 57% of the NGOs.

Donor influence on NGO operations seems to be average. 45% of the NGOs indicated that most profound influence of donors is on the choice of projects. However, the influence of communities on NGO operations is more pronounced especially on the choice of projects, timing of projects and implementation of projects. These were rated as factors where communities have a high influence on NGOs. As observed by Hossain & Myllyla (1998), the low to medium influence of donor policies on NGO operations can be explained by the fact that most donors have endeavoured to harmonise their priorities with those of the recipient countries as well as the deliberate steps most donors have taken to develop ownership of project among partners such as NGOs. Given this trend, more NGOs are now becoming responsive to the needs of the communities.

The study also focused on the NGO CEOs' perception on the current and future state of sector. The main features of the CEOs' perception are as follows. 49% of the CEOs agreed

that the number of NGOs is likely to continue increasing in the next five years. 64% agreed that the increase of the number of NGOs in Kenya has made competition for donor funds intense. 92% of the CEOs agreed that donors mainly fund those NGOs that they trust. 74% indicated that NGOs are now involved in making development policies while 82% agreed that NGOs are now under more pressure to show how their projects benefit target communities. However, 46% disagreed that it has now become easier for new NGOs to obtain registration.

Finally, respondents identified the various challenges that NGOs face in their operations. 10 NGOs identified sustainability of operations, 17 NGOs identified fundraising and 7 identified donor fatigue. Other challenges that NGOs have to contend with include high turn over of skilled staff, maintaining of professionalism and poor infrastructure. NGOs need to focus their strategies in overcoming these challenges so as to successfully operate within the sector.

5.3 Conclusions

The study found out that entry of new NGOs into the NGO sector in Kenya is bound to continue. This is because the main entry barriers are achievable and the level of competition in the sector is largely moderate.

NGOs identified the main drivers of competition to be securing of donor funds and provision of better services to target communities. However, given that competition is moderate, most NGOs are able to successfully operate within the sector. Co-operation is

also a preferred mode of operation among NGOs and most of the co-operation ventures are successful.

The influence of donors on NGOs is seen to be reducing while that of target communities is increasing. Therefore, NGOs are now becoming more responsive to the need of the communities they serve.

The government-NGO relations are largely positive but the quality of support the government gives NGOs is inadequate. The NGO CEOs perceive the NGO sector as undergoing various changes. For instance, competition for donor funds is likely to become more intense, pressure on NGOs to show impact of their interventions and number of NGOs is also likely to continue increasing. Overall, the main challenges facing the NGOs in the sector include sustainability of their operations, fundraising and donor fatigue. This shows that competition for donor funds is likely to play a key role in determining successful operation of NGO in Kenya in the future.

5.4 Limitations of the study

This study was constrained by various factors. First, the research was constrained by lack of time and resources to persistently visit the NGOs and request CEOs to fill the questionnaire. It was difficult to have chief executive officer (CEOs) of the NGOs to fill the questionnaire. Although the study was a survey targeting several NGOs, some CEOs refused to fill the questionnaire outright. Some CEOs had very busy schedules and thus delayed filling of the questionnaire for several weeks. However, the 40 questionnaires filled were representative of the NGOs based in Nairobi. Therefore the value of this study was not compromised.

5.5 Suggestions for further research

This study was mainly exploratory. Therefore it only gives a general overview of the factors influencing formation and operation of NGOs in Kenya. However, a more targeted study, preferably taking a case study approach in order to focus on a detailed analysis of the factors identified in this study is recommended.

In regard to factors influencing successful operation of NGOs, only those NGOs that are still in operation were interviewed. A study focusing on NGOs that have ceased to operate would bring out factors leading to unsuccessful operation of some NGOs thus complement the views of those still in operation.

Appendix I

Letter of introduction

Tom Mogeni Mabururu
P. O. Box 13913, 00100
Nairobi.

23 April 2002

To:
The Respondent

Dear sir/madam,

Re: Request for Your Participation in my Research Work

I am a graduate at the University of Nairobi pursuing a Master of Business of Administration. In order to fulfil the degree requirements, I am currently undertaking a research study entitled: "Factors influencing the formation and operation of NGOs in Kenya". The study focuses on key factors affecting success of NGOs in Kenya.

I would highly appreciate if you spare some time to kindly complete the attached questionnaire.

The information you will provide is strictly for academic purposes and will be treated confidentially.

Yours sincerely,

Tom Mogeni Mabururu

Questionnaire

This questionnaire has been prepared in relation to the objectives of this study. All questions relate to non-governmental organisations. Please answer all the questions. Any issue that requires clarification will be discussed when the researcher calls to pick the completed questionnaire.

Part A: NGO Profile

1. Name of NGO:
2. Year NGO was started:
3. Headquarters of NGO:
4. Management and ownership of NGO (*Tick one*)
 - a) Wholly local Wholly foreign Both
 - b) Group ownership Individual Both
5. a) Number of current employees
- b) Please give the number of employees for each category below
 - i) Kenyans
 - ii) Expatriates
 - iii) Volunteers (foreign)
 - iv) Volunteers (Kenyan)
 - v) Others (Specify)
6. In how many districts does your organisation work? (*Tick one*)
 - a. Less than 5
 - b. Between 6 and 15
 - c. More than 15
7. In which sectors does your organisation work? (*Tick as appropriate*)
 - a. Human rights and good governance
 - b. Welfare and relief
 - c. Socio-economic development eg. Health,
 agriculture, education etc
 - d. Institutional development
 - e. Others (Specify)
 -

8. What are the three most important methods that your organisation employs in raising funds from the donors?

- 1.
- 2.
- 3.

Part 11: The NGO Sector

9. How often are the projects you are implementing evaluated? (Tick one)

- a) Twice a yeas []
 - b) Once a year []
 - c) Once in two years []
 - d) Never []
 - e) Others []
- Specify)

10. Who is involved in evaluating your projects?

- 1
- 2
- 3

11. How important are the following factors in determining successful operation of your organisation? Circle as appropriate)

		Least important	Unimportant	Fairly important	Important	Very important
A	Reputation of your NGO	1	2	3	4	5
B	Links through which services can reach the beneficiaries	1	2	3	4	5
C	Government regulations	1	2	3	4	5
D	Experience of the employees	1	2	3	4	5
E	Your organisation's relations with the Government	1	2	3	4	5
D	Your organisation's relations with other NGOs	1	2	3	4	5
F	Your organisations' relationship with the community	1	2	3	4	5

12. Please indicate the level of effect the donors' policies have on the following aspects of your organisation. (circle as appropriate)

		Very low	Low	Fairly High	High	Very high
A	Choice of projects	1	2	3	4	5
B	Timing of projects	1	2	3	4	5
C	Modification of your organisation's mission	1	2	3	4	5
D	Selection of target communities/groups	1	2	3	4	5
E	Selection of targeted geographical areas	1	2	3	4	5
F	Internal policies of your NGO	1	2	3	4	5

13. How does your organisation respond to the influence of donors' policies? (Tick as appropriate)

a. Lobbying

b. Collaborating with other NGOs

c. Improving financial accountability

d. Improving implementation of projects

e. others (Specify)

.....

14. Please indicate the level of influence of the communities you serve on the following aspects of your organisation. (circle as appropriate)

		Very low	Low	Fairly High	High	Very high
A	Choice of projects	1	2	3	4	5
B	Timing of projects	1	2	3	4	5
C	Modification of your organisation's mission	1	2	3	4	5
D	Implementation of projects	1	2	3	4	5
E	Evaluation of projects	1	2	3	4	5

15. How would you rate the state of competition between your NGO and others?

- a) Mild []
- b) Moderate []
- c) Fairly strong []
- d) Strong []
- e) Fierce []

16. What things does your organisation compete for? (Tick as appropriate)

- a) Donor funds []
- b) Project ideas []
- c) Provision of better services to communities []
- d) Labour force []
- e) Acceptance by the community being served []
- f) Others []
(Specify).....
.....
.....

17. What are the three most important methods that your organisations employs in competing with other NGOs?

- 1.
- 2.
- 3.

18. Has your organisation co-operated with other NGOs in the past?

- a) Yes [] b. No []

If no, why?

If yes, what were the reasons for this co-operation? Circle as appropriate

- a. Fundraising
- b. Advocating for common issues
- c. Joint implementation of projects
- d. Sharing of information
- e. Sharing organisational resources
- f. Others (Specify)
-

19. State the number of organisations you have co-operated with.

.....

20. Were your objectives for co-operating achieved?

- a) Yes [] b) No []

If no, why?

21. How important are the following factors in determining the selection of the organisation(s) to co-operate with?

		Least important	Unimportant	Fairly important	Important	Very important
A	Similarity of vision and mission	1	2	3	4	5
B	Similarity of values	1	2	3	4	5
C	Outcomes of past co-operation with the Organisation	1	2	3	4	5
D	Reputation of organisation	1	2	3	4	5

22. In which areas has your organisation co-operated with other NGOs?

- a) Fund raising
- b) Project implementation
- c) Advocacy
- d) Project design
- e) Others (Specify).

.....

23. Have you encountered any problems when co-operating with other NGOs?

- a) Yes [] b) No []

If yes, state problems as specific as possible.

.....

24. Does your organisation implement projects that require collaboration with the government?

- a) Yes [] b) No []

If yes, please specify the government support you require as specific as possible.

.....

25. Did the government give your organisations the required support?

- a) Yes [] b) No []

If no, why

If yes, please indicate whether the support provided was adequate or not adequate. (Tick one)

- a) Inadequate
 b) Fairly adequate
 c) Adequate

26. How would you describe your organisation's relationship with the government?

- a) Positive []
 b) Negative []

Please give three most important reasons for your answer.

1.
 2.
 3.

27. If you were to consider starting a new NGO today, how important will the following factors be in determining the success of the NGO?

		Least important	Unimportant	Fairly important	Important	Very important
A	Building of the NGO's credibility?	1	2	3	4	5
B	Developing the links through which services can reach the beneficiaries	1	2	3	4	5
C	Gaining registration by NGO Co-ordination Board	1	2	3	4	5
D	Employing staff with required skills	1	2	3	4	5
E	Developing positive relations with the Government	1	2	3	4	5
D	Developing positive relations with other NGOs	1	2	3	4	5
F	Developing positive relations with target communities	1	2	3	4	5
G	Gaining the trust of donors					

28. Please indicate how easy or difficult it is to achieve the above factors.

		Very easy	Easy	Fairly easy	Difficult	Very difficult
A	Building of the NGO's credibility?	1	2	3	4	5
B	Developing the links through which services can reach the beneficiaries	1	2	3	4	5
C	Gaining registration by NGO Co-ordination Board	1	2	3	4	5
D	Employing staff with required skills	1	2	3	4	5
E	Developing positive relations with the Government	1	2	3	4	5
D	Developing positive relations with other NGOs	1	2	3	4	5
F	Developing positive relations with target communities	1	2	3	4	5
G	Gaining the trust of donors					

29. Please indicate your degree of agreement or disagreement about the following statements on operations of NGOs in Kenya.

	Statement	Strongly agree				Strongly disagree
1	The increase in the number of NGOs operating in Kenya has made competition for donor funds to become intense	1	2	3	4	5
2	NGOs implement projects favoured by donor policies and not necessarily required by the communities	1	2	3	4	5
3	It is easy for more than 3 years old NGOs to be funded by donors than new NGOs	1	2	3	4	5
4	It has now become more difficult for new NGOs to be formed	1	2	3	4	5
5	In most projects, beneficiaries are not involved in project identification and design	1	2	3	4	5
6	The government is in most cases hostile to NGOs	1	2	3	4	5
7	Most donors only fund those NGOs that they trust	1	2	3	4	5
8	NGOs are now more involved in making national development policies than in the past	1	2	3	4	5

9	NGOs are now under more pressure to show how their projects have benefited the intended beneficiaries than in the past	1	2	3	4	5
10	It is now easier for new NGOs to obtain registration	1	2	3	4	5
11	The number of NGOs operating in Kenya is likely to continue increasing in the next five years	1	2	3	4	5

30. What do you consider to be the main challenges facing your organisation?
List in order of importance.

- 1.
- 2.
- 3.
- 1.
- 2.
- 3.

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