

**GOVERNANCE PRACTICES AMONG  
NON-GOVERNMENTAL  
ORGANIZATIONS IN NAIROBI**

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By  
**Wairimu Gakuo**

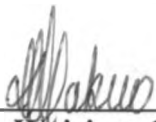
**A management project submitted in partial fulfillment  
of the requirements of the degree of Master of Business  
Administration**

**FACULTY OF COMMERCE  
UNIVERSITY OF NAIROBI**

**October, 2003**

## DECLARATION

**This project is my original work and has not been submitted for a degree in any  
other University**

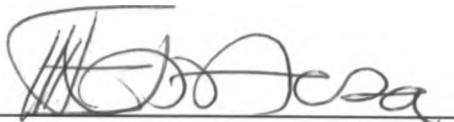


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**This project has been submitted for examination with my approval as University  
Supervisor**



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6/11/2003

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**Date**

# DEDICATION

To my father and mother,  
Ng'ang'a Njiraini and Mary Wambui  
For instilling the desire to learn and excel.

To my husband Gakuo Macharia,  
And my children, Waithera and Wambui  
For standing by me as I reached for my dream.

To you  
I dedicate this work.

## **ACKNOWLEDGEMENT**

I would also like to thank my supervisor, Professor Evans Aosa for taking time to support and guide me through my project. I would also like to thank the lecturers in the MBA program for sharing their knowledge and providing support in my academic endeavors.

I would also like to thank my colleagues and friends who struggled with me during the program and provided invaluable support and encouragement.

I would like to express my appreciation to my family, who contributed significantly to the completion of this study. Special mention goes to my sister Njeri, who I wish to thank for being my friend and for always being there for me.

God Bless you all.

## ABSTRACT

The interest in governance practices has increased over the last two decades an increasing desire to make organizations more visibly accountable, not only to owners but also to other stakeholder groups, including the community at large. Good governance leads to efficient and effective use of limited resources. The role of the nonprofit organizations is coming into the limelight as the public is now looking to the sector to address the social problems that business and government have failed to solve. The fact that donors have over the last two decades channelled a large amount of the resources through NGOs in Kenya has given rise to concerns over the use of these resources.

This study was conducted with the objective of establishing the current governance practices within the non-governmental sector in Kenya, with a special focus on NGOs based in Nairobi. A cross sectional study was undertaken targeting fifty organizations that were randomly selected for the study. However, only 32 organizations responded. Primary data was collected using a self-administered questionnaire with both open-ended and closed questions. The target respondents were the Chief Executive Officers of the NGOs. A large amount of descriptive information was collected and analyzed using the SPSS software and the information presented in the form of tables.

The study found that the NGOs have boards in place to support key roles such as policy making and control of financial resources. Policies and guidelines also existed to guide the operations of the boards. There was a distinction between the roles of management

and the boards in the organizations. The boards were found to be diverse in terms of gender and skill representation. Very limited training was undertaken for the boards.

The balance of power between the three principle players in the governance triangle was found to be skewed in favor of boards and management, leaving out the stakeholders who include clients or community groups benefiting from the NGOs interventions. Management was found to have a strong influence on decision making within the boards. NGOs were also found to give more weight to their relationships with external stakeholders such as government and donors. Though the NGOs stated that they were satisfied with the governance practices in their organizations, there is need to address the weaknesses identified. NGOs suggested that good governance could be strengthened through improved communication and creation of stronger links with stakeholders.

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## ACRONYMS AND ABBREVIATIONS

|       |  |
|-------|--|
| CAFS  | Center for African Family Services                 |
| CEO   | Chief Executive Officer                            |
| CSO   | Civil Society Organization                         |
| IDR   | Institute of Development Research                  |
| KNCN  | Kenya National Council of NGOs                     |
| MFI   | Micro Finance Institution                          |
| N/A   | Not Applicable                                     |
| NGO   | Non Governmental Organization                      |
| N/K   | Not known  |
| PR    | Public Relations                                   |
| PSICG | Private Sector Initiative for Corporate Governance |
| SPSS  | Statistical Package for Social Sciences            |

# CHAPTER ONE: INTRODUCTION

## 1.1 BACKGROUND

There are a number of definitions that exist on what Non Governmental Organizations (NGOs) are and what they stand for. One definition notes that these are independent, non-partisan, nonprofit making and voluntary organizations that work to promote and realize goals important to groups within a society (Walter, 1998). Another definition describes NGOs as non political, non government, nonprofit making and humanitarian organizations that utilize their own resources in activities to join in national efforts to eradicate poverty and improve civic welfare (AdiinYaansha and Harrell-Bond, 1997).

The definition of an NGO provided in the Non-Governmental Coordination Act (1990) is:

“A private voluntary grouping of individuals or associations, not operated for profit or for other commercial purposes but which have organized themselves nationally and internationally for the benefit of the public at large and for the promotion of social welfare, development, charity or research in the areas inclusive of, but not restricted to, health, relief, agriculture, education, industry and supply of amenities and services”

Approximately 2,000 NGOs were registered in Kenya by the Kenya Council of NGOs by 2002. However it is estimated that less than half of all registered NGOs are actually operational (IDR, 2000). The proliferation of NGOs in Kenya has been due to a number

of factors. Kanyinga (1993) notes that the market based economic policies pursued by the government since independence and the latitude provided by the state to organize basic services through self help initiatives have induced the private sector and voluntary organizations to engage in service provision. On their part, donors preference for NGOs is said to be due to their efficiency and effectiveness in service provision, quick returns and grassroots linkages (Kanyinga, 1993).

With the increasing depth and breadth of poverty in Kenya, the role of NGOs is likely to increase in the future. According to Masinde (2002), effective governance and sustainable competition are crucial in strengthening the sector. The Kenya National Council of NGOs (2001) notes that the quality of governance will eventually determine their reputation and long-term viability.

## **1.2 GOVERNANCE**

There does not seem to be an accepted definition of what corporate governance is though descriptions abound on what it entails. Cadbury (1999) notes that governance is the system by which companies are directed and controlled and that it is the way in which boards handled the affairs of the corporation. It is about the relationships between the management of the corporation, the leadership and the owners with the aim of leading the organization towards the objectives that the organization has set out for itself. Tricker (2000) defines it as the exercise of power over corporate entities which has become an important issue with the growing need to separate the management and ownership of organizations.

Montgomery and Kaufman (2003), acknowledge that the corporate balance of power is delicate. The three principle actors, also referred to as anchors, in this power game, are the shareholders, management and boards of directors. Each of these players has important responsibilities but the interaction between them is key to effective governance.

According to Johnson and Scholes (2002), the issue of corporate governance has arisen due to the practical need to separate ownership and management control and the increasing tendency to make organizations more visibly accountable not only to owners, but also to other stakeholder groups, including the community at large. However the lever in the governance chain is the board that has legal responsibility for the overall management and control of the organization. Sometimes, the expectations placed on boards are often conflicting, unrealistic and based on false understanding of their responsibilities (Bain and Band, 1996).

The study of corporate governance is relatively new though the actual practice of governance has been there for as long as there have been corporate entities (Tricker, 2000). Tricker (2000) notes that the that phrase 'corporate governance' was scarcely used until the 1980's when there was increased separation between management and ownership of organizations.

The wave to improve corporate governance practices is aimed at increasing Board accountability and performance. Good governance is the board's duty (Bain and Band,

1996). Laws, the regulators, the board of directors, executive managers, shareholders and public opinion have, in one way or another, led to continued focus on governance (Cadbury, 1999). The emergence of global markets has also increased the interest in governance issues worldwide. Passive investors are now a thing of the past, with shareholders now wanting closer contact with Boards (Herzlinger, 1994).

### **1.3 STATEMENT OF THE PROBLEM**

It is noted that NGOs, are only accountable to themselves as there are no effective mechanisms to follow up on utilization of resources (Gatere, 1998). Ironically, the nonprofit sector is united in a fundamental belief in good governance when it is understood as the need for governments and business to be more accountable to the public. The sector itself needs to be subject to higher standards of governance, if its claim to serve the wider society is to have any merit (Wyatt, 2002). Companies and governments need to demand more public examination of NGOs (Garten, 2002).

In the Kenyan NGO sector, over 50 percent of the organizations are small and transitory in nature, often formed to maximize on an opportunity (Kanyinga, 1993). As a result, these organizations continuously face challenges in meeting their objectives as well as remaining relevant in an increasingly turbulent environment. Jebet (2001) acknowledges the fact that in Kenya, little is known about the different factors that affect governance practices in the country.

It is against this background that the researcher found it necessary to study the governance practices among NGOs based in Nairobi. What are the governance practices among these organizations?

#### **1.4 RESEARCH OBJECTIVES**

The objective of this study was to establish and explain the governance practices among non-governmental organizations based in Nairobi.

#### **1.5 IMPORTANCE OF THE STUDY**

This study is important for the following reasons:

- (i) It provides information on governance practices in the NGO sector in Kenya
- (ii) It provides information that the NGO sector, the government and the donor community can utilize to understand current governance practices and identify weaknesses and gaps.
- (iii) It will facilitate the identification of gaps in information and knowledge within this sector that academia and students can conduct further research

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This chapter covers available literature on governance and the non governmental organizations. The literature highlights the meaning of governance, its relevance to the profit and not for project sectors, and studies that have been conducted in the area of governance within the not for profit sector.

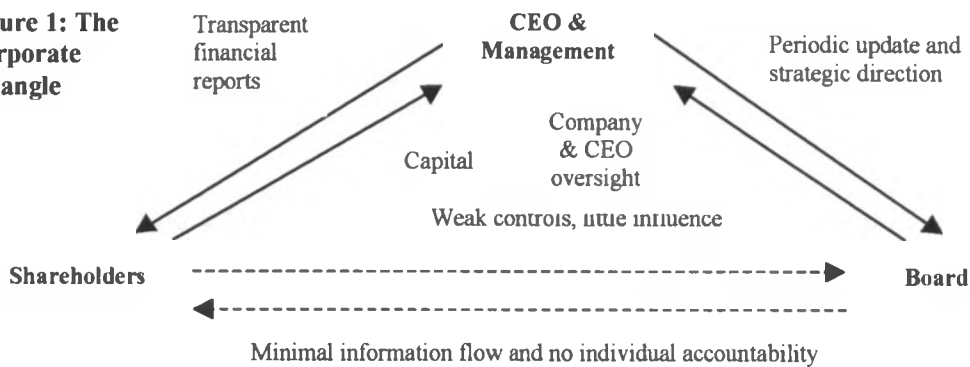
### **2.2 ESSENCE OF GOVERNANCE**

The Private Sector Initiative for Corporate Governance (1999) in Kenya, defines governance as the manner in which power is exercised in the management of economic and social resources for sustainable human development. The Initiative acknowledges the fact that governance has assumed critical importance in these days of political pluralism. It is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of goods and services, accountability in the use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which Kenyan citizens can contribute fully towards finding innovative solutions to common problems.

Good governance is necessary as it enables the organization to attract investors, create competitive and efficient companies and business enterprises, enhance the accountability and performance of those entrusted to manage corporations and, promote efficient and effective use of limited resources. Good governance is therefore a prerequisite for national economic growth (PSICG, 1999).

Montgomery and Kaufman (2003) look at governance as a system that needs to be balanced. The principle actors in governance include shareholders, management and the boards of directors. The triangular relationship, depicted in Figure 1, indicates that the relationship between shareholders and management, and that between management and the board is clear on who owes what to whom. However, between the board and shareholders, accountability and controls are weak.

**Figure 1: The Corporate Triangle**



Source: Montgomery C. A, Kaufman R. "The Boards Missing Link", Harvard Business Review, March, 2003

The focus of attention in governance has been on the relationship between directors and management, with particular emphasis on the boards. This is understandable given the significance of their role in brokering power within and between the different actors in governance. However, emphasis on only one factor in the governance triangle does not auger well in the sharing of power among the three principle actors (Montgomery and Kaufman, 2003).



Of particular interest is the relationship between the boards and shareholders, which is at best, relatively weak in most organizations. This is critical as it undermines the efficiency in governance of the organizations. Transparency and accountability, which rests at the heart of good governance are essentially missing in this relationship as there is lack of information flow between them. Not only do directors fail to provide feedback to shareholders, shareholders are not successful in communicating their preferences to boards. In short, directors do not know what shareholders want and shareholders do not know what directors are doing. Shareholders should begin to hold board members accountable for their behavior thus shifting the allegiance of directors to the proper base, from management to the shareholders.

Demb and Neubauber's (1992) definition of corporate governance as the process through which corporations are made more responsive to the rights and wishes of stakeholders. This is instructive in its emphasis of the stakeholders. Organizations providing services to individuals and communities, either free or for a charge, are increasingly being asked to respect the rights of their stakeholders, not only in terms of service provision, but also in terms of management and access to information. As far back as 1967, Lawrence and Lorsch noted that successful organizations tended to have internal structural characteristics that were congruent with environmental demand and that the board size and composition were not a random or independent factor, but rather, rational organizational responses to the conditions of the external environment.

Non-profits lack the guidance the market provides to corporations (Herzlinger, 1994). The boards on non-profit organizations can therefore not rely on one of the key indicators of corporate success – the value of services sold – to evaluate the organization's performance. If the board is to be effective, it must assume the roles that owners and the market play in business. The board must ensure that the non-profit organization's mission is appropriate and that it accomplishes that mission efficiently. Governance is therefore concerned with the processes, policies, procedures, systems and practices, both formal and informal, how they are applied and followed, the relationships that these processes create or determine, and the nature of these relationships (CAFS, 2001)

### **2.3 EVOLUTION AND TRENDS IN GOVERNANCE**

Though corporate governance does not yet have an accepted theoretical base or commonly accepted paradigm (Tricker, 2000), there has been a great deal of interest in this area. As early as 1932, Berle and Means, noted that initially, corporations were legal devices to enable individuals to transact private business. This was later to change with corporations becoming a means of organizing economic life and a major social institution. But economic power was being concentrated, with control falling into fewer and fewer hands (Berle and Means, 1932). Since the boards now exercised direction over the activities of the company, control ultimately lay with those who had the power to select the board.

In the 1970's failure of companies led to increased scrutiny of boards. This resulted in an important development – increased inclusion of outside directors onto boards of

organizations, the formation of audit committees and the promulgation of the two-tier boards (Tricker, 2000). Another development was the questioning of the role of corporations in society. The question being asked was how accountable corporations were to the broader groups of stakeholders, such as customers, suppliers and employees. In the 1980's, stakeholder concerns were overshadowed by market driven, growth oriented attitudes. It was noted that the collapse of corporations seemed to have a link with the domination of boards by powerful executive directors, leading to an expansion in the study of corporate governance.

In the 1990's boards began to face increased pressure from institutional investors, investigative media and the threat of litigation (Tricker, 2000). Adrian Cadbury's report of 1992, greatly influenced thinking in corporate governance. The report's proposals and its code of best practice emphasized the importance of independent, non-executive directors, and the need for audit committees. It also called for the separation of the chair of the board from the Chief Executive. The argument being advanced at this time was that governance is about performance as well as conformance (Tricker, 2000).

The 1990's have seen a proliferation of research and writing in this area, leading to debates on the significance or importance of various aspects of corporate governance. What was needed was a vibrant alternative way to ensure that power was exercised, over every type and form of corporate entity and strategic alliance around the world, in a way that ensured both effective performance and appropriate social accountability and responsibility (Tricker, 2000).

## 2.4 NON-GOVERNMENTAL ORGANIZATIONS

In Kenya today, there exists a large number of organizations that consider themselves part of the NGO sector but for which there is a wide disparity in size, objectives and strategies. For example Non-Governmental Organizations are referred to using different terms such as relief NGOs, development NGOs, intermediary NGOs, human rights and democracy NGOs, NGO support organizations, traditional and classical NGOs, not to mention Civil Society Organizations (IDR, 2000).

The NGOs in Kenya undertake three principle functions or types of program activity, all of which address some aspect of sustainable development and poverty eradication (IDR, 2000). These include service delivery of different forms of public goods or services, social mobilization to enable communities to address their own social, economic and environmental problems and, interest representation, where NGOs are increasingly acting as representatives of local communities, promoting and defending their rights in relation to power holders at different levels of society.

According to the study by the Institute of Development Research (2000) on registered NGOs in Kenya, the characteristics of the organizations are that they are:

- (i) non-governmental and also non-profit
- (ii) voluntary and their mission is to promote some public purpose
- (iii) internal decision making is by their chosen leaders without the direct participation of its beneficiaries

- (iv) an intermediary organization between the grassroots where development takes place and the larger environment where most decisions that affect the local level are made
- (v) known for the delivery of some type of development usually public good or service (social, economic, environmental, humanitarian, social mobilization) to the communities to address existing problems.

Though international NGOs share many of the traits of their local counterparts, they vary in size and scope of activities. International NGOs, as the term implies, normally work in more than one country and control large budgets. The two key distinguishing factors between the local and international NGOs are that the locus of decision making is in the international NGO's home country and that they have access to resources that local NGOs can only dream about (IDR, 2000). Local NGOs face serious challenges in relation to their sustainability and the difficult socioeconomic status of the communities in which the NGOs operate (CAFS, 2001).

## **2.5 NON-GOVERNMENTAL ORGANIZATIONS AND GOVERNANCE**

Good governance is not only an issue for profit organizations but also for nonprofits. According to Herzlinger (1994), more than ever, the public is looking to the nonprofit sector to address the social problems that business and government have failed to solve. Nonprofit organizations are said to hold more promise than businesses do, because they are not driven by the need to increase profits, and, unlike government, are directly accountable to their boards of directors and to the contributors on whose support they depend. But to flourish in an economy that demands increased organizational efficiency

and in a society that demands increased accountability, non-profits need powerful and proactive boards of directors to provide oversight and these boards need to provide systems of measurement and control (Herzlinger, 1994). Good governance in the NGO therefore about fair, efficient and transparent administration of organizations to meet well defined objectives; systems and structures of operation and control so that the organizational mission and objectives are achieved to the satisfaction of key stakeholders while at the same time complying with legal and regulatory requirements; and an efficient process where the roles of the board and management are clearly defined; appropriate structures are in place; the board makes strategic decisions and is transparent, responsible and accountable; there is adequate disclosure of information; and the organization remains relevant, legitimate, competitive and sustainable (CAFS, 2001).

However, there are challenges. It is noted that the most familiar tension within a nonprofit organization is between a director, who often has an exclusively commercial background, wishing the organization to be put on a more commercial footing, and employees, objecting to what they see as the director's attempt to turn the organization into a commercial enterprise (Bain and Band, 1996).

The reason for the move towards congruence with the business sector on issues related to the boards has been the rapidly changing macro-economic environment prevailing worldwide. Negative trends in this environment have forced NGOs to behave more efficiently, adopting practices that could be considered to be genuinely business practices (Bain and Band, 1996). Organizations run by founder members who are engaged in day to day management matter, have largely been static in their growth and are ill equipped to

compete in the increasingly turbulent environment whose rules of competition have changed (KNCN, 2001). Bain and Band (1996) note that directors need to concentrate on their duties to direct and moderate and leave the administration of the organization to management.

Directors roles need to clearly stipulated and controlled to ensure good governance practices in the sector. As 'investors' are not found in this sector, Bain and Band (1996), recommend the organization's clients/beneficiaries, not its directors, benefactors or employees, are the true proprietors. If directors operate on this assumption, they are more likely to see that they have distinct obligations to benefactors and clients. Nonprofit boards need to simultaneously advocate on behalf of both the organization they are a part of, and the larger public composed of individuals, organizations, businesses, and governments who invest their trust in the sector by providing donations and other support (Wyatt, 2002). In addition, the public must have access to adequate information about the organization to judge its health and performance.

Recruitment and selection of directors provide special challenges for nonprofits. Whereas business sector selects on the basis of expertise in a particular discipline, this can be problematic for the non-profit organization. Bain and Band (1996) suggest that the selection of directors should be based on a capacity to understand and act in accordance with the peculiar stewardship requirements of the sector – that of seeing that the clients act as proprietors but also that they can contribute to the setting of clear policy directions.

Boards must clearly set directions for the non-profit organization in order to increase their capacity to perform the governance function properly. Directors are also responsible for ensuring that the organization is sustainable. Herzlinger (1994) suggests that the boards of non-profits need to create a system that looks four issues: if the organizations goals are consistent with its financial resources; if the organization is practicing intergenerational equity; if the sources and uses of funds is appropriately matched and; if the organization is sustainable. Together, these questions can offer a framework to help board members provide the critical oversight that non-profit organizations need in order to survive.

A study by Smillie and Haily (2001) of NGOs in Asia found that the board of directors constituted the formal governance structure of the organizations. Board members were in most cases self selected and were drawn from an inner circle of friends and acquaintances. There was however some formal search process aimed at attracting individuals with special skills, connections or experience. Most boards were also found to be reactive rather than proactive and were overly involved in day to day management issues that should be left to management.

The study found that how boards function among South Asian NGOs, has less to do with prescriptions and understanding of roles than it does with its origins and age. Time as a factor in the functioning of boards was found to be significant due to what is termed as the life cycle of boards which has three stages: "founding"; "youthful" and; "adult". In



the founding stage, a charismatic leader gathers people together who share the same ideals. The board may be little more than a group of friends and supporters who endorse whatever the leadership proposes. In the youthful stage, the board becomes more active, often after founder members leave. The board begins to set objectives, discuss budgets and because they are new trustees, they require more details of what the organization is doing. They also meet more regularly. As boards mature into adulthood, they often adopt a hands-off approach, sometimes attracting prominent individuals because of their name and reputation. There may be an unwillingness to challenge accepted policies and programs and meetings become ritualized. When a crisis erupts, it is not unusual for some members to leave and or the rest to once again become more involved in detail.

A survey of Micro Finance Institutions (MFIs) in Kenya by Wainaina (2002), found that there was poor oversight of MFI boards, a lack of set terms for the chairman of the board and that the chair created the agenda for the board suggesting that "MFIs are open to abuse of power by Board chairs who in some cases are also the CEO.... The challenge in Kenya is to go beyond simply acknowledging the importance of effective governance to being active participants in the process" (Wainaina, 2002 p 43). The study also found that MFI's governance structures were weak, though with the move towards a more commercial outlook, the organizations do not have a choice but to adopt better governance structures. The question remains whether this applies to non-governmental organizations in the Kenya today.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

This study was a cross sectional study, a common method of data collection in the social sciences (Nachmias and Nachmias, 1996). This method allowed the researcher to collect a large amount of descriptive information that was then statistically analyzed. It also allowed for the generalization of the findings.

### **3.1 THE POPULATION**

According to the Kenya National Council of NGOs (2002), there are about 2,000 non-governmental organizations currently registered in the country. Of these organizations, 437 organizations are registered as operating from Nairobi. The organizations to be studied were therefore drawn from this sampling frame of 437 NGOs.

### **3.2 THE SAMPLE**

The study proposed to investigate a total of 50 organizations. This size of sample was appropriate given the type of study proposed and the resources and time available for the study.

The simple random sampling technique was used to draw a representative sample from the sampling frame. Given that the sampling frame was 437, the 50 organizations were identified by selecting every ninth organization on the list. The starting point was identified using a table of random numbers.

### **3.3 OPERATIONALIZING THE STUDY VARIABLES**

The operational indicators for governance are the existence of an independent governing body, such as a board of directors, and its operations and the relationship between the three key actors in the governance triangle, that is the board of directors, management and the clients/beneficiaries of the organization. In addition, there is also the relationship with other external stakeholders such as the government and donors. The operational variables are explained below:

- **Existence of an Independent Governing Body**

Effective and efficient governance is reliant on the existence of a governing body such as the board of directors whose roles are clearly stipulated and controlled. This variable was assessed in terms of the NGOs board's existence, composition in terms of gender and skill representation, and defined roles and operations.

- **Relationship between the Board, Management and Clients/Beneficiaries**

Governance is about the use of power and responsiveness to the wishes of stakeholders. The efficiency and effectiveness of governance practices within the organization are affected by how power is shared among the three principle actors. Transparency and accountability is also affected if the relationships are weak and there is little or no flow of information and decision making powers between the actors. This variable was assessed by considering the relationships, influence in decision-making and information sharing between the three actors.

- External Relations

Good governance is also about protecting the reputation of the organization, and mobilizing and using resources in ways that ensure effective performance and sustainability of the organization. This variable was assessed by analyzing the extent of external information sharing and external involvement by NGO boards and management.

### **3.4 DATA COLLECTION**

Primary data was collected through the survey method, which is one of the most important data collection methods in the social sciences (Nachmias and Nachmias, 1996). The data was collected using a questionnaire format with both open ended and closed questions. The questionnaire was self-administered and was distributed to the organizations selected for the study.

The target respondents were the Chief Executive Officers of the selected NGOs or a designated employee at senior management level with a thorough understanding of the organization. A letter of introduction was sent to the organizations, together with the questionnaire, introducing the survey and explaining the intentions of the study. This was followed up with telephone calls to ensure that the questionnaire had been received and that the organization had intentions of participating in the survey. The questionnaires were then picked up during which time, completeness of questionnaires was verified and personal interviews undertaken to clarify answers where necessary. These actions were expected to increase the response rate (Nachmias and Nachmias, 1996).

### **3.5 DATA ANALYSIS**

Data editing and cleaning was carried out to ensure that all questionnaires are completed and that the responses were legible and consistent. The responses were then coded along the key study variables to facilitate data entry and analysis using SPSS. The analysis was mainly undertaken using descriptive statistics to summarize the findings and to enable the researcher make comparisons across the organizations studied.

# **CHAPTER FOUR: RESEARCH FINDINGS**

## **4.1 INTRODUCTION**

This chapter presents the findings and analysis based on the research objective. The data collected from the field was coded, analyzed and presented as descriptive statistics and summarized in tables. The findings will be presented in five sections that correspond to the key variables of the study. These include the characteristics of the organizations; the governing body; relations between the board, management and stakeholders and; external relations. A final section looks at the respondent's views and recommendations on governance practices in their organizations.

## **4.2 FINDINGS**

### **4.2.1 Response Rate**

Out of the 50 institutions on which the questionnaire was administered, only 32 responded. This gives a response rate of 64 percent. Due to non cooperation of respondents, particularly on this issue of governance which most organizations considered sensitive, or even "illegal" as one respondent put it, and time constraint, only the 32 non-governmental organizations responded.

### **4.2.2 Characteristics of the Sample**

The general characteristics of the organizations studied include the nature of business or services provided by the organization, the length of operation of the organizations and the areas of operation.

The question on the services provided by the organization was an open-ended question that elicited a wide range of responses that were then categorized as shown in Table 1.

**Table 1: Services Provided**

| <b>Services Provided</b>          | <b>Frequency</b> | <b>Percent</b> |
|-----------------------------------|------------------|----------------|
| Social Welfare                    | 12               | 37.5           |
| Missionary                        | 1                | 3.1            |
| Women's rights                    | 4                | 12.5           |
| Relief and Development            | 6                | 18.8           |
| Human rights                      | 3                | 9.4            |
| Peace and advocacy                | 2                | 6.3            |
| Research and Technical Assistance | 2                | 6.3            |
| Conservation                      | 2                | 6.3            |
| <b>Total</b>                      | <b>32</b>        | <b>100</b>     |

Source: Questionnaire

The category with the highest number of responses was social welfare, accounting for 83% of the responses. This was followed by organizations providing relief and development services with 19%, while those providing services related to women's rights accounted for 13% of the responses.

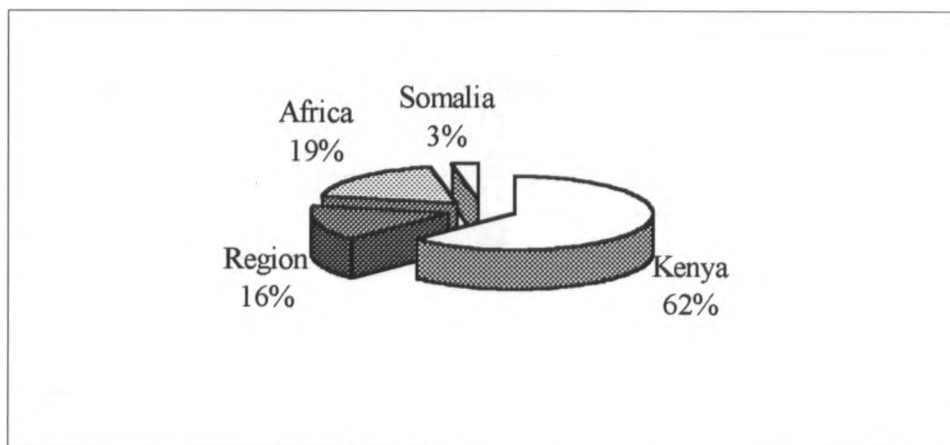
**Table 2: Years of Operation**

| <b>Number of Years</b> | <b>Frequency</b> | <b>Percent</b> |
|------------------------|------------------|----------------|
| 1 – 10                 | 14               | 43.7           |
| 11 – 20                | 11               | 34.4           |
| 21 – 30                | 2                | 6.3            |
| 31 - 40                | 0                | 0              |
| 41 – 50                | 3                | 9.3            |
| Over 50                | 2                | 6.3            |
| <b>Total</b>           | <b>32</b>        | <b>100</b>     |

Source: Questionnaire

On the length of operation of the organizations, the study found that 75% of the organizations had been in operation for less than 20 years, while 50% had been in operation for less than 11 years. The average number of years of operation was 18 years. However, the range in the years of operation was wide, with the minimum being 3 and the maximum 82 years. This indicates that a large number of the organizations were formed in the 1980's and 1990's when the quality of services offered by the government began to deteriorate and the number of donors willing to fund non-governmental organizations to provide these services to communities increased (IDR, 2000). Interestingly none of the NGOs was formed in the 1970's, a period when Kenya's economy was doing well and conflicts within the region had not escalated (Table 2).

**Figure 2: Areas of Operation**



Source: Questionnaire

Figure 2 shows the areas of operation of the organizations studied. The organizations selected for the study were based in Nairobi. However, from the responses, it was clear that most of the organizations provided services in wider geographical areas. 63% operated in Kenya alone, 16% operated within the East African Region while 19% of the



organizations operated in Africa. It is interesting to note that one organization, though based in Nairobi, did not undertake any activities in Kenya but was operational in Somalia.

### 4.2.3 The Governing Body

Existence and operations of governing bodies determine the governance practices of an organization. The board's role needs to be clearly stipulated and controlled to ensure good governance practices (Bain and Band, 1996). The importance of independent boards and the separation of the chair of the board and the CEO was proposed in the code of best practices by Adrian Cadbury's report of 1992 (Tricker 2000).

**Table 3: Name of Governing Body**

| <b>Name of Body</b> | <b>Frequency</b> | <b>Percent</b> |
|---------------------|------------------|----------------|
| Board of Directors  | 15               | 46.9           |
| Governing Council   | 6                | 18.8           |
| Other               | 11               | 34.4           |
| <b>Total</b>        | <b>32</b>        | <b>100</b>     |

Source: Questionnaire

All of the organizations studied had an existing governing body. However, there were a variety of names given to these bodies. 40% of the organizations referred to the body as the board of directors, while 19% referred to it as a governing council. Other names were given by 34% of the NGOs. Within this category, the names given include executive committee (36%), management team (18%), steering council (18%), advisory committee (18%) and board of trustees (9%). However, it should be noted that this study will continue to use the word "board" for the governing body (Table 3).

The number of members sitting on the boards was diverse, ranging from 5 to 18, with an average of 9 and a mode of 8 members. An analysis of the diversity of the boards, in terms of gender, found that 90% of the Boards had female representation ranging from 1 to 12 women. The average was 4 women, while the maximum was 16 women on one board.

**Table 4: Skills Represented on Boards**

| <b>Skills</b>    | <b>Frequency</b> | <b>Percent</b> |
|------------------|------------------|----------------|
| Legal            | 19               | 19.2           |
| Financial        | 32               | 32.3           |
| Public Relations | 16               | 16.2           |
| Other            | 32               | 32.3           |
| <b>Total</b>     | <b>99</b>        | <b>100</b>     |

Source: Questionnaire

Table 4 outlines responses on the skills represented on the boards. In terms of the diversity of skills represented on the boards, the study found that financial skills were the most common with 32% of the responses. The information also indicates that all boards had members with financial skills. Legal and public relations skills accounted for 19% and 16% of the responses respectively. The “other” category had a large number of responses at 32%. A wide range of skills were specified in this category, including engineering, religious, programming, administration, peace, conflict resolution, education and medial skills. These skills were in line with the services provided by the organizations.

**Table 5: Identification of Board Members and the Chair**

| <b>Method of Identification</b> | <b>Board Members</b> | <b>Chair</b>   |
|---------------------------------|----------------------|----------------|
|                                 | <b>Percent</b>       | <b>Percent</b> |
| Selection by CEO                | 9.4                  | 3.1            |
| Election by Board members       | 43.8                 | 75.0           |
| Executive search                | 6.3                  | -              |
| Other                           | 40.6                 | 21.9           |

Source: Questionnaire

As shown in Table 5, board members were mainly identified through a process of election by other board members (44%). The CEOs identified board members in 9% of the organizations while an executive search was used in only 6% of the organizations. Other means of identifying board members accounted for 41% of the cases. Of this category, 91% of the organizations identified board members through a proposal and/or election process by a broader constituency of the organization.

The same trend was also noted in the identification of the chair. Board members elected the chair in 75% of the organizations. Other methods were found in 22% of the organizations. These include election by delegates from a wider constituency of the organization (67%), while the CEO was the chair of the board in 33% (3) of the organizations in this category.

**Table 6: Criteria for Selection of Board Members and Chairs**

| Criteria   | Board Members | Chair   |
|--|---------------|---------|
|  | Percent       | Percent |
| Professional skills                                      | 29.7          | 11.5    |
| Experience and credibility                               | 18.8          | 23.1    |
| Commitment to organization's objectives                  | 18.8          | 13.4    |
| Member/representative of organization's key constituents | 10.9          | 23.1    |
| Willingness/Availability                                 | 12.5          | 7.7     |
| Management Position/Founder Member                       | 4.7           | 0       |
| CEO  | 0             | 5.8     |
| Don't Know   | 4.7           | 12      |
| Not Applicable   | 0             | 3.8     |

Source: Questionnaire

According to Table 6, the criteria for selection of board members was mainly based on their professional skills, experience and commitment to the organizations objectives. For the chair, the criteria for selection was primarily based on the person being an existing board member, performance and contribution to the board/organization, experience, skills, and commitment to the organizations objectives.

**Table 7: Length of Service by Board Members and Chairs**

| Years of Service     | Board Members | Chairs  |
|----------------------|---------------|---------|
|                      | Percent       | Percent |
| 1                    | 12.5          | 6.3     |
| 2                    | 31.3          | 37.8    |
| 3                    | 12.5          | 21.9    |
| 4                    | 6.3           | 6.3     |
| 5                    | 9.4           | 9.4     |
| 6                    | 6.3           | 3.1     |
| Indefinite/Undefined | 21.9          | 15.6    |

Source: Questionnaire

Table 7 indicates that the years of service by board members and chair was 3 years on average, with the years served ranging from a minimum of one year to a maximum of an indefinite/undefined term. About 72% of board members and 66% of chairs serve for terms of three years or less. Organizations with undefined terms for board members were 22%, while those of the chair were 16%.

**Table 8: Frequency of Board Meetings**

| <b>Number of Meeting/Year</b> | <b>Percent</b> |
|-------------------------------|----------------|
| 1                             | 6.3            |
| 2                             | 15.6           |
| 3                             | 6.3            |
| 4                             | 37.5           |
| 6                             | 3.1            |
| 8                             | 3.1            |
| 12                            | 21.9           |
| 48                            | 3.1            |
| Not defined                   | 3.1            |

Source: Questionnaire

Table 8 indicates that 72% of the organizations held board meetings at least once every quarter, with the most frequent meetings being held once every fortnight in one organization. Boards that met three times or less in a year accounted for 28% of the organizations. Only one organization had no defined frequency for board meetings.

**Table 9: Roles of the Board**

| <b>Role</b>  | <b>Frequency</b> | <b>Percent</b> |
|--|------------------|----------------|
| Policy development and implementation  | 27               | 22.3           |
| Recruitment and appraisal of staff/CEO   | 14               | 11.6           |
| Strategic Planning   | 13               | 10.8           |
| Oversee use of resources   | 12               | 10.0           |
| Overseeing management of the organization  | 12               | 10.0           |
| Fundraising  | 11               | 9.2            |
| Provide direction for the organization   | 9                | 7.5            |
| Others: Management of the organization, PR, advocacy work, decision making, hiring auditors, discipline, governance issues | 18               | 18.3           |
| <b>Total</b>   | <b>116</b>       | <b>100</b>     |

Source: Questionnaire

Table 9 presents the responses by the organizations on the role of their boards. The most frequently noted role was that of policy development and implementation (22%) followed by recruitment/appraisal of staff, including the CEO (12%) and strategic planning (11%).

The NGOs were required to make an assessment of their governance structures and practices. Table 10 gives an outline of the respondents' assessment in the defined parameters. The responses were based on a rating scale with (1) denoting to no extent, (2) to a less extent, (3) to a moderate extent, (4) to a large extent and, (5) to a very large extent.

**Table 10: Assessment of Internal Governance Structures**

| <b>Assessment Parameters</b>                                      | <b>Average</b> |
|---|----------------|
| Existence of policies and guidelines for the board                | 4.1            |
| Board's influence over direction and control of organization      | 4.3            |
| Diverse professional backgrounds on the board                     | 4.1            |
| Influence of non-executive members                                | 3.1            |
| Board commitment measured by frequency and attendance of meetings | 3.9            |
| Written documentation of board meeting                            | 4.7            |
| Evaluation of performance of chair                                | 3.7            |
| Evaluation of boards performance                                  | 3.4            |
| Training of board members   | 2.4            |

Source: Questionnaire

As shown in Table 10, most respondents felt that their organizations could be rated as fulfilling most of the stated assessment parameters to a large extent. However, the overall average was only 3.4 with a minimum of 2.4 in the area of board training and a maximum of 4.7 in the area of written documentation of board meetings.

Boards' influence over the direction and control of the organization and the diversity of the board were also rated highly, with an average of 4.3 and 4.1 respectively. The evaluation of the chair's performance in most NGOs existed to a large, while evaluation of the boards' performance was only undertaken to a moderate extent. Training of board members was not a priority and was undertaken to a less extent by the NGOs.

#### 4.2.4 The Governance Triangle

This section assesses the linkages between the three key players in the governance triangle as defined by Montgomery and Kaufman (2003): the CEO and management of the organization; the board and; the stakeholders of the organizations. The stakeholders, who would otherwise be referred to as shareholders in the private sector, are the organizations' clients or beneficiaries as they are the true proprietors of non-profit organizations (Bain and Band, 1996).

The relationship between the three was assessed through the level of interaction between them in the form of information sharing. Organizations were also required to make an assessment of the relationship between the players. It should be noted that most respondents found this section challenging giving rise to a relatively large number of "not applicable" and "not known" responses. This section of the questionnaire was reviewed after testing to make it easier for the respondents to provide information.

**Table 11: Communication between the Board and Management**

| <b>Information Shared</b>                | <b>Percent</b> |
|--|----------------|
| Organization's activities/projects       | 21.2           |
| Organizational issues/needs              | 17.3           |
| Policy issues                            | 13.5           |
| Financial information/budgets            | 13.5           |
| Recommendations/resolutions of the board | 11.5           |
| Planning issues                          | 9.6            |
| Don't know                               | 9.6            |
| Not applicable                           | 3.8            |

Source: Questionnaire



As indicated in Table 11, information sharing between the board and management of the organizations was found to be occurring in the majority (87%) of the organizations. The key areas of information sharing were on project activities (21%) and issues/needs of the organization (17%). Three organizations noted that sharing between the two bodies was not applicable as the board and management was one and the same body.

**Table 12: Communication between the Board and Stakeholders**

| <b>Information Shared</b>                              | <b>Percent</b> |
|--|----------------|
| On-going activities                                    | 25.6           |
| Need/issues of stakeholders                            | 20.9           |
| Finance/sustainability                                 | 18.6           |
| Not applicable/don't know                              | 18.6           |
| Others: strategic planning, policy changes, membership | 16.4           |

Source: Questionnaire

Table 12 shows the responses on information sharing between the board and stakeholders. Out of the 43 multiple responses, 26% indicated that the information shared was on project activities, 21% was on needs and issues of the stakeholders and that 19% was on financial and sustainability matters. Eight or 19% of the respondents were not aware of such information sharing or that it was not applicable to the organization.

Communication between management and stakeholders was even weaker than that between the board and stakeholders. Only 31 multiple responses were given on this question. Table 13 shows the responses on information sharing between management and the organizations' stakeholders.

**Table 13: Communication between Management and Stakeholders**

| <b>Information Shared</b>                            | <b>Percent</b> |
|--|----------------|
| Project activities                                   | 51.6           |
| Funding  | 12.9           |
| Stakeholder issues/needs                             | 9.7            |
| Others: Participation, planning, conflict resolution | 12.9           |
| Don't know /Not applicable                           | 12.9           |

Source: Questionnaire

The main areas of information sharing included program activities (52%), issues related to finances (13%), and stakeholder needs/issues (10%). Four organizations noted that they did not know about such information sharing or did not think it was applicable to their organization.

The NGOs' assessment of the relationships and linkages between the three key players in the governance triangle are shown in Table 14. The results are based on responses on the assessment parameters using a rating scale with (1) denoting no extent and (5) to a very large extent.

**Table 14: Assessment of Relations between Management, Board and Stakeholders**

| <b>Assessment Parameters</b>                        | <b>Average</b> |
|---|----------------|
| Management influence on board decisions             | 3.5            |
| Influence of stakeholders on board decisions        | 3.4            |
| Boards involvement in operational matters           | 3.8            |
| Differentiation of the role of management and board | 3.6            |
| Board involvement in recruitment of CEO             | 4.1            |
| Boards involvement in evaluation of CEO             | 4.2            |
| Influence of CEO on board issues                    | 3.4            |
| Communication between board and stakeholders        | 3.6            |
| Relationship between board and stakeholders         | 3.7            |
| Relationship between management and stakeholders    | 3.9            |
| Board's protection of stakeholder interests         | 4.2            |
| Board's management of conflict of interest          | 3.9            |
| Extent audit issues are addressed by management     | 4.4            |
| Extent audit issues are addressed by board          | 3.9            |

Source: Questionnaire

Table 14 indicates that NGOs assessment of the three key relationships existed to a large extent (3.8) on average. Management influence on board decisions was found to be moderate to a large extent (3.5). The board's influence on operational matters in the organization was rated as existing to a large extent (3.8) on average. However, most NGOs still felt that the role of management and the board was differentiated to a large extent (3.6). Boards were involved in the recruitment and evaluation of CEOs to a large extent. The CEOs influence on the board was found to be moderate.

On the other hand, communication between the board and stakeholders and the relationship between them were both rated as existing almost to a large extent (3.6 and 3.7 respectively). Management's relationship with the stakeholders was found to exist to a large extent (3.9). The board was also seen as a good protector of stakeholder interests (4.2) and also managed conflict to a large extent (3.9).

Audit issues were addressed by both the boards and management to a large extent. However, management was slightly better with a mean of 4.4 compared to 3.9 by the boards.

#### 4.2.5 External Relationships

This section seeks to assess external relations with key stakeholders such as government and donors. Table 15 shows the information that is shared by NGOs with the NGO Bureau. The NGO Bureau is the documentation wing of the NGO Board constituted by the government to coordinate activities of NGOs in Kenya (IDR, 2000).

**Table 15: Reports Shared with the NGO Bureau**

| <b>Information/Reports Shared</b> | <b>Percent</b> |
|-----------------------------------|----------------|
| Annual Reports/Publications       | 37.8           |
| Audited Accounts/Annual Returns   | 28.9           |
| Organizations plans               | 6.7            |
| Office Bearers                    | 4.4            |
| Don't Know/Not Applicable         | 22.2           |

Source: Questionnaire

As noted from Table 15, 38% of the responses to this open-ended question noted that NGOs mainly shared annual reports/publications and audited accounts (29%).

NGOs also shared information with the government. NGOs interviewed face to face noted that the information was usually shared with the relevant department linked to the sector(s) in which the NGO was working. In 50% of the cases, the reports shared were annual/activity reports. Only in 20% of the cases did the NGOs indicate that they shared financial information with government.

The reports shared with donors consisted of project activity/annual reports and financial reports according to 46% and 38% of the responses respectively. Other information shared with the donor included plans and proposals (4%) and challenging events taking place in the organization's environment (4%).

Table 16 presents the respondent's assessment of the organization's relations with external stakeholders. The responses were based on a rating scale, with (1) denoting existence of the parameter to no extent and (5) denoting existence to a very large extent.

**Table 16: Assessment of Governance Practices: Relations with External Stakeholders**

| Assessment Parameters   | Average |
|---|---------|
| Relation between organization and government                                  | 4.1     |
| Organization's accountability to donors                                       | 4.9     |
| Donor involvement in organization's operations                                | 3.6     |
| Boards involvement in PR activities   | 3.4     |
| Management's involvement in external PR                                       | 4.5     |
| Extent current resource mobilization guarantees organizational sustainability | 3.8     |

Source: Questionnaire

The table indicates that the NGOs relations with the government existed to a large extent and that the NGOs had a very high level of accountability to their donors. Donors were also involved in the NGOs operations to a large extent. Boards were involved in external PR activities to a moderate extent while management was involved in the same activities to a very large extent. The table also indicates that NGOs addressed the issue of sustainability through their current resource mobilization activities to a large extent.

Organizations were requested to make an overall assessment of the governance practices in their organization. This was based on a rating of their overall satisfaction with governance practices in their organization. The average rating was found to be 3.8, indicating that respondents were satisfied to a large extent with the governance practices in their organizations.

NGOs were then asked, through open-ended questions, to define the good governance practices in their organizations. Their responses are provided in Table 17.

**Table 17: Good Governance Practices Existing in NGOs**

| <b>Good Governance Practice</b>  | <b>Frequency</b> | <b>Percent</b> |
|--|------------------|----------------|
| Good communication   | 13               | 24.5           |
| Clear Policies   | 10               | 18.9           |
| Accountability   | 8                | 15.1           |
| Transparency   | 7                | 13.2           |
| Participatory decision making  | 7                | 13.2           |
| Others: Committed and diverse Board, conflict resolution, strategic planning | 4                | 7.6            |
| Don't know/Not applicable  | 4                | 7.6            |

Source: Questionnaire

The good governance practices existing in the NGOs, included communication (25%) and good policies (19%), while accountability, which is at the core of good governance, was noted by only 15% of the NGOs.

Respondents were also asked to highlight areas that needed improvement, in relation to board – management relations as well as board – stakeholder relations. Table 18 shows the areas noted for improvement in these two key relationships.

**Table 18: Respondents Suggestions on Areas Needing Improvement**

| Areas needing improvement             | Board – Management Relations | Board – Stakeholder Relations |
|---------------------------------------|------------------------------|-------------------------------|
|                                       | Percent                      | Percent                       |
| Communication                         | 34.3                         | 27.3                          |
| Strengthen Governance Bodies          | 14.3                         | -                             |
| Effective coordination/stronger links | 8.6                          | 15.2                          |
| More accountability to stakeholders   | -                            | 12.1                          |
| Delegation to management              | 8.6                          |                               |
| Training                              |                              | 3.0                           |
| None                                  | 25.7                         | 36.4                          |
| Don't know                            | 8.6                          | 6.1                           |

Source: Questionnaire

It is interesting to note that though most respondents noted that communication was a strength in their organizations, it was also noted as an area that needed improvement in these two key relationships. It is interesting to note that a large number of NGOs had no suggestion to make to improve the relations between the board and stakeholders (28%) and between management and the stakeholders (36%).

Suggestions made by the NGOs for improving overall good governance practices in their organizations are shown in Table 19.

**Table 19: Suggestion for Good Governance Practices**

| Practices                     | Percent |
|-------------------------------|---------|
| None                          | 45.8    |
| Effective/open communication  | 22.9    |
| Review practices and policies | 8.6     |
| Participation                 | 8.6     |
| Conflict resolution           | 5.7     |
| Training                      | 2.9     |
| Don't Know                    | 5.7     |

Source: Questionnaire

No suggestions were made by 46% of the NGOs while 23% of the responses noted that communication should be improved.

### **4.3 DISCUSSIONS**

This section discusses the findings in line with the literature reviewed for this research. The key areas of discussion will include the existence of an independent governing body, the relationship between the board, management and stakeholders, and the external relations. This is in line with CAFS (2002) observation that governance is about processes, policies, procedures, systems and practices and how these are applied and the relationships that these processes create.

According to Herzlinger (1994) the public is looking to non-profits to address social problems that business and government have failed to solve. This seems to be a more traditional role as the NGOs in the study were found to not only address the provision of social services, but that 28% of the organizations were dealing with more current issues such as human/women's rights, peace and advocacy. The study observed that all organizations had a governing body in place with the majority having a clear distinction between the board and management. The fact that NGOs were found to separate the role of the board from that of management, and that the chair of the board was also separate from the CEO, was in line with good governance practices (Tricker, 2000). The organizations that did not make a distinction between the roles of the board and



management were mainly regional or international NGOs that tend to have boards in their home countries.

The boards of NGOs embrace diversity in terms of gender and professional skills. There were likely to be more women on the board the higher the number of total board members. The skills represented on the boards were found to be in line with the services provided by the organization. This agrees with Bain and Band's (1996) suggestion that the selection of directors on boards, should be based on a capacity to understand and act in accordance with the peculiar stewardship requirements of the sector. However, the identification of board members and the chairs was internally managed by the boards, with executive searches hardly being applied for board members and not at all for selection of the chairs. This conforms to the findings of the study in Asia (Smillie and Haily, 2001) where board members were found to be self selected and drawn from an inner circle of friends and acquaintances.

The roles of the board were well defined among the NGOs though some of the roles were not in line with good governance practice, such as recruitment and evaluation of staff, other than the CEO. The study found that most board members and chairs served for an average of three years. However, the study noted that there was very limited training of board members. It is interesting to note that the study by Wainaina (2002) found that the terms of the chair in MFIs was not defined which could easily lead to abuse of power.

Most respondents were able to define the information shared between the management of the organization and the board. This is in line with what has been found in other

countries where board - management relations are usually quite well defined. However, the relationship between boards and the stakeholders is usually weak at best (Montgomery and Kaufman, 2003). This study revealed a similar pattern. This situation, therefore, does not conform with the recommendation by Bain and Band (1996), that beneficiaries be made the true proprietors as this is likely to lead to more distinct obligations to them and also allow them to contribute to policy setting. This would also lead to a more balanced sharing of power as recommended by Montgomery and Kaufman (2003).

The relations with external stakeholders were found to exist in all organizations covered in the study. This can be expected given the nature of services provided by the organizations. The study found that information was shared with the NGO Bureau, the documentation link with government. The NGOs also regularly shared information with donors. The NGOs indicated that they had a good reputation with their donors. This agrees with a quote from a study by the Institute of Development Research: "NGO accountability tends to run north to donors that fund them rather than south to the CBOs and communities in whose name they act" (IDR, 2000, p 4). It is noted that one of the areas that boards need to look into in non-profit organizations is the area of sustainability (Herzlinger, 1994). This is often guaranteed through donor funding and may explain the strong relations between the NGOs and donors. The study also noted that the extent of resource mobilization was rated as existing to a large extent. This critical oversight by the board ensures that organizations survive in the long term.

Both the management and board were involved in external PR activities. According to Wyatt (2002), this is a role that should be more in the domain of the boards who need to advocate to the larger public on behalf of both the organization and the larger public who invest or contribute to the activities of the organizations by providing resources.

The NGOs noted that their governance practices were satisfactory and the majority did not provide recommendations for improving their governance practices. The NGOs noted that improving communication through more open and effective channels was one way to ensure good governance within the NGOs.

# **CHAPTER FIVE: SUMMARY AND CONCLUSION**

## **5.1 INTRODUCTION**

This chapter summarizes the findings and makes conclusions on this study on governance practices in NGOs. It also includes study limitations and recommendations for further research.

## **5.2 SUMMARY**

The main objective of this study was to investigate the governance practices prevailing among NGOs based in Nairobi. In order to achieve this objective, a questionnaire was developed, consisting of both closed and open ended questions. The questionnaire was tested and adjusted to ensure that respondents understood and could respond to the questions and that adequate information was provided for the study. Thirty two NGOs responded to the questionnaire out of the 50 sampled for the study, giving a response rate of 64 percent.

The literature explored the definitions and evolution of governance and its relevance and application to non-profit making organizations. The literature recognized the role of NGOs in society and how good governance would improve their operations through enhanced accountability and performance of those entrusted to manage the organizations. The literature reviewed also recognized the importance of balancing power between the three principle actors in the governance triangle – the shareholders or stakeholders of the organization, management and the board. Emphasis on only one factor in the governance

triangle would not auger well for the sharing of power and thus the efficiency in governance of the organization. It also underscored the fact that the roles of directors need to be clearly stipulated and controlled to ensure good governance and that successful organizations tended to have internal structures that were congruent with the demands placed on the organization by the environment.

The research methodology was based on the fact that the study was a cross sectional survey. This method allowed the collection of a large amount of descriptive information that could be statistically analyzed. The information was collected from NGOs that were randomly selected to ensure that a wide range of NGOs were represented in the study. The data was then analyzed using the SPSS software and the information presented in the form of tables.

The research findings indicate that governance practices exist in NGOs covered in the study. A governance body, primarily consisting of external directors, was in place in the organizations. The roles of the board were well defined and policies and guidelines existed for most of the boards. The boards had defined terms for its members and chair though the criteria for election of board members and the chair was mainly limited to this small circle. The boards were found to be diverse in terms of gender and skill representation. The skills represented on the boards were in line with the services provided by the NGOs.

There was a high level of information sharing between management and the board in the NGOs. It was noted that the boards and management had a good relationship. However, the influence of management on the board was found to be high while that of stakeholders was only moderate. Limited information was also shared with the stakeholders. This would indicate a lack of balance in power sharing among the three key players in the governance triangle. On the other hand, information with external stakeholders such as government and donors was found to be regular and comprehensive. This supports the argument by Wyatt (2002) that there is need for organizations, and boards in particular, to advocate to the larger public on behalf of both the organization and the larger public who invest or contribute to the activities of the organizations by providing resources.

### **5.3 CONCLUSION**

The findings of this research study concur with the literature available on governance practices in NGOs. Governance structures, including governing bodies, policies and guidelines to guide their operations exist to a large extent among the NGOs based in Nairobi.

The study revealed key weaknesses in the governance practices of organizations, particularly in the relationships between the three key players in the governance triangle. The relationships were found to be unbalanced. Information sharing with the stakeholders was limited. However, the relationships with external stakeholders such as government and donors were found to be fairly strong. Both the board and management were actively involved in public relations in the external environment. This gives an

indication that NGOs give more weight to these relationships than to the relationship with their key stakeholder – the clients or beneficiaries of the organizations.

In conclusion, it is noted that all the study variables were relevant to the study of governance practices among the NGOs, and revealed current practices as well as weaknesses. Suggestions given to improve good governance practices need to be given due consideration, particularly those linking the board and management to stakeholders. There is need for stakeholders to hold boards and management more accountable as governance is about being responsive to the needs of stakeholders (Demb and Neubauer, 1992). This can only be done if there is improved communication as recommended by the NGOs.

#### **5.4 STUDY LIMITATIONS**

The study encountered several limitations. The main limitation was the non-cooperation of 18 organizations who did not respond to the study questionnaire. Some of the NGOs that responded were also very suspicious about the parameters being used in the study and therefore liberally used the “Not Applicable” and “Not Known” options. On the open-ended questions, respondents were also reluctant to provide comprehensive information. The time frame available for the study was also limited, denying the researcher an opportunity to effectively follow up on questions that were not comprehensively answered as well as the non-respondents.

## 5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

The findings of this study indicate that there are areas that would need further research. A study of the governance practices of NGOs from the perspective of stakeholders, including government and donors, would help to triangulate the information from this study. A study of skills found on boards and how these skills influence the behavior and practices of boards in the NGO sector would provide more information on this critical governance body. A study on the extent to which governance practices in the NGO sector are similar or different from those in the private sector in Kenya and how best practices could be shared between the two sectors would be informative to governance practitioners in the country.

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## APPENDICES

## APPENDIX 1

### LIST OF SELECTED NGOS IN NAIROBI

1. Africa Rehabilitation and Education Program
2. Faith Homes of Kenya
3. Juliekei International
4. Handicap International
5. Mathare Youth Sports Association
6. Coalition on Violence Against Women (COVAW)
7. Food for the Hungry International
8. Diaknoie Emergency Aid
9. Children Mercy Fund
10. Compassion International
11. Family Health International
12. Kenya Youth Development Assistance
13. Norwegians Peoples Aid
14. African Medical Research Foundation
15. Green Belt Movement
16. Christians Children's Fund
17. ABANTU for Development
18. International Commission of Jurists
19. Center for law and Research International
20. Forum for African Women Educationalists
21. Save the Children (UK)
22. Center for African Family Studies
23. National Democratic Institute
24. East African Wildlife Society
25. Federation of Women Lawyers

26. Nairobi Hospice (Nairobi Terminal Care Center)
27. World Concern International
28. Youth in Community Development and Self Awareness
29. Peace Net Africa
30. The Salvation Army, East Africa Territory
31. Africa Women's Development Community Network (FEMNET)
32. Amani Counseling Training Center
33. Kenya Consumer Organization
34. CARE International in Kenya
35. Release Political Prisoners
36. Kenya Women Political Caucus
37. Islamic Foundation
38. League of Women Voters
39. Coalition for Peace in Africa
40. Engender Health
41. Winrock International
42. Kenya Health Services
43. Young Women's Association
44. Community Initiative Support Services
45. Society of Women Against AIDS in Kenya
46. Drug Abuse Hope Kenya
47. African Network for Prevention and Protection Against Abuse and Neglect
48. Kenya Alliance for the Advancement of Children
49. Brothers of Charity Kenya
50. Undugu Society

## APPENDIX II

### LETTER OF INTRODUCTION

Wairimu Gakuo  
P. O. Box 52302  
City Square  
NAIROBI

Dear Respondent,

**RE: MBA Research Project**

I am a post graduate student at the University of Nairobi pursuing a Master of Business Administration (MBA) Degree. In partial fulfillment of the requirements of the degree, I will be undertaking a research project on Governance Practices among NGOs based in Nairobi.

I am kindly requesting you to participate in this study by filling in the attached questionnaire to be best of your knowledge. The information provided will be treated with the strictest confidence and will be used solely for academic purposes.

Your kind assistance will be highly appreciated.

---

Wairimu Gakuo  
MBA Student

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Prof. Evans Aosa  
Project Supervisor

## APPENDIX III

### SURVEY QUESTIONNAIRE

#### “A SURVEY OF GOVERNANCE PRACTICES IN NON-GOVERNMENTAL ORGANIZATIONS BASED IN NAIROBI”

This questionnaire seeks to establish the current governance practices in Kenya today. The information on this questionnaire will be treated confidentially, and will not be used for any other purposes other than academic. The researcher will be at hand to clarify issues during the data collection process.

#### INSTRUCTIONS

The questionnaire has five sections, A, B, C, D, E. Kindly answer all questions in each section. If a question is not applicable, kindly mark “N/A”, if you simply do not have the knowledge, mark “N/K”.

PLEASE WRITE AS LEGIBLY AS POSSIBLE, THANK YOU.

**SECTION A**

1. Name of the Organization: \_\_\_\_\_
2. Title of Respondent: \_\_\_\_\_
3. Nature of business/services provided by organization: \_\_\_\_\_
4. Date of formation of the organization: \_\_\_\_\_
5. Regions/Countries the Organization Operates in: \_\_\_\_\_

**SECTION B**

6. Do you have a governing body in your organization? Yes \_\_\_\_\_ No \_\_\_\_\_
7. What is the name given to the governing body in your organization? (Circle one as appropriate)  
a. Board of Directors    b. Board of Governors    c. Governing Council  
d. Other (Specify) \_\_\_\_\_
8. How many members are there on the Board (total)? \_\_\_\_\_  
Women \_\_\_\_\_
9. How many of the Board members are in management positions in the organization?  
\_\_\_\_\_
10. How are Board members identified? (Circle as appropriate)  
a. Selection by CEO    b. Election by other Board members    c. Executive search  
d. Other(specify) \_\_\_\_\_
11. What criteria is used to identify the Board members? \_\_\_\_\_  
\_\_\_\_\_
12. What skills are currently represented on your Board? (Circle those that apply)  
a. Legal    b. Financial    c. Public Relations    d. Auditing/Accounting    e. Other (specify)  
\_\_\_\_\_
13. How long do members serve on the Board? \_\_\_\_\_
14. How is the Chair of the Board identified? (Circle as appropriate)  
a. Selection by CEO    b. Election by Board    c. Other(Specify) \_\_\_\_\_



15. What criteria is used in selection of the Chair? \_\_\_\_\_  
 \_\_\_\_\_
16. How long does the Chair serve on the Board? \_\_\_\_\_
17. What are the roles/functions of the Board?
- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_
- e. \_\_\_\_\_
18. How frequently does the Board meet per year? \_\_\_\_\_
19. Who creates the agenda for the Board meetings? \_\_\_\_\_

Please circle the level that closely matches the situation in your organization. The rating is as follows: **(1) to no extent; (2) to a less extent (3) to a moderate extent; (4) to a large extent; (5) to a very large extent**

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 20. Existence of policies and guidelines for the Board                          | 1 | 2 | 3 | 4 | 5 |
| 21. Boards overall influence over direction and control of the organization     | 1 | 2 | 3 | 4 | 5 |
| 22. Inclusion of members from diverse professional backgrounds on Board         | 1 | 2 | 3 | 4 | 5 |
| 23. Level of influence of non-executive directors in decision making            | 1 | 2 | 3 | 4 | 5 |
| 24. Boards commitment as measured by frequency and attendance of Board meetings | 1 | 2 | 3 | 4 | 5 |
| 25. Existence of written documentation of Board meetings                        | 1 | 2 | 3 | 4 | 5 |
| 26. Extent to which the performance of the chair of the Board is evaluated      | 1 | 2 | 3 | 4 | 5 |
| 27. Extent to which the Boards performance is evaluated                         | 1 | 2 | 3 | 4 | 5 |
| 28. Training of Board members   | 1 | 2 | 3 | 4 | 5 |

**SECTION C**

29. What information is shared between the Board and Management? \_\_\_\_\_

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30. What information is shared between the Board and the organization's stakeholders?

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31. What information is shared between Management and the organization's stakeholders?

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32. Are external audits carried out on the use of the organization's resources?

Yes \_\_\_ No \_\_\_

Please circle the level that closely matches the situation in your organization. The rating is as follows: **(1) to no extent; (2) to a less extent (3) to a moderate extent; (4) to a large extent; (5) to a very large extent**

|  |   |   |   |   |   |
|--|---|---|---|---|---|
| 33. Management influence on Board decisions                                | 1 | 2 | 3 | 4 | 5 |
| 34. Influence of stakeholders on Board decisions                           | 1 | 2 | 3 | 4 | 5 |
| 35. Boards involvement in operational matters of the organization          | 1 | 2 | 3 | 4 | 5 |
| 36. Extent to which the role of management and the Board is differentiated | 1 | 2 | 3 | 4 | 5 |
| 37. Involvement of Board in CEO recruitment                                | 1 | 2 | 3 | 4 | 5 |
| 38. Involvement of Board in evaluation of CEO                              | 1 | 2 | 3 | 4 | 5 |
| 39. Influence of CEO of Board decisions                                    | 1 | 2 | 3 | 4 | 5 |
| 40. Frequency and quality of communication between Board and stakeholders  | 1 | 2 | 3 | 4 | 5 |
| 41. Relationship between Board and organization's stakeholders             | 1 | 2 | 3 | 4 | 5 |
| 42. Relationship between management and organization's stakeholders        | 1 | 2 | 3 | 4 | 5 |
| 43. Extent to which the Board protects interests of stakeholders           | 1 | 2 | 3 | 4 | 5 |
| 44. Extent to which conflict of interest is managed by the Board           | 1 | 2 | 3 | 4 | 5 |
| 45. Extent to which audit issues are addressed by management               | 1 | 2 | 3 | 4 | 5 |
| 46. Extent to which audit issues are addressed by the Board                | 1 | 2 | 3 | 4 | 5 |

**SECTION D**

47. Is the NGO registered with the NGO Bureau? Yes \_\_\_\_\_ No \_\_\_\_\_

48. What information/reports does the organization provide to the Bureau \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

49. What information does the organization provide to the government?

\_\_\_\_\_

\_\_\_\_\_

50. What information does the organization provide to its donors? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

51. Briefly describe the reputation that the organization has among key donors? \_\_\_\_\_

\_\_\_\_\_

Please circle the level that closely matches the situation in your organization. The rating is as follows: (1) to no extent; (2) to a less extent (3) to a moderate extent; (4) to a large extent; (5) to a very large extent

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 52. Relationship between organization and government  | 1 | 2 | 3 | 4 | 5 |
| 53. Extent to which the organization is accountable to its donors   | 1 | 2 | 3 | 4 | 5 |
| 54. Extent to which donors are involved in NGO operations   | 1 | 2 | 3 | 4 | 5 |
| 55. Extent to which Board is involved in external PR activities for the organization                                | 1 | 2 | 3 | 4 | 5 |
| 56. Extent to which Management is involved in external PR activities for the organization                           | 1 | 2 | 3 | 4 | 5 |
| 57. Extent to which current resource mobilization activities guarantee long term sustainability of the organization | 1 | 2 | 3 | 4 | 5 |

**SECTION E**

58. What good governance practices are there in your organization?

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59. Which aspect of Board-management relations is most in need of improvement?

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60. Which aspect of Board-stakeholder/client relations is most in need of improvement?

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61. Do you have any other suggestions to improve good governance practices in your organization?

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62. Please indicate your overall level of satisfaction with governance practices in your organization : (Circle one) 1. to no extent 2. to a less extent 3. to a moderate extent 4. To a large extent 5. To a very large extent

**THANK YOU**