A SURVEY OF THE VALUE-CHAIN MANAGEMENT PRACTICES BY INTERNATIONAL RELIEF AND DEVELOPMENT NON-GOVERNMENTAL ORGANIZATIONS OPERATING IN NAIROBI

By

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DECLARATION

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

Signed__________________________ Date 06/02/2004

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This management research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my family, Nigel Irungu and Enid Muthoni for being supportive and being so special to me.

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ABSTRACT

Whereas the need for philanthropic organisations in society will be difficult to challenge, people who support the cause of the indigent and those in especially difficult circumstances in society through these organisations are increasingly concerned about their effectiveness and efficiency. International Non-Governmental Organisations (NGOs) are primarily set up to facilitate the much-needed support in mostly developing countries from organisations and individuals in mostly the developed countries. International Non-Governmental Organisations, like many other organisations, are getting affected by diminishing resources dedicated to charity. Populations are growing but resources are not proportionately growing to support these populations. There is therefore a strain on the available resources. This is precisely the reason why the issues of value creation analysis and efficiency are gaining currency in the sector. This study sought to shed light on this area of management in International Non-Governmental Organisations.

The objectives of the study included; to determine the application of value-chain management practices in International Relief and Development Non-Governmental Organizations (NGOs) in Nairobi; to establish factors affecting the use of the value-chain analysis by the International Relief And Development NGOs in Nairobi; and, to determine the activities along a value-chain in International NGOs.

To achieve these objectives a sample, selected using simple random sampling, was studied. Data was collected using questionnaires, which were administered using the

"*Drop and Pick*" method. The data was analysed using the Statistical package for Social Sciences (SPSS). The analysis was done using descriptive statistics.

The study found that, whereas there is great felt need to analyse and track value created in these organisations, Value-Chain Management has been practiced by default rather than design in that it has not been systematic. Further, Value-Chain Analysis as a concept is yet to be fully appreciated as a tool of analysis in the sector. This has principally been attributed to the fact that in the past performance was assessed by the output only for a long time. More and more benefactors are beginning to assess performance using efficiency or "value-for-money" approaches. This is mainly why the organisations feel that they need to track and analyse value.

The practice was observed in a very random pattern and not as a function of factors, like the number of years that an organisation has been in operation, or the size of the organisation, shown by the number of employees that an organisation has.

CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS

NGO	Non-governmental Organisation
ICTs	Information and Communication Technologies
R&D	Research and Development
CPFAR	Collaborative Planning, Forecasting and Replenishment
JIT	Just in Time

CHAPTER ONE: INTRODUCTION

1.1 Background

Non-governmental organizations (NGOs) are private organizations formed by actors outside government structures to provide certain services to people. Their scope may be international or local. The international NGOs operate in more than one country mostly having their origins in the west and operating in third world countries.

NGOs concentrate on a wide array of issues (often social); span local, regional, national and international 'jurisdictions'; represent numerous forms of decision-making structures and management; and are driven by widely different political philosophies. Some NGOs are staffed by only a handful of people, relying largely on volunteer efforts, while other NGOs are large, international, and highly professionalised organisations.

1.1.1 Typology of Non Governmental Organizations

Non-governmental organizations provide services in a number of areas mainly;

- Relief (including philanthropic organizations);
- Development (Education, health, water, environment, etc);
- Religious;
- Culture; and
- Human rights.

Relief NGOs

These are organizations, which specialize in provision of services in times of disasters, calamities, war and internal conflicts. They often provide food, clothing and shelter for those affected for the periods that they cannot provide for themselves due to the above factors and they include well-known organizations like the Redcross, Médecins Sans Frontières (Doctors Without Borders), etc. This category also includes organizations formed for philanthropic causes.

Development NGOs

These are organizations that are involved in projects in communities geared towards sustainable development. They, among other things build schools, health centres, sink boreholes, etc. They include well-known organizations like Actionaid, Danish Development Agency (DANIDA), among others. Many development organizations also offer relief services.

Religious NGOs

These are organizations that are formed primarily to propagate religious values and do sometimes engage in work that is aimed at developing the communities. These include the Roman Catholic Church, Churchaid, Young Men Christian Association, etc.

Human rights NGOs

These are organizations formed to champion promotion and respect for human rights. They do advocacy work aimed at ensuring that society lives by the basic tenets of human dignity, guarantee for fundamental human rights as contained in the Universal Declaration of Human Rights (1948), which was ratified by member countries of the United Nations. Such organizations are Amnesty International, which campaigns for the release of all prisoners of conscience—people imprisoned because of their race, ethnicity, sex, economic status, religion, or national origin, or for peacefully expressing their political beliefs.

NGOs in culture

Some NGOs are formed to preserve and promote culture. They seek to foster a greater appreciation and understanding across cultural divides as well as finding relevance for culture in contemporary society.

1.1.2 Strategic management in NGOs

NGOs in Kenya are facing scarcity of resources more than ever before. The philosophical argument that NGOs fill in the gap left by government in service provision means that there is an awful lot for these organizations to do. Secondly, the organizations are so many that there is competition for limited resources and operating space among them and this means that due to the competitive environment, resources will only go to the effective and efficient organizations in the long run because inefficiency in the sector is not sustainable.

The environments of NGOs, therefore, have become not only increasingly uncertain in recent years but also more tightly interconnected; thus, changes anywhere reverberate unpredictably – and often chaotically – throughout the sector. This increased interconnectedness requires a threefold response from the NGOs as well as other stakeholders. First, organizations must think strategically as never before. Second, they must translate their insights into effective strategies to cope with their changed circumstances. Third, they must develop the rationales necessary to lay the groundwork for adopting and implementing their strategies (Bryson, 1995).

Typically, NGOs identify a social need in a given community and mobilise resources from donors and other sources to try and satisfy the need from a philanthropic or charity approach. The focus is therefore often on satisfying the identified need and not so much on the mechanics of the process. Unlike in the corporate sector, the success in NGOs is not measured by the bottom-line earnings and other economic indicators, but rather on what they have been able to do. The question of how well is secondary and in many cases subjective. Large NGOs with substantial resources at their disposal, say annual budgets in billions of shillings, will spend their funds fairly more extravagantly as compared to other smaller ones, say with annual budget of a few hundred of thousands. The success of the two categories of organisations will be measured based on what they have been able to do, say, the number of people reached, without factoring in the resources that have been employed, say number of "fuel guzzlers" that may have been bought, in reaching a given number of people. Whether they were necessary and the value added was commensurate is debatable.

1.1.3 Changes in the NGO environment

The traditional approaches to NGO operation may be coming to end as they explore new vistas to stay abreast with the rapidly changing environment. Competitive advantage is not just a function of how well an organisation plays by the existing rules of the game. More important, it depends on the organization's ability to radically change those rules to its advantage (Govindarajan, 2001). This is why, according to Govindarajan (2001), organizations must ask themselves the following three fundamental questions:

- Who are our target consumers? (Consumer definition)
- What value do we want to deliver to them? (Consumer value identification)
- How will we create it? (Value creation process design)

Value

Value here is considered to be the worth of something measured against other goods. The value under discussion here is economic value and is determined by desirability and scarcity. Anything that is both desirable and scarce, such as a diamond, can command power in the exchange ratio—that is, it can be exchanged for an item of equal or greater worth. The term **value added** refers to the value created in a product in the course of manufacturing or processing, exclusive of such costs as those of raw materials, packaging, or overhead.

While appreciating that knowledge forms the basis for value creation, the answers to the above questions operate as a modular system; that is, the individual answers must be self reinforcing and internally consistent. This makes Michael Porter's (1980) five-force analysis **relevant in the NGOs industry**. For NGOs in Kenya to survive, they must enhance their strategic position and hence competitiveness. In understanding competition in a given industry, we use the "five force analysis" as propounded by Michael Porter (1980). These forces include, the threat of entry, threat of substitutes, competitive rivalry, bargaining power of the suppliers, bargaining power of the buyers (consumers).

The last two represent every organizations basic activity of obtaining resources and supplying goods and/or services. This is what we commonly refer to as the *value-chain* or the value system of an organization. This, therefore, means that organizations need to understand how they can create value efficiently; this is what the *value-chain analysis* is all about.

The value-chain concept was first put forth, in the post war period, by Mr. Lawrence Miles (1972). It was initially intended for accounting analysis to shed light on the 'value added' by separate steps in complex manufacturing processes with a view to evaluating the costs and value. Steps of identifying activities and assessing value added from each were linked to an analysis of an organization's comparative advantage by Michael Porter (Porter, 1985).

1.1.4 Options in value creation approaches

As captured above, organizations have, in the past, tended to isolate the various activities by optimising the different steps separately without due regard to the effect of the aggregation of the entire process. The compartmentalisation of the value adding process did not necessarily bring about the desired synergy as well as desired eventual impact. This is principally because adding value while being oblivious of the likely effect on the chain at a different point may negate the efforts. E.g. if you go for a less expensive packaging, but it costs the end user more to dispose it, you may be detracting from the total value of the product, which then means the producer must think about the *downstream* of the value-chain while initiating value-adding activities in the *upstream*. In other words one must consider the total impact of each optimisation (Sheridan, 2000).

The approach is changing from compartmentalised to integrated value analysis and creation. For instance, managers have now shifted from the traditional cost accounting to Activity-based Costing (ABC), which records the cost of the total process of providing a product or service. It has become a management imperative to know the cost of the entire economic chain if an organization is to optimise on the value-adding activities. The shift from cost-led pricing to price-led costing, in which the price the customer is willing to pay determines the allowable costs, will force enterprises into economic chain costing. *The cost of not doing, which the traditional cost accounting cannot and does not record, often equals - and sometimes exceeds - the cost of doing* (Harvard Business Review, 1998).

Approaches like the resource-based view (RBV) (Barney, 1991; Wernerfelt, 1986) and value net management (Parolini, 1999) in strategic management are beginning to become popular in order to factor in the linkage of resources to final products, which is essentially an endeavour to integrate the value creation analysis. This will ensure an objective approach to assessing efficiency and value creation in the entire chain of activities in organizations.

The value-chain management concept has attracted many writers who have done surgical analyses of the issues and subsequently shed light on the same. However, very little has been done on Value-chain analysis in an NGO context. This being an integral part of strategic management, it presents a challenge to the actors in the NGO sector to put into focus the use the analysis to be able to reap maximum benefits.

1.1.5 Role of information in the value chain management

Every organisation today competes in two worlds; a physical world and of resources that managers can see and touch, and the virtual world made of information. When we think about value chain, we tend to visualize a linear flow of activities. But the value chain also includes all the information that flows within a company and between a company and its suppliers, its distributors, and its existing and potential consumers. Intra-chain relationships, employee loyalty, process coordination, consumer loyalty etc. all depend on various kinds of information (Tapscott, 1999).

Key assumptions of the value-chain analysis are (Johnson and scholes, 1997);

- Organizations are much more than random collections of machines, money and people.
- These resources are of no value unless they are deployed into activities and organized into routines and subsystems, which ensure products or services, are produced and are valued by the customer or user.
- The management of the linkages in the value-chain provides competitive advantage.
- Optimisation of the strategic capability of the organisation entails identification of separate **value activities** in the organization.

1.2 Statement of the Problem

Focus on value adding systems in NGOs is likely to gain prominence in the coming periods. The reasons for this may be many and varied but of importance here is that the linkage between the cost of producing the services/goods up to the actual delivery (and possibly disposal), and the value of the final product is now an area of concern to many NGOs and their funding partners, among other stakeholders.

Whereas in the corporate sector the value chain seems to revolve around factors like profits and bottom-line earnings, which may not be important in an NGO set-up, we may want to juxtapose the two disparate considerations and assess the factors that stand out in the case of NGOs. Of concern is the relatedness of the different activities in the value chain and the strategies that are put in place to ensure that there is synergy and resonance in the value creation process. Many questions abound as to the extent the consumer's perspective is taken into account when designing the systems that are going to be used in the value creation process. How does the relatedness of the value adding activities influence the strategies of the organisations? To what extent do NGOs think about the value-chain analysis as an integral part of their production processes. It will be interesting to examine other factors that may inform and motivate the value-chain management practices in NGOs other than the need to improve and optimise profitability, as it is the case in the commercial sector.

1.3 Objectives of the Study

The study sought to:

1. To determine the application of value-chain management practices in International Relief and Development NGOs in Nairobi.
2. To establish factors affecting the use of the value-chain analysis by the International Relief and Development NGOs in Nairobi.
3. To determine the activities along a value-chain in International Relief and Development NGOs.

1.4 Importance of the Study

The study will be useful to both practitioners as well as academics in several ways. The practitioners will be challenged to break their "traditions" and paradigms as far as value creation processes are concerned. The sector must shift from seeing the consumer as a net recipient of products to being an important part of the wider processes in the value-chain. Value must not be compromised on the basis that it is philanthropy work since there will ultimately be a social cost to society.

The academics will be challenged to take the application of value-chain management discourse beyond the corporate boardrooms to organizations that interact with the underprivileged in society.

1.5 Organization of the Study

This report consists of five (5) chapters. Other important sections like the declarations, dedication, and the abstract precede the chapters in the report. References and the questionnaire that were used in the study are annexed to the report.

Chapter one, which gives the introduction of the study has four sections giving the background, statement of the problem, objectives of the study, and the importance of the study, respectively. Chapter two captures the literature review while chapter three gives the research methodology detailing the population, sampling, data collection and the target respondents. Chapters four gives the findings and discussions, while chapter five gives the conclusions and recommendations.

CHAPTER TWO: LITERATURE REVIEW

According to Hill and Jones (2001), the value-chain refers to the idea that an organization is a chain of activities for transforming inputs into outputs that consumers value. The process of transforming inputs into outputs comprises a number of primary and support activities (figure 1). Each activity adds value to the product. The value-chain is, therefore, used to describe the activities within and around the organization and relating them to an assessment of the competitive strength. Porter's framework provides the taxonomy for introspection for the easier application of the chain. The framework emphasises on the customer by providing for reverse engineering with the customer value being the larger goal.

Bryson (1995) contends that it is now a fact that donors no longer reward good intentions. They reward good results. She also asserts that not-for-profit managers are now going to be expected to do more for less, which will require managers to show fiscal responsibility and results based on tangible results that can only be produced by maximising on value creation processes.

Ford motors' CEO focused on the supply chain, as a way to make Ford remain competitive, by developing a strategy that makes the supply base an extension of Ford's operations, involving suppliers in everything from vehicle design to process reengineering to supply management. This was coupled with the manufacturing and distribution processes, which basically covered quite a chunk of the Ford's value-chain. This helped Ford improve on their value creation processes, which resulted in trimming of a whooping $3 billion. When asked about the strategy, the CEO, Mr. Alex Trotman, retorted that the objective is to provide the highest value to their customers through development of products that are affordable as well as generating ample returns for Ford and the suppliers. He also noted that it is done through dealing with waste by collaborative management of the value-chain by Ford and its suppliers (Sheridan, 2000).

Contrasted with the Ford Motors' case, where return on investment was a key factor in value-chain management, we need to examine whether the strategy is relevant in an NGO environment and in what ways.

One of the key factors in value-chain management is the actors within and without the organisations, who they are and what role they play. Among the major findings of the research conducted in association with Ernst & Young (interviewing 2000 senior and middle level management personnel from organizations covering different levels in the value-chain), the New York-based management-consulting firm, were these (Sheridan, 2000);

Value-Chain Management **Formal value-chain strategy:**			
	All	**Large Companies**	**Small Companies**
Yes	**36.7%**	**46.6%**	**21.2%**
No	**48.8%**	**37.5%**	**66.6%**
In development	**14.4%**	**15.9%**	**12.2%**
Of those with a value-chain strategy, its effectiveness:			
Highly effective	**26.1%**	**27.2%**	**22.2%**
Somewhat effective	**71.2%**	**69.5%**	**77.2%**
Not effective	**2.7%**	**3.3%**	**0.6%**
Level of management most responsible for value-chain improvement efforts:			
CEO/President	**31.2%**	**19.8%**	**49.1%**
Vice President	**33.6%**	**37.8%**	**27.2%**
Director	**17.1%**	**23.3%**	**7.3%**
Manager	**17.3%**	**18.2%**	**15.8%**
None	**3.9%**	**3.7%**	**4.2%**
Other	**1.4%**	**1.3%**	**1.7%**
Source: IndustryWeek, **Ernst & Young 2000**			

Value-Chain Performance Executives rate the overall performance of the primary value chain in which their company participates:			
	All	**Large Companies**	**Small Companies**
Excellent	**1.3%**	**1.5%**	**1.1%**
Very good	**12.0%**	**12.6%**	**10.9%**
Good	**41.6%**	**42.1%**	**40.7%**
Fair	**38.9%**	**38.5%**	**39.7%**
Poor	**6.2%**	**5.3%**	**7.6%**
Source: IndustryWeek, **Ernst & Young 2000**			

Value-Chain Barriers Executives rate the following as major barriers to value-chain optimization:			
	All	**Large Companies**	**Small Companies**
Pricing pressures	**44.2%**	**43.3%**	**45.8%**
Poor communication	**39.7%**	**42.3%**	**5.4%**
Lack of value-chain leadership at top	**34.9%**	**37.0%**	**31.4%**
Knowledge/training	**34.7%**	**35.4%**	**33.8%**
Corporate philosophical differences	**33.3%**	**35.1%**	**30.2%**
Lack of trust	**26.6%**	**28.8%**	**22.9%**
Technology incompatibility	**16.8%**	**18.1%**	**14.7%**
Source: IndustryWeek, Ernst & Young 2000			

As seen in the tables above,

- Nearly one-third of the survey participants (31.2%) said that, in their companies, the CEO or president is "most responsible" for value-chain-improvement initiatives. Another 33.6% indicated that responsibility rested at the vice-president level.
- More than half of the executives said that their firms have adopted -- or are in the process of developing -- formal value-chain strategies. Of the 36.7% who now have formal strategies in place, a heavy majority believe their efforts have been at least "somewhat effective" -- although only 26.1% think the strategies have been "highly effective."
- Only 13.3% of the respondents rate the overall performance of the primary value-chain that they participate in as "very good" or "excellent" -- indicating that there is considerable room for improvement.

- Companies that have adopted formal strategies -- and especially those with highly effective strategies -- tend to be more successful in growing top-line revenues.

- Inter-company pressures on pricing issues are the most common stumbling block to value-chain optimization. Fully 44.2% of the executives cited pricing issues as a "major" barrier, while 39.7% blamed poor communication.

Considering the level of involvement of key personnel in organizations, the value-chain management has become a strategic imperative. It is not something that is left to the purchasing department. It has reached the highest levels and people are seeing it as a key element of strategy (Sheridan, 2000). Organisations are embracing information as a major component of optimising their value chains.

Whither the organization?

In the nineties, managers worked hard to flatten the organizations both to control costs and because network structures worked better than hierarchical in most conditions (Parolini, 1999). NGOs have followed suit in reconfiguring and reengineering the organizations to bring in efficiency without compromising value. The value creation process will, therefore, be approached from the organizational structure as well as the process of value creation itself.

Value-chain strategy encompasses various elements. In addition to cultivating partnerships and building trust with immediate end-users and suppliers, it also includes initiatives that create ripple effects across multiple tiers of a given chain. Among them;

- **Inventory strategies**. Issues like real time inventory tracking, CPFAR (collaborative planning, forecasting and replenishment), JIT delivery etc. will of interest.
- **Sharing critical information**. This is with suppliers, consumers and other value-chain partners.
- **Collaborative product development**. Specifically, initiatives that involve suppliers and consumers in the early stages of the development process.
- **Adoption of web technologies**. Using information technology for easier flow of information.

According to Industry Week Survey (2000), organisations that have implemented effective value chain strategies tend to perceive a two-fold benefit. Not only do they do better individually, but also the performance of the overall chain often improves. Among the people who assess their strategies as highly effective, 57.9% rate the overall performance of their primary value-chain as "very good" or "excellent". Meanwhile, only 5.6% of those with ineffective strategies see their value chains functioning at that level.

Application of value-chain analysis

The value-adding activities in the organization are divided into two; (i) Primary activities, and (ii) support activities (figure 1.). (Johnson and Scholes, 1997; Hill and Jones, 2001; Porter, 1985).

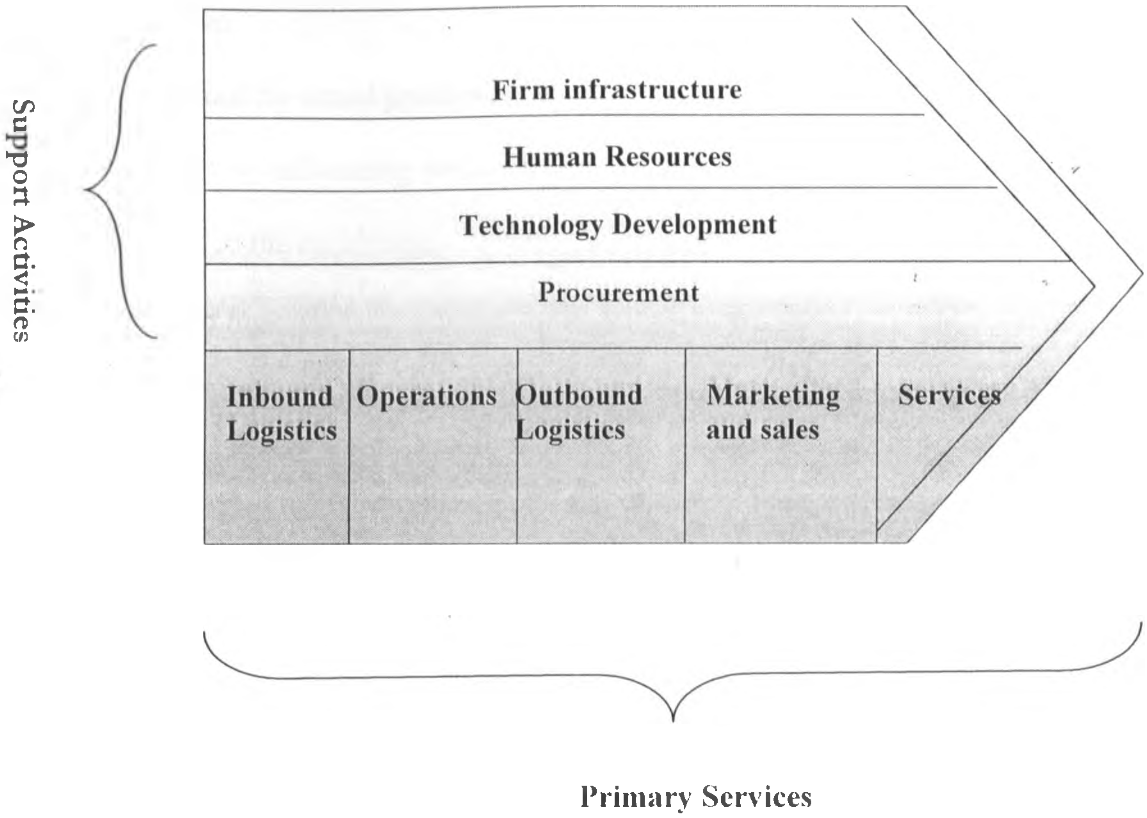

Fig 1: The Value-chain
(Johnson, Garry And Scholes, Kevan (1997), *Exploring Corporate Strategy:* New Delhi, Prentice Hall.)

Primary activites

In an organization, primary activites are directly concerned with the creation or delivery of a product or service and are grouped into 5 areas, *viz;*

- *Inbound logistics*

  Are the activites concerned with receiving, storing and distributing the inputs to the product or service.

- *Operations*

  These entail the actual production of goods and services. In physical production, we talk of manufacturing while for services, it is when the service is actually delivered to the consumers.

- *Outbound logistics*

  These are activities that ensure collection, storage and distribution of products to consumers.

- *Marketing and sales*

  These provide the means by which consumers are made aware of the product and are able to purchase it. Value is created partly through the ways consumers are made to perceive the product. It also involves discovering the consumer needs and communicating them to the R&D to match them with other needs. Social marketing in the context of NGOs focuses on marketing using different social appeal as opposed to purely commercial ventures which do it for profit.

- *Service*

  This is what the development sector would rather call follow-up. It is also a value adding activity in that it creates value in the minds of the consumer. It goes beyond the actual service provision.

Support activities

Each of the above primary activities is linked to support activities. Support activities help to improve the effectiveness or efficieny of primary activites. They can be divide into 4 main areas, *viz*;

- *Procurement*

  This refers to the processes of acquiring the various resource inputs to the primary activities.

- *Technology development*

  This is essentially to develop functionality of products, or ways of delivering them. It focuses on the whole gamut of process as well as the product, trying to get to new frontiers. R & D is therefore, undertaken to make the process of production efficient and/or to ensure that the quality of the product is high or at least competitive. Here we focus on creating high(er) value for the consumer by finding new and better ways of doing things.

- *Human resource management*

  This transcends all primary activites. It determines whether the organization is rigid or innovative.

- *Infrastructure*

  The systems of planning, finance, quality control, information mangement , etc. are very important in determining how an organization performes in its primary activities. It also constitutes structures and routines of the orgnaisation which sustain its culture.

Hill and Jones (2001) reckon that the R & D is part of the primary activity while Johnson and Scholes (1997) think that it is a support activity. However, they all seem to agree that it is an important component of the value creation process analysis. To add value, the process is made efficient by avoiding wastage, or in a way that is consistent with the high quality (real or imagined). Value adding then in this case will be through differentiation as opposed to lower costs. What considerations would be made in the case of NGOs? We would be keen to find out to what extent the value-chain analysis has been used in the NGO sector and the process through which it has been done as well as the form that it has taken. A graphical representation of the value chain analysis is represented in figure 1 above.

Disaggregation and deaggregation of the value

Every industry is based on value proposition – value that is proposed and consumed by consumers. The value proposition consists of several elements that are aggregated from the suppliers and the employees and delivered to consumers. In the NGOs environment, it is also instructive that the value creation process be disaggregated for the value chain to be optimised.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the methodology used in the study. It has three sections covering the population, sampling, and data collection.

The study was done using the survey design. This is because the study sought to get information directly from the selected participants on the various issues that were being investigated.

3.2 Population

The population for the study was International NGOs based and working in Nairobi. This is mainly because Nairobi has the highest concentration of NGOs, and therefore representative of NGOs activities in Kenya, secondly, to avoid logistical hitches that would be attendant in a larger geographical coverage. The focus has been on NGOs working in relief and development within the same area. About Two hundred (200) International relief and development NGOs are registered under the NGOs coordination act (1990) to work in Nairobi by the NGOs coordination bureau. This constituted the population for this study.

3.3 Sampling

3.3.1 Sample size

Out of the sixty (60) questionnaires delivered to the organisations that were listed, 26 responded by filling in the questionnaires, which translates to 43 % response rate. Nine (9) of the respondents were not available to fill in the questionnaires, while twenty-five 25 declined to fill them in for various reasons. Five (5) of those who declined cited confidentiality as the reason why they would not provide the information that was sought. They claimed the organisations' policies barred them from providing the information.

3.3.2 Sampling technique

Simple random sampling technique was used. The organisations are characteristically similar in many ways and therefore a simple random sample was thought to be representative. The names of the organisations, which were to participate in the study, were randomly generated using a computer.

3.4 Data collection

Both qualitative and quantitative data was collected for subsequent analysis. The data was collected from primary and secondary sources. Data for background information was collected from secondary sources giving us the numbers of organisations in the various categories and the respective areas of operation while the rest of the data relating to the general management and value chain management, was collected from primary sources.

The data was collected using questionnaires, which were administered using *drop-and-pick* method.

The questionnaire had two sections, "A" and "B" (See appendix 1). Section A mainly covered information about the organisation while section b mainly covered the management practices in the organisation. For ease of analysis, the questions were mainly closed ended with only a few being open ended. Some information that was considered "technical" was deliberately positioned towards the end of the questionnaire to ensure the lingo did not intimidate the respondents. Some, as expected, did not fill in the sections on account of unfamiliar terms. It was, however, necessary to put the lingo there to test the familiarity of the terms, as we know them, without compromising the responses to the other questions. Non-response of the sections therefore was useful as well and did not significantly affect the rest of the sections in the questionnaire

The data was collected from senior people from the target organisations because they were likely to have information on the corporate strategy formulation process from a wider perspective as far the organization is concerned.

3.5 Analysis

The data collected was first checked for consistency and completeness, cleaned and then analysed using the Statistical Package for the Social Sciences computer programme (SPSS), which is versatile enough to handle manipulations that needed to be done in this study. Descriptive statistics were used. Cross-tabulations, distribution tables, and measures of dispersion and central tendency were used. The measures of central tendency and dispersion were used to show averages and distributions of the various variables under this study.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter broadly covers study findings and discussions. It covers the sample characteristics, the strategic management practices, value chain management practices, and factors affecting value chain management.

4.2 Sample characteristics

Most of the organisations interviewed (54 %) were less than 13 years old. There were some which were over fifty-three (53) years in existence. This accounted for 12 % of the respondents. Many of the organisations maintain small offices locally to coordinate activities that are originated from outside the country. 26% of them have an operating annual budget of between Kshs 100 million and Kshs 500 million, while 52% have below kshs 50 million. As shown in table 1, majority of the employees are salaried and permanent Kenyans, constituting an average of 34.8 per organisation, followed by Kenyans on contract with an average of 16.9 per organisation, with standard deviations of 72 and 12.8 respectively. The middle (median) values for these categories are of employees were 15 and 41.5 respectively. The rest are either contract workers or volunteers as shown below in table 2:

Table 1: Classification by the year of registration

Year the organization was started		
Yr of registration	**Frequency**	**Percent**
Upto 1950	3	11.5
1951-1970	2	7.7
1971-1990	6	23.1
1991-2003	14	53.8
No response	1	3.8
Total	26	100

Table 2: Analysis of the NGO staff by numbers and type of employment

Type of Employment	Nationality	n	Mean	Median	Mode	Standard Deviation
Salaried and permanent	Kenyan	16	34.8	15	3	72.0
Salaried and permanent	Non-Kenyan	7	8.4	3	2	9.3
Contract Basis	Kenyans	20	16.9	41.5	2	12.8
Contract Basis	Non-Kenyan	13	12.9	3.0	3	21.7
Volunteers	Kenyan	6	2.2	1.0	1	1.9
Volunteers	Non-Kenyan	3	11.7	1.0	1	18.5
Total Responses = 24						

4.3 Strategic Management Practices

As shown in table 3 below, 32% of the organizations have had a change of their mission statement in the last five years. This represents a significant number of organisations that have effected significant changes on their missions.

Table 3: Change of Mission

Response	Frequency	Percent
Yes	8	30.8
No	17	65.4
No response	1	3.8
Total	26	100

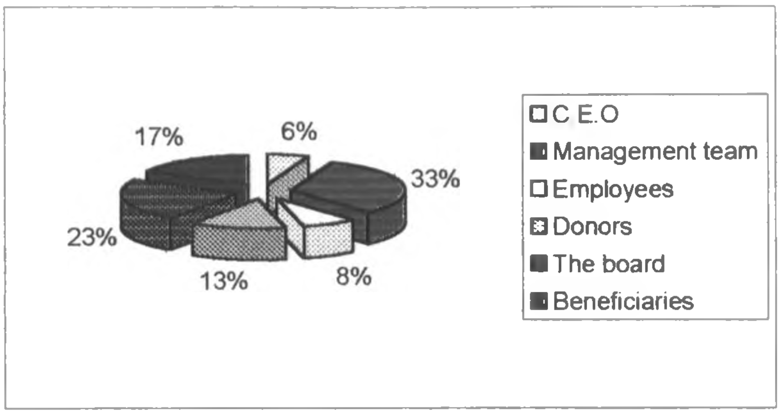

Figure 2: Responsibility for type of programmes

In making important strategic decisions, many respondents indicated that the management teams have a lead role. On who decides on the type of programmes that the organisation should engage in, figure 3 above shows that 33% of the respondents said it is the management team, 23% said it is the board, while 13% said it is the donors. Given that most NGOs are programme-driven, this is a strong indicator of who decides the direction of the organisation.

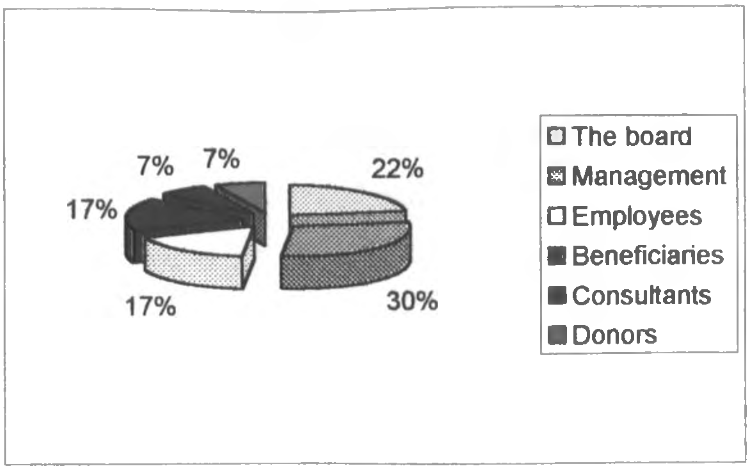

Figure 3 : Responsibility for development of strategic plan

However, as shown in figure 4 above, 30% of respondents said the development of a strategic plan is the responsibility of management team while 22% said it is the board. On a *Likert Scale*, respondents were asked to indicate relative importance of the various stakeholders (table 4). Decreasing value of the mean of the values in the table indicated increasing importance of the stakeholders. This is further corroborated by the fact that from the table the most important stakeholder is the management team ($\bar{x}$ = 1.48) followed by the board ($\bar{x}$ = 1.67). From table 4 below, the role of donors in strategic choices is also very important ($\bar{x}$=1.88).

Table 4: Relative importance of stakeholders

Stakeholder	Frequency n=26	Mean	Std. Deviation
The board	21	1.67	.730
Management	23	1.48	.593
Consultant	20	2.85	.875
Beneficiaries	21	1.81	.873
Employees	22	2.00	.816
Donors	24	1.88	1.076
others	4	2.50	.577

Another phenomenon that is noteworthy is the involvement of the beneficiary communities in strategic decisions. As shown in table 5 below, 81% of the respondents said that they involve the beneficiaries in the strategic planning process. Strategic Planning process is an integral part of the strategic management. We can therefore use it as an indicator of the level of involvement of important strategic decisions in the organisations.

Table 5: Involvement of beneficiaries in Strategic Planning

Response	Frequency	Percent
Yes	21	80.8
No	5	19.2
Total	26	100

In their management approach, organisations always consider the role of other organisations especially in the same sub-sector. Managers have to consider whether other organisations will be competing or collaborating with the organisations they represent. This often has a bearing on the policies and strategies that they put in place. As shown in table 6 below, 79% of the respondents felt that other NGO's are collaborators while 13% felt that they are competitors. To some extent, this perception also affects the value chain of the industry, especially because of the resultant strategies that are adopted.

Table 6: Relationship with other NGOs

Response	Frequency	Percent
Competitors	3	11.5
Collaborators	19	73.1
Others	2	7.7
No response	2	7.7
Total	26	100

4.4 Value-Chain Management Practices

On relative importance of physical and non-physical inputs, most respondents (81%) said that they are equally important. 15% said they felt physical inputs are more important than non-physical inputs. Broken down into programmatic and organisational objectives, the results were as shown in table 7 below:

Table 7: Relative importance of programmatic and organisational objectives

Objective	Frequency	Mean	Std. Deviation
Operational efficiency	22	4.77	.429
Meeting targets	22	4.68	.568
Cost reduction	21	4.24	.831
Employee motivation	21	4.43	.676
Team building	22	4.64	.581
Provision of services	22	4.41	.796
Survival of organization	21	4.14	1.236
Expansion of organization	21	3.48	1.327
Structural efficiency	21	4.19	.873
Maintaining a large budget surplus	19	2.32	1.376
Outdo our competitors	21	1.52	.814
Improved technology	21	4.19	.814
Satisfaction of beneficiaries	22	4.91	.294
Improved production	19	4.37	.831
Creation of value	22	4.32	1.041
Procurement of supplies	21	3.43	1.326

Table 7 shows clearly that the least of the programmatic and organisational objectives are outdoing competitors ($\bar{x}$ = 1.52) and maintaining a large budget surplus ($\bar{x}$ = 2.32). This is so because of the "not-for-profit" tag that NGOs are supposed to carry with them because they are philanthropic organisations and are not profit-driven. But again, the organisations seemed to have a very keen interest on operational efficiency ($\bar{x}$ = 4.8), meeting targets ($\bar{x}$ = 4.68), as well as building teams ($\bar{x}$ = 4.64). The three are very closely interrelated which translate to services to the indigent at the least possible cost. However, cost reduction per se was not a priority ($\bar{x}$ = 4.24), unlike in the case of manufacturing sector. Another distinguishing factor is the fact that competition is not a serious consideration in the NGO planning and strategy formulation ($\bar{x}$ = 1.52).

Table 8: Relative importance of value creation

Relative importance	Frequency	Percent
Not important	3	11.5
Very important	6	23.1
Most important	13	50.0
No response	4	15.4
Total	26	100

Further analysis of the programmatic and organisational objectives revealed that, as far as the issue of value creation is concerned, 59% of the respondents (table 8) felt it is most important. On the other hand, 14% felt it is not a priority at all. This is a very significant proportion, which could perhaps be explained by the idea that value and quality are not important considerations in delivery of relief and development services. This is despite a majority of 86% who affirmatively responded to whether there is need to track value creation in the organisations.

Table 9: Need for tracking of value creation

Response	Frequency	Percent
Yes	18	69.2
No	3	11.5
No response	5	19.2
Total	26	100

46% of those interviewed said they did not know what value-chain analysis was all about. 23% said they actually used a value chain analysis tool to track value in their respective organisations, while 31% said they did not use the tool.

Table 10: presence of quality control unit

Response	Frequency	Percent
Yes	12	46.2
No	13	50.0
No response	1	3.8
Total	26	100

Whereas operational efficiency came out as a very important consideration in the organisation (table 7), less than half of the respondents actually have quality control unit or its equivalent in place as shown in table 10.

Table 11: Use of ICTs in procurement of non-human inputs

Response	Frequency	Percent
Yes	15	57.7
No	5	19.2
No response	6	23.1
Total	26	100

On procurement of non-human inputs, which is an integral component of the primary activities in the value-chain model, 75% said they use Information and Communication Technologies (ICTs). This can be seen to be out of their concern for efficiency in the procurement process.

4.5 Factors that affect the use of Value-Chain Analysis

Objective 2 of the study sought to establish factors that affect the use of Value-Chain analysis by the organisations under study. Use of Value-Chain analysis was operationalised in terms of annual budgetary allocations and use of quality control unit. Factors (correlates) consisted of the age of the organisation and the number of employees. Spearman's Rho Correlation Coefficient was used to establish the relationship between the organisational factors and value-Chain analysis variables. The results are presented in table 12.

There does not seem to be a relationship between the budgets of the organisations and the number of employees in an organisation ($r= -0.108$, $p=.659$). However, there is a weak correlation between the Presence of a quality control unit and the age of the organisation ($r= 0.213$, $p= 0.32$).

Table 12: Relationship between organisational factors and Value-Chain analysis variables

Value chain variables		Year the organisation was started	Number employees	Approximate average annual total budget of the organization	Presence quality control unit or an equivalent functio n
Year the organisation was started	Correlation Coefficient	1.000	-.161	.197	.213
	Sig. (2-tailed)		.442	.434	.318
	n	25	25	18	24
Number of employees	Correlation Coefficient	-.161	1.000	-.108	-.331
	Sig. (2-tailed)	.442		.659	.107
	n	25	26	19	25
Approximate average annual total budget of the organization	Correlation Coefficient	.197	-.108	1.000	-.128
	Sig. (2-tailed)	.434	.659		.612
	n	18	19	19	18
Presence of a quality control unit or an equivalent function	Correlation Coefficient	.213	-.331	-.128	1.000
	Sig. (2-tailed)	.318	.107	.612	
	n	24	25	18	25

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Value-chain Management as a concept has been practiced in the organisations under study, albeit not in a systematic manner. It has therefore been by default rather than by design. 46% of the respondents, for instance, said they did not know what value chain analysis is, yet 86% of all respondents said it is important to track value created in organisations. This can only be interpreted to mean that the need is there but the approach has not been developed to be used competently and effectively in value analysis in International NGOs. Some elements of the value chain management, namely primary activities are well considered at different levels of the organisational management. These include mobilising resources, managing production processes, operations, and services. In relative terms, however, very little attention is paid to support services as a component of value-chain analysis such as cost-output analysis, value analysis and quality control. Operations in these organisations were also kept simple necessitated by the need to be "inclusive" and "democratic" in the way they approach their interventions.

From the analysed data, the use of Value-Chain analysis was not determined by factors like the period that the organisation has been in existence, the size of the organisation given by the number of employees working there, as well as the size of the budget. There seems to be a certain inconsistency in the Value-chain management practices in the sector.

5.2 Recommendations

The findings point to a great need for further development or customisation of approaches that will be useful to the sector. Value-Chain Analysis is one such approach that has not been used to the maximum in the management of the organisations that were studied. Given that most organisations felt that there is need to track value created in these organisations, it would be good to see academics and practitioners to sit together to provide a mirror in which the organisations in this important sector can see themselves assess the value that the services they offer provide, over and above what the Monitoring and Evaluation tools reveal.

5.3 Limitations Of The Study

The study may have suffered certain limitations, which include;

(a) The study was limited to organisations in Nairobi, which may have had a significant effect on the external validity and generalisation due to responses depending on the location of the organisation.

(b) There was no previous study that would have been compared with. The references and cases were based on studies done in the United States of America where the environment may be significantly different. This is mainly because the area is relatively new in the International NGOs sector in Kenya. Data from studies done in Kenya was therefore not readily available.

5.4 Recommendations for further Research

(a) This study focused on International Non-Governmental Organisations (NGOs) in Kenya. It is recommended that further research on the same subject be done on local Non-Governmental Organisations in Kenya.

(b) A study on the most effective generic model of Value-Chain Analysis would be useful towards addressing the specific concerns of this sector as well as the unique environment that they operate in.

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APPENDIX 1

QUESTIONNAIRE

SECTION A ABOUT THE ORGANIZATION

1. What is the name of the organization?

____

2. What year was the organization registered? ________________

3. (a) Where was it registered?

In Kenya [ ]

Out of Kenya [ ] Specify________

4. Under which authority was the organization registered? (Please tick as appropriate)

Registrar of societies [ ] Registrar of companies [ ]

NGO coordination Board [ ] Ministry of culture &Social services [ ]

Under hosting [ ] Others (specify)____________

5. What is the predominant activity of the organization?

Relief [ ] Development [ ] Both [ ] Other [ ]

(Specify)______________________________

6. How many of the following classes of people work in the organisation?

(a) Salaried and permanent employees? Kenyans______NonKenyans________

(b) Working on contract basis? Kenyans __________Non Kenyans ________

(c) Volunteers? Kenyans ______________ Non Kenyans_________

7. Who are your beneficiaries? (Please list in order of importance)

(1)________________________ (3)____________________________

(2) ________________________(4) ___________________________

8. What is the approximate average annual total budget of the organization in Kshs? (tick one)

Upton 20m [ ] 20m – 50m [ ] 50m – 100m [ ]

100m – 500m [ ] over 500m [ ]

SECTION B MANAGEMENT

9. Do you have a mission statement? Yes [ ] No [ ]

If yes, briefly state it.____

____

10. Has your mission changed in the last five (5) years? Yes [ ] No. [ ]

If the answer to the above question is yes, state when? _________, and

Why?

____

____

11. Who decides what type of programmes you engage in ?

Donors [ ] the board [ ]

Management [ ] Consultant [ ]

Employees [ ] Beneficiaries [ ]

CEO [ ] others (specify) ____________________

12. Who prepares budgets for your organization? [Tick as appropriate]

Board of Directors [ ] Accounting department [ ]

Management [ ] Consultant(s) [ ]

Executive director [ ] Employees [ ]

Others (specify)____

13. What are the four main considerations in the organizational budgeting?

____

____

____

____

14. Do you have a strategic plan? Yes [ ] No. [ ]

(b) If yes, who was responsible for its development? (Tick as appropriate)

Donors [ ] the board [ ]

Management [ ] Consultant [ ]

Employees [ ] Beneficiaries [ ]

Others (specify) ____________________

(c) Did the beneficiaries of your services have any input in the strategic planning process?

Yes [ ]   No. [ ]

If yes, show the level of their participation by ticking against any of the following statements.

During the actual formulation [ ]

Gave views to the consultant [ ]

Were informed of the existence of the process [ ]

Other (specify) ______________________________

15. What is the relative importance of the following stakeholders in the strategic planning process in your organization? (tick (√) as appropriate)

	Critical	**Very important**	**Important**	**Not important**
The board				
Management				
Consultant				
Beneficiaries				
Employees				
Others (specify)				

16. We regard other NGOs as:

Competitors [ ]

Collaborators [ ]

Never think of them [ ]

Other [ ] Specify________________

17. Please indicate the relative importance of the following programmatic and organizational areas:

	Least important				Most important
Operational efficiency	1	2	3	4	5
Meeting targets	1	2	3	4	5
Cost reduction	1	2	3	4	5
Employee motivation	1	2	3	4	5
Team Building	1	2	3	4	5
Provision of services	1	2	3	4	5
Survival of organization	1	2	3	4	5
Expansion of organization	1	2	3	4	5
Structural efficiency	1	2	3	4	5
Maintaining a large budget surplus	1	2	3	4	5
Outdo our competitors	1	2	3	4	5
Improved technology	1	2	3	4	5
Satisfaction of beneficiaries	1	2	3	4	5
Improved production	1	2	3	4	5
Creation of value	1	2	3	4	5
Procurement of supplies	1	2	3	4	5

18. Do you have a quality control unit or an equivalent function?

Yes [ ] No. [ ]

19. Which of the following does the quality control function deal with?

Inputs control [ ] Social Marketing, [ ]

Production, [ ] Service, [ ] Human resources, [ ]

20. (a) In your opinion, is there need to track value creation?

Yes [ ] No. [ ]

(b) How do you measure/quantify or assess value created in your organization?

____

____

21. How would you define value-chain analysis?

____

____

22. Do you use value-chain analysis in your organization?

Yes [ ] No. [ ]

23. What other tools /approaches do you use for value analysis?

____

____

24. Please state whether you use **Information and Communication Technologies (ICTs)** in the following areas?

Planning	Yes [ ]	No [ ]
Fundraising	Yes [ ]	No [ ]
Human Resource Management	Yes [ ]	No [ ]
Procurement of non human inputs	Yes [ ]	No [ ]
Financial Management	Yes [ ]	No [ ]
Research	Yes [ ]	No [ ]
Internal & external Communication	Yes [ ]	No [ ]

Other, please explain. ______________________________

25. Briefly state the difficulties that you face in carrying out value-analysis in your organization?

____

____

____

____

26. How are the findings of the analyses fed back to the value-chain management systems?

____

____

27. Are the findings of the analyses shared with other stakeholders/competitors?

Yes [ ] No. [ ]

If yes, please explain how it is done.

____

____

28. The outputs in the organisation always relate directly to the inputs (tick as appropriate).

Strongly agree				Strongly disagree
1	2	3	4	5

PERSONAL DETAILS OF THE RESPONDENT

Name of respondent (optional) ____

Position in the organization: ____

Thank you for finding time to fill in this questionnaire.