

ORGANIZATIONAL SYSTEMS AND PROGRAM  
PERFORMANCE IN KENYA NON-GOVERNMENTAL  
ORGANIZATIONS

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BY

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requirements for the degree of Master of Business Administration  
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## **Declaration**

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

Signature.....Date.....

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### **Supervisor Declaration**

I confirm that the work reported in this research project was carried out by the candidate under my supervision as university supervisor. This research project has been submitted for examination with my approval as the supervisor.

Signed.....Date.....

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Last but not least, I thank God for the life, strength and favor throughout this work. It is by His grace.

God bless you all.

## **Dedication**

To my wife Priscilla and son Fadhili  
And to God  
May be the glory.

## **Abstract**

In today's climate of scarce economic resources, the pressure for nonprofits organizations to show quantifiable results is greater than ever; as a result, an organization without a strong sense of strategic direction, system management and the internal data to leverage their performance may not be at competitive edge. In order for Nongovernmental organizations to perform above average, system management ought to be the integral part of their organization. The purpose of this study was to determine the relationship between organization systems and program performance in Kenya NGO's. Purposive sampling was used to select thirty NGOs operating in Nairobi, one respondent from finance or human resource or procurement/supplies and project management units were selected through simple random sampling and questionnaire administered physically. The questionnaire response rate was 91%. Most respondents of respondents agree that organization systems affect overall program performance of Kenya NGOs. Organization's performance is significant with fairly strong negative correlation with continuous improvement, factual approaches to decision making, process approach to management, use of standard operating procedures. On contrary only 14.6% of respondent agree that management system is well documented and performance gaps are regularly identified in their organization. The study findings infer that use of system management approaches in defining the activities necessary to achieve desired results, evaluating risks, measuring of the capabilities of key activities have a major impact on organization program performance. Regression analysis concludes that 24% of the corresponding change in the organizations performance is explained by organization systems. The study recommends that NGOs should integrate, measure, monitor their organization system management for improved performance to accrue the benefits associated with: increased processing delivery speed, improved quality, enhanced employee satisfaction, improved communication, and increased profitability.

**Keywords:** Organization system management; business performance; continuous improvement; factual approach to decision making; process approach to management; standard operating procedures; business performance.

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## **List of Abbreviations & Acronyms**

AMREF	African Medical Research Foundation
BPR	Business Process Re-engineering
CBO	Community Based Organization
CQI	Continuous Quality Improvement
DMAIC	Define Measure Analyze Improve and Control
FDI	Foreign Direct Investment
ISO	The International Organization for Standardization
KPMG	Is one of the largest professional companies in the world and one of the big four auditors.
NGO	Non-Governmental Organization
PDCA	Plan Do Control Act
PDSA	Plan Do Study Act
PVO	Private Voluntary Organization
PMBOK	Project Management Body Of Knowledge
QMS	Quality management Systems
SOPs	Standard Operating Procedures
SPC	Statistical Process Control
TOC	Theory Of Constraints
TQM	Total Quality Management
UN	United Nations
USAID	United States Agency for International Development





# CHAPTER ONE: INTRODUCTION

## 1.1 Background

Organizational performance is one of the most important constructs in management research. Although the concept of organizational performance is very common in the academic literature, there isn't a universally accepted definition of this concept because of its many meanings. In the 50's organizational performance was defined as the extent to which organizations was viewed as a social system; fulfilled their objectives (Georgopoulos & Tannenbaum, 1957). Performance evaluation during this time was focused on work, people and organizational structure. Later in the 60s and 70s, organizations begun to explore new ways to evaluate their performance; so performance was defined as an organization's ability to exploit its environment for accessing and using the limited resources (Yuchtman & Seashore, 1967).

The years 80s and 90s were marked by the realization that the identification of organizational objectives is more complex than initially considered. Managers began to understand that; an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 1998). Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebans & Euske, 2006, Kaplan& Norton, 1993).

For-profit businesses have a common goal: create value for owners or shareholders by creating value for customers. These businesses use profit, financial ratios, performance contracting, ISO certification and balance score card among others to measure its performances. In today's climate of scarce economic resources, the pressure for nonprofits organizations to show quantifiable results is greater than ever; as a result, an organization without a strong sense of strategic direction and the internal data to understand its own strengths and weaknesses can be overly influenced by outside demands for metrics that may not always be relevant to its ultimate success (Kaplan& Norton, 1993).

Historically, organizations have measured their performance primarily, if not exclusively, with measures derived from financial data until 1990s, when a group of researchers and consultants from the Nolan Norton Institute, the research arm of the accounting firm KPMG, studied organizational performance measures and concluded that organizations were being hindered by these narrow measurement practices and suggested that companies ought to balance the way they assess their organizations by looking at more than simply financial performance (Zimmerman, 2004).

In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions. The balanced scorecard is a management and measurement system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance

and results (Kaplan& Norton, 1996). The basic ideas behind creating a balanced scorecard are as valid for nonprofits as they are for corporate businesses, but according to Zimmerman (2004), the implementation of this idea needs to be modified a bit to make it work effectively in the nonprofit world.

In order to effectively measure organizational performance; organizations need to be performed and delivered under certain constraints. Traditionally, these constraints have been listed as scope, time and cost. This is also referred to as the project management triangle where each side represents a constraint (Kerzner, 2003). This means that how well organizations align their structures, processes, management systems and cultures with a well-articulated strategy, greatly impacts their ability to execute and achieve bottom-line results, McGee (2003). Organizational performance comprises the actual output or results of an organization as measured against its intended objectives and encompasses three specific areas of firm outcomes: financial performance, product market performance and shareholder return (Richard et al, 2009).

Therefore the bottom focus for any organization is its structure, processes, systems, culture, McGee (2003). Business processes are a collection of activities that takes one or more kinds of inputs and creates an output that is of value to customer. Organizations should improve integration of its complex systems: organizational structure, management system processes, financial management systems and the human management system by providing models and methods to align meaning and propensities at the individual, team, leader and organizational levels to create resilient and sustainable organizations.

Therefore organization system in this research is viewed as a bounded transformation process, which is a process or collection of processes that transforms inputs into outputs. Inputs are consumed; outputs are produced (Hammer & Champy, 1993). In essence, the systems perspective emphasizes that everything is connected to everything else and that it's often worthwhile to model businesses and processes in terms of flows and feedback loops. Systems management stress linkages and relationships and flows. It emphasizes that any given employee or unit or activity is part of a larger entity and that ultimately those entities, working together, are justified by the results they produce. To effectively nimbly and proactively adapt to the demands of a rapidly changing environment, all system components – inputs, processes, outputs, and feedback must be managed (Miller, 2007). Systems thinking are the process of understanding how things influence one another within a whole. Organizations systems consist of people, structures, and process that work together to make an organization "healthy" or "unhealthy" (Ackoff, 2010).

## **1.2 NGO's in Kenya**

The term, "non-governmental organization" or NGO, came into currency in 1945 because of the need for the UN to differentiate in its Charter between participation rights for intergovernmental specialized agencies and those for international private organizations. At the UN, virtually all types of private bodies can be recognized as NGOs. They only have to be independent from government control, not seeking to challenge governments either as a political party or by a narrow focus on human rights, non-profit-making and non-criminal (Willets, 2002). Kameri-Mbote (2002) defines NGOs as voluntary and



autonomous organizations whose life exists between the citizens on one hand and the state and market on the other.

After independence the government was supportive of NGO's. This policy was taken in view of the fact that NGO's were largely seen as instruments to supplement development programmes of public service accelerating the qualitative and quantitative growth of NGO's in Kenya over the last century with up to 100% growth rate (Kameri-Mbote ,2000). Seventy five percent of these NGOs are in Nairobi (NGO Council, 1996). Large portions of the activities currently taking place in Kenya are funded from donors or well-wishers. Donor funds are primarily used to finance activities or projects that individual organizations/ governments/institutions cannot solely fund on their own hence the need to source for funds from well-wishers (Onyancha, 2011). Foreign finances form an integral part of a developing country's resources in the attempt to attain industrialization and economic development (Chepkairor, 1988). The primary recipients of donor funding are non-governmental organizations (NGOs, both local and international), community based organizations (CBOs), faith-based organizations (FBOs), private sector, and academic/research institutions. The size of the organization, the capacity of its staff and the organization operation strength usually determines the amount of funding such an organization can receive. Large organizations attract large donors for obvious reasons such as accountability; robust operation systems and assured performance (Onyancha, 2011).

### **1.3 NGOs Systems in Kenya**

NGOs are not new in Kenya; it is the natures of their operations that have changed. While a number of NGO's have achieved administration efficiency most have major difficulties. Many of them are new, small and without guaranteed future especially local and national NGO's that are still struggling to put in place effective and efficient management systems for good governance and whose survival largely depends on donor funding (Musumba, 1995, Nyokabi, 2000, Muiruri, 2000).

NGO's operations in Kenya are hampered by many factors affecting its autonomy. The operation environment of NGOs determines the effectiveness of programs and projects undertaken by those NGO's. Under system theory, an organizations behavioral pattern largely depends on the environment both external and internal in which they are operating. For example donors, founders, beneficiaries will influence and drive NGO's operations (Kameri-Mbote, 2000).

NGOs are majorly funded by donors through funded projects. These many funded projects are headed by project managers who are the budget holders and report to different programme managers. The key most important systems/ operation functions in these NGOs and for the purpose of this research are finance system, human resource management systems, procurement systems and management performance systems .This functions are mainly centrally located, feed to each other and are sometimes referred as support functions especially in large NGOs (Onyancha, 2011).

Good management practices demand that obvious key management concepts and practices such as sustainability, accountability, transparency which are necessary for institutionalized formal procedures are put in place, however excessive formalized procedures may potentially reduce NGOs efficiency ,capacities, frameworks ,cost and effectiveness analysis. Balancing this concern is a delicate issue which is not helped by the fact that donors are more interested in short term outputs, outcomes oriented project methodologies (Kameri-Mbote, 2002).

This research project explores the extent to which organization systems relate with program performance and how it can provide a foundation for joining the dynamic capabilities, and management perspectives as a way to help scholars and practitioners to coherently design organizations from the perspective of system design science (Simon, 1996; Aken, 2005). This approach offers a unit of analysis and a set of behavioral assumptions that enable us to address open questions within the extant literature and to propose new questions in management research such as; Do organization systems have any influence on performance of NGO's program, what is the relationship between organization systems and performance of NGOs.

#### **1.4 Statement of the Problem**

Significant research has been done to understand many implications of NGOs in development. Often through the lens of analyzing state-NGO relations (Clark 1995, Kameri-Mbote 2000), scholars have examined the growth and impact of NGOs on service provision and development (Kanyinga 1996, Obiyan 2005, Oyugi 2004),

accountability (Hulme 1996) local politics and collective action, governance (Grindle 2004, Swidler 2007) and sovereignty (Chege 1999), effects of organizational structure on performance (Rumelt et al 1994).

The impact of the performance measurement process on the organizational performance was the objective of many studies in the last few years, driven by the desire to identify whether the way in which performance is measured has a significant and positive impact on organizational performance (Gavrea et al, 2007). In this category falls the study conducted by Bourne et al. (2005) in which the performance measurement process was demonstrated to have a positive impact on the business success. This paper takes another approach, asking not about performance measurement process, NGOs' contribution or impact, but about NGO'S operational system and program performance. Specifically, it asks do NGO's operational systems evidenced through organizational continuous improvement, use of standard operating procedures, factual approaches to decision making and process approach to management of NGOs affect their performance, a crucial question around which there has been considerable conjecture, but scant data. The research therefore proposes to determine the relationship between organization systems and program performance of Kenya NGOs.

## **1.5 Objectives of the Study**

To determine the relationship between organization systems and program performance in Kenya Non Governmental Organizations (NGOs).

## **1.6 Value of the Study**

This study will add to the project management body of knowledge (PMBOK) as a quantum or continuous improvement approach to result achievement. This study also is intended to be of use to three types of professionals: those who study organizations; those who design organizational systems; and those who manage organizations.

The implementing agencies, NGOs will benefit from this study by understanding how the functional systems they use aids in contributing to the achievement of the overall objectives rather than contributing to untimely and/or delayed results.

Donors will benefit as a result of improved delivery speed, improved quality of deliverables that ensures that every cent is accounted for efficiently and effectively since most of these funds are tax payer's money from individual donors.

The beneficiaries (communities that are targeted to receive aid) will benefit from this study mainly because they will receive the full service as planned once NGOs implement the recommendations of this research.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter includes a review of organizational systems theories related to the study; organizational performance, determinants of organization performance, measurement of organization performance, operational performance, organizational performance measurement, review of the relationship between organization systems and performance , a review of past studies whose information the researcher feels is adequate for this research and some general literature to aid in further understanding the purpose and summary of the research.

### **2.2 Review of Theories**

Organization system in this research is viewed as a bounded transformation process that transforms inputs into outputs (Hammer & Champy, 1993) whereas organizational performance comprises the actual output or results of an organization as measured against its intended objectives and encompasses three specific areas of firm outcomes: financial performance, product market performance and shareholder return (Richard et al, 2009).

#### **2.2.1 General System Theory**

An organization is an integrated system of interdependent structures and functions constituted of groups, and a group consists of persons who must work in harmony. Each person must know what the others are doing. Each one must be capable of receiving

messages and must be sufficiently disciplined to obey (Bertalanffy, 1971, Rummler 2009). Organization must conceive living systems as systems of elements in mutual dynamic interaction, and discover the laws that govern the pattern of parts and process of the concepts of organization - non-summative wholeness, control, self-regulation, equifinality, and self-organization. A system is a whole made up of parts. Each part can affect the way other parts work and the way all parts work together will determine how well the system works. This is a fundamental challenge to traditional management thinking which always causes sub-optimization; parts achieve their goals at the expense of the whole. Only changing the system solves the problem (Miller, 2007).

In essence, the systems perspective emphasizes that everything is connected to everything else and that it's often worthwhile to model businesses and processes in terms of flows and feedback loops. Systems thinking stress linkages and relationships and flows. It emphasizes that any given employee or unit or activity is part of a larger entity and that ultimately those entities, working together, are justified by the results they produce. To effectively nimbly and proactively adapt to the demands of a rapidly changing environment, all system components – inputs, processes, outputs, and feedback must be managed. Systems Laws has two laws: The First Law states that every system or process is perfectly designed to achieve exactly the results it gets. So even though we may not like the results, we knowingly or unknowingly designed the system or process to achieve those results. The Second Law states that if you put good people in a bad system or process, the system or process will win every time. System theory perfectly explains why organizations need to check and evaluate their systems to achieve substantial results (Rummler, 2009).

### **2.2.2 Theory of Constraints (TOC)**

TOC assume that "A chain is no stronger than its weakest link" as a new management paradigm. This means that processes, organizations are vulnerable because the weakest person or part can always damage or break them or at least adversely affect the outcome. According to Goldratt (1999), TOC is based on the premise that the rate of goal achievement by a goal-oriented system is limited by at least one constraint. TOC emphasizes the cross functional and interdependent nature of organization process by viewing an organization as a chain (or network of chains of interdependent functions, process, departments or resources where inputs are transformed into outputs (Gupta & Boyd, 2008).

Operation management involves developing a business system model incorporating organizational structure, business process and management direction. The rate of output of whole system determines the rate at which the purpose /goal of organization is accomplished (Cox et al, 2003). He further defines constraints as anything that limits organizational higher performance in terms of its goals. Thus it is possible for examples, for operation function to lack enough resources, or resources not utilized properly due to policy constraints, process layout thereby limiting performance of entire organization of interdependent resources, department and process. Process management addresses operation issues involved in designing the transformational process through facility design and layout, process mapping, selection of technology and personnel selection.



According to Goldratt's Theory of Constraints, Organizations live or die as systems not processes, their success or failure is a function of how well the different component processes interact with one another. Good business performance isn't possible without the knowledge that comes from an appreciation for systems, identification and correction of these weak points in a system furthermore processes changes incrementally as business grows hence system management approach to organizational performance. A study conducted by Rategan (1992) indicated that a 90% improvement rate in employee relations, operating procedures, customer satisfaction, and financial performance is achieved due to TQM implementation. Effective TQM therefore is based on among other things; continuous improvement, factual approach to decision making and system management thinking approach to organization management. According to Senge (1990), the art and practice of the learning organization are grouped into five disciplines: personal mastery, mental models, team learning, shared vision, and systems thinking. Systems Thinking, is essential for integrating the other four disciplines in making the organization effective.

Systems theory emphasizes that real systems are open to, and interact with, their environments, and that they can acquire qualitatively new properties through emergence, resulting in continual evolution therefore systems theory focuses on the arrangement of and relations between the parts which connect them into a whole. This particular organization determines a system, which is independent of the concrete substance of the elements. Systems concepts include: system-environment boundary, input, output, process, state, hierarchy, goal-directedness, and information. Infact continuous improvement a philosophy permeating from the Japanese culture, seeks to improve all

factors related to organization transformation process (converting inputs into outputs) on an ongoing basis which is core to this research.

Systems thinking are the process of understanding how things influence one another within a whole. Organizations systems consist of people, structures, and process that work together to make an organization "healthy" or "unhealthy" (Ackoff, 2010). Systems thinking have been defined as an approach to problem solving, by viewing "problems" as parts of an overall system, rather than reacting to specific part, outcomes or events. It is based on the belief that the component parts of a system can best be understood in the context of relationships with each other and with other systems, rather than in isolation. System thinking focuses on cyclical rather than linear cause and effect (Gall, 2003). In recent years, systems thinking and management has been widely applied in the development planning process by academics, scholars, managers, planners, and policy makers (Andrew & Petkov, 2003; Schianetz, et al., 2009; Winch, 1993).The main objectives of the approach are; (i) to focus on the whole system and the constituent parts as well as their interactions, (ii) to provide a framework for managing change and complexity through the understanding of dynamic feedback embedded in complex systems, (iii) to allow decision makers to anticipate the long-term consequences of their decisions and actions, and the unintended consequences of policies and strategies, and (iv) to provide a common language for diverse stakeholders for deep dialogue and consensus building.

The Process approach is one of the eight quality management principles that managers can apply to improve their organizations performance. This principle states that a desired

result is achieved more efficiently when activities and related resources are managed as a process. It is also a powerful way of organizing and managing activities to create value for the customer and other interested parties. The process approach enables the organization to meet customer requirements and deliver continual improvement (ISO 9001).

There are many systems in NGOs however the common and key most important systems/ operation functions in the NGOs are finance system, human resource management systems, procurement systems and management performance systems evidenced through how NGO's use continuous approaches, use of factual approaches to decision making, process approach to management and use of standard operating procedures.

### **2.3. Organization Performance**

Performance is an index that measures the firm's ability to deliver value to customers, including high level of customer's satisfaction, increasing market share, positive cash flow, low production costs and high productivity growth. Organizational performance comprises the actual output or results of an organization as measured against its intended objectives. It involves the recurring activities to establish organizational goals, monitor progress towards the goal and makes adjustments to achieve those goals more efficiently and effectively and encompasses three specific areas of firm outcomes: financial performance, product market performance and shareholder return (Richard et al, 2009). Therefore, organizational performance is the ability of an organization to fulfill its

mission through sound management, strong governance, and persistent rededication to achieving results. Indeed even nonprofit making organizations are associated with organizational performance through the mission driven, customer focused, entrepreneurial, outcomes oriented and sustainable activities (Nordberg, 2008).

The creation of flexible, high performing learning organizations is the secret of gaining competitive advantage in ever changing world. This can be attained through flexible or lean manufacturing methods and associated employment relation practices. Other essentials of effective organization performance include; self managed teams and decentralization of decisions making. Within corporate organizations the three primary outcomes analyzed include financial performance, market performance, shareholder's value performance and production capacity performance (Pearce and Robinson, 2005).

Seong, (2011) study concluded that high performance work systems, entrepreneurship and organizational culture are significantly related to performance. This is further noted by Potocki (1995), that almost all organization are faced with cutbacks in funding, escalating costs, global competition for limited resources, and a demand for higher-quality outcomes, organizations of all types have felt the pressure to operate more effectively necessitating organizational improvement through; measurements /benchmarking, leadership, employee involvement, process improvement, and customer focus.

Miller, 2007, further confirms that organizations must be understood and managed as systems in order to understand why an organization performs as it does, rather than as it is intended. Whether an organization is concerned with customer satisfaction, quality,

productivity, cycle time or cost, the underlying issue is performance. In order to improve performance, it is necessary to understand the variables that influence performance at the organization, process and individual job/performer levels. According to 'The Rummler-Brache methodology', every improvement effort must be seen through the lens of these three levels. Three performance needs must be met at each level: goals, design, and management. Failure to manage the nine performance variables is failure to manage the business holistically. Cross-functional processes are particularly critical to the customer satisfaction, quality, productivity, cycle time and cost performance of any business. Managing people should include addressing the needs of all components of the human performance system (performance specifications, task support, consequences, feedback, skills/knowledge, and individual capacity) in which they work.

### **2.3.1 Operational Performance**

According to Johnson and Clark (2001), operational performance refers to the measurable aspects of the outcomes of an organization's process, such as reliability, production cycle time which affect a firm's performance. In order to effectively measure organizational performance; organizations need to be performed and delivered under certain constraints. Traditionally, these constraints have been listed as scope, time and cost (Kerzner, 2003). This means that how well organizations align their structures, processes, management systems and cultures with a well-articulated strategy, greatly impacts their ability to execute and achieve bottom-line results McGee (2003).

Operational performance is a strategic and integrated approach to delivering sustained success to the organization by improving the contribution of people who work in it and

developing the capabilities of tools, equipments, teams and individuals to deliver the firms strategic objectives (Chowdhary et al 2005). A firm that attains its operation strategy would be said to have attained the desired level of firm performance and would be characterized with increased sales or revenues, adequate cash flows from operations, desired return on equity, new product development, market development, improved product and services, personnel development and employee commitment to the firm (Hill, 2000). There are five basic operational performance objectives that are considered to apply to all types of service operations; Quality, speed, dependability, flexibility and cost (Slack et al, 2004). Operational performance of any organization is a measure against standard or prescribed indicators of productivity, perceived value of offering, capacity utilization, effectiveness, efficiency and environmental responsibility such as cycle time, waste reduction and regulatory compliance which directly affects organizational performance (Nordberg, 2008).

### **2.3.2 Organizational Performance Measurement**

Performance measurement involves determining what to measure, identifying data collection methods, and collecting the data. Evaluation involves assessing progress toward achieving performance expectations, usually to explain the causal relationships that exist between program activities and outcomes. Performance measurement and evaluation are components of performance based management, the systematic application of information generated by performance plans, measurement, and evaluation to strategic planning and budget formulation (Larsson et al, 2007). Good management practices are based on the use of facts, data and information. This allows for objective decision making

that will lead to positive actions. The basis for factual approach to decision making is the performance based management system (ISO 9001, ISO 9004, 2009).

Performance measurement is the process of assessing progress toward achieving predetermined goals, including information on the efficiency with which resources are transformed into goods and services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied) and outcomes (the results of a program activity compared to its intended purpose), and the effectiveness of government operations in terms of their specific contributions to program objectives. Performance measurement is the use of evidence to determine progress toward specific defined organizational objectives. This includes both quantitative evidence (such as the measurement of customer travel times) and qualitative evidence (such as the measurement of customer satisfaction and customer perceptions). Performance management systems are important contributors to the ways in which organizations translate their goals and strategies to their employees and measure achievements (Kreitner & Kinicki, 2001). Samir et al, (2006) also identified the performance goals that firms typically establish to measure their success. These goals are categorized in four main areas; markets products, economic outcomes and employees. Organizational performance is a true measure of how well a system of management is functioning. A functioning organization is one where everyone knows the most important variables to control in order to satisfy customers and guarantee effectiveness and efficiency. The process improvement approach is what is called continuous improvement which manifests the concept of Kaizen that when applied to organization productivity increase

by 30%, 50%, and even 100% and more, all without any major capital investments. It helps management become more attentive to customer needs and builds a system that takes customer requirements into account (Potocki & Brocato, 1995).

### **2.3.3 Organizational Systems and Performance**

The key most important systems/ operation functions in these NGOs are finance system, human resource management systems, procurement systems and management performance systems. These functions are mainly centrally located and feed to each other and are sometimes referred as support functions especially in large NGOs (AMREF annual report 2010). Good management practices demand that obvious key management concepts and practices such as sustainability, accountability, transparency which are necessary for institutionalized formal procedures are put in place (Kameri-Mbote, 2002).

Operation management involves developing a business system model incorporating organizational structure, business process and management direction since donors are more interested in short term outputs, outcomes oriented project methodologies necessitating NGOs to have systems in place (Kameri-Mbote, 2002). The evidence of these systems can be seen through the use of formalized procedures, organizational continuous improvement, use of standard operating procedures, and use of factual approaches to decision making by management and process approach to management of NGOs. The rate of output of whole system determines the rate at which the purpose /goal of organization is accomplished (Cox et al, 2003). This has been summarized by Goldratt's Theory of Constraints (2007); Organizations success or failure is a function of how well the different component processes interact with one another. Good business



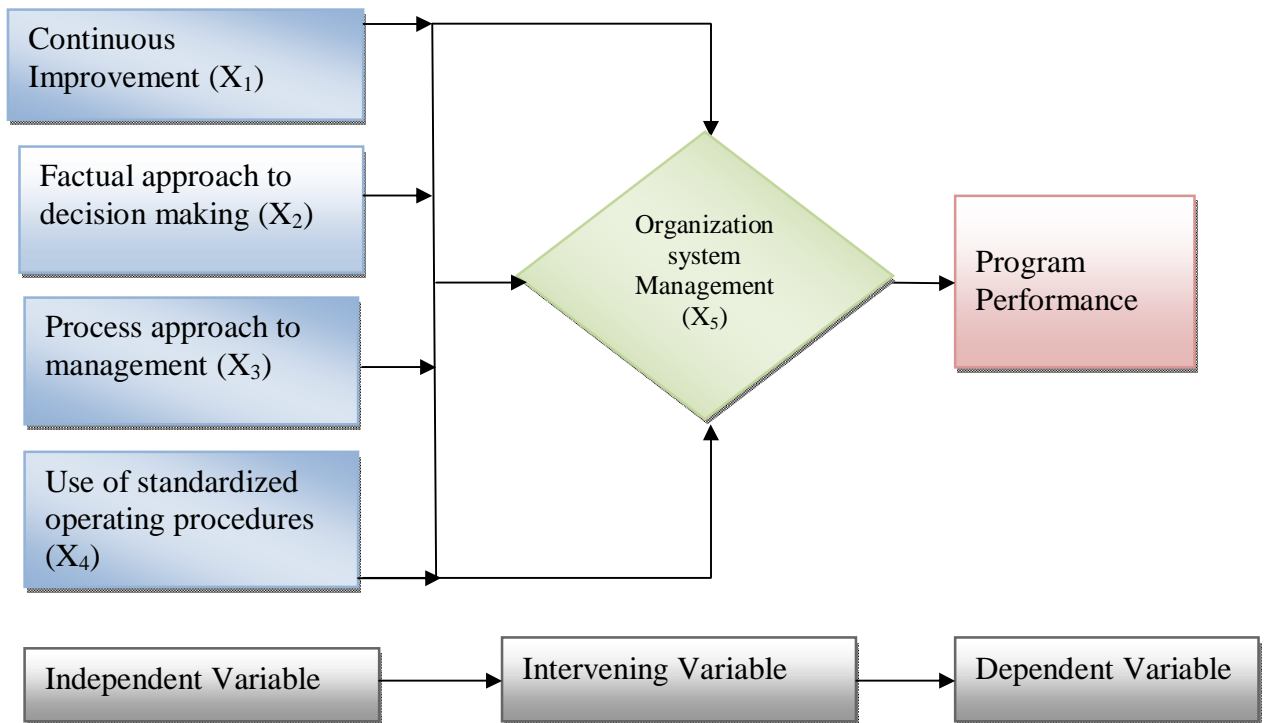
performance isn't possible without the knowledge that comes from an appreciation for systems, identification and correction of these weak points in a system furthermore processes changes incrementally as business grows.

## **2.4 Conceptual Framework**

The purpose of this study is to determine organizational system and program performance in NGOs in Kenya. This study was brought about due to the need to further understand the relationship between organizational systems and performance. Organizational performance is a true measure of how well a system of management is functioning (Kreitner & Kinicki, 2001).

This research study focuses on organization system management as a dominant feature in improving performance. However such organization needs to have documented standard operating procedures, employ continuous improvement methodology, use factual approach in decision making and utilize process management flow.

**Figure 2.1:** Conceptual framework of the study



Source: Author (2013)

### 2.4.1 Continuous Improvement

This is an ongoing effort to improve products, services, or processes. Delivery (customer valued) processes are constantly evaluated and improved in the light of their efficiency, effectiveness and flexibility. It is part of the 'system' whereby feedback from the process and customer are evaluated against organizational goals. The process involve Plan, Do, Check, Act (PDCA) which is a cyclical approach to managing a project or problem solving process, it is also known as the Deming Circle. Deming Circle forms a major part of the ISO 9001 series of standards which are suggested for companies to follow to ensure a robust quality management system (QMS). PDCA has changed over the years to

DMAIC for Six Sigma, Define, Measure, Analyze, Improve, and Control. All of these processes are iterative, organization implement the process continually thus continuous business improvement and process approach to management (Sokovic et al, 2010, Yang, 2003). Continuous improvement is evaluated through benchmarking. Benchmarking provides a clear signal of success or failure as it has been widely recognized as a technique that can dramatically improve process performance to best practices level. Leibfried and McNair (1992) studied benchmarking within continuous improvement and insisted that benchmarking is the most recent methodologies that have emerged in corporate attempt to gain and maintain competitive advantage. Conceptualization of benchmarking at its simplest level can be viewed as a strategy for enabling people to think outside the boxes they normally inhabit: the boxes being departments, services or functional units of institutions (Spendolini, 1992).

#### **2.4.2 Factual approach to decision making**

ISO 9001 Clause 8 “measurement, analysis and improvement”, states that the organization must document plan and implement the monitoring, measurement, analysis and improvement processes. When the criteria and methods are defined from the start of customer contract through supplier control, input control, production, in-process control, storage and delivery, post-delivery and finally customer satisfaction evaluation, measurement and analysis will facilitate decision-making and for initiating actions. There must be evidence records of statistical analysis to monitor the stability of processes, and action initiated to prevent potential causes of non-conformity. Organizations should use facts to make key decisions hence the use of statistical process control (SPC), applied in order to monitor and control process to operate at its full

potential (Gall, 2003). The need for an efficient and effective performance management system (PMS) has increased over the last decade. This is because it has been shown that the use of PMS improves the performance and overall quality of an organization (de Waal and Coevert, 2007).

### **2.4.3 Standard Operating Procedures**

Business management is a wide ranging process of coordinating and distributing economic resources or supervising operations. The size of an organization and number of departments or divisions can increase the need for management processes. Standard operating procedures can help owners and managers create a work environment to align structures, improve process consistency and improve performance reviews. This sets a minimum set of expectations in the organization (Grusenmeyer, 2005).

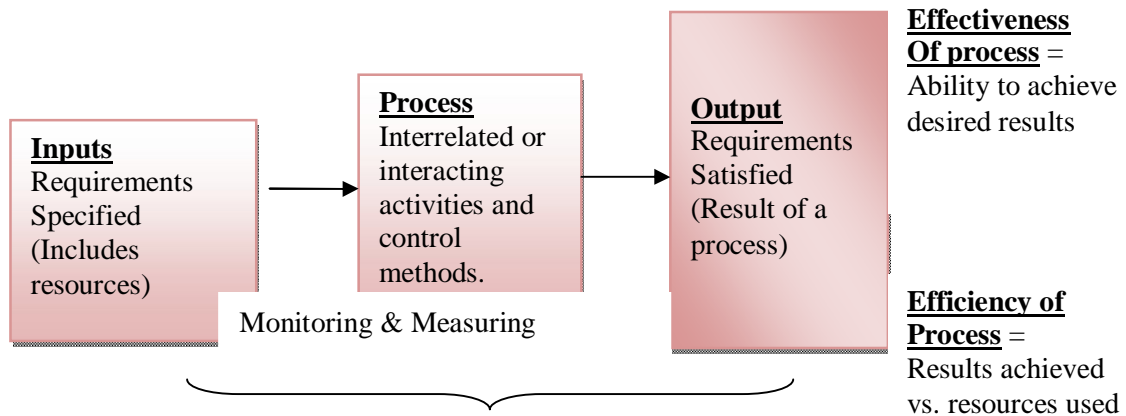
According to Daft (2000), Standard operating procedure (SOPs) is a detailed manual of all the procedures within teams and organizations. Standard operating procedures are helpful because they set the parameters of how an organization or team operates in relation to the strategic vision of the organization. Business performance monitoring procedures should be included in SOPs to reap maximum benefits. TQM (Total Quality Management), HACCP (Hazard Analysis Critical Control Points), ISO 9000 (International Standards Organization), and Six Sigma are management programs designed to help companies maintain process and quality control, and remain competitive in a global business environment. At the heart of each of these programs, standard operating procedures (SOPs) drive the results. In today's business environment, SOPs must make bottom-line economic sense, because SOPs; thrive on consistency every time; people need consistency to achieve top performance, doing jobs the same way every time

rather than wondering, improves productivity; SOPs will reduce system variation, which is the enemy of production efficiency and quality control; well-written SOPs facilitate training by having complete step-by-step instructions helps trainers ensure that nothing is missed and provides a reference resource for trainees; SOPs can help in conducting performance evaluations by providing a common understanding for what needs to be done and shared expectations for how tasks are completed; employees can coach and support each other if there is documentation available on exactly how various tasks must be done and everyone knows what their co-workers are supposed to be doing. This can also help generate a more cooperative team approach to getting all the daily tasks done correctly, everyday and finally having SOPs can encourage regular evaluation of work activity and continuous improvement in how things are done (Grusenmeyer, 2005).

#### **2.4.4 Process Approach to Management**

A Process can be defined as a set of interrelated or interacting activities, which transforms inputs into outputs. These activities require allocation of resources such as people and materials. Process approach to management is application of a system of processes within an organization, together with the identification and interactions of these processes, and their management to produce the desired outcome. Process approach to management promotes the adoption of developing, implementing and improving the effectiveness of a management system, to enhance customer satisfaction by meeting customer requirements (ISO 9001, 2000).

**Figure 2.2:** A generic process



Source: ISO 9000:2000

## 2.5 Summary

This chapter has attempted to reveal the various operational theories relevant to this study which includes theory of constraints, general system theory. The empirical literature on this study has been selectively analyzed in the second part of the chapter and we have observed the various contributions of several authors as far as this research is concerned though few research on this area. We have observed the influence of systems on culture, human resource and performance. The third part of this chapter has explored relevant general literature about the performance and organizational systems. This chapter also revealed to us past research on organizational performance determinants and the need to focus in organizational performance to the ever dynamic and changing organization environment.

The existing literature has showed that research has been done on organization systems, organization performance. Little or no empirical research has been conducted dealing with the relationship between organization systems and performance in Kenya NGOs. Most people want to get good results but pay little attention to processes. In order to bridge this gap, an investigation to determine the relationship between organizational systems and program performance in Kenya NGOs is needed.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the various steps necessary in executing the study thereby satisfying the objectives. It is organized into five sections namely: research design, population, sample, data collection and data analysis.

### **3.2 Research Design**

Descriptive survey research design which is a very valuable tool for assessing opinions and trends was used. The descriptive survey research design is most often used to describe a method of gathering information from a number of individuals, a "sample," in order to understand and learn something about the larger population from which the sample has been drawn (Frerichs, 2008).

### **3.3 Population**

The population under study consisted of all NGOs that carried out operations in Nairobi, Kenya between 2008 and 2012. International NGOs in Nairobi were considered appropriate for this study because given their relative sizes and location they are more likely to have robust operation systems for service delivery. Statistics from the NGO coordinating directory (June 17, 2012) revealed that there were 1,834 NGOs in Nairobi out of 6,640 registered NGOs in the country.



### 3.4 Sample & Sampling Method

Purposive sampling was used to select 30 NGOs operating in Nairobi, (Emory & Cooper 1995; Kothari 1996; Mugenda & Mugenda 1999). This is because all NGOs in Nairobi were known and had operation systems in place. As a rule of thumb, the sample size widely used is 30 or more, (Daniel and Terrell, 1975). From these thirty NGOs, one respondent from finance, human resource or procurement/supplies and project management functions were selected using complex random sampling by first clustering of the population into groupings of homogeneous sets of sample units, followed by respondent selection from these units through simple random sampling and questionnaire administered physically.

The three functional units of service delivery in INGOs operations were chosen to be the homogenous sample units, and respondents selected proportionately from the following population (Kimungu and Maringa, 2010; Emory & Cooper 1995; Kothari 1996; Mugenda & Mugenda 1999) as below;

**Table 3.1:** Summary of research sample

Homogeneous Units	Sample Per NGO	Total Sample Size
Finance Unit	1	
Human Resource/Supplies Unit	1	3 Respondents
Programme Management Unit	1	X 30 selected NGOs = 90
<b>Total</b>	<b>3</b>	

*Source:* Author, 2013

### 3.5 Data Collection

The primary data was collected using self administered questionnaire to the relevant staffs in finance unit, human resource/Supplies unit and project management unit in each of the NGOs within the sample. The Questionnaire was divided into section A which provided general information, section B questions focused on organizational systems and section C which provided questions for the organization system management and performance/ cycle time; broken down into continuous improvement, use of factual approaches to decision making, process approach to management, use of standard operating procedures and cycle time.

### 3.6 Data Analysis

The data collected was analyzed using Statistical Package for Social Sciences (SPSS) software. The analysis used inferential and descriptive statistics; such as frequencies, percentages, and means. Correlation method was used to verify the relationship between organization systems and program performance. Regression analysis was used to uncover any association between organization performance and the predictor variables. Multiple regression analysis was then employed to establish the quantitative association between the variables. A multiple regression of the form;

$$y = b_0 + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + e_i \quad \text{where } b > 0$$

Where;

$b_0$  = is the intercept

$\mathbf{b}$  = The unknown parameters, which may represent a scalar or a vector.

$\mathbf{y}$  = Program/ Business performance

$\mathbf{x}_1$  = Continuous improvement

$\mathbf{x}_2$  = Factual approach to decision making

$\mathbf{x}_3$  = Process Approach to management

$\mathbf{x}_4$  = Documented standard procedures

$e_i$  = is the error in the observed value for the  $i$ th case

was used to determine the extent to which the independent variables predict the program performance of Kenya NGO's.

### **3.7 Data Validity and Reliability**

To ensure the data collected was reliable & valid, a standard questionnaire was developed and pilot tested to five random respondents to check for validity. The questionnaire was subsequently revised, reviewed after which it was administered to respondents physically. A time frame of at least five days was allowed. Follow up was done to the respondents by phone calls after which the questionnaires were collected. The responses were then filtered, coded, analyzed and report generated.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter presents the analysis of the data collected and interpreted on organizational system and program performance in Kenya NGOs. Out of the 90 questionnaires that were issued only 82 (91%) questionnaires were successfully filled, completed and taken as valid samples.

**Table 4.1:** Response Rate

Questionnaires issued	Returned	% return rate
90	82	91.1%

**Source:** Research Data

According to Mugenda and Mugenda (1999) a 50% response rate is adequate, 60% good and above 70% rated very good. This implies that basing on this assertion; the response rate in this case of 91% is very good. However recent studies have shown that surveys with lower response rates were only minimally less accurate (Holbrook et al., 2005, Keeter et al., 2006).

### **4.2 Reliability Analysis**

For reliability analysis Cronbach's alpha was calculated by application of statistical package for social sciences. The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous (that is,

questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = strongly disagree, 2 = disagree and 3 = neither agree nor disagree 4 = agree, 5 = strongly agree). A higher value shows a more reliable generated scale. Nunnally (1970) has indicated 0.7 to be an acceptable reliability coefficient.

**Table 4.2:** Reliability Analysis

Items	Cronbach alpha	Number of items
Continuous Improvement	0.8110	5
Factual Approach to Decision making	0.5040	4
Process approach to management	0.5940	4
Standard operating procedures	0.8790	4
<b>Overall Reliability</b>	<b>0.927</b>	<b>17</b>

**Source:** Research Data

Continuous improvement and standard operating procedure factors have alpha coefficient greater than 0.7 hence strongly reliable. Factual approaches to decision making and process approach to management alpha coefficient reliability is 0.5, however the overall alpha coefficients of all the factors combined is 0.927 which is greater than 0.7 acceptable reliability coefficient. This is decisive enough to show that the instruments used had acceptable reliability coefficient and is appropriated for the study.

**Table 4.3:** Years employed with the current employer.

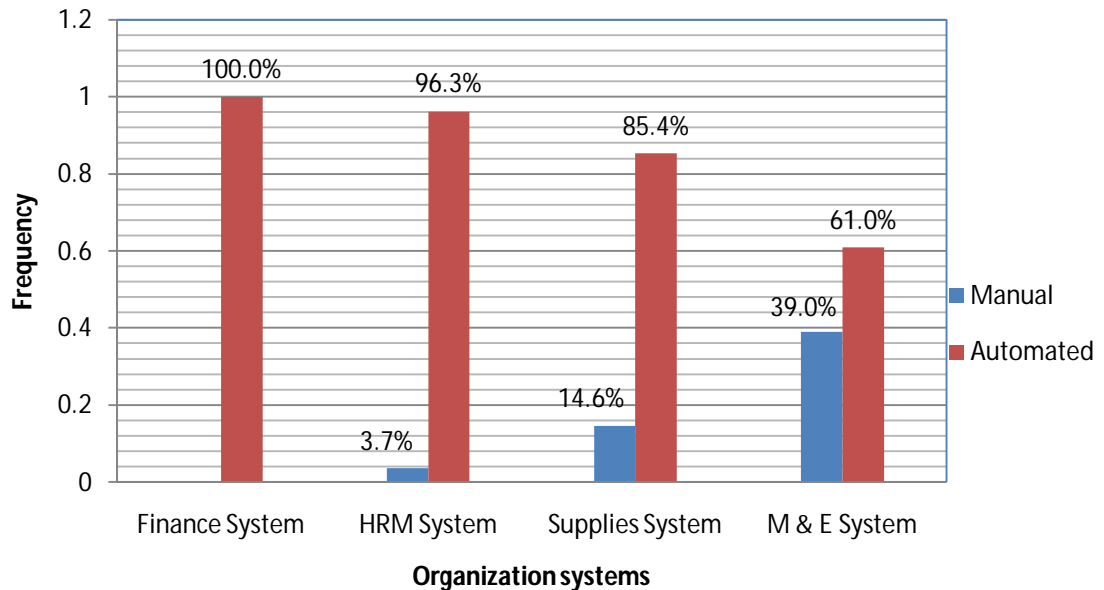
Years	Frequency	Percent	Cumulative Percent
1 yr	7	8.5	8.5
2 years	26	31.7	40.2
3 yrs	21	25.6	65.9
4 yrs	10	12.2	78.0
5 yrs	17	20.7	98.8
Greater than 10 yrs	1	1.2	100.0
<b>Total</b>	<b>82</b>	<b>100.0</b>	

**Source:** Research Data

The three departments/units were represented well with above 31% respondent rate per unit; (finance (34%), human resource/Supplies (31%), and programme management unit (35%). Majority of the respondents (65.9%) had been employed for less than 3 years by their current employer with only 34.1% of the employees having worked with the current employer for more than four years. The range of the experience provided the researcher with a variety of responses.

### 4.3 Organization Systems

**Figure 4.3:** Status of organization systems in sampled NGOs



**Source:** Research Data

Based on the above, over 61% of the respondents agreed that their organizations have the four systems automated. Finance system is automated in all organizations sampled followed by human resource (96.3%) and Supplies system (85.4%). This could be because according to Zimmerman, 2004, historically organizations have measured their performance primarily if not exclusively, with measures derived from financial data until 1990s, when a group of researchers studied organizational performance measures and concluded that organizations were being hindered by these narrow measurement practices and suggested that companies ought to balance the way they assess their organizations by looking at more than simply financial performance. This explains why

some organizations still use the manual systems, especially monitoring and evaluation systems (39%) which is fairly new concept and looks on both financial and non financial performances in NGOs. Most of the systems are documented with only 20.7% (17 respondents) acknowledging that their organizations have not documented their monitoring and evaluation systems.

**Table 4.4:** How organization systems affect performance in organization.

Response	Frequency	Percent
Increase delivery speed	82	100
Increased quality management	55	67
Improves management control	59	72
Forms a benchmark for future references and improvement plans	38	47.3

**Source:** Research Data

When the respondents were asked how these systems affect performance in their organization, All the respondents (100%) noted that these systems increases operational speed and contribute to overall organizational performance, 67.1% (55) of respondents said that it increases quality management, 72% (59) of respondents said it improves management control of firms objectives and 47.3% (38) of the respondents said that it forms a benchmark for future references and improvement plans. The respondents therefore agree with the study objectives that their organization systems have had a positive contribution to the organization performance. Ackoff (2010) concurs further that



organizations systems consist of people, structures, and process that work together to make an organization "healthy" or "unhealthy".

#### 4.4 Organizational system management and performance

The descriptive analysis for the organizational system management and performance is as follows:

**Table 4.5:** Continuous Improvement

Items	N	Minimum	Maximum	Mean	Std. Deviation
1. Benchmarking is used to monitor the organization market position and to evaluate strengths and weakness	82	2	4	3.51	0.741
2. Your organizational data on operational performance is collected to help in improvement	82	1	4	3.05	1.143
3. There is evidence that top management is committed to system management for improvement and to achieve organizational goals.	82	2	5	3.05	0.735
4. There is proven evidence of culture change and corresponding change in management style.	82	2	4	3.29	0.533
5. There is evidence that staff development is an ongoing activity.	82	2	4	3.29	0.839
<b>Average</b>	<b>82</b>	<b>2</b>	<b>4</b>	<b>3.24</b>	<b>0.80</b>

*Note.* The responses were based on a scale of: 1 = strongly disagree, 2 = disagree and 3 = neither agree nor disagree 4 = agree, 5 = strongly Agree.

**Source:** Research Data

From the table, at least some form of continuous improvement approaches is used in NGOs with average mean representation of  $\Rightarrow 3$ . Most NGOs use benchmarking to monitor their organizational market position to evaluate their market strengths and weakness, but there is a lot of variation. The use of benchmarking is important for strategic positioning and market intelligence. Benchmarking provides a clear signal of success or failure as it has been widely recognized as a technique that can dramatically improve process performance to best practices level. Leibfried and McNair (1992) studied benchmarking within continuous improvement and insisted that benchmarking is the most recent methodologies that have emerged in corporate attempt to gain and maintain competitive advantage. Despite benchmarking being used for continuous improvement, it seems that on average organizational data on operational performance is less than average collected to help in improvement and there is little proven evidence that top management is committed to system management for improvement and to achieve organizational goals (mean  $\Rightarrow 3.05$ ). This means that most organization top management are still stuck in the traditional style albeit organization structures, processes, management system changing incrementally as business grow (Cox et al, 2003). NGOs use only slightly less on average than benchmarking to collecting data on operational performance to help in improvement, and there is much less variation in the values. Therefore from the analysis it seems that most NGOs do not use continuous improvement as part of their performance criteria. Continuous improvement strategy is a new phenomenon that is not widely used in Kenya NGOs clearly indicated by majority of respondents who neither agree nor disagree.

**Table 4.6:** Factual approach to decision making

Factual Approach to decision making	N	Minimum	Maximum	Mean	Std. Deviation
1. Some form of performance measurement tools is in use;	82	4	5	4.18	0.389
2. The organization has systems for measuring impact of systems on business results.	82	1	4	2.78	1.257
3. The organization has in place mechanism for monitoring and control of business results	82	4	5	4.18	0.389
4. Top management is involved in bringing about coordinated efforts towards meeting and exceeding customer/clients needs	82	3	4	3.44	0.499
<b>Average</b>	<b>82</b>	<b>3</b>	<b>5</b>	<b>3.65</b>	<b>0.63</b>

*Note.* The responses were based on a scale of: 1 = strongly disagree, 2 = disagree and 3 = neither agree nor disagree 4 = agree, 5 = strongly Agree.

**Source:** Research Data

From the table, on average factual approaches to decision making is being used in NGOs with a mean of  $\Rightarrow 3.65$  but there is a lot of variation of 0.63. Some form of performance measurement tools is in use and most NGOs have put in place mechanism for monitoring and control of business results with a mean  $\Rightarrow 4.18$ , but there is a lot of variation of 0.389. The result also reveals that most organization have slightly less on average system for measuring impact of system on business results with a representation mean of  $\Rightarrow 2.78$ , and there is much less variation in the values. This means that even though NGOs have some form of performance measurement tools, the tools measure to a small extent impact of systems on business results. The tool only measures output results that are short term as donors are more interested in short term outputs, outcomes oriented project

methodologies (Kameri-Mbote, 2002). Therefore in the absence of systems to measure impact of system to business results, management may find it hard to achieve its desired output, outcome because the use of factual approach involves to a greater extend the need for performance management systems. The need for an efficient and effective performance management system (PMS) has increased over the last decade because it has been shown that the use of PMS improves the performance and overall quality of an organization (de Waal and Coevert, 2007), also performance management systems contributes to the ways in which organizations translate their goals and strategies to their employees and measure achievements (Kreitner & Kinicki, 2001).

**Table 4.7:** Process approach to management

Process approach to management	N	Minimum	Maximum	Mean	Std. Deviation
6. Staff appraisal system is linked to organization business planning.	82	1	4	1.56	0.722
7. Changes have been made to work processes in your organization so as to integrate information technology, quality and system management.	82	3	5	3.90	0.678
8. Recognition and reward system is linked to organization performance.	82	1	4	2.15	0.957
9. Communication networks are open both vertically and horizontally.	82	3	5	3.57	0.567
<b>Average</b>	<b>82</b>	<b>2</b>	<b>5</b>	<b>2.80</b>	<b>0.73</b>

*Note.* The responses were based on a scale of: 1 = strongly disagree, 2 = disagree and 3 = neither agree nor disagree 4 = agree, 5 = strongly Agree.

**Source:** Research Data

From the table, most NGOs use less than average process approach to management (mean =>2.8) and there is a lot of variation in the values probably explained by the fact that most NGOs have many concurrent projects reporting to different donors who use different processes, reporting requirements. The staffs are mostly employed on contractual basis for the specific project. Planning is done as part of the initiation stage of the project and on continuous basis and not necessarily linked to staff appraisal. Though changes have been to work processes in these NGOs so as to integrate information technology, quality and system management and communication networks are open both vertically and horizontally as shown by representation =>3, most NGOs have not linked staff appraisal system to organization business planning (mean =>1.56) and there is a lot of variation in the values. This shows that even if organization have upgraded their processes and systems little has been or is being done to link the employees staff appraisal and reward system to planning and performance respectively further impeding process approach to management. Organizations work as a whole linked system as summarized by Ackoff (2010), organizations systems consist of people, structures, and process that work together coherently. Indeed systems perspective emphasizes that everything is connected to everything else and that it's often worthwhile to model businesses and processes in terms of flows and feedback loops. Systems management emphasizes that any given employee or unit or activity is part of a larger entity and that ultimately those entities, working together, are justified by the results they produce (Berrien, 2005).

**Table 4.8:** Use of standardized operating procedures

SOPs	N	Minimum	Maximum	Mean	Std. Deviation
5. The management system is well documented and performance gaps are regularly identified.	82	1	4	2.51	1.057
6. The processes, procedures in your organization are identified, readily available and included in staff training and recruitment?	82	2	4	2.87	0.750
7. Processes and systems/ departments or units in your organization integrate easily;	82	3	4	3.65	0.481
8. The use of standard operating procedures improves organizational performances.	82	3	5	4.15	0.524
<b>Average</b>	82	3	4	3.49	0.55

*Note.* The responses were based on a scale of: 1 = strongly disagree, 2 = disagree and 3 = neither agree nor disagree 4 = agree, 5 = strongly Agree.

**Source:** Research Data

From the table, most NGOs on average use standard operating procedure as shown by representation =>3, but there is a lot of variation in the values. Most NGOs agree that departments or units in their organization integrate easily and that the use of standard operating procedures improves organizational performances. Grusenmeyer, 2005 supports that in today's business environment, SOPs must make bottom-line economic sense, because SOPs; thrive on consistency every time; people need consistency to achieve top performance, SOPs will reduce system variation, which is the enemy of

production efficiency and quality control; well-written SOPs facilitate employees to coach and support each other if there is documentation available on exactly how various tasks must be done and everyone knows what their co-workers are supposed to be doing thus encourage regular evaluation of work activity and continuous improvement in how things are done. The result also reveals that less than average of the organization management systems is well documented and NGOs do regularly identify performance gaps (mean =>2.51) and there is a much less variation in the values. It seems also that more than often SOPs are not included in staff training and recruitment (mean =>2.87. This clearly shows that NGOs could be having the standard operating procedures in place but its intended usability is less. Standard operating procedures are helpful because they set the parameters of how an organization or team operates in relation to the strategic vision of the organization. Business performance monitoring procedures should be included in SOPs to reap maximum benefits and to help companies maintain process and quality control, remain competitive in a global business environment (Grusenmeyer, 2005). Furthermore if performance gaps are not identified regularly, SOPs are not included in staff training then process standardization, procedures uniformity and policy understanding for new and old staffs will be uneven impeding process and quality control management of NGOs competitiveness in a global business environment because at the heart of each of these programs, standard operating procedures (SOPs) drive the results by improving on operational speed and quality management, Grusenmeyer, 2005.

**Table 4.9:** Cycle time

Cycle Time	N	Minimum	Maximum	Mean	Std. Deviation
1. What is the average days used in processing payment of goods worth < Ksh 20,000 in your organization?	82	1	5	2.07	0.886
2. What is the average days used in procurement of goods worth > Ksh 20,000 in your organization?	82	3	5	4.15	0.524
3. What is the average days for processing payment of goods worth >Ksh 20,000 in your organization?	82	2	5	3.99	0.676
4. What is the average days used in processing of imprests worth > Ksh 20,000 in your organization?	82	2	5	3.50	0.774
5. What is the average days used in processing surrenders / vouchers worth > Ksh 20,000 in your organization?	82	2	5	3.96	0.532
6. What is the average days used in recruitment of new employees in your organization?	82	4	5	4.28	0.452

**Source:** Research Data

*Note.* The responses were based on a scale of: 1 = Less than 2 days, 2 = 2 to 7 days, and 3 = 7 to 14 days 4 = Greater than 14 days, 5 = don't know.

The results in table indicate that according to the respondents the average days used in processing payment of goods worth less than Ksh 20,000 is two to seven days as shown by (mean =>2.07). This means that most NGOs processing of petty cash takes long than the real intension of petty cash management for day to day operation. The results also



reveals that it takes more than 14 days for procurement (ordering process to receiving the goods or service) worth more than Ksh 20,000 in most NGOs as shown by (mean=>4.15). This means that most NGOs, especially since most of them are involved in delivery of public goods, take longer to procure these essential goods depriving their beneficiaries' timely and reliable consumption of their services. If there is famine for example, the process of procurement of goods and services may take longer as beneficiaries are starving. It also takes seven to fourteen days on average for processing payment of goods worth more than Ksh 20,000, processing of imprests worth more than Ksh 20,000 and processing surrenders / vouchers worth more than Ksh 20,000 as shown by (Mean=>3). If the average time used for procurement goods and processing surrenders is more than fourteen days it means that NGO clients (suppliers, beneficiaries) will take longer in receiving the intended services. By the (mean>=4) it also implies that the average days used in recruitment of new employees in NGOs is more than 14 days but there is a lot of variation in the values.

In general the cycle time takes longer because of organization bureaucracy, processes, rules and procedures in place which defines system performance. According to Kameri-Mbote (2002), donors are more interested in short term outputs, outcomes oriented project methodologies therefore if these NGOs fail to review and assess their organization systems to attain operational efficiency they may end up not meeting their donors requirement which will influence future funding possibilities.

**Table 4.10:** Operational cycle time

Items	Response	Frequency	Percent
Does your organization have a system to measure operational cycle time	Yes	31	37.8
	No	51	62.2
	<b>Total</b>	<b>82</b>	<b>100.0</b>
Does the speed of processing organizational documents affect performance	Yes	77	93.9
	No	5	6.1
	<b>Total</b>	<b>82</b>	<b>100.0</b>

**Source:** Research Data

The table shows that majority of respondents (93.9%) agree that processing speed of organization documents which is as a result of practical use of system management affect business performance. According to Johnson and Clark (2001), operational performance refers to the measurable aspects of the outcomes of an organization's process, such as reliability, production cycle time which affect a firms performance. However 62.2% of these respondents acknowledge that their organizations have no system to measure operational cycle time meaning that it is hard to measure process the NGOs output rate, operational turnaround time, delivery speed. It is only through measuring that one is able to control and manage the results.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Summary**

The result finding of this study revealed that the organization system has a negative correlation with program performance (in terms of cycle time) on Kenya NGO's. The finding also reveals that continuous improvement, use of factual approach to decision making, process approaches to management and use of standard operating procedures to a great extent affects overall program performance.

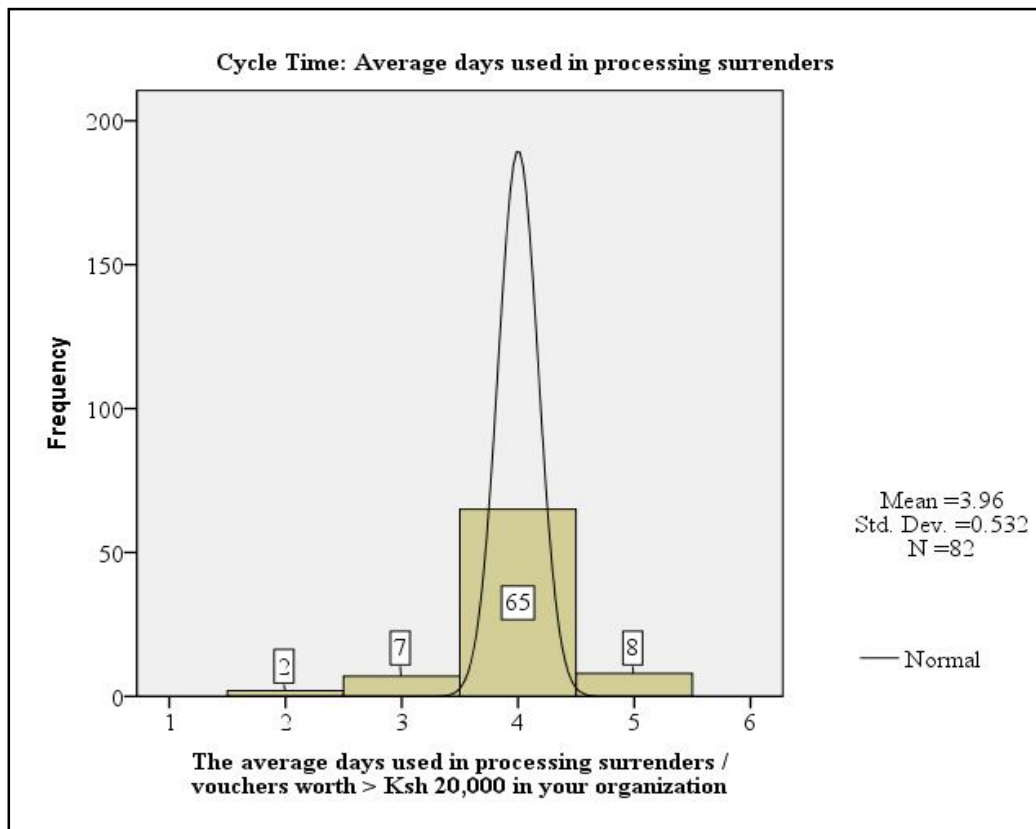
To determine the relationship between organization systems and program performance in Kenya Non Governmental Organizations (NGOs the study tested four variables ; continuous improvement, factual approach to decision making, process approach to management and use of standard operating procedure. Respondents were asked to state whether they strongly disagreed, disagreed, agreed or strongly agreed with the statements.

In terms of organization system and program performance the study found out that 93.9% respondents agree that processing speed of organization affect business performance albeit 62.2% of respondents acknowledged that their organizations have no system to measure operational cycle time. The analysis sought to find out whether the differences in these responses were statistically significant. The one sample t test revealed that the

responses were statistically significant ( $t = 84.911$ ;  $p\text{-value} < 0.05$ ) for the organization systems and overall performance.

In terms of cycle time, most of respondents agree that it takes on average 7 to 14 days and more than 14 days respectively in procurement of goods worth > Ksh 20,000 in their organization. Also majority of respondents agree that it takes on average 7 to 14 days and more than 14 days respectively in processing surrenders / vouchers worth > Ksh 20,000 in their organization. From the analysis it is clear that it takes more than 14 days to procure goods worth > Ksh 20,000 with a mean representation of ( $\text{mean} = 3.96$ ). The analysis sought to find out whether the differences in these responses were statistically significant. The one sample t test revealed that the responses were statistically significant ( $t = 71.64$ ;  $p\text{-value} < 0.05$ ) for the average days used in procurement of goods worth > Ksh 20,000 and ( $t = 40.95$ ;  $p\text{-value} < 0.05$ ) for average days used in processing of imprests worth > Ksh 20,000.

**Figure 5.1:** Average days in processing surrenders



*Note.* The responses were based on a scale of: 1 = Less than 2 days, 2 = 2 to 7 days, and 3 = 7 to 14 days 4 = Greater than 14 days, 5 = don't know.

Furthermore, the histogram is skewed to the right and with a mean of 3.96 and standard deviation of 0.532 most values are near the mean and therefore most organization surrender process takes 7-14 days. The study also found that organization systems are already in place in the sampled organization with over 61% of these systems automated, 64.6% (53) agree that their organization systems integrate easily, 22% (18) of respondent agree that processes, procedures in their organization are identified, readily available and included in staff training and recruitment, 41.5 % (34) of respondents agree that their organizations have systems for measuring impact of systems on business results. This

shows that organizations can have systems but if they don't measure system impact on business performance, or continually learn through measurable facts of the organization outcome their operational performance and overall organization performance will be marginally achieved as summarized by Cox et al, 2003, The rate of output of whole system determines the rate at which the purpose /goal of organization is accomplished. Therefore the organizations success or failure is a function of how well the different component processes interact with one another as summarized in Goldratt's Theory of Constraints.

**Table 5.1:** Correlation Matrix

Value	Items	Organization Performance	Continuous Improvement	Factual Approach to Decision making	Process approach to management	Standard Operating Procedures
Organization Performance		1.000	-0.422	-0.357	-0.522	-0.439
Continuous Improvement		-0.422	1.000	0.770	0.841	0.855
Factual Approach to Decision making	Pearson Correlation	-0.357	0.770	1.000	0.641	0.892
Process approach to management	sig.	-0.522	0.841	0.641	1.000	0.786
Standard operating procedures		-0.439	0.855	0.892	0.786	1.000

**Source:** Research Data

The table above indicates that the organization's performance is significant with fairly strong negative correlation with continuous improvement, factual approaches to decision making, process approach to management, use of standard operating procedures as shown by the significant correlation coefficient of -0.422, -0.357, -0.522, -0.439 respectively. There is a negative relation and when the four variables are widely employed they do improve organizational performance through reducing cycle time. Apart from organization performance the rest are positively related meaning that an increase or improvement in either one will lead to a positive increase in the rest.

### 5.1.1 Regression Analysis

A multiple regression of the form;  $y = b_0 + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + e_i$

where  $b > 0$

Where;

$b_0$  = is the intercept

$b$  = The unknown parameters, which may represent a scalar or a vector.

$y$  = Program/ Business performance

$x_1$  = Continuous improvement

$x_2$  = Factual approach to decision making

$x_3$  = Process Approach to management

$x_4$  = Documented standard procedures

$e_i$  = is the error in the observed value for the  $i$ th case

was used to determine the extent to which the independent variable predict the program performance of Kenya NGO's.

**Table 5.2:** Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
0.529	0.280	0.241	0.33947	0.280	7.279	4	75	0.000

**Source:** Research Data

The ANOVA table reports a significant F statistic of 0.000. The model summary in table above shows a significant relationship with  $R=0.529$  and  $R^2= 0.241$  this implies that 24.1% of the corresponding change in the organizations performance is explained by organization systems the rest of the changes could be explained by other factors like NGO experience, quality of employees employed, organizational structures, organizational policies & procedures, social and ecological, legal, economical, political and technological factors among others.



**Table 5.3: Regression Coefficients**

Items	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	4.483	0.382		11.735	0.000
Continuous Improvement	0.105	0.145	0.163	0.721	0.473
Factual Approach to Decision making	0.005	0.193	0.006	0.025	0.980
Process approach to management	-0.417	0.152	-0.534	-2.755	0.007
Standard operating procedures	-0.101	0.177	-0.163	-0.570	0.570

**Source:** Research Data

Even though the model fit looks positive, the coefficients table shows that there are too many predictors in the model. There are several non-significant coefficients, indicating that these variables do not contribute much to the model. Process approach to management is the most significant of all variables (0.007). To determine the relative importance of the significant predictors, Process approach to management has a standardized coefficient of -0.417 but contributes more to the model because it has a larger absolute standardized coefficient of -0.534. Process approach to management is the only significant variable because of the nature of NGOs. NGOs have many concurrent projects reporting to different donors who have different reporting requirements. Their work is aligned to project life cycle to achieve immediate results. Inputs, outputs and outcomes are largely known. The means to convert inputs to outputs is also known through work planning, setting key performance indicators and monitoring the immediate results hence NGO operate basically a process approach to management.

A test on the beta coefficient of the resulting model, indicated that the coefficient  $b_0 = 0$ .

The model thus holds as follows;

$$\text{Organizations' performance} = \mathbf{b}_1 (\text{Continuous improvement}) + \mathbf{b}_2 (\text{Factual approach to decision making}) + \mathbf{b}_3 (\text{Process approach to management}) + \mathbf{b}_4 (\text{Documented standard procedures}) \quad \text{where } \mathbf{b} > 0$$

**Table 5.4:** Multicollinearity

Items	Correlations			Collinearity Statistics	
	Zero-order	Partial	Part	Tolerance	VIF
(Constant)					
Continuous Improvement	-0.422	0.083	0.071	0.188	5.318
Factual Approach to Decision making	-0.357	0.003	0.002	0.188	5.311
Process approach to management	-0.522	-0.303	-0.270	0.255	3.917
Standard operating procedures	-0.439	-0.066	-0.056	0.117	8.518

**Source:** Research Data

For most predictors, the values of the partial and part correlations drop sharply from the zero-order correlation. This means, for example, that much of the variance in organization performance that is explained by process approach to management is also explained by other variables. The tolerance is the percentage of the variance in a given predictor that cannot be explained by the other predictors. Thus, the small tolerances show that 75%-90% of the variance in a given predictor can be explained by the other

predictors. There is high multicollinearity, the predictors are highly intercorrelated and that small changes in the data values may lead to large changes in the estimates of the coefficients.

## **5.2 Conclusions**

Organization system management in any organization is a crucial factor in efficient and effective functioning of any organization. The study finding concludes that organizational system management leads to improved business performance. There is need to put more emphasis on proper planning and design layout of organization, process flow management, quality management and monitoring of organization systems at all levels to ensure improved organization business performance. Most respondents agree that organization system management and business performance are enhanced by among other factors continuous improvement, process approach to management, factual approaches to management and use of standardized operation systems. The study findings also infer that use of system management approaches in defining the activities necessary to achieve desired results, analyzing and measuring of the capabilities of key activities that have major impact on program performance.

## **5.3 Policy recommendations**

The study recommends that emphasis should be put on organization system management from planning stage for the success of the organization. The role of continuous improvement, process approach to management, factual approaches to management and

use of standardized operation systems among others are apparent for the success of the firm in terms of overall business performance.

Implementing organizational system management does pay off since the benefits accrued include; improved processing speed, improved quality, employee satisfaction, productivity, enhances teamwork , improved communication, increased profitability and market share. The study recommends that organizations should integrate technological advances into program management so as to allow system proficiency, efficiency and effectiveness triggering organizational performance of Kenya NGOs. Any organizations therefore need to evaluate and upgrade their system to fit to internal and external environment so as to compete competitively in the global market.

Organizations should focus more on operational efficiency on improving turnaround time in processing documents. Management should review the document processing flow layout, monitor the operational efficiency of their service delivery to improve on quality management, delivery speed, and cost minimization so as to satisfy their customer /client.

There is need for the management to strengthen corporate governance structures and be willing to put in place measurable organization systems that will enhance improved service processing delivery speed, increased service quality, enhanced reliability, accountability and transparency. This will boost the reputation of NGOs in the long run and gain trust from the donors.

NGOs and other organizations in Kenya need to develop systems for measuring impact of systems on business. It is only by measuring performance through use of key performance indicators like output rate, cycle time that organization performance can be controlled, managed and nurtured.

The study further recommends that world class organizations should emphasize on the need for integrated system management in order to efficiently and effectively utilize their inputs optimally to meet their intended goals.

#### **5.4 Limitations of the study**

Data collection was difficult since some of the respondent were not cooperative in providing the required information. This resulted in fewer respondents for analysis than what was initially intended. The researcher explained to the respondents that the information they provided was confidential and was purely for academic purposes.

The list of registered NGOs obtained from the NGO coordination board was not up to date. The contacts provided by the NGO coordination board was also not adequate and in some cases incorrect.

By focusing on the organization systems and program performance, the study restricted its scope to aspects of organization system management and not on other factors affecting organizational performance of NGOs in Kenya e.g. political and economical factors.

Another limitation was inadequate time to include more organizations in the research which would have provided a broader analysis.

### **5.5 Suggestions for further research**

The study recommends that a study should be carried out to establish the effects or impact of systems management on performance of NGO's.

The findings from this research showed that the organization systems account for 24.1% of the factors influencing NGO program performance. More factors could be researched on to give further insight in this area and assist NGOs in improving their program performance.

This study covered only NGOs in Kenya. Further research on organization systems and program performance of NGOs could be done. This study could also be done regionally (in East African countries) so that lessons can be shared and learnt.

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## ANNEXES

### ANNEX I: QUESTIONNAIRE.

<b><u>Informed Consent</u></b>				
<b>Section A: General Information</b>				
A1. What is the name of your organization? .....				
A2. How long (in years) have you been employed with the current employer? .....				
A3. Which department?				
<b>Please tick in the box (√) appropriately</b>	<b>Finance</b>	<b>HR/supplies</b>	<b>Project</b>	
Department				
<b>Section B: Organization Systems</b>				
<b>B1: Which of the following systems are in your organization?</b>				
<b>Please tick in the box (√) appropriately</b>	<b>Manual</b>	<b>Automated</b>	<b>None</b>	<b>Don't Know</b>
Finance system				
Human resource management system				
Supplies system				
Project management				
<b>B2: Are the above system documented in your organization</b>				
<b>Please tick in the box (√) appropriately</b>	<b>Yes</b>		<b>No</b>	
Finance system				
Human resource system				
Supplies system				
Project Management system				
Monitoring & evaluation system.				
<b>How do these systems affect performance in your organization?</b>				
1.....				
2.....				
3.....				
4.....				
5.....				
<b>Section C: Organizational system management &amp; performance</b>				

Which of the following best describes what can be evidenced in your organization?					
1. Strongly Disagree, 2. Disagree 3. Neither agrees nor disagrees. 4. Agree 5. Strongly agree					
Please tick in the box (√) where appropriate.	Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
<b>Continuous Improvement</b>					
1. Benchmarking is used to monitor your organization market position and to evaluate strengths and weakness.					
2. Your organizational data on operational performance is collected to help in improvement					
3. There is evidence that top management is committed to system management for improvement and to achieve organizational goals.					
4. There is proven evidence of culture change and corresponding change in management style.					
5. There is evidence that staff development is an ongoing activity.					
<b>Factual approach to decision making</b>					
6. Some form of performance measurement tools is in use;					
7. The organization has systems for measuring impact of systems on business results.					
8. The organization has in place mechanism for monitoring and control of business results					
9. Top management is involved in bringing about coordinated efforts towards meeting and exceeding customer/clients needs					
<b>Process approach to management</b>					
10. Staff appraisal system is linked to organization business planning.					
11. Changes have been made to work processes in your organization so as to integrate information technology, quality and system management.					
12. Recognition and reward system is linked to organization performance.					
13. Communication networks are open both vertically and horizontally.					
<b>Use of standardized operating procedures</b>					
14. The management system is well documented and performance gaps is regularly identified.					

15. The processes, procedures in your organization are identified, readily available and included in staff training and recruitment?					
16. Processes and systems/departments or units in your organization integrate easily;					
17. The use of standard operating procedures improves organizational performances.					
18. Organization systems in your organization have increased overall performance.					

### Cycle Time

Please tick in the box (√) where appropriate.	<2 days	>2- <7 days	7-14 days	>14 days	Don't Know
1. What is the average days used in processing payment of goods worth < Ksh 20,000 in your organization?					
2. What is the average days used in procurement of goods worth > Ksh 20,000 in your organization?					
3. What is the average days for processing payment of goods worth >Ksh 20,000 in your organization?					
4. What is the average days used in processing of imprests worth > Ksh 20,000 in your organization?					
5. What is the average days used in processing surrenders / vouchers worth > Ksh 20,000 in your organization?					
6. What is the average days used in recruitment of new employees in your organization?					

Cycle Time	Yes	No
7. Does your organization have a system to measure operational cycle time?		
8. Does the speed of processing organizational documents affect performance?		

**Time taken:-----**

**Thank You**

## ANNEX II: LIST OF SAMPLED NGOS

#	NGO Name	Telephone	Email
1	Action Against Hunger	254 578 233/573-197	kenpro@aahsad-org
2	Action Aid International Kenya	+254 - 020 - 4440440	info@actionaid.org
3	Adventist Development And Relief Agency International ( Somalia Projects)	254 20 4226000/44483	adra@adrasom.org
4	African Population And Health Research Centre Kenya	+254 - 020 - 2720400	info@aphrc.org
5	AHADI - Kenya	+254 - 020 - 2020881	ahadikenya@yahoo.com
6	African Medical Research Foundation	020-69940000	david.kawai@amref.org
7	CARE International	020- 2710069, 271176	info@care.or.ke
8	CARITAS Switzerland	+254 - 0722 - 327181	mmwaniki@ciaas.org
9	CHILDFUND Kenya	254 20 4444890/3,072	info@ccfkenya.org
10	Concern Worldwide	254 20 3755051/2/3/4	nairobi.admin@concern.net
11	Danish Refugee Council	254 20 3745302/5331	drc.nairobi@drc.dk
12	Engenderhealth	254 020 4444922/722	ehkenya@engenderhealth.org
13	Family Health International	+254 - 020 - 2713913	info@fhi.org
14	Family Health Options Kenya	254 20 603923/7, 604	info@fhok.org
15	Farm Africa	+254-020-2732203/721	info@farm-africa.org,www.farma
16	Green Belt Movement	+254 020 504264	gbm@iconnet.co.ke
17	Handicap International	+254 - 020 - 2716500	hikenya@handicap-international
18	International Rescue Committee	254 20 3862643/4, 07	ircnbi@irckenya.org
19	Intrahealth International	+254 - 020 - 3746845	jobs-kenya@intrahealth.org
20	Medecins Sans Frontieres - France	+254 - 020 - 4442525	msff-nairobi@paris.msf.org
21	Micronutrients Initiative Kenya	+254 - 020 - 3755324	cwanyoike@micronutrient.org
22	Norwegian Refugee Council	2731380/1	nrc_nb@som.nrc.no
23	OXFAM GB	254 020 2820000	kenyainfo@oxfam.org.uk
24	PACT Kenya	020 3878271,2/3/4	pactkenya@pactkenya.org
25	PATHFINDER International	254 20 224154/222397	
26	PLAN International	254 20 3870216, 3874	kenya.co@plan-international.org
27	RELIEF INTERNATIONAL - Kenya	+254 - 020 - 2726772	asmaa@ri.org
28	Save The Children Canada	020-606086	kfo@sc.canada.or.ke
29	TROCAIRE	254 20 4180523, 4184	info@trocaire.or.ke
30	World Vision Kenya	+254 0722 209558/072	wvkenya@wvi.org