

**SOCIAL INVESTMENT STRATEGIES AND SUSTAINABILITY OF
NONPROFIT ORGANIZATIONS IN NAIROBI, KENYA**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION AT SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI.**

NOVEMBER, 2013

DECLARATION

This research project is my original work and has not been submitted to any other University for academic purposes or award.

Signed



Date 20th November, 2013

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The Research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This research project is dedicated to my sweetheart Sarah W. Chege and the family; for their continued support, encouragement, motivation, understanding and patience throughout the period of my studies. Their love, care, concern, resilience and enthusiasm inspired me to achieve this goal.

ACKNOWLEDGMENTS

It has been self-fulfilling, an exciting, scholastic experience and I feel grateful to have had the opportunity to carry out this study as demonstration of knowledge attained in the University of Nairobi. It would be impossible to appreciate all who played a role in the realization of this research project either directly or indirectly, but I equally thank you all.

I am ever grateful to the God Almighty for blessings He bestowed on me and whispers of comfort throughout the study. I am deeply obliged to my supervisor Dr. Mary Kinoti for her exemplary intellectual guidance, support and wavering advice towards my research project success. Her ability to translate my abstract ideas into intelligible thoughts enabled me shape this project to its completion.

Thanks to my family for providing love, support and understanding as conducive study environment as I embarked on my tedious research project. My special gratitude goes to my sweetheart Sarah W. Chege, mum Anastasia N. Nganga, dad Samuel K. Nganga, my siblings, childhood friend Samuel M. Njoroge and workmates at Allavida Kenya. It gave me joy, a sense of belonging and assurance to have you around during my MBA studies.

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ABBREVIATIONS AND ACRONYMS

ACEVO	Association of Chief Executives of Voluntary Organizations
Allavida	Alliance for Voluntary Service in Development
CBO	Community Based Organization
CSO	Civil Society Organizations
CDF	Community Development fund
CDFI	Community Development Finance institutions
EC	European Commission
FBO	Faith Based of Organization
GoK	Government of Kenya
GOV	Government
HM	Her Majesty
IMF	International Monetary Fund
KSIX	Kenya Social Investment Exchange
LSE	London School of Economics
NGO	Non- Governmental Organization
NPO	Non- Profit Organization
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
OECD	Organization for Economic Co-operation and Development
PBO	Public Benefit Organizations
SAP	Structural Adjustment Programmes
SE	Social Enterprise
SI	Social Investment
SROI	Social Return on Investment
UK	United Kingdom
USA	United State of America
UN	United Nations
UNEP	United Nations Environmental Programmes
WCED	World Commission on Environment and Development

ABSTRACT

This study is about social investment strategies and sustainability of nonprofit organizations in Nairobi, Kenya. The study is guided by two objectives; to establish social investment strategies used by NPOs in Nairobi and determine the relationship between social investment and sustainability for nonprofit organizations. The essence of this study is to expand knowledge on social investment, where Kenyan nonprofit organizations can tap social investment strategies for their sustainability in the transformation of livelihood of the communities (beneficiaries) they serve. The findings of this study will be important to the Government and policy makers towards formulating social investment national frameworks and policies like United Kingdom or United States, to actualize the social pillar/ third sector as arched in Kenya Vision 2030. Potential social investors can use the resource to form a better understanding of the Kenya social pillar to enable them make well informed investment decisions/choices. The academicians and researchers may use the resources also as a source of reference but more importantly, steer Kenyan universities (Including University of Nairobi) to adopt social investment/entrepreneurship as an MBA specialization like Harvard, LSE and Oxford Schools of business have done. The results of this study will shed light into other areas of research that other researchers need to put focus on. This study will highlight the role played by social investment strategies and its impact towards sustainability of NPOs in pursuance of realization of their vision. The study research was an exploratory cross-sectional survey of nonprofit organizations (NPO) in Nairobi, Kenya. Primary data was collected by use of structured questionnaires and interviews. Senior level management was the research respondents given their role in strategy formulation and implementation. The triangulation aspect of data collection was employed for data authenticity and credibility. The data collected from the study was both quantitative and qualitative. Descriptive and inferential statistics such as mean score, standard deviation, frequency distribution, statistical graphics correlation and hierarchical multiple regression were used for data analysis and presentation. The research found that most of the NPOs in Nairobi County suffer from dependency on foreign donations. However, due to external environmental changes such as the global meltdown, they are adopting to SI strategies like social enterprises, volunteerism, endowment, commercial equity/enterprises and many more with the aim to be sustainable in future. As depicted by Hierarchical Multiple Regression (HMR) there is strong positive direct correlation/relationship exists between SI and sustainability of NPOs in Nairobi Kenya but there are other factors influencing SI adoptions such as social innovation, availability of financing, globalization and internationalization and organizational structure flexibility. Leadership and governance, networking, finance and technical capacity are some of the successful strategies towards NPO's SI sustainability. SI sector is still underdeveloped and understudied in Kenya. Government, Operating intermediaries and SEs are the main SI players and they should harmonize working relations for full-bodied SI growth and development. The main barriers and challenges of SI growth and development is lack of an enabling policy environment. This can only be mitigated by the government playing their role to increase supply and demand for SI and providing an enabling environment as policy makers.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In today's world economies, social pillar is a key component of sustainable growth and development. In western nations it is referred to as third sector or social sector while in the Kenyan context, it is viewed as social pillar. Kenya vision 2030 blueprint has three pillars; economic, political and social pillar. Where all the pillars are interdependent, with the latter aiming for just and cohesive society that enjoys equitable social development in a clean and secure environment (GoK, 2007).

Globally, the way business is done is changing rapidly due to external environmental factors such as; technology, economic and political factors. It is with this premise that, all organizations must constantly adapt their activities in order to succeed (Ansoff, 1987). The social pillar has not been left behind in adapting to innovative business strategy referred to as Social Investment (SI).

Social investment as a term has been used in western world for more than 20 years but in Africa it is new term, though its aspects has been practiced within people's cultures for generations. Social investment is the provision and use of capital to generate social, environmental as well as financial returns (Allavida, 2011). It is based on social innovation model as theory of change strategy. Social investors make social investments to the social enterprises (SEs) with an aim to meet societal basic needs consistently and continuously.

In developed world, social investment strategy is one of the remedy used to address the future challenge of ageing populations and the shift towards a knowledge-based and service economy with sustainable growth. In the case of developing countries, it a good strategy for sustainable growth and development as it cautions Non Profit Organizations (NPOs) from dependency syndrome, donor fatigue, and their collapse. In general, social investment strategy encompasses social responsible investments aimed at impacting the society in the long term.

1.1.1 The concept of Social Investment strategy

In mid-1990s, a new investment paradigm shift referred to as ‘social investment’ emerged. It gathered momentum across the globe, with an increasing number of players and types of organizations practicing ‘non-economic criteria into investment decisions’ (Bruyn, 1991). The European Union Commission views it as the provision and use of capital to generate social, environmental as well as financial returns. Social investment therefore aims at meeting the society’s social needs as well as shifting towards a knowledge-based and service economy (Lisbon Summit report, 2000).

Social Investment strategy gives the direction and scope of an organization over the long term, achieving advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Scholes et al, 2006). It is envisioned in making Nonprofit Organizations (NPOs) strategic fit as they meet their long term goals and objectives. This is realized through a clear set of decision making rules that, guides organization behavior of reinvesting financial returns to the society (Ansoff & McDonnell, 1990). The strategic stretching of organization resources and competencies creates new opportunities for sustainable growth and development for them and communities they served. These cautions environmental turbulence NPOs are encountering today hence social investment strategy can be viewed as an idea in strategic lenses for sustainability (Johnson et al, 2002).

In business model perspective, SI is an integral part of SE, where SI is the supply side while, SE is the demand side. If the returns are financial as well as social OR environmental then, it is referred to as double bottom line enterprise while, enterprise that generates financial as well as social AND environmental it is referred as triple bottom line enterprise. Therefore, social investment strategy implies that spending should be made in the form of investments, such as in human capital, to support labour market participation in the future as well as the present or to confront new social risks such as unemployment, ageing and poverty (Dobrowolsky et al, 2005).

1.1.2 The concept of Sustainability

Sustainability is the capacity of something to be maintained, as one seizes the opportunity available, mitigating risks and adhering to the mission. For NPOs, it is the ability for the organizations to fulfill its commitments to its clients, patrons, and the community in which it operates. At macroeconomic perspective, it is a means for NPOs meeting important societal needs (Weerawardena et al, 2006).

Nonprofit organizations are key stakeholders in community growth and development. Holistic community growth and development must be sustainable. This makes sustainability and sustainable development intertwined concepts. According to Brundtland report, sustainable development is the “development that meets the needs of current generations without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 45). It is a process of increasing the spectrum of alternatives allowing individuals and communities to realize their aspirations and potential in the long perspective, at the same time maintaining the regeneration ability in economic, social, and ecological systems (Munasinghe 1994).

The key ingredients for NPOs sustainability are decisive, strategic and accountable leadership; financial and programmatic adaptability; and the resources to deliver core programs capacity. This ingredient helps the NPOs to address internal and external environmental challenges hence building sustainable organizations that can continue delivering social value via the pursuit of its social mission. There is need for NPOs to come up with sustainable innovative and proactive measurements for their continuity in serving the society as well as cautioning dependency of donor aid. Sustainability of nonprofit organizations or third sector is the driving force behind SI strategy to meeting social needs of societies in the world.

1.1.3 Nonprofit Organizations in Nairobi, Kenya.

Non-Profit Organizations are private; organized; not primarily commercial; self-governing; and voluntary. They are mainly: Non-Governmental Organizations (NGOs), charities, community groups, faith-based organizations, unions clubs, trusts, and

foundations, among others (Kanyinga et al, 2007). The non-profit organizations are registered either under the Societies Act, Trustees Act, Companies Act, the NGO Act, and Ministry of Cultural and social services.

The nonprofit sector policy frameworks have evolved with time. In 1971 the government produced a national policy on social welfare (Sessional Paper No. 7 of 1971) and 1992 NGOs co-ordination board was established (Republic of Kenya, 1992). The past policies excluded many other kinds of non-profits, pushing government with support of Civil Society Organizations (CSOs) to come up the Public Benefit Organizations (PBO) Act 2013, where all NPO's will be under one umbrella PBO's Regulatory Authority.

The push for Structural Adjustment Programmes (SAP) by western nation's machineries (World Bank and IMF) reducing Kenya government ability to provide basic services. NPO's came in to fill the gap in service provision for economic growth rate was sluggish (Kanyinga, 2004). These created NPO's unprecedented growth as a 'global revolution' for large volume of resources was available due to donors shifting their attention and funding to NGOs (Salamon and Anheier, 1998).

Nairobi being the capital city of Kenya and the only UN headquarters in Africa hosting organizations like UN-Habitat or UNEP (NGO's Board Bureau, 2012) has become the NGOs hub in the region due to its well-developed city infrastructure, are NGO's cash cows (booming business), Kibera slums brand and friendliness of Kenyans. The external environmental factors are ever changing especially western economies meltdown has created donors funding shortages to the nonprofit organizations thus dire need to diversify sources of funding streams as sustainability component of nonprofit organizations.

1.2 Research problem

Social investment strategy is a new phenomenon with an increasing interest in the world scene. Its aim to the world economies is to develop sustainable growth and development to avoid and mitigate future repercussions of economic global meltdown as is currently

being experienced in the western nations. SI strategy adoption is one of way for NPOs to meet sustainability as they adjust to ever changing environmental complexity. For example, Africa's NPO agenda has always been driven by the western nations and their charitable organizations as they are the main donors. This means, any shortcomings in western nations affect their operations directly. It is in this premise that, NPOs have to improvise sustainable strategies to mitigate funding shortages, hence to avoid their collapse as well as addressing dependency syndrome and donor fatigue.

Several studies have been done in the western nations but still under researched in Kenya. Some studies in western nations includes; Principles for Social Investment (UN Global Compact, 2000), Social funds and decentralization: optimal institutional design (Faguet et al 2006), the landscape of social investment: Holistic topology of opportunities and challenges (Nicholls and Pharoah 2007), Impact Investments: An emerging asset class (J.P. Morgan Global Research, 2010), Microfinance and social investment (Conning & Murdoch 2011), How to reinvent capitalism and unleash a wave of innovation and growth (Porter and Kramer, 2011), and Growing the SI market: 2013 progress update (UK.GOV, 2013).

In Kenya, Allavida (2011) did a study on supporting the development of the Kenya Social Investment Exchange (KSIX), while Kinyua (2012) and Ndemo (2003) have researched on social entrepreneurship. Other studies focused on NPOs/NGOs for example, Kiliko (2000), Mitullah (1990) and Nderitu (2004). With few or none documented studies on the social investment in Kenya, the study will be seeking to address two research questions. What are social investment strategies used by nonprofit organizations in Nairobi Kenya? What are the effects of social investment strategies on sustainability of nonprofit organizations?

1.3 Research objective

The study was guided by two objectives;

- i. To establish social investment strategies used by NPOs in Nairobi, Kenya
- ii. To determine relationship between social investment and sustainability for nonprofit organizations in Nairobi Kenya.

1.4 Value of the study

The essence of this study is to expound knowledge on social investment, where Kenya nonprofit organizations can tap social investment strategies for their sustainability in the transformation of livelihood of the communities they serve. The findings of this study will be important to the government and policy makers hence, to formulate social investment national frameworks and policies like United Kingdom or United States has done, leading to sustainable strong third sector. These will be a key component towards actualization of Kenya Vision 2030 especially the social pillar (GoK, 2007). Potential social investors can use the resource to form a better understanding of the Kenya social pillar to enable them make well informed investment decisions.

The academicians and researchers may use the resources also as a source of reference but more importantly, University of Nairobi to adopt social investment/entrepreneurship as MBA specialization like what Harvard, LSE, Oxford and Tangaza Schools of business has done to continue the discs. The results of this study will shed light into other areas of research that other researchers need to put focus on. This study will highlight the role played by social investment strategies and its impact towards sustainability of NPOs in pursuance of realization of their vision.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will review the literature on strategy, social investment and NPOs sustainability. It further seeks to highlight on social investment operationalization strategies and models behind social investment. Finally the literature goes ahead to depict the relationship between social investment and sustainability for NPOs.

2.2 Theoretical Foundation of the study

Social investment relies on social innovation to provide social solutions to society social problems. Social innovation transcends sectors, levels of analysis, methods to discover the processes, the strategies, tactics, and theories of change that produce lasting impact (Brown & Norman, 2011). The essence of social innovation is to understand and foster the conditions that produce solutions to social problems (Phills Jr. et al, 2008). It is driven by government, non-profit sector, movements, and academia, as well as by SI.

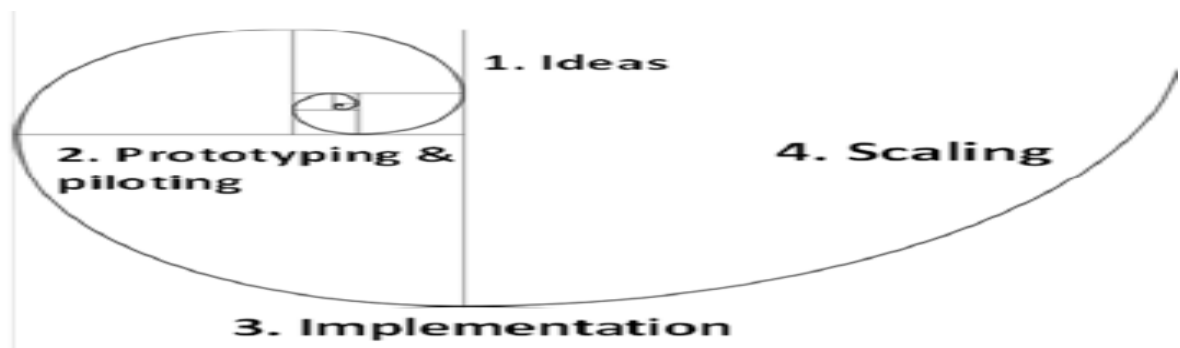
Social innovation is defined as the development and implementation of new ideas to meet social needs and create new social relationships or collaborations aimed at improving human well-being (Mulgan et al., 2007). It relies on the inventiveness of public sector, NPOs and private sectors towards products and services delivery to the society. Social innovation can also be viewed as a sustainable development, in response to economic activity that has expanded with little or no regard for sustainable yields or the fragile balances in nature (Brown, 2012) hence, social in ends and means.

Social innovations are service innovation towards meeting social need of the society. It is a process with four main elements: identification of social needs; development of new solutions; evaluation of the effectiveness of new solutions; scaling up of effective social innovations. There are three key approaches to social innovation design: Social demand, societal challenge perspective focuses and systemic change focus (OECD, 2011; Miller et

al 2008 and EC, 2013). Social innovations are driven by social motive and the value created is shared to whole society (Porter & Kramer, 2011).

“Social innovations model has four stages: idea, prototyping/piloting, implementation and scaling. It starts as ideas, which may then be piloted or prototyped. If successful there is a process of sustaining the new model in the implementation stage as a new venture or as a new policy within an existing institution. The final stage is to scale up so that the new approach makes a real impact and becomes part of the norm” (EC, 2013, p.8- 9).

Figure 2.1: The spiral model of social innovation showing the four stages



Source: Young Foundation, Social Innovation Exchange

Therefore, social innovation is the most effective, efficient, sustainable value shared solution towards addressing world social problems. It is a key component of Europe 2020 Strategy and Kenya vision 2030, where Europe aims at a smart, sustainable and inclusive economy (knowledge-based social economy) while Kenya is to become middle income economy respectively. The challenge especially for policy makers is to identify ideas that are the most promising to take to the pilot stage, and to identify which pilots are best able to improve on existing models of practice. Then selecting from among those pilots, the projects that should be implemented to become sustainable ventures and the ventures that should be scaled up to achieve systemic changes (Murray et al, 2010).

2.3 Concept of strategy

Strategy as field of studies is new phenomena that emerged in 1960's. The concept of strategy has been much used and often abused. However it is a multi-dimensional concept and has found application in all fields of study and life. There is no agreed or embraced definition of strategy as it is an elusive and somewhat abstract concept that is still developing (Ansoff, 1987). There is no preferred definition as they are alternative or complementary approaches to strategy (Mintzberg et al 1998).

Chandler (1962) denotes that, strategy emerged from people awareness of opportunities and needs created by changing population, income and technology. Strategy determines the way an organization adapts and allocates resources to achieve its long term goals and objectives profitably. This is possible if organization remains vibrant and successful in the long run, as result of continuous impact assessment evaluation of the external environmental factors to its operations (Kotler, 2002). In case of strategic problem, matching organization's internal characteristics and core capabilities with the external environment to minimizing the impact of threats from external environment of the organization is the strategy (Aosa, 1998).

Strategy is an organization's game plan for surviving in the changing environment. It is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the needs of the market and fulfill stakeholder's expectations (Scholes & Whittington, 2005). Strategy is a set of decision making guidance rules of organizational behavior. These rules were; performance measurement in terms of goals and objectives, product-market relationship with the external environment, organizational concept and operating policies (Ansoff & McDonnell, 1990).

Strategy can be viewed as a plan of how the organization can achieve its goals/objectives. It is a commitment of present resources to future expectations (Thompson & Martin 2005). However, Mintzberg et al, (1998) came up with five interrelated definitions of strategy; a plan, ploy, pattern, position and perspective. As a plan, it is specific, a deliberate, purposeful, consciously intended course of action that is designed in advance

of the action it governs. It is a ploy for it tends to outsmart and outwit competitors. Strategy is a pattern that emerges from a stream of actions, developed in the absence of intentions and without preconception but visualized only after the events it governs. It is the organizations positioning to its environment for sustainable competitive advantage development and above all, gives an organization an identity and perspective revealing how the organization is perceived outside world. Porter (1998) echoed strategy as a perspective; a somewhat abstract concept that exist primarily in the mind of people.

The concept of strategy is new field of study that is dynamic and evolving each and every day, with an aim to address ever changing environmental complexity hence aid organizations to adapt to effective and efficient strategies in order to cope with those environmental changes. This has triggered different persons to view strategy in different ways or perspectives. These perspectives referred as strategy lenses; strategy as design, experience or ideas (Johnson et al, 2002).

2.4 Social Investment Strategy

The origins of the movement are hard to trace, but the use of social criteria became visible among large organizations in the 1960s during a period of urban unrest. In 1967 the Ford Foundation, announced that social investment would become part of its philanthropic program with hope to increase the impact of its giving. Ideas about 'social investment' began to spread from the beginning of the mid 1990s'. It gathered momentum across the globe, with an increasing number of players and different types of organizations practicing 'non-economic criteria into investment decisions' (Bruyn, 1991). There is no universal definition of Social Investment (SI) due to its newness as a strategy thus different people have different understanding of the field.

Social investment strategy has taken more roots in western nations especially UK and USA, while it is a nascent phenomenon in developing countries. In June 2013, G8 Social Impact Investment Forum decided to build on increased interest in social investment around the globe, measured in part by an increase in internationally-focused market

infrastructures (UK GOV. 2013). The European Union Commission views SI as the provision and use of capital to generate social, environmental as well as financial returns. It is a paradigm shift towards a knowledge-based and service economy aimed at meeting the society's social needs (Lisbon Strategy, 2010); Dobrowolsky et al, 2005) defines social investment strategy as spending in the form of investments, such as in human capital, to support labour market participation in the future as well as the present or to confront new social risks such as unemployment, ageing and poverty. Its main goals are to increase social inclusion, minimize the intergenerational transfer of poverty and ensure that the population is well prepared for the likely employment conditions of contemporary economies.

According to Allavida Kenya (2011), Social Investment also referred to as impact or ethical investment, integrates financial goals with positive personal values to give investors a voice in shaping the future of their society. It is the act of making investment decisions to achieve a social, environmental as well as a financial return. Social investors invest in social purpose enterprises i.e. social enterprise (SE) and social business. The investments should be responsible by aligning to the Principles for Social Investment (PSI); Purposeful, Accountable, Respectful and Ethical. The PSI seeks to increase the positive impact and scalability of such contributions for the advancement of societies (The UN Global Compact, 2000).

Social investment encompasses asset creation, problem-solving capacity and ultimately sustainability. Below is an illustration of the social investment spectrum based on expectations of financial returns among different investors.

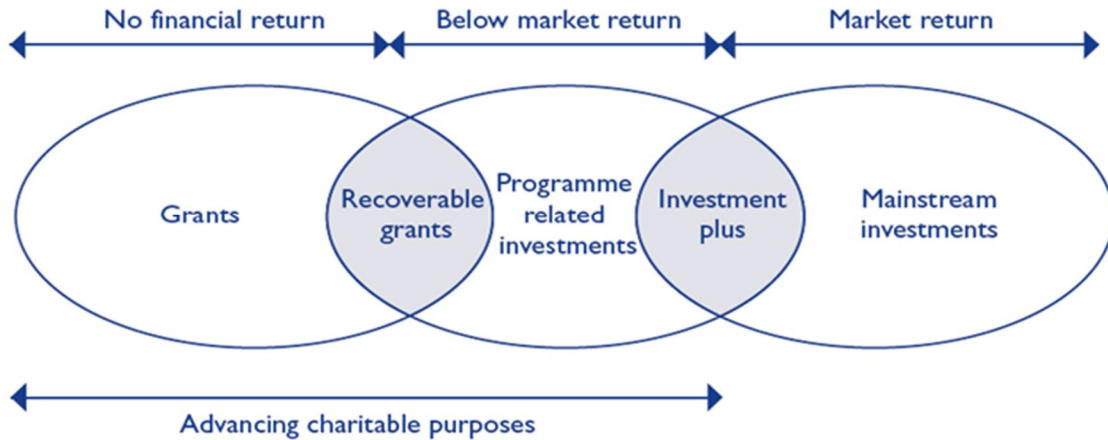


Figure 2.2; Source: Esmee Fairbairn Foundation social investment scale

At the far left end of the scale the ‘return’ is solely social/ environmental, as grant with no financial return. In between these two extremes lie ‘investment plus’ and ‘recoverable grants’. ‘Investment plus’ allows for market-rate returns on investment, whilst advancing the charitable purpose of the organization. Recoverable grants involve some financial return to the donor, albeit below market rate; this might take the form of a grant to a charity, with the expectation of the grant payment over time. At the far right of Esmee Fairbairn Foundation social investment scale is the mainstream financial investments, but organizations invest the added bonus to social or environmental good (ACEVO, 2010). Getting critical resource decisions right allocating time, talent, and dollars to the activities that have the greatest social impact is what “strategy” is all about (Colby et al., 2004).

2.5 Social Investment Strategies Operationalization

SI strategies manage private capital supplied to social sector organizations on the basis of social, environmental as well as financial, returns. The financial returns are reinvested back into the SE/business and community. The SI strategies are direct or indirect where

government, private and social sector as intermediaries play different roles in the operationalization.

Government SI strategies are both direct and indirect as capital provider and enabler of SI growth and development. Its main roles entail; increase supply, increase demand and enabling environment. Increasing supply, she encourages more individual and institutional lenders willing and able to invest in social ventures by giving social investment tax relief. Increasing demand is where legal and regulatory barriers are removed to grow credible SI opportunities. The government must create an enabling environment (infrastructure) for transactions between the social and financial sector through investment platforms and standards (UK GOV, 2013).

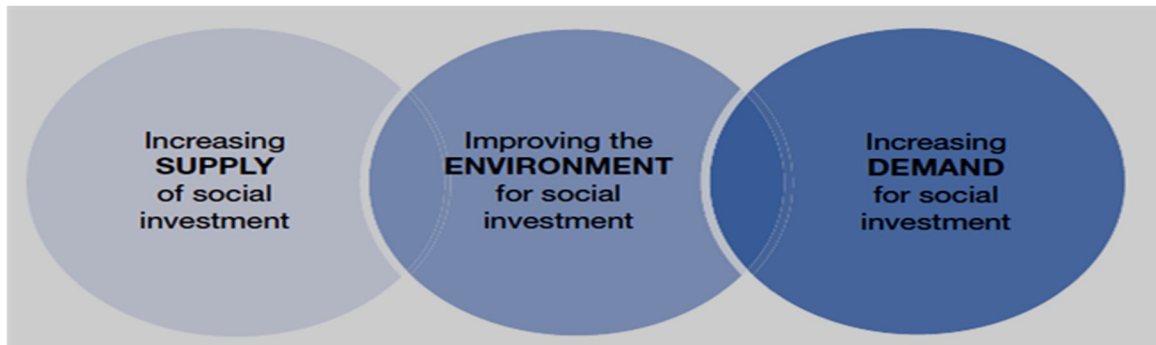


Figure 2.3; Source: UK Gov., 2013

In established social investment markets in developed world, there are diverse social investment strategies/products. Such as social funds, specialized fund and social impact bond funds. Operating intermediaries (Nonprofit organizations) provides support to the social sector in performance measurement and capital-raising. Kenya is also taking strides in the right direction with the development of social bonds by NSE as Alternative Investment Market Segment (AIMS) (Allavida 2011), while social funds/specialized funds are in form of devolved fund such as County funds, Constituency Development Funds (CDF), Uwezo fund, youth, women enterprises funds and many more.

Corporate organizations invest heavily to society through Corporate Social Responsibility (CSR) arms for public relations (PR), without reference to NPOs' financial sustainability. Corporate Social investment (CSI) strategy has replaced CSR to incorporate PR and

sustainable social good to society hence, today there an increase at corporate foundations formations, Corporate NPOs partnerships such as Kenyans for Kenya initiative (between Kenya Red Cross and corporates) and use of experts to create SI functions within their business. For example, Safaricom limited, Equity Bank, KCB and many more Kenyan corporates have started foundations and innovative financial products such Mpesa, Mshwari or Chama accounts with aim of social impact of the communities.

New trading social platforms are emerging as strategy to support and service SI transactions at the retail market. Currently, there are five social investment exchanges in the world; South African Social Stock Exchange (SASIX), The Impact Investment Exchange Asia (IIX), Columbian Social Stock Exchange, Kenya Social Investment Exchange (KSIX), recently launched London Social Stock Exchange (SSE) and others on conceptual stages include The Nexus for Impact Investment (NeXii) and The Global Federation of Social Investment Exchanges (GSIX). There is need to broadening social investors' base by tapping potential individual social investors and pension funds. For example, High-Net-Worth-Individuals (HNWI) in western countries are investing in products that have a comparable return on money and a positive social impact or investing with ethical, community or social benefits. The pension contributors prefer to contribute to a SI fund than to a conventional fund for their pension while others chooses a social investment involving significant trade-off with financial return. In Kenya, HNWI are yet to be seen giving for positive social impact but there is significant social investments trade-off on pension funds like NSSF.

Other SI strategies entails; commercial equity, endowment funds and Community Development Finance institutions (CDFI). Commercial equity is profit driven, where the SEs are highly commercial with high returns used for significant social impact (Shortall & Alter, 2009). The endowments and CDFI strategies are social motive driven, where endowment the principal remain intact in perpetuity, or for a defined period of time, or until sufficient assets have been accumulated to achieve a designated purpose. CDFI such as community banks, Micro finance/credit institutions and revolving Loan funds impact lives of people by providing patient loan to SE.

2.6 Sustainability of Nonprofit Organization

Nonprofit organizations (NPOs) contribute greatly in the social pillar of the economy as it provides goods and services not delivered by the private or public sectors. Their main aim is to develop skills, create employment and foster pathways for social inclusion (CEEDR, 2001; DETR, 1999; Lyons, 2001). Sustainability is the ability for the NPOs to fulfill its commitments to meeting important societal needs (Weerawardena et al, 2010). Sustainability and sustainable development are intertwined concepts. Brundtland report defines sustainable development as “development that meets the needs of current generations without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 45). It is a process of increasing the spectrum of alternatives allowing individuals and communities to realize their aspirations and potential in the long perspective, at the same time maintaining the regeneration ability in economic, social, and ecological systems (Munasinghe 1994).

NPOs funding is from earned incomes, governmental support and private donations (Wijkstro, 1997). The government support has dwindled due to their uncertainty as many initiatives have not had full policy commitment (Kunle, 2004). In Kenya since SAP of 1990s, NPOs have benefited greatly from foreign donation (Kanyinga, 2004) but this has change drastically due to financial meltdown in western countries. These changes have intensified competition for the donations and service delivery by nonprofits (Ferris & Graddy, 1999; Kessler & McClellan, 2002), forcing them to adopt strategies aimed at building viable, sustainable organizations in order to continue to pursue their social mission (Bryson, Gibbons, & Shaye, 2001; Chetkovich & Frumkin, 2003; Dart, 2004; Goerke, 2003).

The adopted strategies by NPOs to gain substantiality entails: entrepreneurial postures in their operations (Sharir & Lerner, 2006); innovative practices (Jaskyte, 2004; McDonald, 2007); focusing on outcomes targeted by government policy and pursue innovative ways of delivering superior value to the target market in order to capture competitive advantage (Weerawardena & Mort, 2001). Market orientation strategy has been employed to meet the increased competition (Nicholls et al, 2006) and above all, social

entrepreneurship (SI demand) strategy is finding new and better ways to create and sustain social value (Anderson & Dees, 2002) hence the entrepreneurial ventures improving economically distressed areas (Cornwall, 1998; Porter, 1995). NPOs are using nonfinancial sustainability strategies geared at reducing costs of NPOs. Such strategies include: increased volunteerism and its productivity (Weisbrod, 1998; Cnaan & Goldberg-Glen, 1991; Handy & Srinivasan, 2004) and soliciting in-kind donations (Snaveley & Tracy, 2000).

NPOs have heavily depended on resource dependency theory (Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978) for their sustainability hence cooptation (Seznick, 1948), partnerships to manage environmental uncertainty (Dickson & Weaver, 1997; Gray & Wood, 1991), cooperation rather than competition (Foster & Meinhard, 2002), mergers, joint ventures and diversification (Pfeffer & Salancik, 2003). In the process, the theory has created two major challenges; NPOs dependency syndrome and donor fatigue. These environmental changes have great influence to NPOs adopting sustainability strategies that are effective and efficient for community service delivery. The core issue is the need to build a sustainable organization that can continue delivering social value via the pursuit of its social mission. Sustainable NPOs are innovative and proactive in addressing environmental challenges hence has the potential to enrich understanding, develop sustainable business practices, and to make a distinct contribution towards sustainability discourse (Dunphy & Griffith, 1998).

2.7 Relationship between Social Investment and Sustainability

Social investment and sustainability are directly interrelated and intertwined. SI encompasses asset creation, problem-solving, capacity and ultimately sustainability. It is the vehicle aimed at NPOs realizing their sustainable development vision as they address social and environmental problems (Gladwin et al., 1995) in the society. Organization's financial prosperity means economic value creation (Bansal, 2005) that forms strategic foundations of sustainability (Russo & Fouts, 1997).

SI and sustainability are fundamentally coalesced around the three main principles referred Triple Bottom Line (Elkington, 1998). Sustainability concept views them as environmental integrity, economic prosperity, and social equity (Schmidheiny, 1992) while SI simply look at them as social, environmental and financial returns. Social equity is aimed at providing society with equal access to resources and opportunities (Bansal, 2005). The environmental integrity principle ensures that human activities do not erode the earth's land, air, and water resources (WCED, 1987). Economic/financial prosperity is a key component for sustainability as it involves the creation and distribution of goods and services that uplifts people living standards (Holliday et al., 2002). Sustainability is an integrated component of social investment for social enterprises to meet their environmental, social and financial objectives.

Social investment demand side growth is sustainable only if society is generally satisfied with their overall contribution to societal well-being. The symbiotic relationship between social progress and sustainability/competitive advancement implies that, both business decisions and social policies must follow the principle of shared value (Porter & Kramer, 2006). The process of achieving human development in an inclusive, connected, equitable, prudent, and secure manner (Gladwin et al., 1995), help in meeting the current societal needs without compromising the ability of future generations to meet their own needs (WCED, 1987).

SI promotes sustainable development by foster economic prosperity for all members of society while preserving the integrity of the environment (Blackburn, 2007). It is a form of vision expression (Lee, 1993), value change (Clark, 1989), moral development (Rolston, 1994) or social reorganization (Gore, 1992) toward sustainable growth and development of societies. SI and sustainability are hard to define (Crane & Matten, 2010), but embodiment of social issues in business since they addresses problems such as poverty, income inequality, social justice and the questions associated with the impact of globalization and economic development (Haugh, 2007). SI is the 'future' of dynamic innovative competitive knowledge-based economy in the world; capable of sustainable

growth hence, G8 countries are keen to operationalize effective global scale social investment market (UK GOV., 2013).

2.8 NPOs SI strategies and Sustainability Conceptual framework

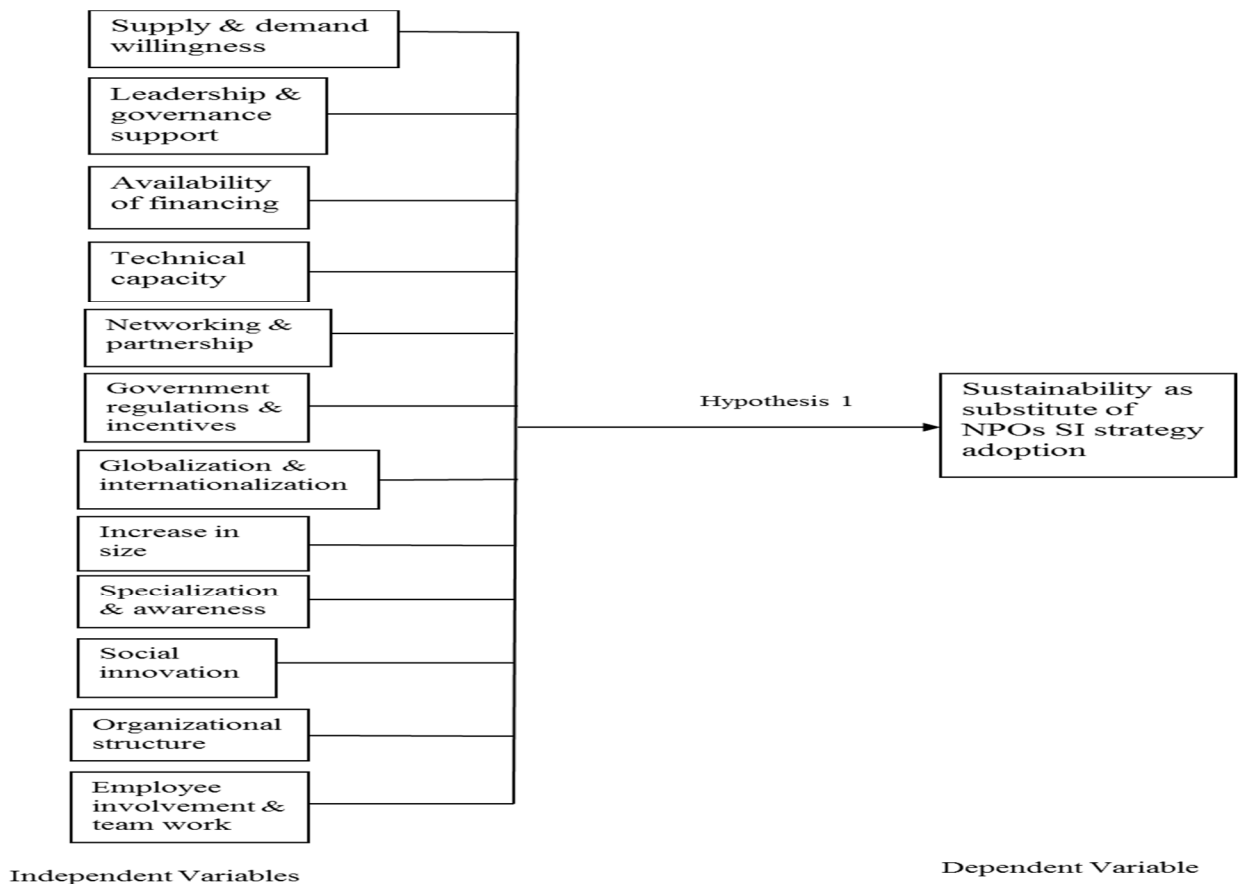


Figure 2.4: A Conceptual framework on social investment and sustainability of NPOs

The hypothesis 1: if sustainability is the main factor influencing NPOs SI strategies adoption in Nairobi, if one substitutes SI strategies adoption with sustainability (Sustainability = NPOs SI strategies adoption) and use social innovation as higher complexity level predictor then it is **TRUE** that, after controlling other factors influencing SI strategies adoption, social innovation should be able to predict sustainability as dependent or criterion variable for SI relies on social innovation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter was a guideline depicting how research was conducted to its completion. It was a blueprint describing the research population as well as identifying the procedures and technique that involved data management (collection, measurement/processing and analysis). The research Methodology was in five parts: research design, target population, sampling design, data collection and data analysis.

3.2 Research Design

The design of the research was an exploratory cross-sectional survey. An exploratory survey seeks to expand understanding of management dilemma or concerns. It helps to expand understanding of research question and identify plausible investigative questions or hypotheses for further research (Zikmund et al, 2010). The study intended to establish the social investment strategies and sustainability of nonprofit organization in Nairobi, Kenya. Other studies such as those of Kinyua (2012), Ondiek (2005) and Kinoti (2003) have successfully adopted a similar research design.

3.3 Population of the Study

There are well over 150,000 'registered' non-profits organization in Kenya with every adult belonging to several associations (Kanyinga et al, 2007). The total target population number of registered nonprofit organizations in Nairobi County was not well known but NGO's are not less than 850 (NGO Board Bureau, 2012) with different orientations like charitable, service, participatory and empowering (National Survey NGOs Report, 2009).

3.4 Sampling Design and procedure

Cluster random sampling was the sampling design. Sample size of more than 30 was sufficient to attain good level of confidence (Mugenda & Mugenda, 2003) thus, 70 NPO's were selected from the list of NPO's registered under different administrative and legal regimes in Nairobi County. The sampling procedure entailed formation of 70 clusters from the list of popular NPO's referred as NGO's, charities, community groups, faith-based organizations, unions clubs, trusts, and foundations (Kanyinga et al, 2007) consisting of a list of 10 NPO's. Subsequently, one NPO was randomly selected from each of the 70 clusters to form the sample size of the research.

3.5 Data Collection

The study used both primary and secondary data. Primary data was collected through questionnaires and interviews. The interview guide/ semi-structures questionnaires (Annexure: ii) comprised both open and close ended questions to allow explanations of respondents the social investment and sustainability phenomenon.

Secondary data was collected from internet sources, library research and nonprofits publications such as annual reports. The NPOs senior level management was the research respondents because they were involved in the strategy formulation and implementation hence had the required information on social investment strategies in used for their sustainability component. The triangulation aspect of data collection was employed for data authenticity and credibility.

3.6 Data Analysis

The data collected from the study was both quantitative and qualitative (Stebbins 2011). It was examined and checked for completeness and comprehensibility. Descriptive and inferential statistics such as means score, standard deviation, frequency distribution, correlation, regression and statistical graphics was used for data analysis and presentation. Statistical Package for Social Sciences (SPSS) version 20 was used for

statistical analysis for it was comprehensive and offered extensive data handling capability (Muijis, 2011).

Hierarchical Multiple Regression (HMR) model was used to explore the relationship of SI and sustainability as a type of Multiple Regression (MR) with higher level complexity. HMR was an appropriate flexible method of data analysis for a quantitative variable (the dependent or criterion variable) to be examined in relationship to any other factors expressed as independent or predictor variables. Relationships may be nonlinear, independent variables may be quantitative or qualitative, and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account (Cohen, West, & Aiken, 2003).

In this study, sustainability was treated as the dependent variable or criterion variable while others factors influencing NPOs SI strategies adoption were viewed as predictor variables (independent variables). Such factors were; supply and demand willingness, leadership and governance support, availability of financing, technical capacity presence, networking and partnership, government regulations and incentives, globalization and internationalization, increases in size, specialization and strategic awareness, social innovation, organizational structure flexibility and employee involvement and team work. The hypothesis to test relationship of sustainability and social investment was that if sustainability is the main factor influencing NPOs SI strategies adoption in Nairobi, if one substitutes SI strategies adoption with sustainability (Sustainability = NPOs SI strategies adoption) and use social innovation as higher complexity level predictor then it is **TRUE** that, after controlling other factors influencing SI strategies adoption, social innovation should be able to predict sustainability as dependent or criterion variable for SI relies on social innovation.

The study was guided by a multiple regression equation model for predicting Y as expressed below:

$$Y^l = \alpha + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6 + B_7X_7 + B_8X_8 + B_9X_9 + B_{10}X_{10} + B_{11}X_{11} + B_{12}X_{12} + \epsilon$$

Where;

Y^1 = Sustainability as substitute of NPOs SI strategy adoption; X_2 = supply and demand willingness; X_3 = leadership and governance support; X_4 = availability of financing; X_5 = technical capacity presence; X_6 = networking and partnership; X_7 = government regulations and incentives to SI sector; X_8 = globalization and internationalization; X_9 = increases in size, specialization and strategic awareness; X_{10} = social innovation; X_{11} = organizational structure flexibility; X_{12} = employee involvement and team work; α = constant (intercept); ϵ = Standard error; B's= Unstandardized coefficients

Advantages associated by HMR analysis was that Independent variables (explanatory variables) were entered into equation in the order specified by the researcher (Nganga) based on theoretical grounds; independent variables were entered in steps (blocks); each independent variables were assessed in terms of what it added to the prediction of dependent variable after the previous independent variables had been controlled for and overall model and relative contribution of each block of variables is assessed (Miles & Shevlin, 2001; Tabachnick & Fidell, 2007).

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This research project sought to establish social investment strategies used by NPOs and determine relationship between social investment and sustainability for nonprofit organizations in Nairobi Kenya. The data required for the study was obtained from the survey questionnaires and interviews from the selected nonprofit organizations in Nairobi, Kenya. The questionnaires were sent to 70 respondents, of which 38 responded, representing a response rate of 54%. This was occasioned by environmental change due to terrorists attack on 21 September 2013 at Nairobi Westgate shopping mall during my research period though Mugenda and Mugenda (2003) indicates the response rate of 50% is adequate for the study. The data obtained was analyzed using both descriptive and inferential statistics.

4.2 General Information

In this section, general information of the respondents is analyzed. Respondents were asked to indicate their educational profile, professional background and experience.

4.2.1 Level of Education

The study sought to determine the level of education of the respondents working in the nonprofit sector management level and the results are as shown in Table 4.1.

Table 4.1: Respondents Highest Level of Education

Variable	Measurement	Frequency	Percent (%)
Level of Education	Post Graduate	18	47.4%
	Graduate	16	42.1%
	Tertiary	4	10.5%
	Total	38	100.0%

Source: Research Data

According to the findings 47.4% of respondents are post-graduates, 42.1% graduate degree holders while 10.5% have tertiary education. The high level of education implies that the respondents had a good understanding of the concepts being discussed and were able to objectively relate the social investment strategies and their organization’s sustainability. Most graduates are in a good position to evaluate whether the targeted results were achieved or not and for those not achieved, what led to observed failures.

4.2.2 Respondents Experience

Table 4.2 below presents the tabular distribution of study respondents’ experience in the NPO’s.

Table 4.2: Period Served in Nonprofit Organizations

Variable	Measurement scale	Frequency	Percent (%)
Years of service in NPOs	0-5	9	23.7%
	6-10	15	39.5%
	Above 10	14	36.8%
	Total	38	100%

Source: Research Data

As shown in the Table 4.2, 39.5% of the respondents had work experience of between 6-10 years, 36.8%; 10 years and above while 23.7% had least work experience of five years and less. This implied that majority of respondents in NPOs had long years of work experience, a confirmation that they are well informed and acquainted about their organizations and have a very good understanding of the organizations processes, the strategic positioning and changes that have taken place over the years in their respective organizations.

4.3 Background Information of the NPOs

In this section, the study aimed at establishing NPOs registration type, years of operation, size and their beneficiaries. The tabulation below represents the findings of the study.

4.3.1 Type of organization

Table 4.3: Category of Registration of the Organization

Variable	Measurement scale	Frequency	Percent (%)
Category of NPOs registration	NGO's	16	42.1%
	Charities	4	10.5%
	Community groups	5	13.2%
	Faith-Based Organizations (FBO)	3	7.9%
	Unions clubs	1	2.6%
	Trusts	4	10.5%
	Foundations (corporate, private or family)	5	13.2%
	Total	38	100%

Source: Research Data

As shown in Table 4.3, 42.1% of NPOs that participated in the research were registered as NGOs with the fact that Nairobi is a NGOs hub (NGO's Board Bureau, 2012) and perhaps more responsive to research surveys. 13.2% respondents indicated their organizations are registered either as foundations or community groups while trusts and charities represented each 10.5%. The respondents whose organizations were registered either as union clubs or FBOs were 7.9% and 2.6% respectively

4.3.2 Age of the Organization

The study sought to determine the age of the organization and the findings are as shown in Table 4.4

Table 4.4: Years of the Organization Operation

Variable	Measurement scale	Frequency	Percent (%)
Years of NPOs operation	1-5	3	7.9%
	6-10	10	26.3%
	Above 10	25	65.8%
	Total	38	100%

Source: Research Data

The study established that 65.8% of the respondents indicated their organizations were above 10 years in operation while 26.3% and 7.9% respondents depicted that their organizations had operated 6-10 or less than 5 years respectively. There is clear indication that NPOs were established in Kenya in the 1990s during IMF World Bank SAP introduction and push for multiparty democracy (Kanyinga, 2004) hence NPO's unprecedented growth is a 'global revolution' (Salamon and Anheier, 1998).

4.3.3 Size of the Organization

Respondents were requested to indicate the size of the NGOs in terms of employee's number and the findings are presented in Table 4.5.

Table 4.5: Size of the Organization in terms of Staff Employed

Variable	Measurement scale	Frequency	Percent (%)
Number of employees	1-5 Employees.	3	7.9%
	6-10 Employees	11	28.9%
	Above 10 Employees.	24	63.2%
	Total	38	100.0%

Source: Research Data

As shown in Table 4.5, majority (63.2%) of the respondents indicated that their organizations had more than ten employees while 36.8% of the respondents indicated their respective organizations had between one and ten employees. This finding validates Kanyinga et al, (2007) that Kenya NPOs sector are small medium micro organizations in size and scope hence implying that, NPOs is a big employer that cannot be ignored as social pillar of Kenya economy (GoK, 2007).

4.3.4 Beneficiaries of the Organization

The study sought to establish NPOs and their beneficiaries and the findings are presented in Table 4.6

Table 4.6: Organization Beneficiaries

Variable	Measurement scale	Frequency	Percent (%)
Organization beneficiaries	Children and students	5	13.2%
	General Communities/society	24	63.2%
	youth and Women	5	13.2%
	Other (HIV and Persons with Disabilities)	4	10.5%
	Total	38	100.0%

Source: Research Data

As indicated in Table 4.6, 63.2% of NPOs serves general community across the board without discrimination, while 36.8% deals with specialized groups as children, students/youth, women, HIV and persons with disabilities. It is true to state that NPO's came in to fill the gap in service provision when Kenya economic growth rate was sluggish in 1990s (Kanyinga, 2004).

4.4 Social Investment and Sustainability

In this section, the study sought to establish what respondents' outline as their awareness of levels of social investment strategies, sustainability and relationship of the two respectively in their organizations. Triangulation of the responses from respondents was the means to depict SI and sustainability strategies employed so far and correlation of the 2 variables as indicated in the questionnaire and analyzed below.

4.4.1 Social Investment Awareness Levels

Respondents were requested to indicate whether they were aware of social investment concept and the result are presented in Table 4.7

Table 4.7: Awareness of what Social investment is.

Variable	Measurement scale	Frequency	Percent	Valid Percent
Awareness of what Social investment is	Yes	36	94.7%	97.3%
	No	1	2.6%	2.7%
	Total	37	97.4%	100.0%
	No response	1	2.6%	
	Total	38	100.0%	

Source: Research Data

The study established as shown in Table 4.7, 97.3% of respondents indicated that they were aware of the Social investment concept while 2.7% of respondents were not aware.

4.4.2 Social Investment Market Trends

Table 4.8: SI Market trends influence to NPOs day to day operations

Variable	Measurement scale	Frequency	Percent	Valid Percent
SI market trends influence to organizations	Yes	30	78.9%	81.1%
	No	7	18.4%	18.9%
	Total	37	97.4%	100.0%
	No response	1	2.6%	
	Total	38	100.0%	

Source: Research Data

According to the findings over 80% of NPOs in Nairobi are influenced by world trends of SI. SI is the future to address sustainable growth and development (UK.GOV, 2013) hence; gathering momentum across the globe, with an increasing number of NPOs practicing ‘non-economic criteria into investment decisions’ (Bruyn, 1991).

4.4.3 NPOs Source of Funds

Table 4.9 presents the respondents’ response on their NPOs source of funds and results are as follows.

Table 4.9: NPOs sources of funding

Variable	Measurement scale	Frequency	Case Percent
Sources of funding	Government/Social funds	6	18.2%
	Foreign grant/donation	25	75.8%
	Earned income/Social enterprises	7	21.2%
	High-Net-Worth-Individuals (HNWI)	9	27.3%
	Corporate/private companies	4	12.1%

Source: Research Data

The findings in the Table 4.9 established that 75.8% of the respondents’ organization main source of funding is from foreign grants/donations. Earned income/Social enterprises and High-Net-Worth-Individuals (HNWI) contributes to NPOs funding to a tune of 21.2% and 27.3% respectively while government and corporate/private companies give them the least, 18.2% and 12.1% respectively. This is a clear evidence that NPOs in Nairobi county are hooked-up on donor funds hence have the dependency syndrome challenge fiasco, with small funding contributions (21.2%) accrued from their earned incomes or social enterprises as entrepreneurial positions in their operations to gain sustainability(Sharir & Lerner, 2006).

4.4.4 Knowledge of Social Investment Exchange Platform

Respondents were requested to indicate whether they knew any social investment exchange platforms in the world and if yes which one(s). The results are presented in Table 4.10 below

Table 4.10: Knowledge on SI Exchange Platforms

Variable	Measurement scale	Frequency	Percent (%)
SI Exchange platform	Kenya Social Investment Exchange (KSIX)	14	36.8%
	South African Social Stock Exchange (SASIX)	3	7.9%
	The Impact Investment Exchange Asia (IIX)	1	2.6%
	London Social Stock Exchange (SSE)	1	2.6%
	None	19	50.0%
	Total	38	100%

Source: Research Data

According to the respondents 50% know of a social investment exchange platform in world while the other 50% don't know any. 36.8% of those who know social investment exchange platform know Kenya Social Investment Exchange (KSIX). South Africa Social Stock Exchange (SASIX) scored 7.9% while The Impact Exchange Asia (IIX) and London Social Stock Exchange (SSE) are known by respondents with 2.6% equal measure. This implies that Social investment is still a relatively new concept in Kenya while trading social platforms to support and service SI transactions at the retail market not developed yet (Allavida, 2011; UK Gov., 2013).

4.5 Sustainability Strategies Adopted by NPOs

The study wanted to know whether NPOs have sustainability strategies and results are indicated below.

Table 4.11: Whether NPOs have sustainability strategies

Variable	Measurement scale	Frequency	Percent	Valid Percent
NPOs sustainability strategies	Yes	29	76.3%	78.4%
	No	8	21.1%	21.6%
	Total	37	97.4%	100.0%
	No response	1	2.6%	
	Total	38	100.0%	

Source: Research Data

On sustainability strategies, 78.4% of the respondents indicated they have, while 21.6% do not have any. This means majority of NPOs view sustainability as a key component for current and future of community development (WCED, 1987).

4.5.1 Factors Contributing to Sustainability Strategies Success

The study sought to establish the respondents' responses on what they attribute to the success of social investment strategies and results are shown in Table 4.12

Table 4.12: Attributes of the success of SI strategies in NPOs.

Variable	Measurement scale	Frequency	Case Percent
SI strategies success attributes	Finances/grants	28	77.8%
	Technical Capacity	28	77.8%
	Government Regulatory Environment.	13	36.1%
	Leadership and Governance	30	83.3%
	Networking/Partnership	23	63.9%
	Management systems and policies	19	52.8%
	Work Programming and Planning	28	77.8%
	Social innovation	22	61.1%

Source: Research Data

On attributes of the SI strategies success, it was established as shown in Table 4.12, 83.3% of the respondents indicated that Leadership and Governance attributed to the success, Finance/grant, technical capacity work programming and planning had 77.8%. Networking/partnership, social innovation, management systems and policies had 63.9%, 61.1% and 52.8% respectively. There is a clear indication that the Kenya government role is not felt in NPOs/social investment sector hence lowest score of 36.1%.

4.5.2 Influence of Social Innovation on Sustainability

The study wanted to know from the respondents' the influence of social innovation towards the achievement of sustainability and results as shown in Table 4.13

Table 4.13: Social innovation influence the achievement of sustainability

Variable	Measurement scale	Frequency	Percent	Valid Percent
Social innovation influence the achievement of sustainability	Yes	36	94.7%	97.3%
	No	1	2.6%	2.7%
	Total	37	97.4%	100.0%
	No response	1	2.6%	
	Total	38	100.0%	

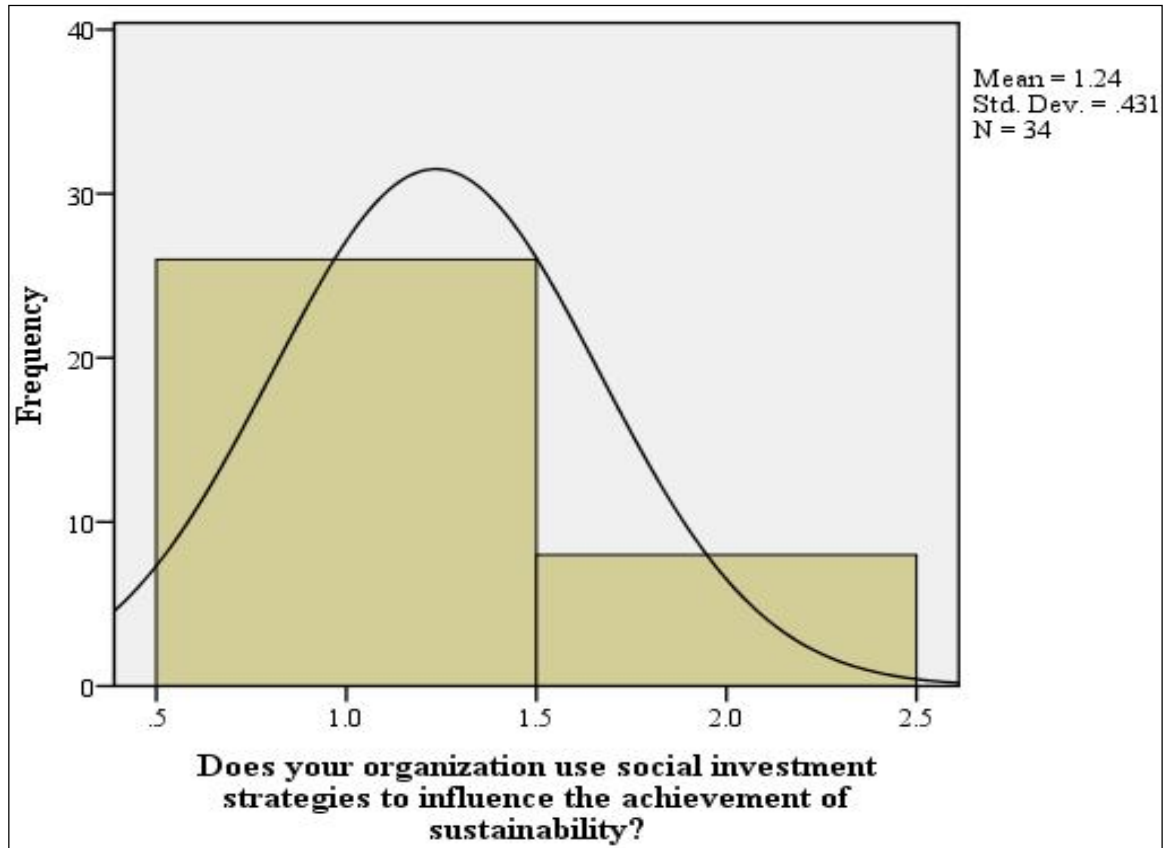
Source: Research Data

As shown in Table 4.13, 97.3% indicated that Social innovation influence the achievement of sustainability, while 2.7% were not aware. These finding are in agreement with Browns (2012) who defined, social innovation as a sustainable development, in response to economic activity that has expanded with little or no regard for sustainable yields or the fragile balances in nature.

4.5.3 Social Investment Strategies and Sustainability

The study intended to know from respondents whether their organizations use SI strategies to achieve sustainability and result are shown in the figure 4.3 below

Figure 4.3: Use of SI strategies to achieve NPOs sustainability



Source: Research Data

Figure 4.3 clearly shows that majority of the respondents indicated that SI strategies have a very great influence towards their organizations sustainability achievement hence mean score 1.24 is almost to 1 (Yes) while standard deviation very small among respondents and normal curve positively skewed towards yes.

4.5.4 Types of Social Investment Strategies

The study sought to establish the respondents' responses on what SI strategies employed by NPOs as sustainability component and results are shown in Table 4.14

Table 4.14: SI strategies employed by NPOs as sustainability component

Variable	Measurement scale	Frequency	Cases Percent
Social Investment strategies	Social enterprises	29	80.6%
	Endowment fund	15	41.7%
	Specialized fund (Uwezo, youth & Women funds)	8	22.2%
	Social fund/Devolved fund	7	19.4%
	Social impact bonds/ NSE-AIMS*	7	19.4%
	Commercial equity/enterprises	11	30.6%
	Community Development Finance institutions (CDFI)	7	19.4%
	Volunteerism	27	75.0%

Source: Research Data

* National Securities Exchange (NSE) - Alternative Investment Market Segment (AIMS)

It was established as shown in Table 4.14 above, that, majority of the respondents indicated adoption of social enterprises (80.6%) and volunteerism (75%) as SI strategies for sustainability. Endowments fund (41.7%) and commercial equity/enterprises (30.6%) are also adopted strategies by NPOs for sustainability where, endowments are social motive driven while commercial equity/enterprises are profit driven with high returns used for significant social impact to the society (Shortall & Alter, 2009).

Specialized fund (Uwezo, youth & Women funds) as patient and cheap capital provided by Kenya government was attributed to 22.2% by the respondents as SI strategy to upscale sustainable social enterprises of women and youth. Community Development Finance institutions (CDFI) such as micro finance/credit institutions and revolving Loan funds, Social fund/Devolved fund and Social impact bonds/ NSE-AIMS received also equal measure of 19.4% as SI strategies employed to achieve sustainability.

Therefore, there was clear indication from Table 4.14 above that rarely or at minimal levels do NPOs work with Kenya government as capital provider of social and specialized fund and enabler mechanism of social impact bonds/ NSE-AIMS. It is also at very minimal levels that NPOs engage in endowments or commercial equity/enterprises.

4.5.5 Importance of Social Investment Returns

Respondents' responses on the degree or levels of importance on Social Investment return in individual organization using three point Likert scale. *Key; 1= Upper level, 2= Medium level, 3=Lower level*

Table 4.15: Levels of importance on Social Return on Investment (SROI)

Variable	Frequency	Mean	SD
Social	34	1.68	0.878
Environmental	33	2.12	0.696
Financial	33	2.21	0.781

Source: Research Data

Table 4.15 presents the respondents' responses on the degree of importance on SRI. Social return is key motivation of NPOs hence mean score is 1.68 an upper level ranking as degree of importance. Environmental and financial return scores a mean of 2.12 and 2.21 respectively which means the respondents felt they are important too. The standard deviation difference is very minimal to the three social investment returns as depicted as 0.878, 0.696 and 0.781 respectively hence a good prove that SI has a social, an environmental and financial returns (European Union Commission; Allavida 2011).

4.5.6 Environmental Factors Influencing Social Investment Strategies

The study sought to establish responses on environmental factors influencing choice of SI strategies and results are shown in Table 4.16

Table 4.16: Environmental factors influencing choice of SI strategies by NPOs as a sustainability component

Variable	Measurement scale	Frequency	Cases Percent
Environmental factors influencing SI	Technological complexity	16	44.4%
	Political/government influence	16	44.4%
	Globalization and internationalizations	15	41.7%
	Increases in size	9	25.0%
	Strategic awareness	21	58.3%
	Social dynamics	28	77.8%
	Economic and financial	29	80.6%

Source: Research Data

It was established as shown in Table 4.16, majority of the respondents indicated that economic, financial and social dynamics are greatest environmental factors that influence NPOs SI strategies choice as sustainability component by 80.6% and 77.8%. Strategic awareness contributes to choice of SI strategy by 58.3%, technological complexity and political/government contributes equal amount of 44.4% while; globalization and internationalizations influence by 41.7%. The respondents ranked increase in size as least contributor towards choice of SI strategy. There was clear indication that, SI strategy emerged from people or NPOs awareness of opportunities and needs created by environmental factors (Chandler, 1962).

4.5.7 Other Factors Influencing NPOs Sustainability

The study intended to find out other factors or strategies that influence NPOs sustainability achievement and figure 4.17 depicts the responses

Figure 4.17: Other factors or strategies influencing NPO sustainability achievement

Variable	Measurement scale	Frequency	Percent (%)
Other factors influencing NPOs sustainability	Skill development transfer	7	28%
	Volunteerism	3	12%
	Donors conditions	7	28%
	Knowledgeable organization board	2	8%
	Organization/leadership Ethos/Faith in God	4	16%
	Markets, infrastructure and Environmental Impact Assessment	2	8%

Source: Research Data

The respondents indicated that there are other factors that influence their sustainability, where donor's condition and skill development transfer to community served was attributed to 28% each, organization/leadership ethos or religious faiths had 16% influence while volunteerism had 12%. Market, infrastructure, environment impact assessment and knowledgeable NPOs board scored the least with 8% each.

4.5.8 Employees Involvement in SI Process and Social Innovation

Respondents' responses on the extent of organization social investment process and social innovation by use of five point Likert scale. *Key; 1=Very Much, 2=Much, 3=Moderate, 4= little and 5= Not at All*

Table 4.18: Response on employee involvement/ participation in SI process and Social Innovation

Statements	Frequency	Mean	SD
Employees' involvement and participation in SI process	37	2.43	1.281
Employees' consistency and openness to new ideas and opinions (social innovation)	37	2	1

Source: Research Data

Table 4.18 presents the respondents' responses on the extent of employee involvement/participation in SI process and their consistency and openness to share new ideas and opinions (social innovation) were much in NPOs in Nairobi hence mean of 2.43 and 2.0 with standard deviation of 1.281 and 1.000 respectively.

4.6 Relative Importance of Social Investment Strategies

The study sought to establish the extent at which the respondents' agrees the following factors influence the adoption of their SI strategies by use of the following five point Likert scale. *Key; 1 = Not at all, 2 = little extent, 3 = Moderate extent, 4 = Great extent, 5 = Very great extent*

Table 4.19: Extent at which the respondents' agree on factors influencing their SI strategies adoption

Variables	Frequency	Mean	SD
Sustainability	37	4.19	1.244
Supply and demand willingness	33	3.45	1.148
Leadership and governance support	35	3.8	1.106
Availability of financing	35	3.94	0.968
Presence of Technical Capacity	35	3.71	1.202
Networking and partnership	36	4	1.195
Government regulations and incentives	34	3.12	1.409
Globalization and internationalization	33	3.21	1.409
Increases in size, specialization and strategic awareness	34	3.26	1.189
Social innovation	35	3.69	1.105
Organizational structure flexibility	34	3.65	1.098
Employee involvement and team work	37	3.81	1.101

Source: Research Data

The Table 4.19 presents the respondents' responses on the extent the respondents' agreed with factors claimed to influence their SI strategies adoption by NPOs. It was determined that the respondents do to a great extent agree that sustainability, networking and partnership with a mean scores of 4.19 and 4.0 respectively.

The respondents indicated that availability of financing, employee involvement and team work, leadership and governance support had moderately an upper mean score of 3.94, 3.81 and 3.80 while presence of technical capacity, social innovation and organizational structure flexibility was medially moderate with mean of 3.71, 3.69 and 3.65. They also agreed that, increases in size, specialization, strategic awareness, globalization, internationalization, and government regulations and incentives was moderate with the mean scores of 3.26, 3.21 and 3.12.

4.6.1 Regression/Correlation analysis of NPOs adoption SI Strategies

According to the findings at Table 4.19 the respondents agreed to a great extent (4.19) with the hypothesis that sustainability is the main factor influencing NPOs SI strategies adoption in Nairobi, if one substitutes SI strategies adoption with sustainability (Sustainability = NPOs SI strategies adoption) and use social innovation as higher complexity level predictor then it is **TRUE** that, after controlling other factors influencing SI strategies adoption, social innovation should be able to predict sustainability as dependent or criterion variable for SI relies on social innovation. Hierarchical Multiple Regression (HMR) was performed to investigate the use of several predictor variables to predict single outcome. Preliminary analyses were conducted to ensure no violation of the assumptions of normality, linearity, and homoscedasticity (see appendix III). Sustainability was treated as quantitative variable (the dependent or criterion variable) and social innovation that SI relies on, was used as high level predictor (Model₂) to examine relationship to any other predictor variables (Cohen, Cohen, West, & Aiken, 2003). In this study, the other ten predictor variables (Model₁) for NPOs SI strategies adoption were: supply and demand willingness, leadership and governance support, availability of financing, technical capacity presence, networking and partnership, government regulations and incentives, globalization and internationalization, increases in size, specialization and strategic awareness, organizational structure flexibility and employee involvement and team work. The following are HMR findings presentations:

The study sought to evaluate effects of independent variables on dependent variable (HMR model) and the findings are presented in Table 4. 20.

Table 4.20: Evaluating the HMR model

Model Summary^c

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.699 ^a	0.489	0.233	1.089	0.489	1.91	10	20	0.105
2	0.831 ^b	0.69	0.511	0.87	0.202	12.359	1	19	0.002

Source: Research Data

a. Predictors: (Constant), Supply and demand willingness (X₂), Organizational structure flexibility (X₃), Government regulations and incentives (X₄), Availability of financing (X₅), Employee involvement and team work (X₆), Globalization and internationalization (X₇), Networking and partnership (X₈), Presence of Technical Capacity (X₉), Leadership and governance support to SI sector (X₁₁), Increases in size, specialization and strategic awareness (X₁₂)

b. Predictors: (Constant), Supply and demand willingness (X₂), Organizational structure flexibility (X₃), Government regulations and incentives (X₄), Availability of financing (X₅), Employee involvement and team work (X₆), Globalization and internationalization (X₇), Networking and partnership (X₈), Presence of Technical Capacity (X₉), Leadership and governance support (X₁₀), Increases in size, specialization and strategic awareness(X₁₁), Social innovation (X₁₂)

c. Dependent Variable: Sustainability

From Table 4.20 the coefficient determination -R Square (R²) indicates that predictor variables entered in step 1 (model₁) were; X₂, X₃, X₄, X₅, X₆, X₇, X₈, X₉, X₁₁, and X₁₂ and they a counts for 49% (0.4897 x 100) of the variance in sustainability (dependent variable). At step 2 (model₂) predictor variables included; X₂, X₃, X₄, X₅, X₆, X₇, X₈, X₉,

X_{10} , X_{11} and X_{12} and the whole model explained was 69% of variance in sustainability. The R^2 Change on Model₂ depicted that social innovation which SI relies on, explained additional 20.2% of the variance in sustainability and is associated with F change of 12.359. It had a significant contribution, as indicated by Sig. F Change value of 0.002 hence adding social innovation at Model₂, increased model predictive capacity of predicting sustainability in adoption of SI strategy.

The study sought to test coefficient determination (R^2) of HMR model and the findings are presented in Table 4. 21.

Table 4.21: Testing coefficient determination (R^2)

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.665	10	2.266	1.91	0.105 ^b
	Residual	23.732	20	1.187		
	Total	46.396	30			
2	Regression	32.018	11	2.911	3.846	0.005^c
	Residual	14.379	19	0.757		
	Total	46.396	30			

Source: Research Data

a. Dependent Variable: Sustainability

b. Predictors: (Constant), Supply and demand willingness, Organizational structure flexibility , Government regulations and incentives, Availability of financing, Employee involvement and team work, Globalization and internationalization, Networking and partnership, Presence of Technical Capacity, Leadership and governance support, Increases in size, specialization and strategic awareness

c. Predictors: (Constant), Supply and demand willingness, Organizational structure flexibility, Government regulations and incentives, Availability of financing, Employee involvement and team work, Globalization and internationalization, Networking and partnership, Presence of Technical Capacity, Leadership and governance support, Increases in size, specialization and strategic awareness, Social innovation.

From the results shown in Table 4.21, Model₂ section provided the new information (Nganga hypothesis testing) that overall R² in Model₂ of Model Summary (Table 4.20) was statistically significant due to the fact that there was no F-value in model₂ of Model Summary testing it. The F-value (12.359) indicated at model₂ of Model Summary were associated with R² change value (20.2%) not overall R² of total Model₂ of Model Summary. F-value (3.846) at model₂ in Anova (Table 4.21) corresponds to overall R² of 69% variance accounted for at model₂ of Model Summary (Table 4.20) and it was statistical significant hence F-values; $F(11, 19) = 3.846, p < 0.005$.

There are three important new information from Model Summary and Anova analysis: R² at Model₁ predictors was not of interest for they were not statistically significant and F-value of 1.9 was duplicated in the Model Summary (Table 4.20) and Anova (Table 4.21); R² change value (20.2%) was associated to Model₂ of Model Summary (Table 4.20) with F-change of 12.359 and was statistically significant; F-value of 3.846 at model₂ in Anova (Table 4.21) was associated to whole Model₂ of Model Summary (Table 4.20) with 69% variance counted for and was statistically significant. Therefore, the researcher hypothesis was true that there was a strong positive statistically significant relationship between the set of all independent variables and the dependent variable (sustainability) when social innovation was the higher predictor for NPOs SI strategies adoption in Nairobi, Kenya.

The study sought to correlation coefficients between independent variable and dependent variable and the findings are presented in Table 4. 22.

Table 4.22: Correlation Coefficients between Independent Variables (IVs) and Dependent Variable (DV)

		X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	X ₇	X ₈	X ₉	X ₁₀	X ₁₁	X ₁₂
Pearson Correlation	X ₁	1	0.315	-0.088	0.128	-0.239	-0.278	-0.183	0.058	-0.247	0.412	0.022	0.419
	X ₂	0.315	1	0.114	0.09	0.141	0.209	0.167	0.254	0.349	0.268	-0.048	-0.072
	X ₃	-0.088	0.114	1	0.147	0.597	0.195	0.428	-0.103	0.108	0.091	0.455	0.321
	X ₄	0.128	0.09	0.147	1	0.27	0.23	0.093	0.019	-0.323	0	0.178	0.181
	X ₅	-0.239	0.141	0.597	0.27	1	0.463	0.418	0.122	0.202	0.063	0.302	0.434
	X ₆	-0.278	0.209	0.195	0.23	0.463	1	0.308	0.507	0.497	0.193	0.144	0.174
	X ₇	-0.183	0.167	0.428	0.093	0.418	0.308	1	0.162	0.045	0.165	0.086	-0.036
	X ₈	0.058	0.254	-0.103	0.019	0.122	0.507	0.162	1	0.476	0.409	0.199	-0.118
	X ₉	-0.247	0.349	0.108	-0.323	0.202	0.497	0.045	0.476	1	0.177	0.053	0.188
	X ₁₀	0.412	0.268	0.091	0	0.063	0.193	0.165	0.409	0.177	1	0.22	0.126
	X ₁₁	0.022	-0.048	0.455	0.178	0.302	0.144	0.086	0.199	0.053	0.22	1	0.266
	X ₁₂	0.419	-0.072	0.321	0.181	0.434	0.174	-0.036	-0.118	0.188	0.126	0.266	1

Source: Research Data

Where;

X₂= supply and demand willingness; X₃= leadership and governance support; X₄= availability of financing; X₅= technical capacity presence; X₆= networking and partnership; X₇= government regulations and incentives; X₈= globalization and internationalization; X₉= increases in size, specialization and strategic awareness; X₁₀= social innovation; X₁₁= organizational structure flexibility; X₁₂= employee involvement and team work

The findings as demonstrated by correlation matrix in Table 4.22, employee involvement and team work; social innovation; supply and demand willingness were the only three explanatory variables having positive moderate and weak correlation (relationship) of 0.419, 0.412 and 0.315 respectively to the sustainability (dependent variable) as major factor influencing SI strategy adoption. Availability of financing, globalization and

internationalization and organizational structure flexibility had weak and positive correlation of 0.128, 0.058 and 0.022 correspondingly to sustainability. All the other independent variables have no crucial role and have inverse relationship to sustainability of NPOs in Nairobi County. Leadership and governance and government regulations and incentives are strong negative of -0.183 and -0.088 while networking and partnership, increases in size, specialization and strategic awareness and technical capacity presence has weakest inverse correlation of -0.278, -0.247 and -0.239 respectively.

The study sought to evaluate each of the explanatory (independent) variables and the findings are presented in Table 4. 23.

Table 4.23: Evaluating each of the Independent (Explanatory) Variables Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta (β)			Zero-order	Partial	Part	Tolerance	VIF
1	Constant	4.811	1.382		3.482	0.002					
	X2	0.437	0.2	0.404	2.182	0.041	0.315	0.438	0.349	0.747	1.339
	X3	0.189	0.277	0.168	0.682	0.503	-0.088	0.151	0.109	0.423	2.366
	X4	0.157	0.271	0.122	0.58	0.569	0.128	0.129	0.093	0.573	1.745
	X5	-0.036	0.249	-0.034	-0.143	0.888	-0.239	-0.032	-0.023	0.44	2.271
	X6	-0.253	0.251	-0.243	-1.01	0.324	-0.278	-0.22	-0.162	0.44	2.27
	X7	-0.253	0.177	-0.287	-1.429	0.168	-0.183	-0.304	-0.229	0.636	1.572
	X8	0.183	0.202	0.208	0.908	0.375	0.058	0.199	0.145	0.488	2.048
	X9	-0.272	0.275	-0.26	-0.988	0.335	-0.247	-0.216	-0.158	0.37	2.705
	X11	0.095	0.228	0.084	0.418	0.681	0.022	0.093	0.067	0.634	1.577
	X12	-0.416	0.228	-0.368	-1.819	0.084	-0.419	-0.377	-0.291	0.625	1.6
2	Constant	3.919	1.132		3.46	0.003					
	X2	0.279	0.166	0.257	1.675	0.11	0.315	0.359	0.214	0.692	1.446
	X3	0.136	0.221	0.121	0.613	0.547	-0.088	0.139	0.078	0.421	2.377
	X4	0.269	0.219	0.209	1.228	0.235	0.128	0.271	0.157	0.561	1.783
	X5	0.092	0.202	0.089	0.452	0.656	-0.239	0.103	0.058	0.426	2.346
	X6	-0.273	0.2	-0.263	-1.364	0.189	-0.278	-0.299	-0.174	0.44	2.272
	X7	-0.309	0.142	-0.35	-2.171	0.043	-0.183	-0.446	-0.277	0.628	1.592
	X8	-0.044	0.174	-0.05	-0.252	0.803	0.058	-0.058	-0.032	0.421	2.377
	X9	-0.132	0.223	-0.126	-0.59	0.562	-0.247	-0.134	-0.075	0.358	2.794
	X10	0.607	0.173	0.54	3.516	0.002	0.412	0.628	0.449	0.692	1.445
	X11	0.028	0.183	0.025	0.153	0.88	0.022	0.035	0.02	0.627	1.595
	X12	-0.609	0.191	-0.539	-3.196	0.005	0.419	-0.591	-0.408	0.573	1.746

Source: Research Data

a. Dependent Variable: Sustainability

Where;

X₂= supply and demand willingness; X₃= leadership and governance support; X₄= availability of financing; X₅= technical capacity presence; X₆= networking and partnership; X₇= government regulations and incentives; X₈= globalization and internationalization; X₉= increases in size, specialization and strategic awareness; X₁₀= social innovation; X₁₁= organizational structure flexibility; X₁₂= employee involvement and team work.

The finding as indicated on the Table 4. 23 above, tolerance values were more than 0.1 and VIF values less than 10, meaning there was possible multicollinearity. The study shows significant values (Sig.) in Model₂ reveals that social innovation, employee involvement and team work and government regulations and incentives were the only statistical significant contributors with 0.002, 0.005 and 0.043 respectively towards sustainability in adaption of SI strategies. Supply and demand willingness (p < 0.110), networking and partnership (p < 0.189), availability of financing (p < 0.235), leadership and governance support (p < 0.547), increases in size specialization and strategic awareness (p <0.562), technical capacity presence (p < 0.656), globalization and internationalization (p < 0.803) and organizational structure flexibility (p < 0.880); were not making unique significant contribution towards sustainability of NPOs in Nairobi.

Using the standardized coefficient (Beta values) from the findings in Model₂ at Table 4.23, best predictor of sustainability is the social innovation ($\beta = 0.54$) while supply and demand willingness ($\beta = 0.257$), availability of financing ($\beta = 0.209$), leadership and governance support ($\beta = 0.121$), technical capacity presence ($\beta = 0.089$) and organizational structure flexibility ($\beta = 0.025$) have positive prediction. The rest of predictors had negative prediction (inverse relationship) with sustainability as; employee involvement and team work ($\beta = -0.539$), government regulations and incentives ($\beta = -0.350$), networking and partnership ($\beta = -0.263$), increases in size, specialization and strategic awareness ($\beta = -0.126$), globalization and internationalization ($\beta = -0.050$), and government regulations and incentives to SI sector ($\beta = -0.350$).

According to the findings in Table 4.23, there were direct positive and inverse relationships of other explanatory variables towards sustainability as main factor influencing adoption of SI strategies. The following HMR equation from the findings in Table 4.23 indicating that unstandardized coefficients (**B**) were the best predictors as compared to standardized coefficients (**β**) for relationship prediction of sustainability towards adoption of SI strategy with other predictors.

$$Y^I = \alpha + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6 + B_7X_7 + B_8X_8 + B_9X_9 + B_{10}X_{10} + B_{11}X_{11} + \varepsilon$$

Equation 1: Multiple Regression Equation

Where;

Y^I = Sustainability (major factor influencing of NPOs SI strategy adoption); X_2 = supply and demand willingness; X_3 = leadership and governance support; X_4 = availability of financing; X_5 = technical capacity presence; X_6 = networking and partnership; X_7 = government regulations and incentives; X_8 = globalization and internationalization; X_9 = increases in size, specialization and strategic awareness; X_{10} = social innovation; X_{11} = organizational structure flexibility; X_{12} = employee involvement and team work; α = constant (Y- intercept); ε = Random Error term; B's = Unstandardized coefficients (population slope)

$$Y^I = 3.919 + 0.279X_2 + 0.136X_3 + 0.269X_4 + 0.092X_5 - 0.273X_6 - 0.309X_7 - 0.044X_8 - 0.132X_9 + 0.607X_{10} + 0.028X_{11} - 0.609X_{12} + \varepsilon$$

Equation 2: HMR with unstandardized value

The findings shows that best strong predictor of sustainability is the social innovation (B = 0.607) while supply and demand willingness (B = 0.279), availability of financing (B = 0.269), leadership and governance support (B = 0.136), technical capacity presence (B = 0.092) and organizational structure flexibility (B = 0.028) have weak positive prediction though not statistical significant contributors. Employee involvement and team work (B = -0.609) and government regulations and incentives (B = -0.309) were the only

statistically significant negative predictors. The rest of predictors have negative prediction (inverse relationship) with sustainability as major factor influencing NPOs adoption of SI strategies: networking and partnership (B = -0.273), increases in size, specialization and strategic awareness (B=-0.132), globalization and internationalization (B = -0.044), and government regulations and incentives (B =-0.309).

4.7 Social Investment Growth and Development

The study sought to establish the extent at which the respondents' agree the following barriers and challenges affecting SI growth and development nationally and/or organizational using five point Likert scale. *Key; 1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 =agree, 5 = strongly agree* was used.

Table 4.24: SI growth and development barriers and challenges

Variables	Frequency	Mean	SD
Lack of an enabling policy environment	37	4.03	1.118
Lack of links with local and regional authorities (subsidiarity reduces risk)	37	3.78	1.031
Lack of pooling of risk or co-financing strategies	37	4.16	0.688
Lack of credit enhancement	37	3.89	0.994
Lack of creation of intermediaries of SI	35	3.83	0.747
Lack of co-construction of SI. (New institutional spaces for social finance and social enterprise)	37	3.49	1.17
Lack of partnership (multi-stakeholder)	37	3.89	1.022
Lack of knowledge creation and sharing	36	3.89	1.214
Supporting networking (credibility, cross-investing)	37	4.27	0.804
Measurement of Social Return on Investment (SROI) as Enhanced Value of SI	36	4.03	0.941

Source: Research Data

The Table 4.24 presents the respondents' responses on the extent to which they agree on barriers and challenges that hamper SI growth and development nationally and/or organizational. It was determined that the respondents agree that supporting networking (credibility, cross-investing), lack of pooling of risk or co-financing strategies, lack of an enabling policy environment and measurement of Social Return on Investment (SROI) as Enhanced Value of SI are major barriers and challenges for SI growth and development with a mean scores of 4.27, 4.16, 4.03 and 4.3 respectively.

The respondents indicated that they were uncertain of other factors such as lack of links with local and regional authorities (subsidiarity reduces risk), credit enhancement, creation of SI intermediaries, co-construction of supply and demand. (New institutional spaces for social finance and social enterprise), partnership (multi-stakeholder) and knowledge creation and sharing hence their mean scores were ranging from 3.49 to 3.89.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the findings of the study in relation to the research objectives. The study had the objectives of finding out social investment strategies used by NGOs/NPOs and determine the relationship between social investment and sustainability for nonprofit organizations in Nairobi, Kenya. The chapter presents the summary and discussion of findings, conclusion and recommendations for policy and theory as well as for further research.

5.2 Summary of the Findings

There is clear indication that NPOs are mainly: Non-Governmental Organizations (NGOs), charities, community groups, faith-based organizations, union clubs, trusts, and foundations, among others (Kanyinga et al, 2007) but there is need to harmonize the registration to be under one umbrella Regulatory Authority (Public Benefit Organizations (PBO) Act, 2013).

There is a clear indication from the study that majority of NPOs were established in Kenya during the 1990s during the IMF World Bank SAP introduction and the push for multiparty democracy (Kanyinga, 2004) hence NPO's unprecedented growth viewed as a 'global revolution' (Salamon and Anheier, 1998). The findings show that NPOs are a significant employer and their beneficiaries are the Kenyan public/communities hence a need to work with government as they complement/supplement their services in order to spur the intended results to the communities.

Majority of respondents indicated that, their organizations are aware of Social investment strategies and social innovation has an influence on sustainability of NPOs at an equal proportion to SI strategy awareness hence SI relies on Social innovation. The findings indicate that majority of NPOs are influenced by SI world trends in their day to day operations. This study vindicates assertions by Bruyn (1991) that, SI is gathering momentum across the globe, with an increasing number of NPOs practicing ‘non-economic criteria into investment decisions’ and Brown & Norman (2011), social innovation provides social solutions to society’s social problems, this contributes to sustainable development.

The findings reveal that the main source of funding of NPOs is from foreign grants/donations. This is a clear indication that NPOs in Nairobi County are foreign donors dependent, with small funding contributions accrued from their earned incomes or SEs (SI demand side). The High-Net-Worth-Individuals (HNWI), government and corporate/private companies donate less to NPOs due to the fact that they have their own independent frames or foundations with their own rigid structures with minimal partnerships but the highly published partnerships/initiatives such as “Kenya for Kenyans” or “We Are One”, are established during national emergencies.

The study clearly reveals that, SI is still a new concept in Kenya. While trading social platforms to support and service SI transactions at the retail market are not developed though KSIX is making some inroads in Kenya. Majority of the respondents indicated that SI strategies have great influence on their organization’s sustainability, with Leadership and Governance highly attributed to NPOs SI strategy success while other attributes such as finance/grant, technical capacity, work programming and planning, networking/partnership, social innovation, management systems and policies has great contributions too. There is a clear indication from findings of the study that the Kenya Government’s role of regulating the SI environment received the lowest mean scores, implying low government impact on NPOs/social investment sector.

The findings indicate that majority of the NPOs adopted social enterprises and volunteerism as their main SI strategies. Endowment funds and commercial equity/enterprises strategies are adopted by few NPOs; Kenya Red Cross (KRC) and Kenya Community Development Foundation (KCDF) are very good case stories. The study reveals that rarely or at minimal levels do NPOs work with the Kenya Government as capital provider of social on specialized funds and an enabling mechanism of social impact bonds/ NSE-AIMS. Community Development Finance institutions (CDFI) such as micro finance/credit institutions and revolving Loan funds are more utilized by CBOs and FBOs. In all the SI strategies employed, social, environmental and financial returns are viewed as key motives of the NPOs investment.

It was established that majority of the respondents indicated that economic, financial and social dynamics are the greatest environmental factors that influence NPO's SI strategies sustainability choice. Strategic awareness, technological complexity, political/government, globalization, internationalizations and increase in size as environmental factors have significant influences towards choice of SI strategy. The respondents also pointed out that there are other factors that influence their sustainability such as donor's conditions, need for skill development transfer, organization/leadership ethos or religious faiths, market trends, infrastructure, environment impact assessments and knowledgeable NPOs Board. Therefore, the study depicts that SI strategy emerges from people or NPOs' awareness of opportunities and needs created by environmental factors (Chandler, 1962). Majority of respondents indicated high employee involvement/participation in and sharing of new ideas and opinions is there in NPOs SI process.

It was determined that the respondents to a great extent agree that sustainability, networking and partnership internationally and locally influence SI strategies adoption by NPOs. Whereas availability of financing, employee involvement/ teamwork, leadership, governance, technical capacity, social innovation, organizational structure flexibility, increases in size, specialization, strategic awareness, globalization, internationalization, government regulations and incentives to promote SI growth and development, have

moderate importance in SI sector.

Hierarchical multiple regression (HMR) was performed to investigate the ability of social innovation to predict levels of sustainability, after controlling other factors that influence SI strategies adoption. Preliminary analyses were conducted to ensure no violation of the assumptions of normality, linearity, and homoscedasticity. Additionally, the correlations amongst the predictor variables included in the study were examined and these are presented in Table 4.16 and 4.17. There was positive and inverse correlations which were weak to strong, ranging between $r = -0.619$, $p < 0.005$ and $r = 0.607$, $p < 0.005$. This indicates that multicollinearity was unlikely to be a problem (Tabachnick & Fidell, 2007). Predictor variables were statistically correlated with sustainability which indicates that the data was suitably correlated with the dependent variable for examination through multiple linear regressions to be reliably undertaken. The correlations between the predictor variables and the dependent variable (sustainability) were weak, moderate and strong, ranging from $r = -0.278$, $p > 0.01$ to $r = 0.419$, $p < 0.005$.

In Step 1 of HMR, ten predictors were entered: supply and demand willingness, leadership and governance support, availability of financing, technical capacity presence, networking and partnership, government regulations and incentives, globalization and internationalization, increases in size, specialization and strategic awareness, organizational structure flexibility and employee involvement and team work. The model was not statistically significant $F(10, 20) = 1.910$; $p > 0.05$ and explained 48.9 % of variance in sustainability (Table 4.16). After entry of social innovation at Step 2 the total variance explained by the model as a whole was 69% ($F(11, 19) = 3.846$; $p < 0.005$) and the model became statistically significant. The introduction of social innovation explained additional 20.2% variance in sustainability, after controlling supply and demand willingness, leadership and governance support, availability of financing, technical capacity presence, networking and partnership, government regulations and incentives, globalization and internationalization, increases in size, specialization and strategic awareness, organizational structure flexibility and employee involvement and team work (R^2 Change = 0.202; $F(1, 19) = 12.359$; $p < 0.005$).

In the final model (Table 4.18) three out of eleven predictor variables were positive and negative statistically significant, with social innovation recording a higher unstandardized value ($B = 0.607$, $p < 0.005$) than the employee involvement and team work ($B = -0.609$, $p < 0.005$) and government regulations and incentives ($B = -0.309$, $p < 0.005$).

Majority of respondents are in agreement that supporting networking (credibility, cross-investing), lack of pooling of risk or co-financing strategies, lack of an enabling policy environment and measurement of Social Return on Investment (SROI) are major barriers and challenges humping the SI growth and development nationally and/or organizationally. Other respondents were uncertain whether lack of links with local and regional authorities, credit enhancement, creation of SI intermediaries, co-construction of supply and demand (New institutional spaces for social finance and social enterprise), partnership (multi-stakeholder) and knowledge creation and sharing can affect the growth and development of SI sector.

5.3 Conclusions

The findings indicate that Majority of NPOs are dependent on foreign donation/grants but there is a move towards achieving sustainability through adoption of SI strategies such as social enterprises, volunteerism, endowments and commercial equity/enterprises. The social, specialized fund and social impact bonds/ NSE-AIMS are underutilized SI strategies while Community Development Finance institutions (CDFI) are more utilized by CBOs and FBOs as per the study. The study affirms that NPOs in Nairobi county have not been left behind in using innovative financial tools (Sharir & Lerner, 2006; Jaskyte, 2004; McDonald, 2007); and nonfinancial SI strategies to achieve sustainability (Weisbrod, 1998; Cnaan & Goldberg-Glen, 1991; Handy & Srinivasan, 2004).

There is a relationship between SI and sustainability hence majority of the respondents to a great extent agree that sustainability, networking and partnership internationally and locally influence SI strategies adoption by NPOs in Nairobi County. The respondents moderately agree that there are other factors that lead to adoption of SI strategies such as

availability of financing, employee involvement/ teamwork, leadership governance, technical capacity, social innovation, organizational structure flexibility, increases in size, specialization, strategic awareness, globalization, internationalization, and government regulations and incentives to promote SI growth and development.

Hierarchical multiple regression (HMR) finding from the study also indicates that there was strong positive statistically significant ($p < 0.005$) relationship between sustainability and other predictor variables influencing NPOs SI strategies adoptions when social innovation was introduced hence SI relies to social innovation for growth and development. Therefore, it is true to say that SI and sustainability are directly interrelated and intertwined, incorporating asset creation, problem-solving, capacity and eventually sustainability. It is the vehicle aimed at NPOs realizing their sustainable development vision as they address social and environmental problems (Gladwin et al., 1995) in the society.

The study portrays that SI strategies rely on social innovation to provide solutions to social problems as a result of continuous impact assessment evaluation of the external environmental factors (Kotler, 2002). Majority of respondents agree to great extent that environmental factors such as economic, financial and social dynamics, strategic awareness, technological complexity, political/government, globalization and internationalization influence NPOs SI strategies sustainability choice. The respondents indicated that donor's conditions, need for skill development transfer, organization/leadership ethos or religious faiths, market trends; infrastructure, environment impact assessments and knowledgeable NPOs boards influence the SI sustainability choice.

5.4 Recommendations with Policy Implications and Theory

The findings indicate that NPOs are not registered under one authority hence the Kenya government needs to fast track the implementation process of PBO Act (GoK, 2013). PBOs need to be arched well on the social pillar of Kenya Vision 2030 (GoK, 2007) to spur sustainable growth and development. There is urgent need for Kenya NPOs to do self-re-evaluation and redefine their essence in development for yesteryears social problems has been overtaken by time and events. For example, pluralism and human rights advocacy in the 1990's was embraced by the Kenyan government and new constitution (GoK, 2010), is a revolution by itself making human rights constitutionalized for all.

The findings of the study clearly depict that majority of NPOs depend on foreign grants/donations, which is not a sustainable model considering environmental challenges from western nations such as economic meltdowns or the USA government shutdown in October 2013. It is with this epitome of environmental change; NPOs need to fight dependency syndrome and donor fatigue by matching environmental changes with opportunities (Aosa, 1998) created by partnership, synergy and corroboration with the government in up scaling sustainable community growth and development. The Kenya Government is the main funder and driver of the country's economic growth and development agenda as aligned in the Constitution, Vision 2030 and Jubilee manifesto (GoK, 2010; GoK, 2007; Jubilee manifesto, 2013). This has resulted with the government substantial budget allocations in form of social/devolved funds (CDF, County funds, Water Trust Fund and etc.); specialized funds (Uwezo fund, Youth, Women funds and many more) and almost KSHS 200 Billion as government tenders to youth and women. This heavy investment by the government towards social entrepreneurship forms a strong base to establish a robust SI sector for there is no clear sustainability component of social/specialized funds provided by government as the funds have been politically motivated as entities creation to meet political pledges.

According to Europe 2020 strategy and G8 countries, SI and social innovation are the ‘future’ of a dynamic innovative competitive knowledge-based economy in the world; capable of sustainable growth and development (UK.GOV, 2013). Kenya should borrow a leaf from UK as to develop the SI sector with a legal framework and structure in place under the Civil Society/third sector Ministry headed by the Cabinet Minister. To fast track this, Kenya policy makers (National Assembly) need to come up with a Social investment Act, which will institute a SI taskforce to develop a vision and strategy for growing the SI Market as well as aligning the SI Act with Vision 2030 social pillar. The main SI players would include government, Operating intermediaries and SEs.

The government as the key capital provider and enabler of SI growth and development will play three main roles; increase supply, increase demand and providing an enabling environment. Operating intermediaries such as NPOs, government institutions managing social/specialized funds and corporate entities (CSR/CSI) should be well established and organized to provide support to the social sector/pillar in performance measurement and capital-raising. SEs are the SI demand side or recipient of capital provided by government and operating intermediaries to grow social enterprises and business (Social Purpose Enterprise-SPE) with the aim of sustainable economic growth and development. It also high time for KSIX as a trading platform to be promoted and supported by all SI players as one of the intermediaries that support and service SI transactions at the retail market hence the KSIX platform to act as a linkage between social investors and SEs.

It is also true as Kenya becomes a medium income economy the donor attraction will diminish as Kenya will not fit some of donors’ thematic criteria especially poverty levels/index. The level of engagement with Kenya will be purely on bilateral trading that involves indirect exporting, direct exporting, licensing, joint ventures, and direct investment (Kotler, 2002). Therefore, the government needs to create new opportunities for individuals and communities by formation of SI bank or Big Society Capital’s with seed capital being the use of idle funds such as unclaimed assets currently estimated to be more than KSHS 250 Billion. UK is a good case story for Kenya to learn investment of

dormant funds where UK's unclaimed assets scheme is one of the pillars of sustainable growth and development (Kenya Taskforce on Unclaimed financial assets report, 2008).

High-Net-Worth-Individuals (HNWI) in Kenya should participate in addressing social needs/ problems by investing in products that have a comparable return on money and a positive social impact or investing with ethical, community or social benefits. The academicians and researchers need to continue the SI discs by doing more researches on the subject, while Kenyan universities like University of Nairobi should take lead in adoption of social investment/entrepreneurship as an MBA specialization like what Harvard, LSE, Oxford, or Tangaza Schools of business have done. In addition, the University of Nairobi as oldest of school of business in Kenya or any other recognized Kenyan university should establish biannual journal magazine to document what is undocumented in Social investment or social innovation just like how Harvard or Stratford school of business have done. There is also need for universities to form partnerships with NPOs, HNWI and corporate companies such as Kenya Social Investment Exchange (KSIX), Skoll Foundation, Rockefeller Foundation, Manu Chandaria, Chris Kirubi, Safaricom and Kenya Commercial Bank (KCB) to name a few, for social entrepreneurs/innovators mentorship and SEs incubation process.

5.5 Recommendations for further study

The study identified the SI strategies and sustainability of NPOs in Nairobi Kenya. This study can be treated as a pilot study and be retested with wide scale survey of the NPO sector in Kenya. There is need for in-depth research on SI barriers and challenges in Kenya as an emerging sector in the world. There is a great need to assess whether Kenya corporate sector has replaced Corporate Social Responsibility (CSR) with Corporate Social Investment (CSI) for sustainable growth and development for their companies and country as western nations has already done. Above all, there is need for further research on policy framework needed to be adopted by the Kenya government to spur SI growth and development like the UK, Europe and USA have done so far.

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Appendix I: Introduction Letter

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CHIEF EXECUTIVE OFFICER

Xxxxx xxxxxxx
P.O BOX xxxxx
NAIROBI, KENYA.

Dear Sir/Madam,

RE: LETTER OF INTRODUCTION.

I am student pursuing Masters of Business Administration (MBA) degree at the School of Business, University of Nairobi. I am currently undertaking my project research and I would highly appreciate your assistance in data collection in my research work entitled “Social investment strategies and sustainability of Nonprofit Organizations in Nairobi Kenya”.

I kindly seek your authority to conduct the research in your institution through the questionnaire or monkey survey or interviews if need be. The information will be strictly confidential, only used for academic purposes, and a copy of the same will be available upon request.

Thank you for your anticipated participation in the study.

Yours sincerely,



Clement Kariuki Nganga

D61/63087/2010

Appendix 11: Interview Guide

SECTION A: General information

1. Name of the Organization (Optional).....
2. What is your Job title?
3. What is your highest level of education?
4. How long have you served in NPOs?
5. Which category does your organization belong to as NPOs?
6. How long has your organization operated?
7. How many employees are in your organization?
8. Who are your beneficiaries?

SECTION B: Social investment and sustainability

9. Do you know what Social Investment (SI) is?
10. Do world SI market trends influence your organization day to day operations?
11. What are your organization sources of funds?
12. Do you know any social investment exchange platform in the world? If yes which one
13. Does your organization have sustainability strategies? If yes which ones.
14. What would you attribute to the success of your organization SI strategy/ies?
15. Does the use of social innovation influence the achievement of sustainability?
16. Is your organization consistent and open to social innovation?
17. Does your organization use SI strategies? yes or no
18. Which SI strategy/ies has your organization employed as a sustainability component?
19. What type investment returns can be attributed to them?
20. Which environmental factors that influences the choice of your organization SI strategy as sustainability component?
21. Which other factors or strategies influence the achievement of sustainability in your organization?
22. Does your organization involve employees to participate in SI process?
23. What factors influences your organization adoption of SI strategies?
24. What are social investment barriers and challenges? (Nationally and organizational

Appendix II-Questionnaire

This questionnaire is part of my MBA research project. Its primary focus and intended purpose is to find out social investment strategies and sustainability of nonprofit organizations (NPOs) in Nairobi, Kenya. It will help to determine the relationship between them as an important tool to adopt for social transformation of the society. Information and data collected using this questionnaire will be strictly confidential, coded and will be represented only on aggregate.

Part A: General information.

1. Name of the Organization (Optional).....
2. What is your Job title?
3. What is your highest level of education?
 - Post Graduate () Graduate ()
 - Tertiary College () Other (specify)
4. How long have you served in NPOs?
 - 0-5 Years () 6-10 Years ()
 - Above 10 Years ()
5. Which category does your organization belong to as NPOs?
 - i. NGO's ()
 - ii. Charities ()
 - iii. Community groups ()
 - iv. Faith-Based Organizations (FBO) ()
 - v. Unions clubs ()
 - vi. Trusts ()
 - vii. Foundations i.e. corporate, private or family ()
6. How long has your organization operated?
7. How many employees are in your organization?
8. Who are your beneficiaries?

Part B: Social investment and sustainability

9. Do you know what Social Investment (SI) is?
Yes () No ()
10. Does emerging of world social investment market trends influence your organization day to day operations?
11. Rank your organization sources of funds from highest to lowest i.e. 1-5
- i. Government/social funds ()
 - ii. Foreign grants and donations ()
 - iii. Earned income/Social enterprises ()
 - iv. High-Net-Worth-Individuals (HNWI) ()
 - v. Corporate/private companies ()
12. Do you know any social investment exchange platform in the world? Which one?
13. Does your organization have sustainability strategies?
14. What would you attribute the success of your organization social investment strategy/ies? *Tick more than one if applicable*
- i. Finances/grants ()
 - ii. Technical Capacity ()
 - iii. Government Regulatory Environment ()
 - iv. Networking/Partnership ()
 - v. Leadership and Governance ()
 - vi. Management Systems and Policies ()
 - vii. Work Programming and Planning ()
 - viii. Social innovation ()
15. Does the use of social innovation influence the achievement of sustainability?
Yes () No ()
16. Rate the organizational employee’s consistency and openness to new ideas and opinions (social innovation)? (*Indicate 1=Very Much, 2=Much, 3=Moderate, 4=Little and 5= Not at All*).....
17. Does your organization use social investment strategies?
Yes () No ()

18. Which social investment strategy/ies listed below has your organization employed as a sustainability component? *Tick more than one if applicable*

- i. Social enterprises ()
- ii. Endowments fund ()
- iii. Specialized fund (Uwezo, youth & Women funds) ()
- iv. Social fund/Devolved fund ()
- v. Social impact bonds/ NSE-AIMS* ()
- vi. Commercial equity/enterprises ()
- vii. Community Development Finance institutions (CDFI) ()
- viii. Volunteerism ()

19. Rates the degree levels of importance on Social Investment returns to your individual organization *Key; 1= Upper level, 2= Medium level, 3=Lower level*

- Social () Environmental ()
- Financial ()

20. Tick appropriately which environmental factors influences the choice of your organization social investment strategy as sustainability component

- i. Technological complexity ()
- ii. Political or government influence ()
- iii. Globalization and internationalizations ()
- iv. Increases in size ()
- v. Strategic awareness ()
- vi. Social dynamics ()
- vii. Economic and financial constraints ()

21. Which other factors or strategies influence the achievement of sustainability in your organization?

Rate the extent of employee involvement and participation in social investment process in your organization? (*Indicate 1=Very Much, 2=Much, 3=Moderate, 4=Little and 5= Not at All*).....

* National Securities Exchange (NSE) - Alternative Investment Market Segment (AIMS)

Part C: Relative Importance of Social investment Strategies

22. What factors influences your organization towards adoption of social investment strategy/ies? Kindly rate by indicating on a *Likert scale 1 to 5* (where 1 = Not at all, 2 = little extent, 3 = Moderate extent, 4 = Great extent, 5 = Very great extent)

	Variables	1	2	3	4	5
1	Sustainability					
2	Supply and demand willingness					
3	Leadership and governance support					
4	Availability of financing					
5	Presence of Technical Capacity					
6	Networking and partnership internationally and locally					
7	Government regulations and incentives to promote SI					
8	Globalization and internationalization					
9	Increases in size, specialization and strategic awareness					
10	Social innovation					
11	Flexibility of organizational structure					
12	Employee involvement and team work					

PART D: Social Investment Growth and Development.

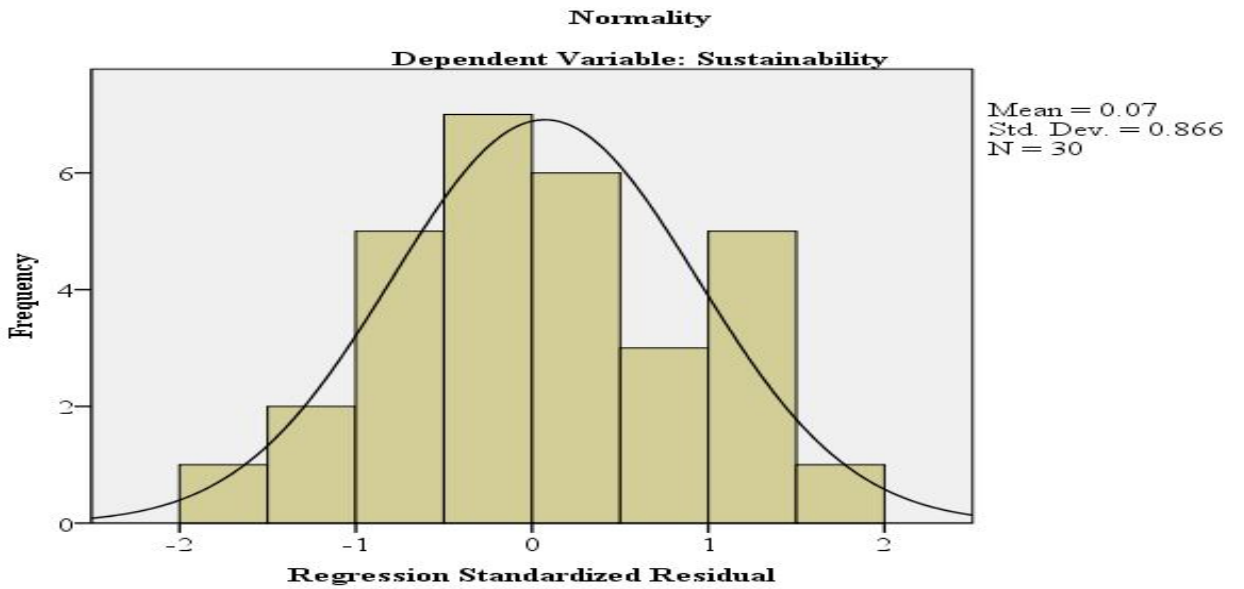
23. What are social investment barriers and challenges? (Nationally and organizational)

Kindly indicate extent to which you agree or disagree with the statement

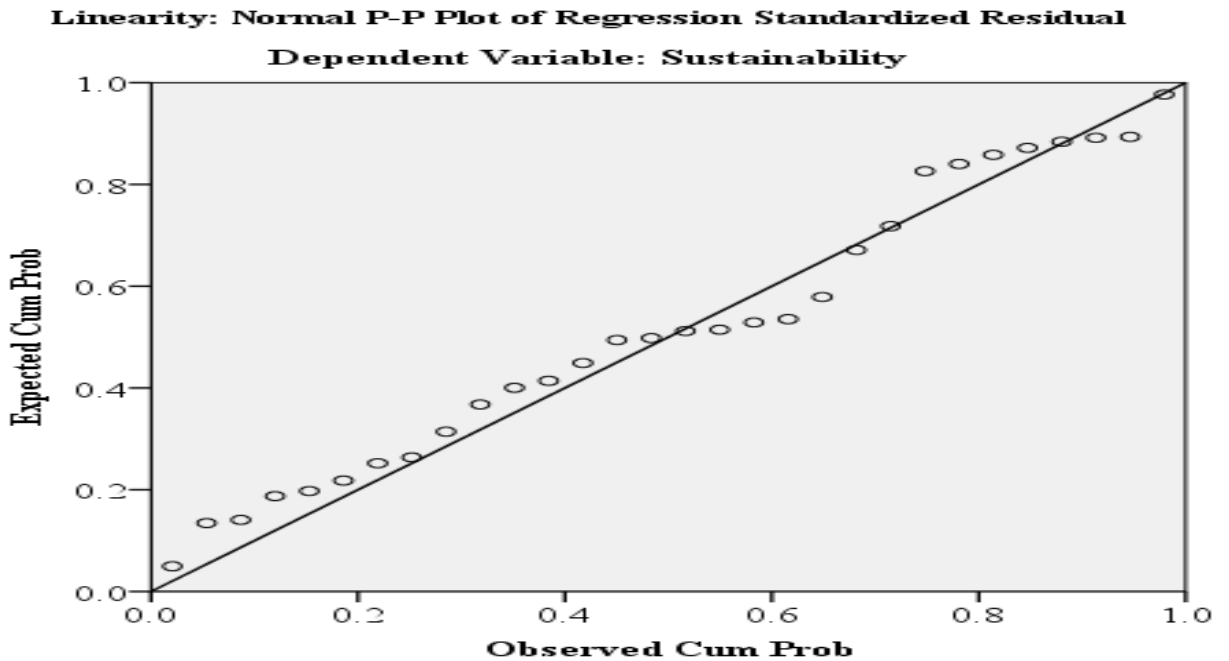
	Statement	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
1	Lack of an enabling policy environment					
2	Lack of links with local and regional authorities (subsidiarity reduces risk)					
3	Lack of pooling of risk or co-financing strategies					
4	Lack of credit enhancement					
5	Lack of creation of intermediaries of SI					
6	Lack of co-construction of supply and demand. (New institutional spaces for social finance and social enterprise)					
7	Lack of partnership (multi-stakeholder)					
8	Lack of knowledge creation and sharing					
9	Supporting networking (credibility, cross-investing)					
10	Measurement of Social Return on Investment (SROI) as Enhanced Value of SI					

End of the questionnaire - Thank you for your collaboration!!

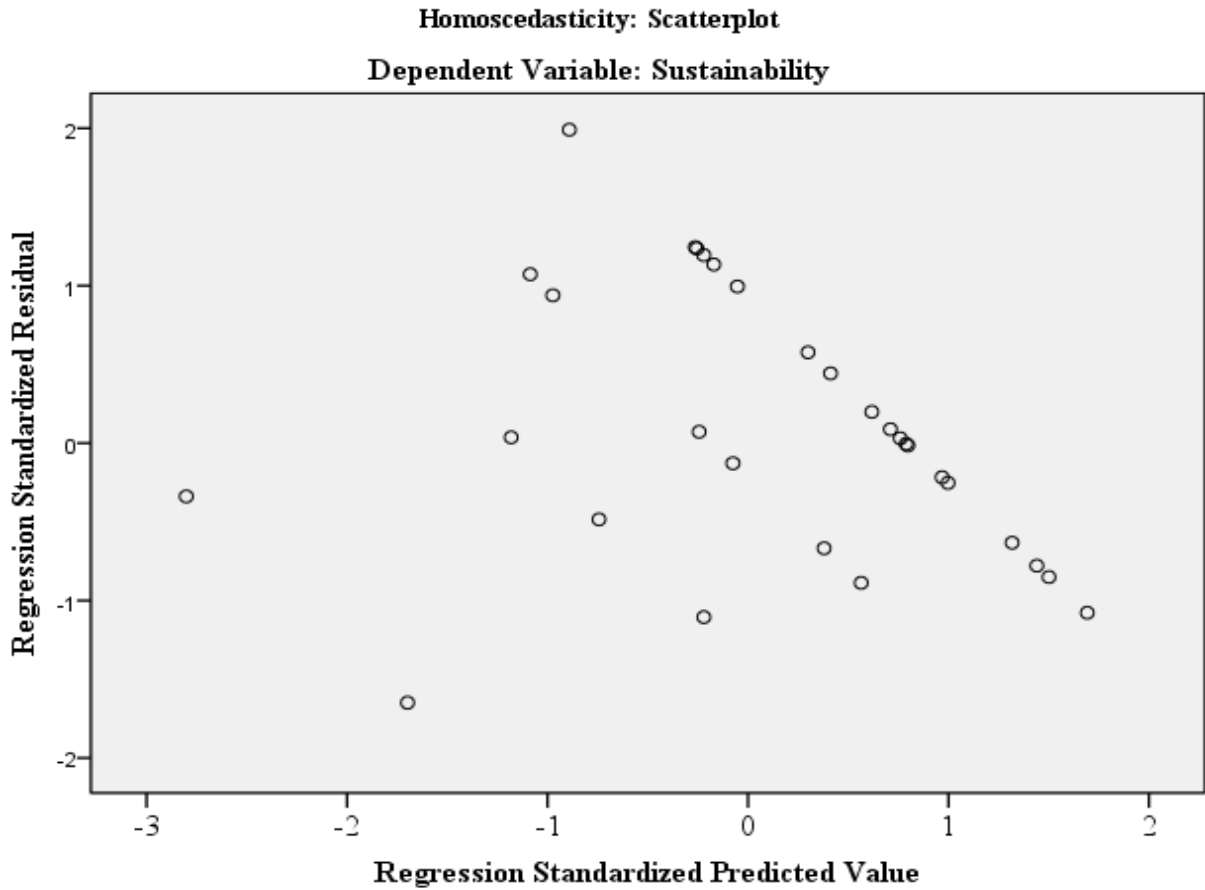
Appendix III: HMR preliminary analysis to ensure no violation of the assumptions of normality, linearity, and homoscedasticity



The histogram shows that standardized residual or error terms from the study findings are normally distributed.



In the Normal P-P plot above, points lies in reasonably straight diagonal line from bottom left to top right hence linearity and normality thus straight line relationship between the Independent Variables and the Dependent Variable.



There was homoscedasticity in HMR scatterplot hence inverse consistency relationship of standardized residuals and predictor variables while there is clear outlier that are at least 3 standard deviations above or below the mean (Tabachnick & Fidell, 2007).