

FACTORS INFLUENCING STRATEGIC CHOICES ADOPTED BY NON GOVERNMENTAL ORGANIZATIONS COMPETING FOR DONOR FUNDING IN NAIROBI COUNTY

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ABSTRACT

Decision-making is one of the most important functions of managers in any kind of organization. Many organizations have been reported out of business and others are struggling to survive. Factors like organization structure, leadership, culture, pressure from donors, slow economic growth, increased diversification and technological advances have been found to influence choices made by non Governmental organizations to remain sustainable. Because of the dynamism of the operating environment, surviving organizations are those that will respond swiftly to the global changes and amend their strategies for achieving their objectives. the study concludes that the factors mainly affect strategic choices in the NGOs in Nairobi Kenya include community

involvement in project design, good financial projections and budgeting, sustainability of the organization, sensitivity on how programs affect the general society and having inadequate funds to implement a project. The study recommends that in order to enhance the success of the project execution/implementation, the management should ensure there is enough consultation with the other members of the community which are directly affected by their thematic areas. The study also recommends that the NGOs should hire financial experts in order to achieve good financial projections and budgeting which are pertinent to their strategic choices.

Key Words: *strategic choices, non governmental organizations, donor funding, Nairobi County*

INTRODUCTION

The selection of a suitable strategic option is not an easy decision as it involves a lot of complex consideration. Several factors have been found to affect the choice of strategic options undertaken by non governmental organizations especially as regards attracting and retaining financial support from the donors. Generally, the number of NGOs has been growing tremendously in relation to the funds available to them leading to high competition. This has made it difficult for NGOs to sustain funding making it difficult for them to implement their strategies. Strategic choices refer to the activities in the organization that entails the understanding of underlying bases guiding future strategy, generating strategic options for evaluation and selection (Johnson and Scholles, 1990). They have value in creating the way forward, commitment and mobilizing support in an organization (Bunsen, 1989). They have to identify available options and select one that answers the questions of ‘what’, ‘how’, ‘why’, ‘who’, and ‘when’. A good strategy will provide answers to each of these questions.

Strategic choices are the core of strategic management and successful companies have between those that carefully select relevant strategies, take into account both strategic positions and the strategic implementations (Johnson and Scholes, 1999). Strategic choice is the third logical element of the strategy formulation process. Choice is at the centre of strategy formulation. If

there are no choices to be made, there can be little value in thinking about strategy at all. Strategic choices is a process that involves understanding the nature of stakeholders expectations, identifying options available, then evaluating and selecting the best strategic options for implementation.

STATEMENT OF THE PROBLEM

Strategic choice is about identifying the options available, evaluate them against preferred criteria, select the best option and then take action for better performance. Good choices identify and mobilize the company to where to play and how to win in a chosen industry. However, strategic choices in NGOs have been driven by factors like competition, donors' interest and government regulatory changes and thus lost their first focus to meet the needs of the gap in Government delivery of services to its citizens. The NGOs being inhibited by their small size, managed by low educated people with inadequate work experience and with the urge to survive in a competitive industry; they are prone to derailment from bottom-up focus to top-bottom focus at the interest of the donors. Hence, the need for this study to unfold the challenges encountered by NGOs when seeking for donor funds and to establish factors that influence their choices. In plight of this, the study will sensitize the need for donors not only to give funds but also to design programs that will strengthen the capacity of community based organizations.

SIGNIFICANCE OF THE STUDY

Non Governmental organizations play an important role in economic development of countries as the breach the gap in service delivery by the Government. Though the Government is mandated to provide all services to its people, at times its resources and abilities are limited thus creating the need for NGO intervention. The findings of this study will help strengthen the NGO fraternity in ensuring financial sustainability.

LITERATURE REVIEW

Strategic Choice Adoption

Several studies have looked at strategic choices in organizations. For instance, Hofer and Schendel (1979) state that for an organization to be both effective and efficient; there will be four components to any of its strategy. They name scope, the extent of the organization present and planned interaction with its environment as one significant factor. This could be referred to as the organization domain. Johnson and Scholles (1995) too put scope as a key aspect of strategic choice base arising from organization purpose and aspiration.

In addition, resource deployment is an important aspect of strategic choice. Hofer and Schendel (1979) suggest that the organizations past and present resource and skill deployment will affect how it achieves its goals and objectives. Financial strategy needs to take care of the risk returns. The financial decisions made by management relate directly to added value of the organization (Johnson and Scholles, 1999). The skill an organization has could enable it deliver a service or a

product in a way that no other organization can replicate. This could also be referred to as distinctive competence.

Another component of strategic choice is that which relates to competitive advantage. Here, Hofer and Schendel (1979) use the same terminology and the same accent that any strategic decision in an organization must concern itself with unique position an organization develops against its competitors. Johnson and Scholles (1999) too suggest that achieving competitive strategy is an essential base of strategic business unit of an organization (Parker, et all 1995).

Strategic choice is an aspect of strategy that is considered before any strategic decision is completed. Any action or achievement that conflicts with other operations in the organization may reduce its value. This alternative may not be taken (Hofer and Schendel, 1979; Johnson and Scholles, 1999). However, the managers should make a choice to seek for synergy. Synergy refers to the degree to which various resource deployments and interactions of the organizations with its environment reinforce or negate one another. A major strategic concern of any organization is selecting a strategy to produce a product or offer service would be how the new projects would affect the existing programmes activities (Hofer and Schendel 1979).

Factors Influencing Strategic Choices

Leadership

Organizations need strategic leaders to help it overcome inhibitions on risk taking and resource allocation. A strategic director such as Bill Gates at Microsoft, Titus Naikuni of Kenya Airways influence strategic decisions in their organization by affecting the components of strategy. The role of leadership in strategic decision making is critical as they set the tone, culture and widens the horizons of the organization. Their interventions affect all components of strategy (Parker and Abraham, 1995). According to Porter (1950), leadership of an organization may emphasize different aspects of strategy at different times. As organizations mature and face transition, leadership must be able to respond, identify and recognize the new skills required. More often the skills required during the change period is strategic (Porter, 1950).

Leadership is the most essential ingredient in organizational sustainability and is the controlling force in organizational development. It is the key to realistic assessment of problems and opportunities, establishment of priorities, and the marshalling of internal and external resources to address these priorities. In effective organizations, leadership does not reside only at the top; elements of it are evident at various levels of the organization.

Organization structure

The organization structure is a key factor as it distinguishes the tasks people should do, how, when and where decisions are made. Mintzberg (1989) has written more on the significance of organizational structure in making decisions. Most organizations have corporate level decisions.

The corporate center is usually in charge of what business the organization does. Decisions of competitive advantage, synergy and resource deployment are handled at the center. The organization which has corporate center may have strategic business unit and functional area strategy. Strategic decisions that come from the business unit would be of gaining competitive advantage. When a hierarchy of functional level exists, coordination and integration of activities within a single activity would be the major concern of the center. People working within an organization must be able to understand how their actions interrelate with the actions of others to support the strategy. A structure might imply tight rules, but the concept is more about developing a structure that fits the strategy.

Availability of resources

The human resource base of an organization may enable it select a strategy. A workforce with young educated managers is likely to increase the score of the organization through innovation. This is because they readily accept change as opposed to an old and low educated workforce who is difficult to accept changes (Hofer and Schneider, 1979). Gantt (1991) argues that rational decision making techniques are becoming increasingly important. For an organization to remain competitive, they must look at the competence of the management team. The availability of resources especially financial allows organization the choice of certain strategies. Lack of money constrains project implementation and the competence level of the staff hired. This result into incompetent workforce who are incapacitated to deliver as required and this affects an organization.

Vision and Mission

The vision and mission of an organization plays a key factor in strategic choice. What the organization exists for may dictate the strategic decision it takes (Ansoff, 1990). Thus Ansoff suggests quoting Levit (1960) that railway should articulate its business concept as transport and make strategic decision in that domain. Pierce and Robinson (2000) suggest that strategic choice is one product company and would be different from that of another in the same business line.

Culture

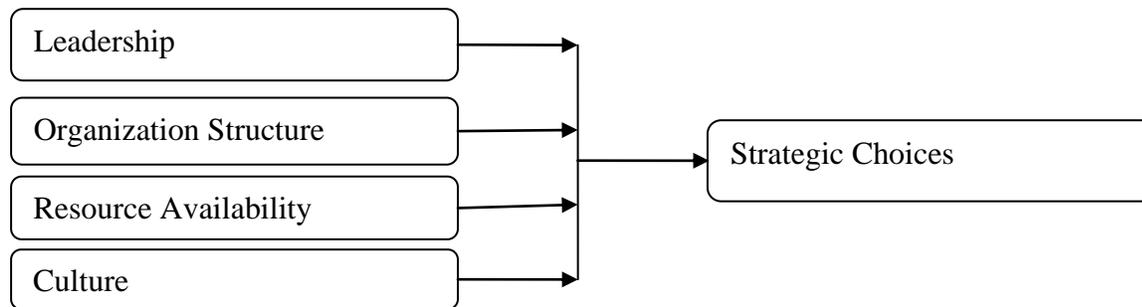
Another factor is the culture of the community where a project is implemented. An organization's culture is comprised of the set of values, beliefs, assumptions, principles, myths, legends, and norms that define how people actually think, decide, and perform. Schein (1992) defines culture as a basic set of assumptions that defines for us what we pay attention to, what things mean, and how to react emotionally to what is going on, and what actions to take in various kinds of situations. Culture is the way of life for an organization or community. The way this culture is incorporated in an organization inhibits or makes the project to succeed. Therefore decisions made by an organization should consider the role of culture in that community. For example, if a donor would like to campaign against female genital mutilation(FGM), he would succeed if he

starts with related projects like health and formal education then use such forums to address the issue of FGM in that community. With this approach, the community will accept and support the project as opposed directly condemning and calling for abolition of FGM which is their cultural practice.

External Environment

The External Environment has other factors that influence strategic choice. These factors are social, political, economical, technological, environmental and legal considerations. They are forces outside the control of an organization that lay a key role in decisions of an organization. Political interference may promote or hinder implementation of a project in a certain region. Sometimes, good projects have been crippled by politicians who want their will to prevail in a project and when this is opposed, the politicians block the progress of such a project. Government rules and local authority requirements have to be attended to before an operation is successfully carried out. The leaders of NGOs must continuously and currently negotiate with external parties to have the goal of the organization succeed.

CONCEPTUAL FRAMEWORK



Independent Variable

Dependent Variable

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

Research Design

Cross sectional study design is an ideal methodology. A survey was considered appropriate for this study to compare various community-based organizations on factors that influence their strategic choices and the demographic of their organization profile. The design allowed for both quantitative and qualitative data capture; qualitative data was helpful in that respondents gave historical stories relating to factors influencing strategic choices adopted by non governmental organizations competing for donor funding in Nairobi County.

Target Population

The study targeted all the NGOs operating within Nairobi. According to the NGO coordination Bureau (2015), there is 2319 registered NGOs Nairobi County. A sample size of 50 NGOs was selected by proportionate stratified random sampling method.

The study collected primary data from the sample of the population. The study used semi structured questionnaires that contains both open-ended and close-ended questions. The questionnaire was divided into two sections: Part A: collected demographic information of the NGOs; Part B consisted of the factors influencing strategic choices of NGOs.

Data Analysis

Collected data was analyzed in using descriptive statistics including frequencies, mean and percentages (measures of central tendency) to measure the challenges affecting the NGOs. For example the higher the mean score the higher the challenges. This gave a quick insight of the variable measurements and spread. Clustering of factors around strategic choices was used to indicate possible relationship between certain factors and strategy types. This was done by using the inference statistics including simple regressions and correlations. Tables, graphs and charts were used to illustrate the comparison and summarization of various sets of data on factors considered to influence strategic choices.

RESEARCH RESULTS

Descriptive Analysis

The study analyzed the variables as they related to the dependent variable; strategic choices. The study obtained primary and secondary data, Monitoring and evaluation reports and NGOs documents. This data was analyzed using descriptive statistics, obtaining the characteristics of each variable and the results captured.

Table 1: Age range of the NGOs members

	Frequency	Percent
18-25	25	50.0
26-30	14	28.0
31-35	5	10.0
above 35	6	12.0
Total	50	100.0

On the age range of the NGOs members, the study found that the most of the NGOs members (50%) were between 18-25 years, 28% were aged between 26-30 years, 12% were aged above 35 years while 10% of the respondents were aged between 31-35years.

Table 2: NGOs Thematic area(s) of intervention

	Frequency	Percent
Economic development	21	42.0
HIV/AIDS (Awareness, VCT, treatment, HBC)	12	24.0
Environmental;	7	14.0
Education	3	6.0
OVCs	2	4.0
Governance;	2	4.0
Gender	2	4.0
Religious	1	2.0
Total	50	100.0

The study also sought to establish the NGOs Thematic area(s) of intervention. From the findings, 42% of the NGOs were in economic development, 24% were in HIV/AIDS (Awareness, VCT, treatment, HBC), 14% were in environmental, 6% were in education, those in OVCs, governance and gender were represented by a 4% each while 2% were religious.

Table 3: Age of the leadership team

Age	Director	Chairperson	Treasurer	Secretary
less than 30years	64.0	64.0	68.0	68.0
31-35 years	22.0	18.0	14.0	18.0
36-40 years	2.0	8.0	4.0	8.0
41 and above	12.0	10.0	14.0	6.0
Total	100.0	100.0	100.0	100.0

On the age of the leadership team, the study found that the most of the directors, chairpersons, treasurers and secretaries were young people aged less than 30years.

Factors Influencing Strategic Choice

From the study findings, most of the respondents reported that the factors affect strategic choices in the organization to a great extent include community involvement in project design as shown by a mean score of 3.7600, This mean score was high because all NGOs projects are concerned with the community and as such, for any strategy to be successful, the community has to be highly involved. Good financial projections and budgeting as shown by a mean score of 3.5800 and sustainability of the organization, sensitivity on how programs affect the general society and having inadequate funds to implement a project as shown by a mean score of 3.5600 in each case. These were moderately high because good financial projections ensures proper management of the funds which NGOs are competing for and also promotes donor confidence in the NGOs. As such poor financial projects lead to low or no donor funding.

Table 4: Extent that various factors affect strategic choices in the organization

Factors	Mean	Std. Deviation
organization vision and mission	3.2600	1.39694
Donors thematic areas of intervention	2.8200	1.36561
Competence level of personnel in the organization	3.2600	1.27471
Community involvement in project design	3.7600	1.15281
Communication channels in the organization	3.1200	1.18907
Good financial projections and budgeting	3.5800	1.08965
Sustainability of the organization	3.5600	1.29615
organizational structure	3.2200	1.23371
Ability to identify opportunities and respond swiftly	3.0600	1.13227
Sharing information with other organizations	2.8200	1.13731
age of the people at the management level	3.0200	1.16916
Utilizing strengths and competence of the organization	3.0600	1.20221
Global economic changes	3.1600	1.29929
availability of resources	3.4400	1.18080
timely access to funds	3.2600	1.33722
having a fund raising team	2.9400	1.18511
organization's intervention areas	2.9200	1.24278
Networking with other organizations	3.3000	1.19949
Forming partnerships and alliances with other organizations	3.1400	1.30946
culture	2.8000	1.39971
Organizational leadership	3.2600	1.36740
external environment	3.1400	1.06924
flexibility to changing strategies to suit donor's needs	2.8600	1.38520
Pressure from donors on organization's strategies	2.5400	1.24884
Having inadequate funds to implement a project	3.5600	1.14571
Exposure to other networks	3.1400	1.12504

The respondents further indicated that the factors affect strategic choices in the organization to a moderate extent include availability of resources as shown by a mean score of 3.4400, networking with other organizations as shown by a mean score of 3.3000, organization vision and mission, competence level of personnel in the organization, timely access to funds and organizational leadership as shown by a mean score of 3.2600 each. Others included having transparent financial systems as shown by a mean score of 3.2400,

Availability of resources was ranked moderate because the resources at the disposal of the NGOs is limited and this is the major reason as to why the NGOs have to compete for donor funding. Transparent financial system ensures high level of accountability and boosts donor confidence in the NGO thus a moderate score was well indicative of the struggle the NGOs are going through to ensure high donor confidence.

Other factors cited by the respondents as affecting strategic choices in the organization to a moderate extent include, global economic changes as shown by a mean score of 3.1600, forming partnerships and alliances with other organizations, external environment and exposure to other networks as shown by a mean score of 3.1400 in each case.

The study further found that other factors affect strategic choices in the organization to a moderate extent include age of the people at the management level as shown by a mean score of 3.0200, having a fund raising team as shown by a mean score of 2.9400, organization's intervention areas as shown by a mean score of 2.9200, flexibility to changing strategies to suit donor's needs, donors thematic areas of intervention, sharing information with other organizations and culture as shown by a mean score of 2.8000 each, and pressure from donors on organization's strategies as shown by a mean score of 2.5400. These factors affected strategic choices to a moderate extent because they were more less like support functions to the main factors. They all acted to support and influence the success rate of the main factors which where rates high by the respondents.

CONCLUSIONS

From the findings the study concludes that the factors mainly affect strategic choices in the NGOs in Nairobi Kenya include community involvement in project design, good financial projections and budgeting, sustainability of the organization, sensitivity on how programs affect the general society and having inadequate funds to implement a project.

RECOMMENDATIONS

Since the study found that community involvement in project design affects strategic choices to a great extent, the study recommends that in order to enhance the success of the project execution/implementation, the management should ensure there is enough consultation with the other members of the community which are directly affected by their thematic areas.

The study also recommends that the NGOs should hire financial experts in order to achieve good financial projections and budgeting which are pertinent to their strategic choices. The NGOs should also undertake some investment to supplement assistance from donors and to avoid overreliance on donor funding thus enhancing their sustainability. They should also have some money generating activities which will ensure there are adequate funds to implement their project.

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