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Competitive Strategy and Performance of Non-Governmental Organizations in Nyeri County, Kenya

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Abstract

There is increasing pressure on NGOs in Kenya to meet their organizational goals and objectives despite financial challenges and increased competition for resources. Application of well thought practically applicable competitive strategies is paramount to mitigate the challenges also improve NGO performance. Thus, the general objective of this study was to determine the effect of competitive strategies on the performance of Non-governmental organizations in Nyeri County, Kenya. The study employed descriptive research design. 100 participants were chosen from NGOs' directors, project coordinators, project officers and assistant officers from the 10 registered NGOs in Nyeri County. Data collected using questionnaires was analysed using multivariate regression and Pearson correlation tests. The study found that focus strategy has positive influence on NGOs performance ($\beta = 0.153$, $p = 0.003$). Also, differentiation strategy positively influences NGOs performance ($\beta = 0.210$, $p = 0.000$). Similarly, the study established that cost leadership strategy positively affects the NGOs performance ($\beta = 0.358$, $p = 0.000$) while also speed strategy has positive and significant effect on NGOs performance ($\beta = 0.199$, $p = 0.012$). Based on the findings, the study concluded that differentiation strategy is commonly applied by the NGOs organizations with the sole objective of creating goods and services that were in demand by the customers. Also, the study concludes that focus strategy had a positive and significant relationship with NGOs performance. The study also concluded that cost leadership strategy had a positive and significant effect on NGOs performance and that NGOs in Nyeri have implemented this cost leadership structure. The study recommends NGOs to orient themselves as quick to act organizations in order to realize their objectives faster and also tap on the available opportunities of growth.

Keywords: *NGO's performance, competitive strategies, differentiation strategy, cost leadership, speed strategy, focus strategy.*

Introduction

Globally, Non-Governmental Organizations (NGOs) comprise a broad category of groups and organizations that are solely independent from the government and which have principally humanitarian or cooperative rather than profit goals (Moore et al, 2015). According to Kamau (2009), as they seek sustainability, NGOs in Kenya have become more vibrant, competitive, and financially sound. According to the Annual NGO Sector Report 2018/19, the number of companies registering under the Non-Governmental Organizations Co-ordination Act increased significantly since 2001. During the 2018/2019 fiscal year, 98 non-governmental organizations (NGOs) were registered, taking the total number of NGOs to 11,262 as of June 30, 2019. The majority of the newly enrolled NGOs worked in the fields of education, health, and relief. NGOs therefore are striving in that competitive environment by adopting and implementing strategies geared towards their sustainability and these need to be developed from the main competencies that brought about long-term benefits to the organization (Gordenker & Weiss, 2015).

Zekiri and Nedelea (2011) aver that competitive strategy helps NGOs to determine the areas to compete with as well as its business environment in future. Zook and Allen (2012) postulated that the level of competition in an environment determine the organizations' competitive viability as well as its overall performance. Competitive strategy aids such organizations (NGOs) in countering the effects of competitive forces in which it operates from. Over the past, Basher and Tarabieh (2011) illustrated that thriving in the not-for-profit organizations' leaders are mainly focusing on how various competitive approaches may help their organizations in achieving improved performance as well as attain a competitive edge against their competitors in the regions or countries they operated. Porter highlights four major strategies that an organization utilized in order to advance this strategic advantage which include speed, leadership, focus and differentiation strategies (Han, Dong & Dresner (2013).

Despite their recent growth and contributions to the Kenyan economy, non-profit organizations in Kenya experience a growing pressure to achieve their organizational goals and objectives. This is difficult to do without a thorough understanding of the strategic tactics that can be used to mitigate against financial obstacles and fierce competition for capital, which make self-sufficiency a mirage for many. The problem worsens when NGOs' donors support them solely on the basis of their final performance, rather than the unique challenges they faced in their respective industry. Many Kenyan NGOs depend on international donor support, rendering them vulnerable to external factors and jeopardizing their long-term viability. Following recent monitoring and evaluation reports on NGOs' programs, a large number of donors have withdrawn their funds or channeled them elsewhere (Hershey, 2013). According to Kenya Open Data (2018), due to the withdrawal of both local and foreign donors' funding, 12 percent of the projects planned by various NGOs were unable to be accomplished, while 15% struggled to get off the ground entirely. Hershey (2013) points the reason for withdrawal to poor structures, poor service delivery and poor strategies by NGOs. Many new NGOs failed into the unsustainable trap of operating for a season or just few years and then disappearing. As a result, the charities lack adequate accountability, which is essential for their development and long-term sustainability. It is therefore plausible to think that competitive strategies are critical for success and sustainability of NGOs. Thus, determining the relationship between competitive strategies and performance of NGOs is crucial for NGOs in Nyeri County to boost their productivity and ensure its perpetual competitiveness. On that note, the aim of this research is to answer some key questions, such as how does speed, focus, cost leadership and differentiation strategies affect

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the performance of NGOs in Nyeri County? Should they focus on speed strategy more than other forms of strategic orientations?

Despite the increasing competition and poor performance of NGOs in Kenya, research works have failed to adequately address the context of competitive strategies and performance of NGOs. For instance, Wanjohi (2008) examined competitive strategy and positioning within a dynamic business environment practiced by non-government based but profit-making organizations in Kenya. Findings indicated that, competitive level strategy studied were of great importance and hence responsible for the organization's competitiveness. Competitive strategies figured prominently in achieving customer retention as per according to Kihoro and Ombui (2016), in their study on the impact of marketing strategy on customer loyalty in security companies. Arasa and Kioko (2014) did a study focusing on NGO sector competitive environment in Kenya and that NGOs should continuously scan, analyze and interpret forces shaping their competitive environment for purposes of appropriate realignment, survival and success. These studies did not look at the competitive strategies as a predictor of NGOs performance and possible solution to the research problem. Besides, studies by Wanjohi (2008) and Kihoro and Ombui (2012) did not research the NGOs and their studies were based on the profit organizations problems hence the contextual gap. The intent of this study was to establish the effect of competitive strategies on performance of Non-Governmental Organizations in Nyeri County, Kenya.

Specific Objectives

- i. To determine the influence of focus strategy on performance of Non-governmental organizations in Nyeri County, Kenya.
- ii. To establish the effect of cost leadership strategy on performance of Non-organizations in Nyeri County, Kenya.
- iii. To determine the effect of differentiation strategy on performance of Non-governmental organizations in Nyeri County, Kenya.
- iv. To examine the effect of speed as a strategy on performance of Non-governmental organizations in Nyeri County, Kenya.

Review of Existing Literature

Several authors have empirically established the influence of competitive strategies on performance of organizations, but the same relationship remains elusive in the context of NGOs. For instance, Barney (2012) follows a qualitative approach to discuss focus strategy. Focus strategy constitutes of two variants. The study asserted that one of them is the cost focus, through which organizations seek to acquire a high-cost advantage in the segment its targets. Barney (2012) does not show how focus strategy is relevant in the context of organization performance. The study does not clarify or answer the question regarding the effect of focus strategy on performance of organization. Besides, the study employs qualitative methods which cannot quantify the effect of focus strategy on performance. According Mose (2008) study revealed that NGOs are performing well in terms of attracting donor funds and service delivery. The study found that the cost focus makes use of cost behavior differences in particular segments, whereas differentiation focus targets specific requirements of buyers in a certain segment. However, they need to either have purchasers that have uncommon desires and preferences, or otherwise the production as well as delivery systems that principally serve a target segment should be different from those serving other segments in an industry. However, Mose (2008) study does not inform the literature in anything regarding cost focus and performance of organization. Additionally, the study was

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qualitative which was critically not enough to model the relationship between cost focus and performance of NGOs.

Scott-Jackson (2010), conducted a study on UK firms and found out that this can be achieved through coming up with very low prices in a targeted market section. For success in operating in lowest prices and at the same time still attaining profits as well as high 'Return on Investment', organizations need to be in a position to operate at very low costs as opposed to its competitors. The study concluded that cost leadership strategy entails an organization gaining a market share by making appeals to price-sensitive or cost-conscious consumers. A study by Basher and Tarabieh (2011) surveyed the effect of beneficiaries' orientation, differentiation of innovation; differentiation of markets on institutional performance in Jordan's not for profit organizations. The findings of the study disclosed that customer orientations contribute certainly on organization performance through provision of market differentiation as well as innovation differentiation. Another finding was that innovation differentiation affected organizational performance to a greater extent compared to market differentiation. Wheelen and Hunge (2012) study showed that a large number of organizational leaders in Malaysia have their great concerns on their organization's capability of moving adequately to exploit existing opportunities or rather counter threats. In order to comprehend the effect and increasing significance of speed, forums are organized for identification of what factors make it possible for corporations to apply business approaches promptly and in a successful successfully manner in order to attain a strategic speed. Research realized a number of factors that facilitate speed including people-oriented leadership.

Nevertheless, these studies did not specifically look into competitive strategies affect the performance of NGOs. The seemingly elusive relationship between NGOs performance and their strategic orientation justifies the need for this research. As such, the study sought to empirically test the hypothesis that speed strategy, focus strategy, cost-leadership strategy and differentiation strategy have positive and differing effects on performance of NGOs.

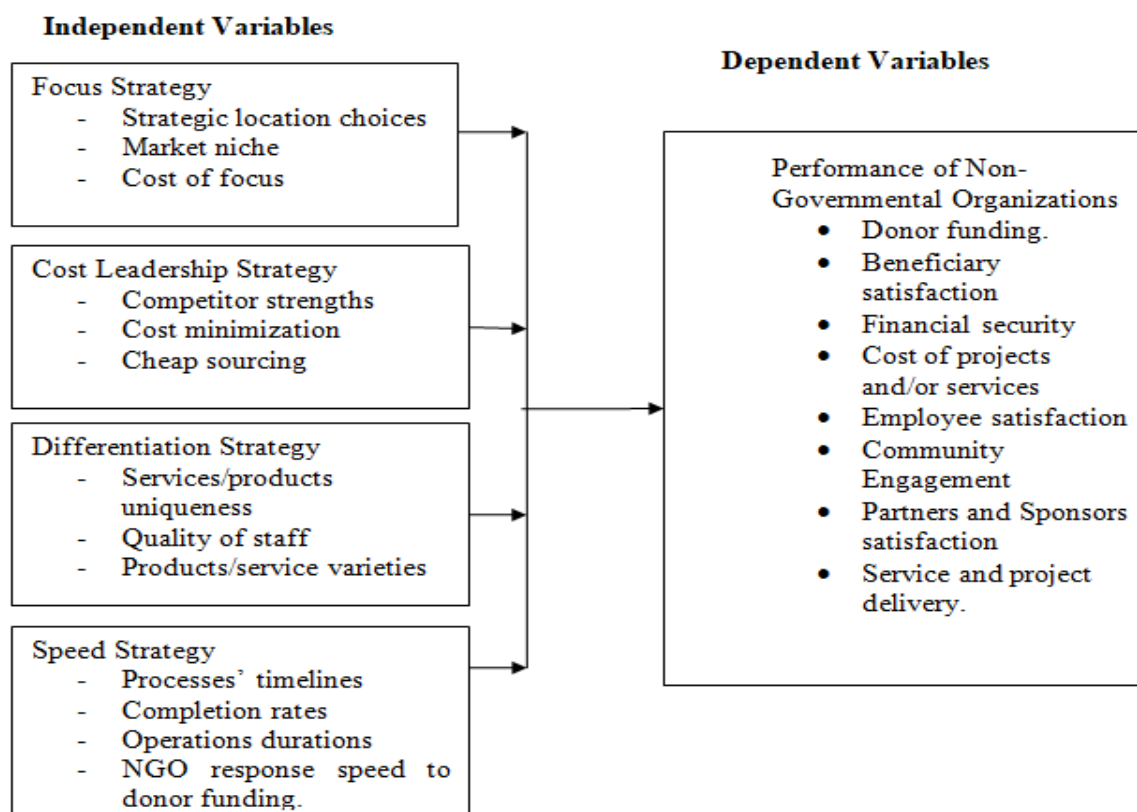


Figure 1 Conceptual Framework

The study expected the four independent variables (speed strategy, focused strategy, cost leadership strategy and differentiation strategy) to have a positive effect on performance of NGOs but with differing effect sizes.

Materials and Methods

The study employed descriptive research design, which allow description of the relationship between the study variables and gives a clear overview of the variables that are important to the research hypothesis. Data was obtained from primary sources, from 10 registered NGOs in Nyeri County. Specifically, the study targeted the Directors, 3 Project Coordinators, 3 Project Officers and 3 support staff respectively in each of the NGOs (Hence, a total of 10 respondents from each of the 10 registered NGOs). As a result, this study used criterion sampling to concentrate on the entire population of 100 participants who were specifically selected if they were director, project coordinators, project officers, and support staff from the only ten registered NGOs in Nyeri County. A semi-structured questionnaire was used to gather primary data which was analysed using multivariate regression and Pearson correlation tests. The results were interpreted at 5% significance level. Prior to inferential analysis, the data was subjected to diagnostic tests namely linearity, normality, multicollinearity and homoskedaticity to ensure that the regression results are not spurious.

Results

Correlation Analysis

The linear association between independent variables and the dependent variable was assessed using correlation analysis, as shown in the results presented in Table 1.

Table 1 Correlation Analysis Results

	I.	II.	III.	IV.
NGO_performance(I)	1			
Speed Strategy (II)	.461**	1		
Differentiation (III)	.639**	.388**	1	
Cost Strategy (IV)	.547**	.510**	.751**	1
Focus strategy (V)	.464**	.489**	.608**	.692**

N = 85, ** Correlation is significant at the 0.05 level (2-tailed).

As shown in Table 1, there is a positive and significant correlation between NGO performance and speed strategy with a correlation coefficient of 0.641 and p.value of 0.000. Similarly, there is a positive and significant relationship between differentiation strategy and NGO performance (r=0.639, p=0.000). Moreover, cost strategy has a positive and significant correlation with NGOs performance (r=0.547, p.value =0.001). Likewise, NGO performance and focus strategy have a positive correlation (r= 0.464, p.value =0.0002). The result implies that improvement or NGOs orientation in focus strategy, differentiation strategy, cost leadership strategy and speed strategy coincide with improvement in NGOs performance. Similar to previous studies, Stra Green, Barclay and Ryans (2005) found the extent to how the Focus strategy resulted in a blend of quality attributes to the NGO performance.

Regression Results

The general regression model equation 1 was applied to determine the effect of competitive strategies on performance of NGOs in Nyeri County, where X1 = Focus strategy, X2 = differentiation strategy, X3 = cost leadership strategy and X4 = speed strategy.

$$Y= \beta_0 +\beta_1X_1+ \beta_2 X_2+ \beta_3X_3 + \beta_4X_4 +\epsilon\dots\dots\dots(1)$$

Table 2 Regression Analysis Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.639a	0.408	0.401	0.1675		
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.479	4	1.370	110.314	.000 ^b
	Residual	0.993	80	0.012		
	Total	6.472	84			
		B	Std. Error	Beta	t	sig.
	(Constant)	0.396	0.187		2.112	0.038
	Focus strategy	0.153	0.049	0.197	3.109	0.003
	Differentiation	0.210	0.047	0.303	4.483	0.000
	Cost Leadership Strategy	0.358	0.079	0.349	4.559	0.000
	Speed Strategy	0.199	0.040	0.257	4.930	0.012

a. Dependent Variable: NGO performance, N = 85, results reported at 5% significance level.

As shown in Table 2, the adjusted R square shows that the independent variables explain 40.1 percent change in dependent variable. That means that 59.9 percent change in dependent variable are explained by other variables which are not accounted in the model. In addition, the model is significant given the F statistic of 110.314 and p-value of 0.001. The result shows that the independent variables in the model have a joint significant effect on the dependent variable.

From the regression results, the optimal model of the study is as follows:

$$Y = 0.396 + 0.153X_1 + 0.210X_2 + 0.358 X_3 + 0.199X_4 + \varepsilon$$

Regression findings illustrated that a unit increase in focus strategy results to a 0.153 increase in NGOs performance ($\beta = 0.153$, $p = 0.003$). The relationship is significant at 0.05 significant level with p-value of 0.003. The findings are consistent with Green, Barclay and Ryans (2005) in Italy who asserted that the focus strategy ensures that an organization focuses on few chosen target markets. Kamau (2009) adds that at focused orientation, organization develops a typical look towards gaining a highly competitive advantage though the means of being effective, rather than focusing on efficiency alone. Hence; it becomes efficient and effective in its operations. Regression findings illustrated that a unit increase in differentiation strategy results to a 0.210 increase in NGOs performance ($\beta = 0.210$, $p = 0.000$). The relationship was significant at 0.05 significant level with p-value of 0.000. The findings were consistent to that of Mulburg (2010) who in his study of China based child support organizations found out that carrying out both differentiation of innovation and market related differentiation concurrently attains a higher greater competitive advantage resulting in enhanced organizational performance. Particularly, customer orientation normally attains competitive via innovation differentiation as well as market differentiation, ultimately improving organizational. Moreover, a unit increase in cost leadership strategy results to a 0.358 increase in NGOs performance ($\beta = 0.358$, $p = 0.000$). This finding is in agreement with those of Andrews (2013) who reported that in-service businesses, for instance restaurants in Thailand, succeeded very fast, even airlines turning around flights in a rapid manner, whereby methods employed included fixed costs that were normally distributed over greater numbers of units of services or products, which resulted in lower unit costs. Finally, it was revealed that a unit increase in speed strategy results to a 0.199 increase in NGOs performance ($\beta = 0.199$, $p = 0.012$). The study finding was in consistent with a study by

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Wheelen and Hunge (2012) who asserted that organizations across variable sectors in Singapore have continually recognized that promptness could be utilized in developing competitive advantage in a business. Acting quickly is more than a desirable trait in the real world. It is essential for deriving value from an operation in order to provide a product or service to a consumer.

Conclusion and Recommendation

In response to the first research question, study discovered that focus strategy has a positive influence on NGO performance. Increase in focus strategy orientation initiatives has a beneficial impact on NGO performance in the long run. The study recommends NGOs to adopt focused strategy in the face of dynamic environment. Focused strategy focusing on particular service or targeted beneficiaries will create credibility and reputation which will be attractive to donor funders hence more donor funds to help the NGOs achieve their objectives.

Secondly, the study concludes that cost leadership strategy has a positive effect on NGO performance. The study identifies cost leadership areas such as cheap outsourcing and cost minimization. To realize those positive effects, the study recommends NGOs to adopt a low cost of operation that would in return lower the expense of the organizations. The savings can be used to increase the performance of the organization and take advantage of market gaps.

Further, the study discovered that differentiation strategy had a great influence on NGO performance. Hence, it was concluded that differentiation strategy has a beneficial influence on the performance of Non-governmental organizations in Nyeri County Kenya. Specifically, the study identified that product uniqueness, staff quality and offering variety of products and services aid in product differentiation and positive performance of NGOs. Thus, NGOs to align themselves as organizations who offer unique services in a unique way to gain differentiation from other NGOs and competitive edge to get donor funds. Further, the study recommends the NGOs to be creative, and innovative through research and service provision to enhance their value to beneficiaries and donors as well as position themselves as differently from other NGOs.

Moreover, the study discovered that speed strategy had a favourable and substantial effect on NGO performance. As a result, the study concluded that NGOs in Nyeri County who positions themselves as speed and quick to act organization realize improved performance. The study recommends NGOs to orient themselves as quick to act organizations in order to realize their objectives faster and also tap on the available opportunities of growth.

Overall, the study found that cost leadership strategy had the greatest effect on performance of NGOs in Nyeri County followed by differentiation strategy and speed strategy. Reasonably, costs and high expenses are the biggest issues of NGOs, hence it is reasonable to conclude that NGOs performance is more likely to be boosted if they adopt cost leadership strategic measures.

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