RESPONSE STRATEGIES OF INTERNATIONAL NON - GOVERNEMNTAL ORGANIZATIONS IN NAIROBI TO CHANGES IN THE >L\CRO- ENVIRONMENT

BY

FLORENCE AMOLLO OMBOK

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF BUSINESS ADMINISTRATION DEGREE, DEPARTMENT OF BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI

.APRIL 2009

DECLARATION

This management project is my original work and has not been presented tor a degree in **any other university.**

Signed. . . . .^. . . . . .Date

Florence Amollo Ombok

D61/P/71 124/2007

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

Signed . t 7 / *. . . . . . . .Date

Dr Mnrtin Ogutu.

Department of Business Administration

School of Business

University of Nairobi.

DEDICATION

To my mother Margaret Achieng' Ombok who taught me the value of education.

ACKNOWLEDGEMENT

This project was successfully completed by the encouragement, support and patience throughout the course, thank you. I also sincerely acknowledge and thank my supervisor Dr. Martin Ogutu for his mentorship and tireless guidance that made the completion of this research possible. I extend my gratitude to all my relatives and friends for their positive encouragement and sharing their knowledge and time throughout the course.

The contribution of the respondents to this research cannot be underestimated. I therefore thank the all the respondents from the Non Governmental Organization for giving me information concerning their companies. Finally, I thank the Almighty God for his faithfulness and grace that never failed.

TABLE OF CONTENTS

LIST OF TABLES

ABSTRACT

The environment in which organizations operate is constantly changing with different factors influencing organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Decisions by managers have a strategic impact and contribute to strategic change. This study was designed to determine environmental challenges that face International Non Governmental Organizations and to identify the responses adopted by the company to deal with the changes in the macro environment.

The study was carried out using a census survey design. Data was collected using a semi-structured questionnaire which was administered using drop and pick method. Several personal visits to the premises were held to prompt the respondents to respond. The sample size for the study was 26 managers in the company. Statistical Package for the Social Sciences (SPSS) was used to generate data which was analyzed using descriptive statistics. Certain limitations were experienced by the researcher which may have influenced the final results of the study.

According to the research, INGOs have certain categories of service. It was confirmed that several of these organizations specialized in more than one category. For example an INGO was found to specialize in Health and Relief development, Education and Youth development. Most of the organizations had operated in the country for over 20vears, showing that they were fully established in the country

The study showed that the INGOs faced a lot of challenges from economical changes, technological changes, political changes, competition and finally socio- cultural changes respectively. The industry has responded to challenges in the economic environment by adapting multiple sources of funding from other institutions, for the political changes the organizations have widely adapted the joint venture strategy, where by the organizations join forces with the government, private organizations or NGOs so as to accomplish their objectives. Other changes i.e. socio-cultural, technological and competition, the INGOs

applied the diversification into new products or services, computerization and outsourcing strategies respectively.

CHAPTER ONE: INTRODUCTION

1.1 Background

The environment is constantly changing and so it makes it comparative for organizations to continuously adapt their activities in order to succeed (Ansoff, 1980). Ansoff and McDonnel (1990) add that major escalation of environmental turbulence means a change from familiar world of marketing and production to an unfamiliar world of new technologies, new competitors, new consumer attitudes, new dimensions of social control and above all an unprecedented questioning of the firm's role in the society. It has become the accepted view that, the magnitude, speed, unpredictability and impact of change are greater than ever before.

The relationship between any organization and its environment is that of mutual dependency. As such, the activities of an organization have an impact on the environment and vice versa. The business environment consists of all the external influences that impact a firm's decision and performance (Grant, 1998). The external environment consist of all the broad environmental factors that impact to a greater or lesser extent on almost all organizations such as political, social, economic, technological and legal factors.

Ansoff (1979) observes that prior to the advent of the twentieth century, the business • environment was fairly stable, predictable and easy to manage, further at the end of the twentieth century he observed that the start of the century brought about changes in the environment that brought about changes in the environment that were progressively novel, costlier to deal with, faster and more difficult to anticipate. Globalization and liberalization are some of the major environmental changes. The net effect of these environmental changes has increased competition in the business environment that has threatened the survival of most if not all organizations.

1.1.1 Organization and the Macro environment

An organizational environment is a set of forces and conditions inside (internal) and outside (external) the organizations boundaries that have the potential to affect the way the organization operates. The external environment is everything outside an organization that might affect it. It consists of the general/macro environment and the task environment. The task environment consist of specific organization or groups that influence an organization, they include the competitors, suppliers, regulators and strategic allies. The general environment is a set of broad dimensions and forces in an organization surrounding that creates its overall context. The general environment for most organizations consists of the political/legal, economical, socio-cultural and international forces (Kotler, 1999)

Since organizations are open systems, they interact with the various dimensions in many different ways. The environment is characterized as complex, dynamic, multi-faceted and having far reaching impact (Kazmi, 2002). The environment affect organizations in three different ways, these are the environmental change and complexity, the competitive forces and environmental turbulence. Given the many issues, problems and opportunities in an organizations environment, each organization must asses its own unique situation and then adapt accordingly.

Mechanisms that can be used by organizations to adapt to their environment include information management whereby the organization analyzes the environment and monitors change. The other technique is responding strategically to the changes, which can both be formulating and implementing corporate strategies, business unit strategies and operational strategies (Johnson and Scholes, 1999). The nature of the environment under which an organization operates will determine the strategies adopted by an organization.

Changes in the environment will lead to changes in objectives and strategy (Pearce and Robinson. 2003). The environment is complex and ever changing and it will continue to change rapidly, radically and unpredictably (Burnes, 1996). Therefore managers have to keep reviewing their **strategy** to match the environmental demand. A firm has to learn, adopt and reorient itself to the changing environment, In order to enhance preparedness in handling surprising events an organization needs to augment the timeliness of managerial response to the surprising changes. This requires the establishment of real time strategic issue management (SIM) systems.

1.1.2 Response Strategies

Response strategies are reactions to what is happening in the environment of organizations. Unfamiliar changes normally lay the ground work for responses and make firms remodel their existing strategies to meet the prevailing turbulence of the environment. Organizations have adopted various strategies brought about by changes in the external environment. The goal of these responses is to achieve competitive advantage in the industry.

Strategy is a multi dimensional concept that embraces all the critical activities of the organization, providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by the environment as viewed by Hax and Majluf (1996). Strategy can be categorized into corporate strategy, the business unit strategy and the operational strategies. Strategies are also formulated and implemented at different levels of the organization, ranging from the top management through the line management

Making correct strategic decisions matter for any business, to a point where it is emphasized that it is more important for the long-term survival of the organization for the management to be efficient in terms of strategy, rather than in respect of its operating activities. Strategy sets out to managers in deciding what to do and what not to do and is the rallying theme for coordinating diverse activities, generally the mission of the company. Strategy basically summarizes the way a company elects to relate to its environment.

Baieman and Zeithaml (1990), define strategy as a pattern of actions and resource allocation designed to achieve the goals of the organization. Any strategy that an organization implements is an attempt to match the skills and the resources of the organization with the opportunities found in the external environment. All companies have strengths and weaknesses and the actions or strategies implemented by the organization should be directed towards building strengths in areas that satisfy wants and needs and other key actors in the organizations external environment.

Strategy comes in two levels, the corporate level strategies that are formulated by the top management. It seeks answers to the question, what business should the organization do and basically determines the roles that will be played by particular departments. The other level is the business level strategy that seeks the answer to the question of how to compete in the specific departments. These strategies define the kinds of products and services to be offered.

According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization. Operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources

Effective strategy may enable a business to influence the environment in its favor and even defend itself against competition (Aaker, 1992). Aaker also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Kotler (1998) says that to adapt to environmental changes, firms require effective leadership. He farther states that, while leadership is crucial, most organizations are over-managed and others under-led

1.1.3 Non Governmental Organizations Sector in Kenya

Non Governmental organization Act (1990) defines a Non Governmental Organization as a private voluntary grouping of individuals or associations not operated for profit or other commercial purposes but which have organized themselves nationally or internationally for the benefit of the public at large and promotion of social welfare, development, charity or research in the areas inclusive of but not restricted to health, relief, agriculture, education, industry and supply of amenities and services. NGOs are therefore typically independent of governments.

According to International Council of Voluntary Agencies, NGOs must meet at least the following criteria; be established by group individuals; be managed by an independent voluntary board of directors, elected periodically by the members of the chief executive; have a clearly defined constituency and be accountable to it; be financially independent from the government; have formal legal status, permanent headquarters and employing professional and voluntary staff; have humanitarian objectives and programs and finally be partisans and voluntary.

An international Non Governmental Organization is an organization with the original incorporation in one or more countries other than in that particular country. In the Kenyan context, the particular Ngo can be operating within Kenya under the Certificate of registration. (NGO Coordination Bureau, 2005). Most international NGOs are well established with adequate provision of the required resources to carry out their operations as compared to the local NGOs. The workforce is drawn from various countries thus put no limit to nationalities. Financial support is extended by the development partners from various parts of the world and not necessarily one source (Njine, 2006).

International Non-Governmental Organizations (INGOs) have emerged as important actors in two distinct, interconnected realms. First, at the national level, INGO's have taken on significant roles in promoting the social, economic, and political development of the particular countries in which they are operating. Their enlarged efforts provide disaster relief, deliver on-going social services, build local capacities for self-help, promote self-governance, and enhance the political and policy influence of marginalized populations. Second, at the international level, INGOs have been increasingly important in creating a kind of international civil society, animating informal but powerful normative regimes, and influencing the practices and policies of international institutions (Njine, 2006)

All NGOs share several characteristics including dependency on donor funding; the need for self-financing, transparency or accountability to donors and clients; and targeting the needy or marginalized segments of the population or operating in various sectors of society depending on the needs to be met as well as resources available in the local community. Most NGOs are labor intensive with a heavy use of both professionals and volunteer laborers. This makes the landscape of NGOs more complex. NGOs are donor driven and enjoy tax exemptions, these calls from an indication of immense donor power and influence in terms of how the organization is managed and this may as well determine the management approach adopted.

Management of NGOs has become increasingly rich area for academic work in social science. Their operations are rather complex and intricate. Due to the changing environment, new styles of development initiatives have dominated most NGOs progress and as a result most NGOs have come out to be viewed as development agents. The phenomenal growth of nongovernmental organizations (NGOs) at both international and national levels is due to the changing attitude of donor agencies about development assistance and the increased demand for NGO services in Third World countries. NGOs provide a third approach to development between market-led and state-led strategies.

The Kenyan business environment has been undergoing drastic changes for sometime now. Some of the changes include the accelerated implementation of economic reforms, the globalization and liberalization of the economy, discontinuation of price controls, privatization and commercialization of the public sector and increased international competition. Hence, from 1992 onwards, a series of persistent and drastic changes took place in various sectors of the economy with the birth of globalization and liberalization which was accompanied by economic uncertainty (GoK, 1993). In this changing environment, organizations have had to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organization's in jeopardy (Aosa, 1998).

Oster (1995) argues that NGOs management is operating in particularly interesting and exiting times as managers are continuously being faced with challenges involving whether to compete or cooperate with other organizations in the market. Kotler (1991) adds that most NGOs must learn if they have not learnt that nonprofit organizations need management more than these other businesses do, precisely because they lack the discipline of the bottom line.

1.2 Statement of the Problem

Response strategies are reactions of the organization to what is happening in the environment. They are medium to long term plans that are formulated and implemented so as to achieve a desired goal or objective and are designed for the survival of the organization, to maintain the status quo or to remain competitive in the face of the changing environment. Porter (1985) states that companies must be flexible to respond to competitive and market changes.

The parameters for doing businesses by NGOs are changing, there are increased competition and declining funds. Most NGOs are facing challenges of shifting from simple charity and relief to activities of community development programs. These increase their responsibilities and tasks and broaden their missions. Survival of NGOs is crucial, however, whether they survive or not will highly depend on how they respond to the environment changes. Hence this study sees to find out the response strategies adopted by NGOs in the face of environmental challenges.

A review of similar studies showed that several studies had been done on organizational responses to environmental changes, only a few of such studies focused on NGOs (e.g. Mueke, (2006), Kimani, (2006), Gichohi, (2006), Njeru, (2007), Kiptugen, (2003), and Kandie, (2001)). All these studies were done in different contexts, for example Mueke (2006), studied the 'international reproductive health NGOs'. This study looks at the international NGOs as a whole, with the different categories, from education to welfare development and the health development NGOs. Strategies adapted by International NGOs to the environmental changes had not been covered yet. The study sought to address the following research question; what are the macros environmental changes affecting the international NGOs? And what are the strategies adopted by these EN'GOs in view of the macro environmental changes they are facing?

1.3 Objective of the Study

The study sought to achieve the following objectives:

(i) To determine the macro environmental challenges faced by International Non Governmental organizations in Nairobi.

(ii) To establish the response strategies adopted by the International Non Governmental organizations in Nairobi to cope with changes in the macro environment.

1.4 Significance of the Study

With these findings, the Non Governmental Organizations will realize and be sensitive to the changes and challenges in the external environment and how to strategically respond to them so as to maintain a competitive edge. Current and potential NGOs and other companies in various industries may use this information to understand and appreciate the role played by analysis of the external environment and open a channel for feedback within the organizations in terms of evaluation of the said strategies

To scholars and future researchers, the study will increase the field of knowledge, and will give them an opportunity to re-examine this area of study and use the findings as a source of reference. The study will be used as a stepping stone in studying response strategies to the external environment in other contexts.

Managers may use the findings of this study in making strategic decisions of how to fully exploit their potential and gain a competitive advantage over other players in the industry and also to appreciate strategy as a yardstick for measuring performance and thus acquiring efficiency in operations and service delivery.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Bateman and Zeithaml (1990) define strategy as a pattern of actions and resource allocations designed to achieve the goals of the organization. The strategy that an organization implements is an attempt to match the skills and resources of the organization to the opportunities found in the external environment. Grant (1998) adds that strategy is about winning, it is not a detailed plan or program of instructions, it is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization.

Grant (1998) argues that strategy is a deliberate search for a plan of action that will develop a business competitive advantage and compound it. For any company, the search is an iterative process that begins with recognition of where the organization is and what it has. The differences between an organization and its rivals are their advantages. The objective is to enlarge the scope of the advantages, which may only happen at some expense. Strategy is an expression of strategic intent, stretching the organization. It is a means to develop the competencies of the organization; it is a means of investing in tangible and intangible resources to develop the capabilities that assure sustainable advantage.

Strategy is a multi dimensional concept that embraces all the critical activities of the organization, providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by the environment as viewed by Hax and Majluf (1996). They add that strategy is a means of establishing organizational purpose in terms of its long-term objectives, action programs and resource allocation priorities; that strategy is a definition of the competitive domain of the firm, it is a response of the external opportunities and threats and internal weaknesses so as a to achieve a competitive advantage. Strategy is a coherent unifying and integrative pattern of decisions.

Grant (1998) connotes that there are three basic levels of strategy within an organization, the corporate strategy, business strategy and the functional strategy. The corporate strategy defines the scope of the firm in terms of the industries and markets ir. which it operates. Business strategies are concerned with how the organization competes with a particular industry or market. If the firm is to prosper within an industry, it must establish competitive advantage over its rivals. Corporate strategy is the concern and formulated by top management, while the business strategy is the concern of individual business. Functional strategies are elaborations and implementations of business strategies through individual functions through the Human resources department, research and Development, Marketing and Finance.

There are characteristics of strategies that make them a success in the organizations as noted by Johnson and Scholes (1999). They include, goals that are simple, consistent and long-term, strategies that contain profound understanding of the environment they are operating, strategies that are able to exploit the internal strengths while protecting areas of weaknesses; there should be effective communication. Strategy may be analyzed in terms of the strengths, weaknesses, opportunities and threats as presented in the environment. They can also be analyzed through the strategic fit approach. For a firm to be successful it must be consistent with the firms goals, values and the external environment; resources and capabilities, organization and systems. Lack of consistency between strategy pursued by firms and its external environment is a common source of failure.

2.2 Organization and the Macro environment

Change is inevitable, as organisations do not exist in a vacuum. If the environment of the organisation changes drastically, this will create pressure for change within the organisation. For survival, the organisation has to adapt its internal operations to reflect the external realities (Ansoff, 1988). Companies that do not keep up with accelerating pace of industry changes will be irrelevant. The period we are living in is one of profound transitions and changes are more radical than those of 2nd revolution and great depression.

To be successful over time, an organization must be in tune with its external environment. Pearce and Robinson (1991) show in their model that the external environment consists of two interactive and interrelated segments which are the operating environment and the remote/ macro-environment. The operating environment consists of competitors, customers, creditors, labor markets and suppliers that is the immediate business environment while the remote environment consists of the economic, political, social and technological aspects which are further a field. The operating environment is easily controllable by the firm. Customer relationships can be cultivated and a successful supply chain can be cultivated.

However, Pearce and Robinson (1991) postulate that the remote environment consists of forces originating from beyond the firm's operating environment and are therefore much harder to manipulate or handle. Economic forces influence inflation rates, unemployment rates, foreign exchange rates and disposable income for instance which the firm must contend with. Politico-legal considerations may influence laws governing firms and dictate specific ways of running organizations through labor laws, anti - monopoly laws, taxation and so on.

Hence, there must be a strategic fit between the environment wants and what the firm has to offer, as well as between what the firm needs and what the environment can provide (Wheelen and Hunger, 1995). The speed or response time to the environment challenges has been identified by Pearce and Robinson (1997) as a major source of competitive advantage for numerous firms in today's intensely competitive global economy. It is thus imperative to quickly adjust and formulate strategies so as not to be overtaken by events.

In his 1980 classic Competitive Strategy, techniques for .Analyzing Industries and Competitors, Porter simplifies the scheme by reducing it down to the three best strategies. They are cost leadership, differentiation, and market segmentation (or focus). As Ansoff and Mcdonnel (1990) argue, business firms are in a constant two way interaction with the environment, they receive an assortment of resources from the environment and after a transformation deliver them back to the external environment in the form of goods and services. The connection of the external environment and the organisation is an input-throughput-output process where inputs are received from the environment and released back into the same environment after being processed by the environment. What is released back can be consumed by the organisation if it fits the environmental requirements and needs (Porter, 1985).

According to Grant (2000) the business environment of the firms consists of all the external influences that impact firms' decision and performance. An organisation survives and succeeds when it creates and maintains a match between its strategy and the environment, and also between its internal capability and strategy. The environment is not static but turbulent. Discontinuous and uncertain strategic responses call for organisations to change their strategy to match the environment and also to transform or redesign their internal capability to match this strategy. Aosa (1992) noted that environmental turbulence brought challenges to management. An understanding of the environment therefore enables a firm to define its objectives and to develop new strategies that are best suited to cope with the change.

2.2.1 Macro Environment

The macro environment comprises factors that originate beyond and usually irrespective of any single firms operating situation and include economic, political, social and technological. The remote environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence (Pearce and Robinson, 2002). The micro environment is also known as the remote environment and is concerned with relevant forces outside the firm's boundary. Many of these factors are uncontrollable (Bateman and Zeithaml, 1993). Factors in this environment are far from the firm but still influence a firm's operations (Yabs, 2007).

Pearce and Robinson (1991) discus the economic factors as concerned with the nature and direction of the economy in which the firm operates. These factors may be the availability of credit, level of disposable income, propensity of people to spend, interest rates, inflation rates trends, gross domestic product. The economic environment dramatically affects a company's ability to function effectively and influences their strategic choices (Beitman and Zeithaml, 1993). Griffin (1997) contributes that for example during times of inflation a company may pay more for resources and may be forced to increase their prices so as to cover costs, when the interests rate are high, the companies may pay more when they need to borrow. Unemployment rate affects labor availability and the wages the firm must pay as well as product demand.

Social factors involve the beliefs, values, attitudes, opinions and lifestyles of persons in the firm's external environment as developed from cultural, ecological, demographic, religious, education and the ethnic conditioning. As social attitudes change so does the demand for various types of services and products. Social forces are dynamic with constant change resulting from efforts of individuals to satisfy their needs and desires by controlling and adapting to the environmental factors, (Pearce and Robinson, 1991).

Kotler (2000) asserts that political factors define the legal and regulatory parameters within which firms operate. Political constraints are placed on firms through pollution, pricing policies, administration jawboning and many others to protect employees and the general public and the environment. Some political actions are meant to protect organizations. Such as patents laws, government subsidies and product research grants.

Griffin (1997) views technological environment as the methods available for converting resources into products and services. Kotler (2000) further states that changes in technology are also a remote factor in the environment that should be looked at so as to avoid obsolescence. A firm must be aware of these technological changes. Pearce and Robinson (1991) add that creative technology adaptations can suggest possibilities of new products, for improvement in existing products or in manufacturing and marketing techniques.

2.2.2. Task Environment

The task environment is defined by Griffin (1997) as consisting of specific organizations or groups that influence an organization. This environment consists of specific organizations or groups :e: cc an organization. Tnev include the competitors, suppliers, customers, ir.vl increasingly strategic allies. The task environment is • fc-nmo » th •- • • . r nd . t. environment, (Yabs, 2007). Pearce and Robinson • r*. . . . . shaped by five forces which include; the threat of the bj fi • . ; • cr • t customers, the bargaining power of suppliers, the threat of substitute ' • 4s • xr.'xcs and the jockeying among current contestants, while the operating c-' • factors in the competitive situation that affect a firm's success * re -rnrces or in profitably marketing its goods and ten tea.

f ~4 U) P< 'S • iteg> i about competition and the means by which an i: .-»:;. r. tno • mpctitive advantage in the industry. He brings forward the • : . ,lr.v v i tr.pct:t;« n. ite believes that once these five forces have — drntificd clc.r r i p.incuLir industry. a SWOT analysis of the firm should be - • Ktraiiw .. i: potitive position in the industry. This will then enable :u .tc. ,cs to apply in order to combat the competition.

m-» en%i tv.pf.se ot factors in the competitive situation that affect the it -ji;, t't tu ; k-.uir n(,' needed resources. Among these, the most important • ••<•rr.j tit; • .:.< n '.li.it , the market share, breadth of product line, proprietary 10 4 cf . 1: uitages. location and age of facility, experience, raw materials, *ran* *%i* ot -: .i:r.c .crvicc quality, caliber of personnel and the general image of P .... Vl (; P . c l u d e the composition of the customers, geographic area, hie » c reputation among creditors and suppliers and the ability to attract c ^ n t MBioyces.

n-.cr.t is much more subject to the firm's influence or control than .. . • c ;; rm can be more proactive dealing with the operating (.... • **v.c remote environment.** Multinational corporations must **environments simultaneously.**

2.3 Response Strategies

Strategic responses have been defined by Pearce and Robinson (1991) as the set of actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. Thompson (1997) argues that strategic adoptions are changes that take place over time to the strategies and objectives of an organisation. Such change can be gradual or evolutionary or more dramatic, even revolutionary.

Johnson and Scholes (1999) postulate that organizational strategies exist at three levels: corporate level, business or competitive level and operating level. Corporate level strategies involve the overall structural scope of the organization while business level strategies use strategic business units (SBU's) to compete successfully. Operational level strategies deal with internal procedures and standards. The four possible corporate strategies are; market penetration, product development, market development and diversification as strategies that managers could consider as ways to grow the business via existing and/or new products, in existing and/or new markets. However, Porter (1980) points out that a diversification strategy stands apart from the other three strategies.

The first three strategies are usually pursued with the same technical, financial, and merchandising resources used for the original product line, whereas diversification usually requires a company to acquire new skills, new techniques and new facilities. Therefore, diversification is meant to be the riskiest of the four strategies to pursue for a firm. According to him, diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff, 1980).

2.3.1 Corporate Strategies

The company's corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization.

Corporate strategies can be categorized as follows according to Johnson and Scholes (2002). One categorization scheme is to classify corporate-level strategy decisions into three different types, or grand strategies. These grand strategies involve efforts to expand business operations (growth strategies for example concentration strategy, vertical integration strategy, diversification strategy), decrease the scope of business operations (retrenchment strategies for example turnaround strategy, divestment decisions, Bankruptcy, Liquidation), or maintain the status quo (stability strategies).

Intensive strategies such as market penetration, market development and product development can also be used. Market penetration involves introducing present products or services into new geographical areas (Pearce and Robinson, 1997). Product development seeks to increase sales by improving or modifying present products or services. Pearce and Robinson (1997) observed that this strategy is most effective when an organisation competes in an industry that is characterised by rapid technological developments and when major competitors offer better quality products at comparative prices. On the other hand market penetration seeks to increase the market share for present products or services in present markets through greater marketing efforts. These strategies are more appropriate when increased economies of scale provide major competitive advantages.

Diversification is another strategy that firms resort to in times of changing environmental conditions. Diversification refers to the changes in the products, markets and functions that can be done internally or externally, horizontally or vertically and it involves related or unrelated changes (Jauch and Glueck, 1990). Related diversification is development beyond the company's present market, but still within the broad confines of the industry. It builds on the assets or activities that the firm has developed. Horizontal integration refers to a strategy of seeking ownership or increased control over firm's competitors.

This strategy is most effective when an organisation can gain monopolistic characteristics in a particular region without being challenged. Vertical integration occurs when a company becomes its own supplier distributor. Unrelated diversification is development beyond the present industry into products or markets, which at face value, may bear no close relation to the present products or market (Johnson and Scholes, 1999).

Organisations can also pursue strategic alliances, joint ventures, retrenchment, divesture and merger and acquisitions as defensive strategies. Strategic alliances involve pulling of resources with other organisations, to band together in order to exploit opportunities and to share ideas and information (Burnes, 2000). Such alliances are for cases when the resources of the various partners are insufficient to allow them to undertake the project by themselves. A joint venture is a strategic alliance that occurs when two or more companies form a temporary partnership for the purpose of capitalizing on some opportunity.

Change of culture is another response to increased competition in the environment. Culture is a pattern of beliefs, values and learned ways of coping with experiences that have developed during the course of an organisations history (Brown, 1998). According to Thomson (1997), the potential for changing the culture of an organisation is also affected by the strength and the history- of the existing culture, how well the culture is understood. He adds that the culture of an organisation would need to be changed when it does not fit well with the requirements of the environment or the organisations resources, the company is not performing well and needs major strategic changes, or the company is growing in a changing environment and need to adapt.

Retrenchment occurs when an organisation regroups through cost and asset reduction to reverse declining sales and profits. This strategy would be very effective when an organisation has a clearly distinctive competence, but has failed to meet its objectives and goals consistently overtime. Divesture is the selling of a division or part of an organisation. It is often used to raise capital for further strategic acquisition or investment. Mergers are more typically the result of organisations coming together voluntarily because they are actively seeking synergistic benefits.

Restructuring involves looking at an organisation as a whole. Organisation structure is the established pattern of relationships between component parts of an organisation outlining communication channels, control and authority. The levels of the structure should be as few as possible to reduce the scalar chain of command. Firms can be dramatically improved their efficiency and quality of their output by focusing on the processes that create value to them (Hammer, 1996). Radical business process re-engineering requires complete rethink of how certain tasks are carried out and search for new ways through which performance can be improved (Thompson, 1997). When competitiveness problem finally becomes inescapable, most executives resort to the brutal task of restructuring through refocusing, delayering, decluttering and right sizing. According to Hammer (1996) a firm will profitably restructure itself out of business when top management seems incapable pf profitably creating the future.

2.3.2 **Operational Strategies**

According to Johnson and Scholes (2002), operational strategies are concerned with how parts of an organization deliver effectively the corporate strategies in terms of resources, process and people. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources.

According to Hunger and Wheelen (1990) firms can respond to environmental changes by crafting new operational changes which are taken by functional areas of the organisation to achieve corporate and business unit objectives by maximizing resource productivity. They note that operational responses are concerned with developing and nurturing a distinctive competence to provide an organisation with a competitive advantage.

Operational responses include marketing and financial strategies (Hunger and Wheelen, 1990). Marketing strategies deal with pricing, selling and distribution of a product. By adopting a marketing development strategy, a company can nurture a share of existing market for current products through market saturation and penetration. A company can also examine the financial implications of corporate and business unit options and identify the best financial course of action. The key issue is the trade off between the desired debt to equity ratio and relying on internal long term financing via cash flows (Hunger and Wheelen 1990).

Even though strategies may be focused on a given function, more often than not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals. Other operational strategies include research and development, human resource strategies and purchasing strategies (Byars 1991). He further adds that human resource strategy is concerned with determining he human resources that the organisation needs to achieve its objectives as it could decide to use low skilled or skilled employees.

Research and development strategies are an effective way to safeguard the organisation against product or production process obsolescence. Purchasing strategy deals with the obtaining of raw materials, parts and supplies needed to perform operational functions. According to Johnson and Scholes (2002) the nature and tasks undertaken by the operating core of an organisation has an important influence on the various aspects of organisation design and control. Operations are the core function of the organisation and continuously manage the flow of resources through it. In many organisations operations count for 80% of employees and hence most of their added value and output of an operation system is the bundle of goods and services, which is consumed in society.

Porter prescribes three generic competitive strategies. These are cost leadership, differentiation and focus. Cost leadership aims at being efficient in production and operations to reduce costs by having controls to this effect. Differentiation means targeting different market segments and catering for each individually to gain maximum value. Differentiation is used as a response technique to increased competition by many firms. To differentiate is to make one unique and distinctive and is a strategy by non profit organisations when they are faced with a crowded market. Differentiation involves differentiating of the product or service offering of the firm and creating something that is perceived industry wise as being unique.

Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service, sales force, and advertising Kimani (2006). The firm strives to become the most efficient producer in the market, and has the ability to change the lowest price. Cost leadership can be achieved by a firm adapting functional policies and resorting to aggressive construction of efficient scale facilities. The quality assurance process may also be elaborate to reduce costs of customers' delays and cost of errors.

Focus involves concentrating on one particular market niche to position oneself in the market. The focus strategy aims at narrow market segments, product category of certain buyers. The strategy is about identification of a particular customer segment, geographical market and coming up with products suitable for that segment, once the segment has been identified, then the firm may pursue either cost or differentiation strategies. Porter (1980) argue that this strategy rests on the premise that the firm is thus able to serve its narrow strategic target more effective or efficient than competitors who are competing more broadly. According to Chekwony (2001) the focus strategy therefore helps firms to direct their strategic plans to align themselves to the environment.

Environmental analysis will assist in manipulating marketing variables such as the product, price, place, promotion, people, and probe to ensure relevance of the firm. According to Thompson and Strickland (1993) environmental scanning enables managers to identify potential developments that could have an important impact on industry conditions leading to the emergence of opportunities and threats. This will help the managers to develop appropriate strategies given the industry's' competitive situation, a number of marketing variables may be manipulated in response to competition. These include adjusting of targets markets, diversification, developing new products, distribution changes and making price cuts (Business Trends Review, 1992)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

This was a descriptive census survey aimed at determining the response strategies adopted by international NGOs in Nairobi in view of the macro-environmental changes. A survey was appropriate so as to be able to get more comprehensive information about the strategies adopted by firms in this industry and to be able to make comparisons. Lewis and Thornhill, (2003) connote that descriptive surveys allow the collection of large amount of data from a sizeable population, these data is usually standardized, allowing easy comparison.

3.2 The population

The population of interest in this study included all International Non Governmental Organizations in Nairobi, which are registered and are actively operating and have headquarters in Nairobi. There are 192 International NGOs in Kenya, with 42 of them having their Headquarters in Nairobi, according to African Development Information Services (2007). See appendix III.

33 Data collection

Primary data was used for this **study. A** self administered semi structured questionnaire was used to the collect data. The questionnaire consisted of open ended and closed ended questions and had three main parts. Part I consisted of questions aimed at obtaining general information about respondents and demographics of the organization; Part II had questions about the environmental challenges faced by these INGOs and Part III will consisted specific questions aimed at obtaining data on the response strategies adopted by particular category of INGO. Questions in part II and III were designed in a likert type scale format and also a general format.

Data was collected from the top management, middle management and the line managers, because these mangers had a high participation in the formulation of strategy from the corporate strategies to the operational strategies. The questionnaires were self - administered through the drop and collection method. This method was selected because of the large number of international NGOs under study and also speedy way to collect the data.

>4 Data analysis

Since the study was a descriptive design, descriptive statistics was used to analyze the data. Data on Part I was analyzed using frequency distribution and percentages. As for Parts II and III, the data was analyzed using mean score and standard deviation so as to determine the Response strategies adapted by the International Non-Governmental Organizations in Kenya. Tables and percentages were included to represent the response rate.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 General Profile of the International NGOS

General profile of the International Non Governmental Organizations in the study included the name of the INGO, position of the respondent, the length of operation in the country, the area of focus and the number of employees in the INGO in question. Questionnaires were distributed to 42 INGOs and were targeted to the management level respondents. From the 42 that were distributed, only 26 questionnaires were successfully completed and collected which gave a response rate of 61.9%.

4.1.1 Length of operation of the INGOs

Tne respondents were asked to indicate their length of time they had been in operation, it was found out that majority of the INGOs have operated in the country for over 20 years, as shown in Table 4.1. This showed that majority of these INGOs i.e. 57.7% were fully established and mature in the country, given the length of operation.

Table 4.1: Length of Operation of INGO

Years	Frequency	Percentage
1-5	3	11.5
6-10	4	15.4
11-15	2	7.7
16-20	2	7.7
Over 20	15	57.7
Total	**26**	**100.00**

4.1.2 Area of focus of the INGOs

The respondents were probed on the areas of focus which included health development relief, welfare development, environmental development, cultural development and youth development. The study showed that from the INGOs that were under study, majority of them specialized in Health development relief. (Table 4.2) However it was noted that many organizations specialized in more than one activity. Other organizations specialized in other categories for example, dealing with widows and children welfare among others.

Table 4.2: Area of Focus of INGO

Categories	Frequency	Percentage
i Education Development	22	24.4
Health Development Relief	17	18.9
Welfare Development	12	13.3
Environmental Development	9	10.0
Cultural Development	9	10.0
Youth Development	13	13.4
Others	9	10.0

4.2 Environmental Challenges

As per the Objective of the research, it was important to find out the extent of challenges the respondents face in line to the changes in the environment. These challenges were specified into relevant variables and an option was given for any other challenge that may not have been mentioned. The changes included the macro-environmental elements i.e the political/legal, economical, socio-cultural, and technological and competition. Each factor was analyzed to get the mean and standard deviation. The standard deviation was used to measure the degree of the spread in the scores among the respondents.

The findings of the research showed that certain elements of the macro environment affected some categories of the INGOs differently. From Table 4.3 it can be seen that changes from the economic environment and the political environmental changes affected all the categories of the INGOs greatly, the least affecting element was the socio-cultural environment. The environmental development category was affected to a greater extent compared to all others.

Table 4.3: **Extent of Challenges of Macro-environmental Changes to Different** Categories **of the INGOs**

CATEGORY OF INGO	ELEMENTS OF THE MACRO ENVIRONMENT: ECONOMICAL		POLITICAL		SOCIO CULTURAL		TECHNOLOGICAL		COMPETITION	
	Mean	S.D	Mean	S.D	Mean j	S.D	Mean	S.D	Mean I	S.D
Education Development	387	1.02	3.06	1.45	1.87	1.04	3.79	0.19	2.68	1.5
Health Development Relief	3.84	1.13	3.10	1.40	2.67	1.18	3.41	1.00	2.89	1.48
Welfare Development	4.03	1.13	3.38	1.38	3.00	0.23	3.96	0.95	3.46	1.38
Environmental Development	3.97	1.49	3.62	1.40	2.22	1.13	4.31	0.99	2.72	1.63
Cultural Development	4.06	1.09	3.35	1.15	2.80	0.07	1.40	0.52	3.5	1.13
Youth development	388	1.29	3.42	1.58	2.76	1.45	2.76	1.37	2.87	1.65
TOTAL	3.94	1.19	3.32	1.39	2.50	0.85	3.60	0.85	3.02	1.46

The results also affirmed that technological changes affected the sectors to a large extent and this was unanimous for all the respondents across. The environmental development was however the most challenged by technology given the mean average of 4.6. Competition also affected these organizations' sectors, to a moderate extent, though the views on this element were varied.

4.2.1 Challenges of Economic Changes

Challenge variables that were included in the Economic changes included the rates of inflation, interest rates, rate of unemployment in the country and the disposable income or propensity to consume by the citizens. The findings showed that indeed the INGOs were affected by the economic changes greatly.

Table 4.4: Extent of Challenges of Economic Changes to INGOs

Factors	**Mean**	**Standard Deviation**
Inflation Rate	4.12	0.86
Rate of Interest	3.73	0.92
Rate of Unemployment	3.96	1.07
Propensity to Consume	3.69	1.19
Total	**3.88**	**1.01**

Further the results showed that the INGOs are affected enormously by rate of inflation ana the rate of unemployment in the country. The other factors of the economic environment affected the INGO more or less greatly.

4.2.3 Challenges of Political/Legal Changes

The respondents were questioned about the challenges their organizations faced when there were major changes in the political environment. Certain factors were used to determine the extent of their effects. It was felt that the political changes posed a little challenge to the INGOs, however there were varied opinions.

Table 4.5: Extent of Challenges of Political/Legal Changes to INGOs

Factors	Mean	Standard Deviation
Changes in Leadership	2.92	1.83
! Political Stability	3.46	1.39
Government subsides	2.96	1.28
Research grants	3.54	1.00
Pricing policies	1.04	1.28
Change in employment laws	1.04	1.43
Degree ofjustice in the system	3.77	0.21
Total	**2.68**	**1.20**

Results from Table 4.5 proved that the degree of injustice in the system, availability of research grants and political stability in the country, all affected the organizations largely i.e. mean of 3.77, 3.54 and 3.46 respectively. The organizations felt however that pricing policies and change in employment laws did not pose a challenge at all, even though the feeling was not the same across the board.

4.2.3 **Challenges of Socio-cultural Changes**

Since INGOs are diverse in their activities the researcher thought it would be important to include certain variables that may be posing challenges when it comes to the socio-cultural element. The outcome was that generally the changes in the socio-cultural did not affected the organizations as much as shown in the Table 4.6

Table 4.6: Extent of Challenges of Socio-cultural Changes to INGOs

Factors	Mean	Standard Deviation
Demographics	3.08	0.26
Peoples' Beliefs	3.50	1.07
Opinions and Attitudes	2.77	0.18
Level of Education	2.50	1.45
Religion	1.46	1.56
Total	2.71	**0.90**

Despite the general extent of challenge, people's beliefs and demographics affected most of the organizations on a wider scale as compared to the other factors. Religion was felt as not posing a challenge to the activities of the INGOs.

4.2.4 Challenges of Technological Changes

With the emergence of technology globally, technology did affected these organizations greatly, as depicted in Table 4.7

Table 4.7: Extent of Challenges of Technological Changes to INGOs

Factors	Mean	Standard Deviation
' Introduction of the internet	4.96	1.15
Ease of Transformation Of Inputs into Outputs	1.42	0.33
Level of innovation	4.73	0.87
Ease in communication	3.85	1.00
Availability of reliable support systems	2.46	0.95
Total	**3.48**	**0.86**

The introduction of internet and the rapid level of innovation came out as a major factor affecting these organizations. The ease of transforming outputs into inputs was not seen as posing a challenge to the organization.

4.2.5 Challenges of Competition

Even though competition was not part of the macro environment, the researcher felt it important to find out if INGOs are affected by competition, the reasoning being that NGOs in Kenya have in the recent past increased in their services and it has been found out that some of their activities overlap with those offered by the government and other private for profit organizations. Tne findings revealed that generally the INGOs are not challenged by competition as much (Table 4.8).

Table 4.8: Extent of Challenges of Competition to INGOs

Factors	**Mean**	**Standard Deviation**
Threat of substitutes	0.62	1.05
Increase of Rivalry competition	1.88	1.61
Rapidly changing markets	2.46	0.42
Buying power of suppliers	3.42	0.87
Total	**2.10**	**0.99**

The Buying power of suppliers turned out to be a prominent factor when it comes to competition and this was an experience felt by most of these organizations. The INGOs felt that there was no threat of substitutes experienced, however the opinions about this were varied across the board,

4.3 Strategic Responses to the Macro Environmental Changes

Following the above challenges, the researcher sought to find out the response strategies these organizations have been adopting to sustain themselves in the macro-environment. The strategies were categorized according to the macro-environmental elements that were under study. Several suggested strategies were included by the researcher as possible strategies that may be adopted. They were listed on a likert scale with their extent being a measure. The findings of these strategies have been discussed below.

4.3.1 Strategic Responses to Economical Changes

From the above it was noted that the economical environment is the element affecting the INGOs greatly. There are some specific strategies seen as being adapted by these organizations to a particular extent. Table 4.9. For example, using multiple sources of funding was seen as the strategy adapted widely by these organizations and was seen as unanimous among the INGOs, also outsourcing and collaboration with other organizations came in as a popular strategies.

Table 4.9: Extent of Application of Strategic Responses to Economical Changes

Strategies	Mean	Standard Deviation
Diversification strategy	2.88	1.07
Market Development	3.04	0.56
Market Penetration Strategy	3.23	0.39
Product/ Service Development	3.35	1.62
Joint Ventures/Collaboration	3.12	0.96
Restructuring	2.96	1.25
Mergers and acquisitions	1.92	1.81
Retrenchment	1.48	1.05
Outsourcing	3.84	1.00
Down sizing	1.31	0.41
Use of multiple source of funding	4.12	0.95

Strategies such as downsizing, retrenchment, mergers and acquisitions were not adopted at all in the face of economic changes in the environment as depicted in Table 4.9

4.3.2 Strategic Responses to Political/Legal Changes

Political changes in general were also not seen as affecting the INGOs extensively, however the strategies that were selected were not as popular among the INGOs, for example use of multiple sources of funding, joint ventures/collaboration and restructuring strategies were most popular among the rest that were not used at all as seen in the Table 4.10.

Table 4.10: Extent of Application Strategic Responses to Political/Le»al Changes

Strategies	Mean	Standard Deviation
Market Development	1.58	0.47
Market Penetration Strategy	1.73	0.48
Product/ Service Development	1.93	1.62
Joint Ventures/Collaboration	2.56	1.70
Restructuring	2.36	0.70
Mergers and acquisitions	1.53	1.76
Retrenchment	1.80	0.41
Outsourcing	1.08	0.50
Down sizing	1.28	1.49
Use of multiple source of funding	2.18	1.06

4.3.3 **Strategic Responses to Socio-cultural Changes**

The socio-cultural environment was seen to be affecting the organization but not too extensively, however there were some strategies in this element that were highly adopted. These included diversification and product/'service development. The extent of application of the down sizing strategy was not as frequently used by these organizations, as per Table 4.11.

Table 4.11: Extent of Application Strategic Responses to Socio- Cultural Changes

Strategies	Mean	Standard Deviation
Diversification	3.76	0.09
Market Development	3.20	0.76
Market Penetration Strategy	3.28	1.43
Product' Service Development	3.48	1.48
Outsourcing	3.36	1.35
Down sizing	2.4	1.5

43.4 Strategic Responses to Technological Changes

The strategies that were mostly adapted by most organizations to cab challenges in the technological environment were the computerization (4.76), whereby the organizations opt to computerize their operations, diversification of their products and services and collaboration. However retrenchment strategy, restructuring and mergers and acquisitions were strategies that these organizations shied from as proven by Table 4.12

Table 4.12: Extent of Application of Strategic Responses to Technological Changes

Strategies	Mean	Standard Deviation
I Diversification	3.80	1.01
Market Development	3.40	1.44
1 Market Penetration Strategy	2.64	1.52
I Product/ Service Development	2.68	1.25
Joint Ventures/collaboration	3.52	1.39
Restructurina	1.92	1.61
Mergers and acquisitions	1.80	1.22
Retrenchment	1.32	1.18
Outsourcing	2.08	0.38
Computerization	4.76	0.44

4.3.5 Strategic Responses to Competition

As depicted in Table 4.13, competition was seen by many as a factor not greatly affecting the organizations. The strategies seen as been adopted greatly are those of joint ventures and outsourcing as their means are 3.36 and 3.56 respectively, restructuring is seen as a strategy not adopted in the face of competition.

Table 4.13: Extent of Application of Strategic Responses to Competition

Strategies	Mean	Standard Deviation
Diversification	2.12	1.81
Market Development	2.12	1.69
Market Penetration Strategy	3.40	1.03
Product/ Service Development	2.36	1.60
Joint Ventures	3.56	0.53
Restructuring	1.12	1.62
Mergers and acquisitions	2.92	1.66
Outsourcing	3.36	1.25

CHAPTER FIVE: SUMMERY, DISCUSSIONS AND CONCLUSIONS

5.1 Summery', Discussions and Conclusions

The first objective of this research was to determine the macro environmental challenges faced by International Non Governmental organizations in Nairobi. The extent of the environmental challenges was determined by the use of a likert scale questions. The macro environment changes were seen as generally posing challenges to the organizations. This was the opinion of most of the respondents. This is due to the fact that INGOs operate in the same environment as all other businesses despite the fact that it is a not-for-profit organization, even though the extent of the impact of the challenges may vary, it is equally a player and has no exemptions to any change in the macro-environment.

The study showed that out of the five elements discussed, i.e. the economical, political/legal, socio-cultural, technological and competition, the INGOs are mostly affected by the economic environment followed by the technological environmental changes. These organizations are least affected by competition, this may be explained by understanding that, at the international level, INGOs have been increasingly important in creating a kind of international civil society, animating informal but powerful normative regimes, and influencing the practices and policies of international institutions (Njine, 2006). Therefore having this unique mandate competition may not pose as much challenge as the other micro-environmental factors.

During the economical changes, INGOs are affected most by the rate of inflation in the country; this may be due to the long range planning that is always undertaken by these organizations. Coming to the political changes, the factor that greatly affected the organizations was the degree of injustice in the system, for socio-cultural, technological and competition, the factors were people's beliefs, the emergence of the internet and the buying power of suppliers affected the operations of these organizations respectively.

The second objective of the study was to establish the response strategies adopted to cope with changes in the macro environment. The study was very specific on the position of

the respondent in a particular organization. Given that strategic formulated by the top management, the respondents that were targeted had to be among these. Most of the respondents were found out to be Finance/Administration managers and in some instances the directors of the company.

The research study indicated that INGOs actually face challenges in the macro environmental changes and indeed adopt some strategies so as to survive in the business. As contributed by Pearce and Robinson (2003), changes in the environment will lead to changes in objectives and strategy. Given the challenges that have already been established the INGOs were seen to adopt some strategies to cub these challenges. Some selected strategies were outlined by the researcher as probable strategies that could be adapted. The study verified that even with the moderate effect of these macro-environmental elements some strategies were definitely adapted. The extent of the adaptation of these strategies was measured as well.

The research showed that during the economical changes in the country, the organizations highly opted the use of multiple funding and outsourcing as a strategy. The least opted strategies were those of down sizing and retrenching. For the political/legal environmental changes, the strategies mostly adapted were those of joint ventures/collaborations and restructuring. By joint venture/collaborations the INGOs join forces with other organizations which may be other NGOs, the government or private organizations and involve themselves into programs that will see the accomplishment of their goals.

Given that there are many cultures and social practices, in the socio-cultural changes, the most adapted strategy was that of diversification into other products or services so that the communities' basic needs are met, retrenchment was seen as a strategy not adapted by these organizations. When it comes to the technological changes that were seen as one of the most prominent elements bringing challenges to the organizations, the strategy they opt to apply more is the computerization strategy, whereby the operations of INGOs are computerized for easy generation of the desired outputs.

As for competition, the strategy that is often adopted is the outsourcing strategy, whereby specialized labor or even equipment can be outsourced from other countries or fields. The restructuring strategy is not a common strategy adapted by these organizations. It is also evident that the retrenchment and the downsizing strategies are not common among the INGOs, their extent of usage are low as compared to those other strategies.

The study found out that the INGOs face a lot of challenges from economic environmental changes, technological changes, political changes, competition and finally socio- cultural changes respectively. The industry has responded to challenges in the economic environment by adapting multiple sources of funding from other institutions, for the political changes the organizations have widely adapted the joint venture strategy, where by the organizations join forces with the government, private organizations or NGOs so as to accomplish their objectives. Other changes i.e. socio-cultural, technological and competition, the INGOs applied the diversification into new products or services, computerization and outsourcing strategies respectively.

The findings of this study were consistent with the literature review discussions. It is therefore concluded that the macro-environment affect all organizations and what counts is the extent of the effect and the preparedness of these organizations in terms of strategies applied to be able to remain in business.

The result of the data analysis was characterized by variances in opinions, pointing out a varied spread of the scores from the INGOs. This signified varied levels of agreement among the responses on the extent of challenges faces from the elements of the micro-environment as well as the strategies adapted. This may be due to the fact that the INGOs in question had different focuses for example, some focused on health relief,

5.2 Limitations of the Study

Some relevant respondents in some organizations were not reachable due to varied reasons. For example in a specific organization, the entire management had traveled for a conference, therefore not reachable. In some companies also, the relevant respondents were too be too busy hence the researcher not getting data from these respondents, which may have affected the general outcome of the results.

In other instances the researcher discovered that some of the listed INGOs did not have operations in the country, and the country office belonged to the secretariat which coordinated operations with other East African countries and had no operating activities in Kenya. Responses were therefore not gathered fro these organizations.

Some respondents were reluctant to give any information concerning their organization for fear of the information being used against them. Others however had a company policy of not letting out information unless given consent by the Directors, some of the directors were unavailable and those available took a long time to give feedback.

5.3 Suggestions for Further Research

Various environmental factors affect organizations differently and the strategies adapted vary from industry to industry. Areas recommended for further research include: Expanding the study to include all NGOs both local and international and Comparison of the local and the International NGOs. This will give a broader picture of the industry. Mother suggestion is researching on the internal environment of a particular INGO and determining the pre emptive strategies.

5.4 Implication for Policy and Practice

The study has shown that the INGOs are affected by the macro-environment, it is therefore important for these organizations to perform environmental analysis so as to get a good picture of the external environment and variables affecting them from the least to the most. Proper research is also important for each category of NGO so that it may be determined as to which elements affect which particular category of NGOs. The INGOs should be able to perform a SWOT analysis as to prioritize their strategies during the formulation stage and subsequently the implementation stages.

REFERENCES

Aaker, D. (1992), **Strategic Market Management,** ,New York: Wiley and Sons.

African Development Information Services (2007). Government of Kenya

Ansoff, H. I. and McDonnell J.E. (1990), **Implanting Strategic Management,** 2nd Edition, New York: Prentice Hall.

Ansoff, H. I. (1979) **Strategic Management,** London: Macmillan Publishers.

Ansoff, H. I. (1980), **Strategic Issue Management.** Strategic Management Journal, vol. l,pp. 131-148

Ansoff, H.I. (1988), **The New Corporate Strategy,** New York: Wiley and Sons.

Aosa E. (1992), **"An Empirical Investigation of Aspects of Strategy Formulation and Implementation within Large Private Manufacturing Companies in Kenya",** Unpublished Thesis, Strathcycle University

Aosa, E. (1998)**."The Leadership Challenge Facing the Kenyan Organisations,"** The Accountant Journal of the Institute of Certified Public Accounts of Kenya, Jan-March, pg 24-26

Bateman, T.S and Zeithaml, C.P (1990), **Management Function and Strategy,** Boston: Irwin Inc, USA

Brown, A.D (1998), **Organisation Culture,** 2nd Edition, Financial Times, Prentice Hall

Business Trends Review, (1992), What Kenyan Companies are Doing to Survive Recession. Vol 2, No.l June

Bumes, B. (1996) **Managing Change: A Strategic Change to Organizational Dynamics.** 2nd Edition, London: Pitman Publishing.

Chepkwony, J. (2001), **"Strategic Responses of Petroleum Firms in Kenya to Challenges of Increased Competition in the petroleum Industry",** Unpublished MBA Project, University ofNairobi

Government of Kenya (GoK) (1993) **Economic Survey,** Central Bureau of Statistics, Nairobi

Grant,'R. M. (1998), **Contemporary Strategy Analysis.** 3rd Edition. U.K: Blackwell Publishers

Griffin, R. W. (1997), **Management,** 5th Edition. Delhi: Krishan Nagar, India.

Hammer, M. (1996), **Beyond Re-Engineering: How the Process-Central Organisation is Changing our Works and Lives,** Harper Collins Publishers

Hax, C.A. and Majluf, N.S, (1996), **The Strategy Concept and Process:** A Pragmatic Approach, 2nd Edition. Prentice Hall International, USA.

Hunger, J.D and Wheelen, T.L (1990), **Strategic Management.** Addison Wesley Inc

Hunger, J.D and Wheelen, T.L (1995), **Strategic Management,** 5th Edition, New York: Addison Wesley Publishing Company

Johnson, G. and Scholes K. (1999), **Exploring Corporate Strategy.** 5th Edition, Europe: Prentice Hall.

Johnson G. and Scholes, K. (2002), **Exploring Corporate Strategy,** 6 h Edition. New Jersey: Prentice Hall. USA

Jauch, R.D and Glueck, W.F. (1990), **Business Policy and Strategic Management,** 6th Edition, McGraw Hill

Kazmi, A (2002), **Business Policy and Strategic Management,** New Delhi, TMH,

Kimani (2006). **"Strategic responses of Christian Community Service Organizations ill Kenya to changes in the environment".** Unpublished MBA Project, University of Nairobi

Kotler, P. (1997) **Marketing Management, Analysis, Planning, Implementation and Control.** New Delhi: Prentice Hall, India.

Kottler. P. and Armstrong, (1999), **Principles of Marketing,** 8lh Edition, New Delhi: Prentice Hall Of India

Kotler. P., **(1991) Strategic Marketing for NGOs.** New Delhi: Prentice Hall India

Kotler, P., (2000) **Marketing Management.** The millennium Edition. New Delhi Prentice **Hall.**

Mintzberg H (1992), **The Strategy Process: Concepts, Contexts and Cases,** 2nd Edition. Prentice Hall Inc. USA,

Mueke, A. M (2006). **"Strategic responses of International Reproductive Health NGOs operating in Kenya to challenges in the environment";** Unpublished MBA Project. University of Nairobi

NGO coordination Bureau (2005). Council of NGOs

N'iine, G. W. (2006). **"A survey of employee recruitment and selection practices among NGOs operating in Kenya.** Unpublished MBA Project, University of Nairobi

Ostra, S.M., (1995) **Strategic Management for Non Profit Organizations,** Theory and Practice. International Thompson Business Press. London.

Pearce, J.A and Robinson, R.B. (Jr), (1991), **Strategic Management: Formulation and Implementation.** Richard D. Irwin, Inc

Pearce, J.A and Robinson, R.B. (1997), ***Strategic* Management. Implementation And Control, Boston:** Irwin McGraw-Hill, U.S.A

Pearce, J.A and Robinson, R.B. (2002), **Strategic Management. Strategy formulation and Implementation,** 3rd Edition. AITBS, India.

Pearce J.A. and Robinson R.B (2003) **Strategic Management; Strategy Formulation, Implementation, and Control,** Irwin. Homewood, Illinois

Porter, M.E. (1980), **Competitive Strategy: Techniques for Analysing Industries and Competitors,** New York: The Free Press

Porter, M.E. (1985), **Competitive Advantage: Creating and Sustaining Superior Performance,** New York: The Free Press

Saunders, M., Lewis. P., and Thomhill, A. (2003), **Research Methods for Business Studies,** 3rd Edition., England. Prentice Hall

Thompson, J.D. (1997), **The Strategic Management Awareness of Change,** 3rd Edition, International Thompson Press, UK

Warsame, A. A., (2002) "A **survey of Strategic Development Practices of Relief and Development N'GOs in Kenya".** Unpublished MBA project of the University of Nairobi

Yabs, J. (2007). **Strategic Management Practices in Kenya.** Nairobi: Lelax Global, Kenya.

APPENDICES

Appendix I: Questionnaire

Fart I

1. Name ofNGO;
   i. Position of respondent;
   ii. How long has the organization been operating in Kenya?

I-5 years	[ ]
6-10 years	[ ]
II-15 years	[ ]
16-20 years	[ ]
Over 20 years	[ ]

2. Area of focus

Education development	[ ]
Health development relief	[]
Welfare development	[]
Environmental development	[ ]
Cultural developmental	[ ]
Youth Development	[ ]
Others (specify)	

3. Total No of employees?

Part II

<u>Environmental Challenges</u>

Please indicate the extent to which the following environmental changes pose challenges to your organization. Use the scale of 1 -5 (where 5= very large extent, 4 = to a large extent, 3= to a moderate extent, 2= to a little extent and 1= to no extent at all).

4. <u>Challenges of Economic change</u>

	1	2	3	4	5
a) Inflation Rate	[ ]	[ ]	[ ]	[ ]	[ ]
b) Interest rate	[ ]	[ ]	[1	[1	[ ]
c) Rate of Unemployment	[ ]	[1	[ ]	[ ]	[]
d) Propensity to consume	[ ]	[ ]	[1	[1	[ ]

Others (specify)

5. <u>Challenges of Political/legal change</u>

	1	2	3	4	5
a) Changes in leadership	]	[]	[]	[]	[]
b) Political stability	]	[1	[ ]	[1	[ ]
c) Government subsides	]	[ ]	[1	[1	t]
d) Research grants	]	[1	[ ]	[ ]	[ ]
e) Pricing policies	]	[ ]	[1	t 1	[1
f) Change in employment laws	]	I 1	[1	[1	[1
g) Degree ofjustice in the system	1	[ ]	[1	[1	I]

Others (specify)

Challenges of Social and cultural change

	1	2	3	4	5
a) **Demographics**	[ ]	[ ]	[ ]	[ ]	[ ]
b) **People's beliefs**	[ ]	[1	[1	[]	[1
c) **Opinions and attitudes**	[ ]	[1	[ ]	[1	[ ]
d) **Level of education**	[ ]	[ ]	[ ]	[ ]	[ ]
e) **Religion**	[ ]	[ ]	[ ]	[]	[ ]

Others (specify)

<u>Challenges of Technological Change</u>

	1	2	3	4	5
a) **Introduction of the internet**	[]	[]	[]	[]	[1
b) **Ease in transformation of inputs into outputs**	[ ]	[ ]	[ ]	[ ]	[1
c) **Level of innovation**	[ ]	[1	[ ]	[ ]	I]
d) **Ease in communication**	[ ]	[ ]	[1	[ ]	[ ]
e) **Availability of reliable support systems**	[1	[1	[ ]	[ ]	[]

8. <u>Challenges of Competition</u>

	1	2	3	4	5
a) Threat of substitutes	[1	[ ]	[ ]	[]	[1
b) Increase of Rivalry competition	[1	[ ]	[ ]	[]	[ ]
c) Rapidly changing markets	[ ]	[ ]	[ ]	[ ]	[ ]
d) Buying power of suppliers	[1	[ ]	[]	[1	[]

Others (specify)

Part III

<u>Strategic Responses</u>

Please indicate the extent to which the following response strategies are used in your organization to respond to challenges caused by economic, political, social and cultural. Technological changes and competition. Use the scale of 1-5 (where 5= very large extent, 4 = to a large extent, 3= to a moderate extent, 2= to a little extent and 1= to no extent at all).

9. <u>Economical Changes</u>

	1	2	3	4	5
a) Diversification strategy	[]	[ ]	[ ]	[ ]	[]
b) Market Development	[ ]	[1	[ ]	[ ]	[1
c) Market Penetration Strategy	[ ]	[ ]	[1	[ ]	[ ]
d) Product/ Service Development	[ ]	[ ]	[ ]	[ ]	[1
e) Joint Ventures	[ ]	[ ]	[ ]	[1	U
f) Restructuring	[ ]	[ ]	[ ]	[ ]	[1

g) Mergers and acquisitions	[1	[1	[ ]	[1	[ ]
h) Retrenchment	[]	[ ]	[1	[ ]	[ ]
i) Outsourcing	[]	[ ]	[ ]	[ ]	[1
j) Down sizing	[]	[1	[1	[ ]	[1
k) Use of multiple source of funding	[]	[ ]	[ ]	[ ]	[ ]
1) Others (specify)					

10. <u>Political changes</u>.

	1	2	3	4	5
a) Market Development	[ ]	[ ]	[ ]	[ ]	[]
b) Market Penetration Strategy	[ ]	[ ]	[1	[ ]	[]
c) Product/ Service Development	[]	[ ]	[ ]	[ ]	[]
d) Joint Ventures	[ ]	[ ]	[1	[1	[]
e) Restructuring	[ ]	I]	[ ]	[]	[]
f) Mergers and acquisitions	[ ]	[1	[ ]	[1	[1
g) Retrenchment	[ ]	[1	[ ]	[1	[ ]
h) Outsourcing	[1	[]	[]	[1	[1
i) Down sizing	[ ]	[ ]	[ ]	[ ]	[1
j) Use of multiple source of funding	[1	[]	[]	[1	[1
k) Others (specify)					

11. <u>Socio-cultural Changes</u>.

	1	2	3	4	5
a) Diversification strategy	[1	[ ]	[ ]	[1	[ ]
b) Market Development	[1	[ ]	[ ]	[1	[ ]
c) Market Penetration Strategy	[]	[1	[ ]	[1	[1
d) Product/ Service Development	[ ]	[ ]	[ ]	[1	[]
e) Outsourcing	[ ]	[1	[1	[1	[]
f) Down sizing	[1	[ ]	[ ]	t 1	[ ]

---

12. Technological Changes.

	1	2
a. Diversification strategy	[ ]	[ ]
b. Market Development	[ ]	[ ]
c. Market Penetration Strategy	[ ]	[]
d. Product/ Service Development	[1	[]
e. Joint Ventures	[1	[ ]
f. Restructuring	[1	[ ]
g. Retrenchment	[1	[]
h. Outsourcing	[ ]	[ ]

i. Down sizing	[ ]	U	[1	[ ]	[1
j. Computerization	[ ]	[ ]	[ ]	[1	[ ]
k. Others (specify)					

13. <u>Competition</u>.

	1	2	3	4	5
a. Diversification strategy	[ ]	[ ]	[1	[ ]	[1
b. Market Development	[ ]	[1	[1	[ ]	[ ]
c. Market Penetration Strategy	[ ]	[1	[ ]	[ ]	[]
d. Product/ Service Development	[ ]	I 3	[ ]	[ ]	[]
e. Joint Ventures	[ ]	[ ]	[1	[1	[]
f. Restructuring	[ ]	[1	[ ]	[ ]	[]
g. Mergers and acquisitions	[ ]	[1	[ ]	[1	[]
h. Outsourcing	[ ]	[ ]	[ ]	[1	[]
i. Others (specify) ____________________					

Appendix II: List of International NGOs in Nairobi

international Community for the relief of starvation and suffering

I African Braille Centre

I Umbrella International

Smile Foundation Centre

| Social Development Network (SODNET)

I Evangelical Lutheran Church In Kenya

-Centre for Cultural Resources Management and Policy Studies in Africa

I

Bible Translation and Literacy East Africa

Centre for Law and Research International (CLARION)

| Christian Mission Aid

Child Care International

Institute of Economic Affair

Inter Region Economic Network (IREN Kenya)

International Confederation of Free Trade Unions Kenya

KickStart - Kenya

i Diakonia Kenya

Family Health International

ADRA Kenya

', PACT - Kenya

Amnesty International Kenya

The Canadian International Development Agency - Kenya

| PSI Kenya Programme

Compassion International Kenya

Handicap International - Kenya

I International Aid Services - Kenya

| Tearfund Kenya

Transparency International - Kenya

i World Vision International-Kenya

Concern Worldwide Kenya

Friends of Conservation - Kenya

f~~SOS Children's Village Kenya~~

African Medical Research Foundation (AMREF)

Pathfinder International

Operation Smile Mission in Kenya

Care International (Kenya)

, Cord aid

Plan international - Kenya

Map international
World Vision
Save the Children
Medicin San Frontiers
Catholic relief services
World relief international
Action Aid Kenya

African Development Information Services (2007)