

An Examination of the NGO Sector Competitive Environment in Kenya

Dr. Robert Arasa¹, Mary Kioko²

¹Senior Lecturer, Graduate Business School, Catholic University of Eastern Africa

²Catholic University of Eastern Africa

Abstract: *The nonprofit sector firms tend to focus more on the internal facets giving little attention to the ever dynamic external business environment. There is notable growth in the NGO sector in terms of numbers of firms seeking donor support as a source to actualizing their intentions and initiatives. Increased number of NGOs and declining funding implies increased competition for the scarce donor funding. This study examines the NGO competitive environment in Kenya with a focus on the health sector, HIV/AIDS subsector. A descriptive survey design was employed confining the study to Nairobi which houses the largest number of NGOs in Kenya (35%). From a study population of 313 a sample size of 10% was picked. Stratified sampling procedure was employed to ensure representativeness in the sample while a purposive approach was utilized to pick target respondents. Descriptive analysis technique was used to analyze data. Study findings reveal that indeed there exists competition within the NGO sector, emanating not only from within the NGO sector but also from private sector organizations, government, academic institutions, faith-based institutions and research institutions. However, this competition cannot yet be categorized as intense. NGOs seem to be getting serious competition from academic institutions and least competition from faith-based institutions. The study recommends that NGOs should continuously scan, analyze and interpret forces shaping their competitive environment for purposes of appropriate realignment, survival and success.*

Keywords: NGOs, Competition, environment, health sector, donor funding, Kenya

1. Introduction

Maximizing on profits is the main purpose of for-profit organizations. Business environment presents opportunities and challenges through which business entities navigates through as they strive to realize this goal. Competition is an important aspect of the environment in which organizations operate in and there has risen need for understanding various forces that shapes the competitive environment. For non-profits, competition when crafting strategy becomes important where there is heavy reliance for fees for service or donor funding in environments where other non-profit providers are active; competition in this case is however considered within the non-profits broader purpose of accomplishing their mission and not to make a profit (Sheehan, 2009). Since the future is unknown, non-profit strategic planning tends to focus more internally than it should, rather than more broadly on competitive threats and opportunities in the external world (Piana, 2005). Competition is therefore seen as an important and growing force in the non-profit sector (Richie & Weinberg, 2000). Whether direct or indirect, competition in the nonprofit sector is a factor that drives organizations to consider the behavior of rivals when setting strategy.

According to the NGO handbook (2010), a non-governmental organization is generally considered to be any non-state, nonprofit, voluntary organization. The term NGO is very broad and encompasses many different types of organizations ranging from large Northern-based charities such as CARE, Oxfam and World Vision to community-based self-help groups in the South; they also include research institutes, churches, professional associations and lobby groups.

Kenya has a vibrant civil society and acts as a regional hub for many international non-governmental organizations

(INGO's) operating in the area. The roots of NGOs in Kenya may be traced to philanthropy mainly in the colonial time during which the activities of NGO's largely focused on welfare (Mbote, 2000). During the colonial period, church based and independent secular organizations independent of the state emerged; church based organizations, for example the Young Men Christian Associations (YMCA) and Young Women Christian Associations (YWCA) were formed to address relief and welfare issues while indigenous organizations and self-help groups were formed to foster the welfare of people affected by the decline of social services due to the war (Kingoro & Bujra, 2009). In the 1980s and 1990s, the development of NGOs was phenomenal and appeared to be directly linked to the problems of poverty, civil strife, conflicts, internal displacements, and general degeneration of the socio-economic and political systems (Mbote, 2000). In its Sessional Paper of 2006, the Government of Kenya recognized that NGOs are potent forces for social and economic development and important partners in national development, and valuable agents in promoting the qualitative and quantitative development of the Gross Domestic Product (GDP).

The NGO Council was established under section 23 of the Act with the role of advising the NGO Coordination Board on the code of conduct of NGOs in Kenya (ICNL, 2009). The NGOs Council is a membership organization that brings together NGOs registered to operate in Kenya (NGO Coordination Board, 2009). The NGO Coordination Board is a State Corporation established by the Non-Governmental Organizations Coordination Act (Cap 19) of 1990 and has the responsibility of regulating and enabling the NGO sector in Kenya (NGO Coordination Board,). According to the NGO Coordination Board strategic plan (2009 – 2013), there has been tremendous growth in the NGOs sector with the contribution of the sector to the country's economy being at approximately

KES 80 billion per year. This is supported by Abdel-Kader and Bill (2011) who state that the growth of the NGO sector is as a result of the opening up of the democratic space in Kenya. According to their study, there has been a massive increase in the growth of NGO's with an estimated growth rate of 400 NGOs per year similar to other African countries. The growth in NGO statistics is also supported by the NGO Coordination Board (2013) who state that since the enactment of the NGO Coordination Act (Cap 19) of 1990 and the operationalization of the NGOs Coordination Board in 1992, the NGO sector has grown significantly with a number of 8,500 organizations having been registered by the NGO Coordination Board by December 2012. The growth in terms of numbers of NGOs operating in Kenya has implications on the level and intensity of competitive environment.

NGO activities in Kenya are diversified with most NGOs operating in multiple sectors focusing on areas such as: Environment, energy and conservation measures; health, food and nutrition; water and sanitation; population matters; shelter; relief services; programs for disabled persons, children, youth, women, destitute and religion; communication; informal sector; human rights; governance; and education (Mbote, 2000; Abdel-Kader & Billy, 2011). There has been increased funding into the health sector (HIV/AIDS) through the NGOs in Kenya. Funding trends however point to a change in the role of INGOs as they no longer hold the privileged position they once had, instead donors are looking toward local governments and local NGOs as key development actors (Agg, 2006).

2. Statement of the Problem

There has been witnessed growth in the NGO sector in Kenya with increased registration of local NGOs and international NGOs competing for the notably limited funding. The non-profit sector has expanded rapidly and outpaced the growth of the donor base therefore increasing competition for potentially scarce donation resources. The high number of NGOs within the HIV/AIDS (NGO Coordination Board, 2009) implies that there is likely to be competition among NGOs in the sector for the dwindling financial resources. The focus of past studies on NGO's in Kenya has been on issues such as important features of NGOs and sustainability of NGOs. These includes a study by Kanyinga & Mitullah (n.d.) on important features of NGOs, a study by Ali (2012) focusing on factors influencing sustainable funding of NGOs. Understanding the competitive environment of the sector is vital in shaping and enhancing the performance of players therein. This paper makes an attempt to examine the NGOs' sector competitive environment for it is key in determining not only the structure and attractiveness but also strategies for NGO success and effectiveness. This study set out to establish; whether NGOs analyze their competitive environment, whether competition for funding exists in the NGO sector, the fronts of competition and the perceived degree of competitiveness in the sector.

3. Literature Review

Theoretical Review

Competition is at the core of the success or failure of firms; it determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Porter, 1985). Competition has been described as the constant struggle among firms for a comparative advantage in resources that will yield a market place position of competitive advantage (Hunt & Morgan, 1995).

According to Porter (1980), the five competitive forces are; the threat of new entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors. The rivalry among competitors is the strongest of the five competitive forces and is usually the jockeying for position and buyer favor that goes on among rival sellers of a product or service; the threat of new competitors is normally as a result of barriers to entry and the expected reaction of incumbent firms to new entry; the threat of substitution is as a result of availability of substitutes that inevitably invites customers to compare quality, features, performance, ease of use, and other attributes as well as price; bargaining power of suppliers is dependent on whether suppliers can exercise sufficient bargaining power to influence the terms and conditions of supply in their favor and the extent of supplier-seller collaboration in the industry; and bargaining power of buyers is dependent on whether buyers have sufficient bargaining power to influence the terms and conditions of sale in their favor and the extent and competitive importance of seller-buyer strategic partnerships in the industry (Thompson & Strickland, 2001). The collective strength of these forces, which can range from mild to intense, is seen to drive the profitability of an industry (Richie & Weinberg, 2000). Understanding the forces that shape industry competition is key for developing strategy; the forces reveal the most significant aspects of the competitive environment and they also provide a baseline for assessing a company's strengths and weaknesses (Porter, 2008).

The Porters five competitive forces model was designed to describe private-sector competition, which is generally hostile and driven by financial self-interest, as opposed to the more cooperative, mission-driven rivalries that characterize the nonprofit sector (Richie & Weinberg, 2000). Richie & Weinber pointed out that Porters model does not reflect a number of critical factors imposed by the not-for-profit environment, for instance, the bargaining power of suppliers is less important for non-profits than for businesses; conversely, issues that are uniquely important in the non-profit sector like societal expectations, have been excluded. According to them a new approach to competitive strategy should be designed specifically for non-profit organizations. According to Grundy (2006) the Porters model of competitive forces tends to: highlight macro analysis as opposed to the analysis of more specific product market segments at a micro level; fails to link directly to management action; tends to encourage the mindset of an industry as a specific

entity with ongoing boundaries, however, this is less appropriate now where industry boundaries appear to be far more fluid; appears to be self-contained, thus not being specifically related, for example, to 'PEST' factors, or the dynamics of growth in a particular market; it could be couched in economic terminology, which may be perceived to be too much jargon from a practicing manager's perspective and indeed it could be argued that it is over-branded.

In view of the criticisms of the Porters competitive forces, an NGO adaptation of the Porters competitive model has been developed (Lloyd, 2010; Applying porter's model to the NGO sector). In this model the bargaining power of large suppliers and bargaining power of large customers is equated to the bargaining power of large funders who are donor organizations or corporate funders; rivalry among existing competitors in the non-profit sector is as a result of increasingly scarcity of resources and the changing environment; threat of new entrants in this context means that there is increased competition for membership and donations which may decrease the amount of money raised by the non-profit organization, barriers of entry in the non-profit sector are however seen as extremely low; threat of substitute products or services is seen to take the form of competing funding requirements between different development focuses.

Empirical review

The fact that resources are scarce inevitably places every consumer of resources in competition, essentially, with every other consumer of resources (Friedman, 1999). Competition in the non-profit world has intensified in recent years. The longstanding tradition of cooperation in the non-profit sector is facing powerful pressures that are driving it toward greater competition (Richie & Weinberg, 2000). In the nonprofit sector, the competitive environment is best viewed as a fusion of two different but related components: competition to attract resources which encompasses fundraising, and competition to attract clients which relates to the delivery of services to clients. Richie and Weinberg (2000) distinguished three broad forms of non-profit competition, that is: combative, where rivals have incompatible value systems and behavior is hostile; collegial, where rivals' objectives differ modestly and collaboration is widespread; and alternative, where rivals pursue different approaches to the same problem and behavior is neither antagonistic nor cooperative. Which type of competition is encountered will depend first on the degree to which the nonprofit organization faces incentives for cooperation or conflict: If pressure to act cooperatively predominates, the organization is likely to adopt a helpful behavioral style and engage in essentially collegial competition; if pressure for conflict is strongest, the organization will vigorously impede the efforts of rivals and engage in combative competition; if neither of these pressures is especially strong, interaction will tend to be driven by the fact that different organizations differ in their views on how best to solve the needs of clients, leading to a variety of approaches thus alternative competition (Richie & Weinberg, 2000).

The organizations or programs attractiveness is evaluated by reviewing factors such as: market size and projected growth rate of industry or growth rate of client base; resource requirements within the companies reach or funding stability; emerging opportunities and threats; support group appeal, that is the extent to which an organizations programs or activities are visible to and appeal to groups capable of providing substantial current or future support; size and concentration of client base, the larger the client base, the greater its attractiveness; measurability of results, that is the extent that the organizations program activities can be measured, demonstrated, or reported convincingly; industry profitability (Thompson & Strickland, 2001; MacMillan, 1998).

An organizations competitive position is evaluated by factors such as: Relative market share where business units have higher relative market share or serve a larger share of the target clientele than competitors thereby giving it an edge on costs; better quality products or service delivery; ability to exercise bargaining leverage with key suppliers or customers; technology and innovation capabilities; cost effectiveness; location and logistics where an organization may be better located or have in place better logistical delivery systems to deliver the service; brand name recognition and reputation; stakeholder loyalty; prior funding history; excellent or superior track record on delivery of services and product attributes; fundraising ability; organizational skills, that is superiority in administrative, managerial, or professional skill (Thompson & Strickland, 2001; MacMillan, 1998).

4. Research Methodology

Descriptive survey design was employed for purposes of this study. This study aimed at describing characteristics of the NGO competitive environment in Kenya. For purposes of this study, the target population was NGO's operating in Nairobi under the HIV/AIDS sector. Nairobi was considered for this research as it has the highest concentration of NGOs in Kenya at 35 per cent, as per a survey report by the NGO Coordination Board (2009). Also the NGOs in Nairobi operate across 38 different sectors with a number of NGOs operating in more than one sector. For this research study, the focus was the HIV/AIDS sector which is considered to have the highest percentage of NGO's at 12 per cent as compared to other sectors (NGO Coordination Board, 2009). The target population was 313 active NGO's operating in Nairobi under the HIV/AIDS sector. The NGO's in this sector are categorized based on scope that is, 217 National NGOs and 96 International NGOs. The research instrument used for this research was the questionnaire which had both open and close-ended questions. To ensure representativeness, based on the categorization as either National or International in scope, stratified random sampling technique was employed. A sample size of 31 NGO's was used which represents 10% of the target population.

Table 1: Sample size

Scope of NGO	Target Population	Sample Size (10%)
National	217	21
International	96	10
Total	313	31

The study targeted one respondent per NGO; total number of respondents were therefore 31. Employing purposive sampling technique, Chief Executive Officers, Directors/Chief of Parties or Senior Managers/Middle Level Managers/Program Coordinators were selected as target respondents. Descriptive analysis technique was used to analyze data. The Statistical Package for the Social Sciences (SPSS) software was used to facilitate the analysis. Means were computed from the likert-scale data where a series of likert type items were combined into a single composite score during the data analysis process (Boone and Boone, 2012).

5. Findings and Discussion

This study is aimed at determining general characteristics of the competitive environment in the NGO sector. Specifically the study set out to establish; whether NGOs analyze their competitive environment, whether competition for funding exists in the NGO sector, the key fronts of competition the perceived degree of competitiveness in the sector.

Findings reveal that majority of the NGOs in the sector analyze the competitive environment and monitor this very often. This implies that the competitive environment is an important baseline that NGOs can use in setting up their strategies for competing. Responses also reveal that NGOs just like other institutions are competing for funding.

Efforts were directed towards establishing whether there is competition within the sector or not. Of those who responded, 90% of the respondents indicated the existence of competition in the sector, while the rest that is 10%, believed that there is no competition. The study also sought to determine the degree of competitive intensity in the sector. Of those who responded, 40% considered the competitive intensity as very low, 6.7% as low, 36.7% as moderate, 6.7% as high and 10% as very high. Figure 4.5 shows this finding.

This study further attempted to determine the level of competition between International NGOs, Local/National NGOs, private sector organizations, government, academic institutions, faith-based institutions and research institutions. Of those who responded, 10% indicated that International NGOs provide similar services as their main competitors, 53.3% indicated that National NGOs provide similar services as their main competitors, 23.3% indicated that private sector NGOs provide similar services as their main competitors, while 13.3% indicated that academic institutions are their main competitors. This finding is presented in table 2 below.

Table 1: Main Competitors

Competitors	Frequency	Percen
International NGOs providing similar services	3	10.0
National NGOs providing similar services	16	53.3
Private sector NGOs	7	23.3
Academic institutions	4	13.3
Total	30	100.0

A five point likert scale was used to interpret the level of competition with the statements ranging from very low to very high (very low and very high levels represented by 1 and 5 respectively). The findings revealed that, there is competition for donor funding from academic institutions, International NGOs, local/National NGOs and research institutions having reported a mean above 3 and with the highest level of competition being from academic institutions which is supported by a mean of 3.83. On the other hand, there is very low competition from faith based institutions which is supported by a mean of 2.57. This finding is presented in Table 3 below.

Table 3: Level of competition

Competition	Mean
International NGOs	3.70
Local/National NGOs	3.23
Private sector organizations	2.73
Government	2.87
Academic institutions	3.83
Faith Based institutions	2.57
Research institutions	3.03

From the review of literature, competition is seen as an important and growing force in the non-profit sector (Richie & Weinberg, 2000). Understanding the forces that shape industry competition is key for developing strategy as the forces reveal the most significant aspects of the competitive environment and they also provide a baseline for assessing a company's strengths and weaknesses (Porter, 2008). The study findings support these arguments on the basis that NGOs in Kenya in the HIV/AIDS sector acknowledge the presence of competition in the sector and analyze the competitive environment very often. The presence of competition in the NGO sector also implies that there are scarce donor resources; this is in line with MacMillan's (1983) view that NGO's are coming under increasing pressure to deliver more and more services with less and less resources therefore the need for them to compete with other NGOs for the scarce resources available if they are to survive.

According to Richie and Weinberg (2000), competitive forces that are seen to drive the profitability of an industry can range from mild to intense. The study findings point to the fact that intensity of competition could be categorized as either low or moderate. Competition in this case, that is for NGO's is not geared towards profitability but towards mission accomplishment (Sheehan, 2009).

The literature review also indicates that National NGO's are currently facing stiff competition from INGO's for the same scarce resources. Based on the study findings, main competitors within the sector were identified as National NGOs, followed by Private sector NGOs, academic

institutions and then International NGOs, with the highest level of competition being from academic institutions followed by International NGOs. This implies that International NGOs are no longer holding the privileged position they once had and more and more National/Local NGOs are seen to be more competitive, which may mean that National/Local NGO's are receiving more funding from donors. This would be in line with the change in focus by donors where they are funding more National/Local NGOs rather than the INGO's (Lewis and Sobhan, 1999; USAID, 2010).

6. Conclusions and Recommendations

NGOs, both international and national are increasingly getting embattle in competition in particular for the notably declining funding for their respective programs. An analysis of the competitive environment is becoming an important task for NGOs for it is significant in informing the kind of strategies to adopt for surviving the competition.

Given the increase in the number of NGOs per year (Abdel-Kader & Bill, 2009) and the dwindling financial resources in the sector (NGO Coordination Board, 2013), the intensity of competition within the sector is likely to rise in the near future. NGO's in the HIV/AIDS sector therefore need to not only be aware of their competitors but to also conduct detailed competitor analysis in order to strategically position themselves for survival and success. In addition, they should also be aware of other environment forces in the industry to be able to best defend themselves against these forces. This study could be a stepping stone to other studies. For instance an examination of competitive strategies NGOs is employing and their effectiveness.

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Author Profile

Dr. Robert Arasa is currently a Senior Lecturer and Doctor of Business Administration programme Coordinator, Graduate Business School, Catholic University of Eastern Africa, Kenya. Before joining the academia Dr. Arasa had worked for than 10 years in the corporate sector; having worked for National Health Scheme - Kenya (heading Research and Business Development docket), Institute of Policy Analysis and Research (where he is currently an Associate). Dr. Arasa is also involved in consultancy services in the areas of strategy and management trainings. He is enlisted by reputable international journals as a reviewer and has also written and published in the fields of supply chain management and strategy. Arasa hold a PhD in Strategic Management, MBA and Bachelor of Commerce from the University of Nairobi.

Mary Kioko is a grant and contracts professional having worked for over 9 years in the NGO sector. She currently works for ACDI/VOCA-REGAL Accelerated Program in the capacity of Community Contracting Fund Manager where her role involves managing grants and contracts and ensuring donor compliance. She holds an MBA-Strategic Management from The Catholic University of Eastern and Central Africa, Bachelor of Arts-Economics from the University of Nairobi and is a Certified Public Accountant.

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