ANALYSIS OF NGO COMPETITIVE STRATEGIES IN KENYA
A CASE OF HIV/AIDS FOCUSED NGOs

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Abstract
The NGO sector has experienced rapid growth in the recent years coupled with cut-backs in donor funding due to the global economic downturn. This has led to increased competition among NGOs for dwindling financial resources. NGOs are therefore forced to come up with strategies to compete for these scarce resources in order to survive, to ensure continuity of their programs and to accomplish their organizations missions. The study examined strategies employed by these NGOs in competing for donor funding and their effectiveness. Descriptive research design was adopted for this study and data was collected through the survey-questionnaire method. The target population consisted of NGO’s operating in Nairobi under the HIV/AIDS sector. Data collected was analyzed using descriptive statistics. Findings reveal that most effective strategies utilized by NGOs in the sector for accessing donor funding are the positioning and internal development strategies. Those effective when used in combination are positioning strategy and internal development strategy and, positioning strategy and cooperative strategy. The study suggests that NGO’s should focus on positioning, internal development and cooperative strategies when seeking donor funding within a competitive environment. Further, studies could be conducted to analyze major policy decisions that shape allocation of funds by donors. A comparative study can also be conducted on competitive strategies adopted by not-for-profit organizations and for-profit organizations.

Key words: Competitive strategies, donor funding, effectiveness, NGO, Kenya
INTRODUCTION

Concept of competitive Strategies

Strategy has been defined as the creation of a unique and valuable position for an organization which enables it to conduct activities that are different from those of its rivals (Porter, 2008). A good strategy is one that boosts a company’s performance and enables it to achieve a sustained competitive advantage over its rivals (Thompson & Strickland, 2001). Competitive strategies are concerned with determining how an organization will act on challenges that emerge from the environment in which it operates (Piana, 2005). Developing a competitive strategy therefore entails developing a broad formula for how a business is going to compete, what its goals should be and what policies will be needed to carry out those goals (Porter, 1980). Porter argues that every firm competing in an industry has a competitive strategy; this can either evolve implicitly through the activities of various departments of a firm or explicitly through a planning process. 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). Strategy models developed for for-profit organizations are therefore are not always applicable to non-profit settings; these models normally require significant modification or adjustment to work in the non-profit setting (Sheehan, 2009). This is mainly due to the differences in purpose between for-profit and non-profit organizations and in the ways in which they judge performance; for profit organizations typically measure their performance based on how much profit they make or how much economic returns they make to their owners while non-profit organizations measure their performance in terms of how well they accomplish their mission (Sheehan, 2009).

In practice, “strategic planning in the nonprofit sector most often focuses on fine tuning current efforts, not on identifying and responding to truly strategic or unpredictable challenges of the future” (Piana, 2005). 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). Nonprofit organizations frequently discuss issues of collaboration as a means for them to improve both organizational effectiveness and program delivery, however, competition is less frequently mentioned even though it is also a powerful dynamic and commonly used means of achieving sectors ends (Piana, 2005). Whether direct or indirect, competition in the nonprofit sector is a factor that drives organizations to consider the behavior of rivals when setting strategy (Richie & Weinberg, 2000). Competing successfully is therefore necessary for the survival and success of non-profit organizations (Piana, 2005).
Non-Governmental Organizations (NGOs) in Kenya

Kenya has a vibrant civil society and acts as a regional hub for many international non-governmental organizations (INGO’s) operating in the area (NGO Regulation Network, n.d.). 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). 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.

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 (NGO Coordination Board strategic plan 2009 – 2013). This is supported by who state that the growth of the NGO sector is as a result of the opening up of the democratic space in Kenya. A study by Abdel-Kader and Bill (2011) revealed that there has been a massive increase in the growth of NGO’s with an estimated growth rate of 400 NGOs per year. There has been equally an increase in the funding of HIV programmes (NGO Coordination Board, 2013). For example Bilateral donor support for HIV programmes nearly doubled in the years 2006 to 2007 and 2008 to 2009, rising from Kshs 20.26 billion to Kshs 39.96 billion. They reported that the U.S. government’s Presidents Emergency Plan for AIDS Relief (PEPFAR) programme is the single largest HIV initiative in Kenya. In addition according to their report, the Global Fund to Fight AIDS, Tuberculosis and Malaria established in 2001 following the Special Session of the UN General Assembly on HIV/AIDS, has served as a critical source of resources for the HIV response in Kenya. To date Kenya has been approved for ten (10) grants by the Global Fund, including five HIV specific grants (NGO Coordination Board, 2013). In 2008, the Total War against HIV and AIDS (TOWA) was launched with US$ 80 million four year loan from the World Bank (NGO Coordination Board, 2013). Numerous other donors and development partners aid in Kenya’s response to HIV; for example, the U.K. Department for International Development finances HIV prevention programming including community mobilization efforts; the Governments of Germany and Japan also contribute to the HIV response; the Clinton Foundation has supported pediatric HIV treatment programmes; while the U.K., the U.S., UN partners and other international players provide HIV related technical support and capacity building assistance (NGO Coordination Board, 2013).

International Non-Governmental Organizations no longer hold the privileged position they once had. Donors are turning towards local governments and local NGOs as key development actors (Agg, 2006). Even though there is increased direct funding for Local and National NGOs for their development work, in reality, it seems that large Northern-based INGOs are still receiving a large amount of official aid, a proportion of which then goes to civil society in
the South (Agg, 2006). The result is that Local and National NGOs, also referred to as Southern NGOs are not able to adequately access donor funding due to stiff competition by INGO’s or Northern NGOs. Competition is also heightened by the continuous decrease in funding which is forcing non-profit organizations to compete for available funds (Clark, 2012). An example of the reduction in donor funding is the sequestration notice issued on March 1, 2013 to all USAID contractors which aims to cancel approximately $85 billion in budgetary resources across the Federal government for the remainder of the Federal fiscal year that ends in September 2013 (USAID, 2013). This implies a cut in budget funding for all USAID partners which is likely affect their workforce, revenue and planning process (USAID, 2013).

Statement of the Problem
The non-profit sector has expanded rapidly and outpaced the growth of the donor base therefore increasing competition for potentially scarce donation resources; this implies that players in the non-profit sector have fewer financial resources with which to provide services (Yurenka, 2007; Chew, 2005; Richie & Weinberg, 2000). In Kenya, there has been an increased focus from donors on the HIV/AIDS sector evidenced by the increase in funding in the sector. This coupled with the high number of NGOs within the HIV/AIDS (NGO Coordination Board, 2009), could imply greater competitive intensity within the sector for the dwindling financial resources.

Existing studies on competitive strategies are mainly focused on for-profit organizations as opposed to not-for-profit organizations. Other focus has been on topics such as important features of NGOs and sustainability of NGOs (Kanyinga & Mitullah, n.d.). Their study highlights figures on the growth, scope of activities, revenue and expenditure patterns of non-profit organizations. A study done by Ali (2012) focuses on factors influencing sustainable funding of NGO’s in Kenya with a focus on Marsabit County. This paper, therefore aimed at assessing strategies employed by NGO’s in Kenya and the effectiveness of these strategies in competing for donor funding.

REVIEW OF LITERATURE
Theoretical review
Porter (1980) states that a competitive strategy is a combination of the ends for which a firm is striving and the means by which it is seeking to get there. It is about being different, deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1996). According to Mahnken (2012), competitive strategies try to get competitors to play our game, a game we are likely to win. Piana (2005) on the other hand states that competitive strategy is concerned with how an organization acts on challenges that emerge from the environment in which it operates.
The goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against competitive forces or can influence them in its favor (Porter, 1980). They aim to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1985).

In coping with the five competitive forces that shapes the industry, there are three generic strategic approaches that can be used to outperform other firms in the industry that is: overall cost leadership, differentiation, and focus (Porter, 1980). Pearson & Robinson (2007) describes the three generic strategies: low cost leadership strategy, used where the low-cost leaders depend on some fairly unique capabilities to achieve and sustain their low-cost position; differentiation strategy, designed to appeal to customers with a special sensitivity for a particular product attribute; and focus strategy, used where a firm is willing to service isolated geographical areas with either a low-cost or differentiation base.

Other competitive strategies employed by organizations include (Thompson & Strickland, 2001; Pearce & Robinson, 2003): Cooperative strategies including alliances and partnerships which are used in racing against rivals to build a strong global presence and/or to stake out a position in the industries of the future; Merger and acquisition strategies especially suited for situation where alliances and partnerships do not go far enough in providing a company with access to the needed resources and capabilities; Vertical integration strategies that extend a firm’s competitive scope within the same industry, this involves expanding the firm’s range of activities backward to sources of supply and/or forward toward end users of the final product; Diversification strategies that represent distinctive departures from a firms existing base of operations; Unbundling and outsourcing strategies which entail narrowing the boundaries of the business; Offensive strategies usually used to yield a cost advantage, a differentiation advantage, or a resource advantage - offensive strategies include: Initiatives to match or exceed competitor strengths by challenging rivals with an equally good or better product at a lower price, initiatives to capitalize on competitor weaknesses, simultaneous initiatives on many fronts, end-run offensives to move to less contested ground which allows a company to gain a significant first-mover advantage in a new arena and forces competitors to play catch-up, guerrilla offensives which are used by smaller competitors against larger competitors by taking advantage of whatever opportunities come their way without provoking concerted competitive retaliation, and preemptive strikes which involve moving first to secure an advantageous position that rivals are foreclosed or discouraged from duplicating; Using defensive strategies to protect competitive advantage and therefore strengthening a firms competitive position - defensive strategies include: moving to block challengers by throwing obstacles in their path, and signaling the likelihood of strong retaliation in the event of an attack; Growth strategies where a firm directs its resources to the profitable growth of a single product, in a single market,
with a single dominant technology; Market and product development strategies which involve marketing present products with cosmetic modifications to customers in related markets and introducing substantial modifications to existing products or creation of new related products to be marketed to current customers respectively; Turnaround strategy which involves cost and asset reduction; Divestiture strategy which involves the sale of a firm or a major component of a firm.

An effective competitive strategy takes offensive or defensive action in order to create a defendable position against the five competitive forces and thereby yielding a superior return on investment for the firm (Porter, 1980). Competitive advantage in this case is gained when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor (Barney, 1991). This view is also supported by Thompson and Strickland (2001) who state that competitive advantage is obtained whenever a company has an edge over rivals in attracting customers and defending against competitive forces.

Strategy models developed for for-profit organizations are not necessarily applicable for non-profit settings; these models normally require significant modification or adjustment to work in the non-profit setting (Sheehan, 2009). This is mainly due to the differences in purpose between for-profit and non-profit organizations and in the ways in which they judge performance. For-profit organizations typically measure their performance based on how much profit they make or how much economic returns they make to their owners. Another concern for for-profits is the social value they produce for society and their impact on other various stakeholders; however, this is secondary to their primary objective of making profit and maximizing on shareholder value. Non-profits on the other hand measure their performance in terms of how well they accomplish their mission (Sheehan, 2009). Since making profit is the main purpose of for-profit organizations, competition is an important aspect of the environment in which they operate therefore the need for them to have competitive strategies (Sheehan, 2009).

Nonprofit organizations frequently discuss issues of collaboration as a means for them to improve both organizational effectiveness and program delivery, however, competition is less frequently mentioned even though it is also a powerful dynamic and commonly used means of achieving sectors ends (Piana, 2005). Piana argues that strategic planning in the non-profit sector often focuses on fine tuning current efforts and not on identifying and responding to truly strategic, novel, or unpredictable challenges in the future. Since the future is innately unknowable, 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 however seen as an important and growing force in the non-profit sector (Richie & Weinberg, 2000).
Empirical review

Competition in the non-profit world has intensified in recent years, and non-profit managers are challenged to devise strategies that will serve both organizational needs and public interest (Chetkovich & Frumkin, 2002). The longstanding tradition of cooperation in the non-profit sector is facing powerful pressures that are driving it toward greater competition (Richie & Weinberg, 2000). According to Stone et al. (1999) non-profits pursue both competitive and cooperative strategies; competitive strategies are those used by nonprofits to pursue new revenue streams while cooperative strategies are those that link the focal organization to others to pursue common funding flows or client referrals. Based on their study, more research attention needs to be placed on aspects of non-profit competitive or market driven strategies than cooperative strategies that are relatively well documented.

According to Barry (1986) as cited in Friedman (1999), strategies that are used by many non-profits in the competitive arena include: Growth and diversification of funding sources to increase their influence in the environment; mergers, consolidations, joint ventures, and sharing of services with one or more other non-profits; decisions to "downsize" or "rightsize"; concentrating on a specific market niche; using surpluses from one activity to bolster a less lucrative activity; making contracts to provide service to governments or other organizations; upgrading and professionalizing staff capabilities; reliance on volunteers or other cost-saving methods of reducing labor costs; and going out of business.

Another way of looking at strategies utilized by non-profit organizations to compete is through the use of Professor MacMillan’s competitive strategies matrix (Allison & Kaye, 2005). This matrix was developed to help non-profits assess their programs within the context of a non-market economy and within a reality of decreasing funds to support needs of clients. The matrix is based on the assumption that duplication of existing comparable services among non-profit organizations can fragment the limited resources available and leave all providers too weak to increase the quality and cost effectiveness of their services. The matrix also assumes that trying to be all things to all people results in mediocre or low quality service and that non-profit should focus on delivering higher quality service and in a more focused way. MacMillian assessed current or prospective programs according to four criteria: fit with mission, potential to attract resources, competitive position and alternative coverage (Allison & Kaye, 2005). Fit with mission means the degree to which a program belongs or fits within an organization; program attractiveness means the degree to which the program is attractive to the organization as a basis for current and future resource deployment; competitive position means the degree to which the organization has, or is acknowledged to having, superior potential to support the program; and alternative coverage means the extent to which alternative organizations can, or are inclined to, serve the target of the program (Allison & Kaye, 2005).
Clarifying the mission of the organizations is a key step in strategy formulation. It is therefore important for the strategist to identify the key groups which have a vested interest in the future of the organization and on whom the organization will depend for support, and also to assess what power and influence they have to shape and support the mission (MacMillan, 1998). The mission of the organization needs to be redefined as the organization grows or as a result of competitive pressures in the environment that alter an organizations operations (Pearce & Robinson, 2003). Any non-profit seeking to formulate a strategy should begin by establishing its mission accomplishment measures which are the indicators of effectiveness (Sheehan, 2009). MacMillan (1983) argues that it is important for non-profit organizations to ensure that strategies employed while competing are constructive rather than destructive. They should be concerned more with accomplishing their mission and making a difference for society (Sheehan, 2009).

Other strategies utilized by non-profits in accessing donor funding are: Building relationships with the donor community through effective donor identification and development, building a network of partners for gathering intelligence and building awareness about your organization (Development Grants Program, 2011), building strong business development and proposal writing teams and technical capacity to develop quality proposals in order to be attractive to the donor (Santos, 2011; Development Grants Program, 2011); and having strong systems in place to include grants management, financial management and program implementation systems (Santos, 2011). The charity market is increasingly fragmented with a handful of very large charities dominating the market in terms of marketing expenditures. These larger and better resourced charities tend to lead in terms of fundraising and use of marketing strategies, and have been able to attract more funds to the detriment of smaller charities (Sargeant, 1995 as cited in Chew, 2005).

A keen review of literature reveals limited research attention on competitive strategies within the NGO sector and in particular with a focus on the effectiveness of the employed strategies. Stone et al. (1999) argues that there is need for more research on strategies that non-profits pursue. In the Kenyan context, little research has been done on competitive strategies. This paper therefore aimed at contributing to developing knowledge in this area.

RESEARCH METHODOLOGY
Descriptive design was employed for purposes of this study; this has been applied in similar studies (Wanjohi, 2008). This was a survey of NGOs in Kenya, Nairobi. The descriptive study was aimed at describing characteristics of this group in relation to strategies they undertake to compete for donor funding. The target population was NGOs 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 percent. Under Nairobi, NGOs operate in 38 different sectors with a
number of NGOs operating in more than one sector. For this research study, the HIV/AIDS sector under Nairobi was chosen as the target population as this sector is considered to have the highest percentage of NGOs at 12 per cent as compared to other sectors (NGO Coordination Board, 2009). The target population consisted of 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.

Stratified random sampling technique was used to get a representative sample from the target population. A sample size of 31 NGOs was used which represents 10% of the target population (21 and 10 drawn from NGOs categorized as national and international respectively). The target respondents were selected purposively targeting the heads of these organizations or their delegated officers. The target respondents were selected due to their involvement in new business development initiatives including fundraising and proposal development activities.

**ANALYSIS AND DISCUSSION OF FINDINGS**

The study sought to establish strategies pursued in the Kenya’s NGO sector and the extent to which organizations have adopted these strategies in the last three years to remain competitive. Findings reveal that the key strategies employed in the sector are positioning strategy by building donor relationships; internal development strategy by investing in program (technical) and administrative capacity where there are resources; cooperative strategy by building a network of partnerships; and collaborative strategy. A five point likert-type scale was used to capture and interpret the perceived extent to which the NGOs pursue these strategies, with the statements ranging on a continuum from very small to very great where very small and very great extent are represented by 1 and 5 respectively. Descriptive analysis technique was used to analyze quantitative data on the respondent’s general information and on responses related to research objectives. Means were used to analyze likert-scale data (Boone and Boone, 2012). Positioning and cooperative strategy were considered to be the most adopted for purposes of remaining competitive with a mean rating of 3.67. This was followed by the internal development strategy with a mean of 3.43 with the least adopted strategy being the collaborative strategy which had a mean of 2.87.

This paper also examined the effectiveness of strategies employed by NGOs in competing for donor funding during the last three years. Respondents were asked to indicate the extent these strategies have been effective in helping them access donor funding that have helped their organizations in achieving their goals. Findings reveal that the positioning and internal development strategies were considered the most effective in achieving both organizational goals and in accessing donor funding. There was also a positive relationship
between the following competitive strategies used in combination to effectively access donor funding: that is positioning strategy and internal development strategy; and, positioning strategy and cooperative strategy.

Study findings indicate that the most popular strategies used in achieving specific organizational goals, purposes and objectives were: Positioning strategy to achieve positioning and visibility to the donor; internal development strategy to develop quality proposals; and collaborative strategy to learn and grow in new areas. These all had a positive response rate of more than 50% with the highest being the positioning strategy at 73.3%, followed by the internal development strategy at 70% and then collaborative strategy at 56.7%.

A five point likert-type scale was used to capture and interpret the perceived extent to the pursued strategies have been effective in helping the organizations secure/access donor funding. Very small extent and very great extent was represented by 1 and 5 respectively. Study findings indicate that the most effective strategies in helping NGOs access donor funding were positioning strategy with a mean of 4.0 and internal development strategy with a mean of 3.83. These were followed by the cooperative strategy with a mean of 3.57 and lastly the collaborative strategy with a mean of 3.17.

This study reveals that the main strategies utilized by NGOs in the HIV/AIDs sector in the last three years to remain competitive are the positioning strategy and cooperative strategy, followed by the internal development strategy which involves investing in program (technical) and administrative capacity. The collaborative strategy was the least adopted maybe due to the fact that collaboration is seen more as a means for NGOs to improve organizational effectiveness and program delivery (Piana, 2005), rather than as a means to competing for funding.

This study finding reveals that the main strategies utilized by NGOs in the HIV/AIDS sector in Nairobi are the positioning strategy, followed by the cooperative strategy, then the internal development strategy. This is in line with finding from a study by Stone et al. (1999) which pointed out that non-profits pursue both competitive and cooperative strategies.

CONCLUSIONS AND RECOMMENDATIONS

The most effective strategies utilized by NGOs in the sector for accessing donor funding are the positioning and internal development strategies. Those effective when used in combination are positioning strategy and internal development strategy and, positioning strategy and cooperative strategy. Based on the research findings, the collaborative strategy was considered to be the least effective in obtaining donor funding whether used solely or in combination with other strategies. NGO’s should therefore focus on positioning, internal development and cooperative strategies in order of importance, when seeking to obtain donor funding within a competitive...
environment. In utilizing these strategies, they should consider not directly duplicating services of other organizations in similar regions to avoid duplication of the scarce resources available.

This paper confined itself to analyzing the competitive strategies with Kenya’s NGO sector. Apart from competition there are other factors that could influence the direction and level of donor funding. Therefore this study suggests that further studies could be pursued and in particular to analyze major policy decisions that shape allocation of funds by donors to determine where major emphasis is placed in terms of funding programs. A comparative study can also be conducted on competitive strategies adopted by not-for-profit organizations and for-profit organizations to clearly demonstrate the differences and/or similarities between the two.

REFERENCES


