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**COMPETITIVE STRATEGIES AND PERFORMANCE OF PROJECT
BASED NON-GOVERNMENTAL ORGANIZATIONS IN KENYA**

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Abstract

Organizations that fail to reform themselves with an aim of achieving accountability, efficiency and superior influence in a gradually more global competitive environment are bound to die a natural death. Inspired by this assertion supported by several other findings as will be hereby reviewed, the present study will thus be principally concerned with analyzing competitive strategies and its impact on the performance on Project based Non-Governmental Organizations (PBNGOs) in Kenya. Literature on PBNGO's related to agency theory is virtually non-existent and rarely becomes applied to areas beyond board and executive compensation. The paper seeks to explore the characteristics and new twist in operations by PBNGO's and the effects of fundamental constructs related to competition on the performance within these organizations. The study was grounded on the Resource-Based View and Principal agency theory. A census survey of all the 161 PBNGOs was conducted and data collected using a structured questionnaire. The hypotheses of the study were tested by use of regression analyses. The study found a statistically significant and positive association between competitive strategies and organizational performance. Thus, PBNGOs are recommended to put in place competitive strategies that will ensure they achieve their performance objectives efficiently. The study findings contribute to knowledge on the corporate governance of project-based NGOs arguing that PBNGOs perform better with a mix of competitive strategies. Further study was recommended on competitive strategies and organization performance of other NGOs in Kenya, in Africa and rest of the world to enable generalization of the study findings.

Keywords: Competitive Strategies., Organizational Performance, Project-Based Non-Governmental Organizations, Non-Governmental Organization.

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1. INTRODUCTION

Competition determines the appropriateness of a firm's activities that can contribute to its performance (Porter, 1996). Dess and Davis (2010) argue that firms that do not adopt any of the generic strategies have poorer performance compared to those that adopt at least one. Successful organizations put extreme effort in employing revolving strategies to not only survive in today's turbulent environment but to excel and beat their rivals. The environment in which tomorrow's success will be earned is likely to be quite different from the environment of today since industry and firm dynamics are always in a flux hence achieving a fit between the two is an ongoing challenge. This challenge is difficult because the choices involved in exploiting the present and building the future confronts managers with complex tradeoffs. Lindenberg (2009) warns that bankruptcy and irrelevance are the most likely factors that will end the NGOs that do not reform themselves to achieve superior influence, efficiency, and accountability particularly in a gradually more global competitive environment.

Various theories underpin the understanding of competitive strategies and organizational performance (Jensen, 1983; Penrose, 1959) including the Resource-Based View (RBV) (Penrose, 1959). The basic premise of RBV is that effective firms leverage their intangible, implicit unique and imperfectly distributed resources to achieve future competitiveness (Wernerfelt, 1984; Penrose, 1959). According to Ariyawardana (2008), performance of the firms is best explained using the resource-based view that holds that available resources are the main determinants on which strategies are to be used in attaining competitive strategies. The strategies should also be able to enable the firms to be able to respond to any

particular challenges posed by the external environment (Roller, 2016). The present study thus sought to determine how different project-based NGOs leverage resources at their disposal to realize their project goals and outcompete rival organizations for sustainability and superior performance.

The main objective of PBNGOs are to enable a more dynamic organizational approach to acquire a unique more drastic goal through active exploration of resources, real life challenges and problems. Project-based NGOs are recognized as agents of international aid to developing countries (Roodman, 2006; Diallo & Thriller, 2004). In Kenya, Project-based NGOs have been instrumental in their contribution towards the realization of the Vision 2030 across its social, economic, political and health pillars (Kristjanson, Mango, Krishna, Radeny & Johnson, 2016). Under the Social pillar, PBNGOs have both in the past and present been vital in promoting peace and security, ethnic cohesion and religious tolerance in the country by engaging different ethnic and religious groups in mutual interactions; providing food for the starving; construction of classrooms facilities; carrying out water and sanitation projects among others (Ochanda, 2014). Under the economic pillar, there are NGOs in the country that are dedicated to providing small capital to grassroots communities to start economic ventures. Under the political pillar, NGOs have been instrumental in demanding for accountability in government as well as sensitizing the public on their role in governance (Chepkwony, 2016). Under the health pillar, NGOs have made significant contributions through fighting against disease such as curbing against the HIV pandemic by carrying out advocacy campaigns and demanding more support from the government as well as the

construction and sponsoring of healthcare facilities (Amanze, 2015).

Despite the critical roles of PBNGOs, their surge in number in Kenya for the last decade has pushed them into stiff competition for donor funding (Mumbua, 2013). These PBNGOs in a bid to survive and remain sustainable viz a viz have competitive edge over others, have taken a twist and adopted concepts that were contemporarily engaged by commercial enterprises (Ochanda, 2014). This could well be seen as a paradigm shift in areas of performance improvement within PBNGOs and NGOs in general.

According to Namusonge (2013), competitive strategies in the larger NGO's sector helps cope with competition and improve performance. Formulation and implementation of competitive strategies constitute an integral part of the NGO's reality in undertaking their duties (Linenberg, 2001; Analoui and Karami, 2003). Accordingly, those that are able to utilize this value will attain a competitive edge over other organizations. This is of importance in ensuring NGOs secure the donors funds and raise their reliability status. The NGOs should be able to carefully select the strategies which are best suited as per the organizations' demands.

2. MATERIALS

Previous studies have been undertaken to link competitive strategies and organizational performance. Aitikiya (2015) studied how manufacturing firms' performance is affected by competitive strategies in Kenya and found that competitive strategies have largely been adopted by manufacturing firms in Kenya in order to earn them advantage in the market place. It was further revealed in the study that manufacturing firm performance in

Kenya is positively and significantly influenced by focus, cost leadership and differentiation strategies. The study conceptualized competitive intensity as the moderating variable and focused on manufacturing firms. Muthoka and Oduor (2014) examined the strategic alliance influence on performances. The study findings revealed a negative and strong, linkage between performance and technological strategic alliances. The study however found no statistically significant association between performances among supermarkets and technological strategic alliances in Nairobi CBD. The study adopted different measures of competitive strategies from the ones used in the present study. The present study however conceptualizes competitive strategies and performance focusing on sub-constructs like outsourcing, innovation, strategic alliance and joint ventures.

Kago, Gichunge and Baimwera (2018) studied the association between organizational performance and competitive strategies of petroleum companies in Kenya, and found that competitive strategies of differentiation, focus strategy and cost leadership enhance business competitiveness. Andrevski (2017) assessed competitive strategy, alliance networks, and firm performance among computer retailers in Kentucky. In their study, competitive strategy was broken into two, advantage-creating strategies including innovativeness and proactivity and advantage enhancing strategies including new product versions, quality improvements, creative advertising, market expansions, sale incentives and price cuts. The study found that the extent to which firm performance is affected by network structure depends on the developed firms internally capabilities. The foregoing studies however focused on commercial enterprises which are fundamentally

different from the non-profit sector under which PBNGOs fall presenting a gap warranting the present study.

Kamalesh, Kim and Lim (2012) sampled 159 hospitals in their study to examine the association between firm performance and market orientation for differentiation and low-cost strategies. The study findings revealed that compared to those employing the cost leadership strategy, stronger market orientation was reported in hospitals pursuing a differentiation strategy. It was also found that organizational performance was more positively affected by market orientation among firms employing differentiation strategy compared to those pursuing a cost leadership strategy. Firm performance was also found to be more significantly affected by inter-functional coordination component of market orientation for the cost leadership group, while performance in the differentiator group was significantly affected by the competitor orientation and customer orientation components of market orientation. The study was however conducted among hospitals which operate differently from PBNGOs which the focus in the present study.

Camison, Boronat and Villar (2014) sought to find out the correlation between business performance and technological strategic alliance by focusing on the mediating role of knowledge-based distinguishing capabilities. The contradictory results in the study was attributed to the creation of technological strategic alliance knowledge emerging from the observed economic performance caused by strategic alliances. The study sample consisted of Spanish industrial firms. The study was conducted in Spain which is a developed economy different from the context in the present study which is Kenya.

Azim, Abdullah and Gorondutse (2017) conducted an empirical review of competitive strategy and firm performance and found that productivity and efficiency through flexibility, reducing costs, prompt quick response and better delivery dependability enable a manufacturing firm to realize performance and competitiveness. The study adopted a desktop review design which is different from the descriptive cross-sectional survey which the present study adopted.

3. METHODS

The study conducted a census survey of all the 161 PBNGOs in Kenya where senior officials within each PBNGO were provided with questionnaires to respond to the issues under investigation. The structured questionnaire with close-ended questions was used in the present study. A drop and pick later technique was employed in the questionnaires administration. Research assistants were recruited and aided in data collection. At data analysis level, both descriptive statistics and inferential statistics were performed. In inferential analysis, a regression model was used to test the degree and respective significance of the association between the study variables.

4. RESULTS

The study hypothesized that competitive strategies had no significant effect on performance of project based non-governmental organizations in Kenya.

Hypothesis: H_{01} : There is no statistically significant relationship between competitive strategies and organizational performance in PBNGOs in Kenya.

To achieve the objective, multiple and simple regression were used. While simple regression was done where composite index of competitive strategies was the

independent variable, a multiple regression analysis was done where indicators of competitive strategies were the independent

variables. The findings for the multiple regression analysis are presented in Table 1.

Table 1: Multiple Regression Results on Effect of Competitive Strategies on Performance of PBNGOs

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate		
.483a	0.234	0.211	0.20337		
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.714	4	0.429	10.361	.000a
Residual	5.625	136	0.041		
Total	7.339	140			
Model Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.957	0.327		5.992	0.000
Outsourcing	0.257	0.071	0.298	3.616	0.000
Strategic alliances	0.175	0.06	0.246	2.936	0.004
Joint ventures	0.029	0.054	0.045	0.532	0.596
Innovations	0.03	0.041	0.06	0.734	0.464

a. Predictors: (Constant), Innovations, Outsourcing, Strategic alliances, Joint ventures

b. Dependent Variable: Organizational Performance

Source: Researcher (2021)

Findings in Table 1 indicate a moderate positive relationship between innovations, strategic alliances, joint ventures and innovations ($R = 0.483$, $R^2 = 0.234$). Thus, a positive improvement on innovations, strategic alliances, joint ventures and innovations will lead to improved performance. The study obtained an F ($df_{4,136}$) of 10.361. This indicated that the model was a good predictor of organization performance. The $p < 0.05$ indicated that the relationship between the independent variables (outsourcing, strategic alliances, joint ventures and innovations) and dependent variable (organization performance) was significant. The coefficients obtained were outsourcing 0.257 ($p < 0.05$), strategic alliances 0.175

($p < 0.05$), joint ventures 0.029 ($p > 0.05$) and innovations 0.03 ($p > 0.05$). This meant that outsourcing and strategic alliances were significant indicators of competitive strategy and organization performance. Joint ventures and innovations played a positive but an insignificant role in achieving organization performance. Therefore, competitive strategy indicated by outsourcing and strategic alliances have a positive and significant effect on organization performance. Simple regression analysis was done to assess the combined effect of competitive strategies on organization performance. A composite index was used. The findings obtained are presented in Table 2.

Table 2: Regression Results on Combined Effect of Competitive Strategies on Performance of PBNGOs

Model Summary						
	R	R Square	Adjusted R Square	Std. Error of the Estimate		
	.442 ^a	0.195	0.189	0.20615		
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.431	1	1.431	33.68	.000 ^a
	Residual	5.907	139	0.042		
	Total	7.339	140			
Coefficients ^a						
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	2.239	0.31		7.221	0.000	
Competitive Strategies	0.427	0.074	0.442	5.803	0.000	

a. Predictors: (Constant), Competitive Strategies

b. Dependent Variable: Organizational Performance

Source: Researcher (2021)

Findings in Table 2 indicate that there is a moderate positive relationship between competitive strategies and organization performance ($R= 0.442$, $R^2= 0.195$). Thus, improvement in competitive strategies will lead to improved organization performance. The study obtained an $F_{(df 4,136)}$ of 33.68. This indicated that the competitive strategies were a good predictor of organization performance. The $p<0.05$ indicated that the relationship between the competitive strategies and organization performance was significant. The coefficient obtained on competitive strategies was 0.427 ($p<0.05$). This meant that competitive strategy was a significant indicator of organization performance. Therefore, competitive strategies have a moderate positive and significant effect on organization performance among PBNGOs in Kenya. The null hypothesis that competitive strategies had no significant

effect on performance of project based non-governmental organizations in Kenya was rejected.

The findings are in tandem with Baraza and Arasa (2017) who studied how manufacturing firms' performance in Kenya are affected by competitive strategies and found that focus, cost leadership and differentiation as the measures of competitive strategies influence organizational performance. Supporting the findings of this study on the contribution of strategic innovation, Parnell (2016) found a positive association between performance satisfaction and innovative strategy orientation in all three nations. Kago, Gichunge and Baimwera (2018) found that competitive strategies of differentiation, focus strategy and cost leadership enhance business competitiveness. Buul and Omundi (2017)

found a positive and significant influence of market focus differentiation, strategic alliance and cost leadership on SME performance. Andrevski (2017) found that the extent to which firm performance is affected by network structure depends on the developed firm's internal capabilities.

Muia (2017) investigated how the performance of insurance sector in Kenya is affected by competitive strategies and showed a significant and positive association between cost leadership strategy, differentiation strategy and focus and insurance performance. The study found that strategic alliances are a main competitive advantage source among PBNGOs to a large extent. The findings however contradict with that of Muthoka and Oduor (2014) who revealed a negative and strong, linkage between performance and technological strategic alliances.

5. CONCLUSIONS

Based on the study findings and the reviewed empirical literature, a number of conclusions were drawn. The study concludes that competitive strategies have a moderate positive and significant effect on organization performance among PBNGOs in Kenya. Competitive strategy is a crucial tool in maximizing organization objectives both in not for profit organizations that include PBNGOs. It is argued that proper competitive strategies in place will result to better performance. Firms that adopt better competitive strategies are able to reduce uncertainties so that they could outperform other firms in the same industry. Realizing competitive advantage is thus obtained in the organization's capability to learn and put in practice knowledge as opposed to simply retrieving resources. Competitive strategies therefore play crucial role in

enhancing organization performance in not for profit organizations alone but also among not for profit organizations specifically project based non-governmental organizations.

The study's indicators for competitive strategies include outsourcing, strategic alliances, joint venture and innovation. A positive improvement on innovations, strategic alliances, joint ventures and innovations will lead to improved organization performance. The results showed that outsourcing and strategic alliances are significant indicators of competitive strategy and organization performance. Joint ventures and innovations play a positive but an insignificant role in achieving organization performance. If presented with a choice, PBNGOs should focus more on outsourcing of activities that are not their core mandate so that they have more time and effort to focus on what proves more worthwhile in achieving competitive strategies and thus superior performance. The same PBNGOs should seek out strategic alliances with like-minded PBNGOs to be able to achieve fast and sustainable projects and effects to the beneficiaries.

6. IMPLICATIONS OF THE STUDY

The objective of management is to ensure that organization objectives and thus performance is achieved. Over the years, NGOs have been accused of sub-optimal utilizing of resources advanced by the donors by failing to meet the expected performance measures. This has seen reduction in donor funding and thus jeopardizing the important role of the NGOs in general. PBNGOs are particularly

credited for projects aimed at promotion of social inclusion of marginalized persons and regions, economic empowerment of communities, infrastructure building, enhancing civic participation, and social welfare provision. It is for this reason that the organizational performance of PBNGOs is not only critical for the socio-economic development of the country, but also ought to be a strategic priority to the Government of Kenya.

Thus, PBNGOs that will ensure they achieve their performance objectives efficiently. The PBNGOs should scrutinize the external and internal environment and subsequently define the best competitive strategies to implement. Competitive strategies to be implemented will vary with the nature of the organization and underlying factors but more focus should be given to outsourcing and strategic alliances to secure competitive strategies that will give them superior performance.

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