

**MIDLANDS STATE UNIVERSITY**



**FACULTY OF ARTS**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**AN EVALUATION OF GOVERNANCE STRUCTURES AND SYTEMS IN NON-  
GOVERNMENTAL ORGANISATIONS: THE CASE OF LOCAL NON-  
GOVERNMENTAL ORGANISATIONS IN MUTARE.**

**BY**

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**R136081C**

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**DECLARATION OF ORIGINALITY**

I, Steven Chinembiri, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other University.

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Student's Signature.

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## **ABSTRACT**

*Governance is one of the most important facets that determine whether an organisation succeeds or not. However, there are a number of factors within the governance structures and systems of local Non Governmental Organisations that are mitigating against the proper running of the organisation*

*The study sought to evaluate governance structures in the local NGOs in Mutare. The study utilized purposive sampling in coming up with the respondents because the researcher sought to look for specific individuals or organizations that had particular interests in the topic at hand. Key informant interviews and questionnaires were used to mine data from the chosen participants. The data was analyzed using qualitative method and responses were recorded using thematic areas. From the study it came out that the nature and composition of governance structures and systems are almost the same for the organisations that have been included in the study. There are many challenges that the internal governance structures face that are becoming almost common in the day to day running of most local organizations, for instance lack of incentives for board members, lack of autonomy of the management board, lack of crucial expertise and experience just to mention but a few. These challenges emanate from different factors that include the global recession that has affected funding, poor training for board members as well as ownership claims from founding directors who do not want to follow proper governance procedures. However, most of the organizations in the study are making frantic efforts to try and rectify the plethora of challenges that they are facing because it is now starting to knock some senses in most of the governance structures in organizations that a sound governance structure directly contributes to a lot of benefits, funding being one of them since most local organizations are poorly funded.*

*The researcher established that coping strategies employed by organizations are both short termed and long term but to a lesser extent could not do much to sustain the governance structures that they have for the benefit of the organization. Some of the organizations do fundraising, some also have some capacity building initiatives that they do to capacitate their internal governance structures, while others change the internal governance members, time and again, to bring in new and fresh ideas for the benefit of the organization. The study recommends that there be further study on the most appropriate governance structures for local organizations who have little funding and that organizations should clearly establish the structures and systems that fit the situation that the particular organization is in financially and socially to avoid a one size fits all approach.*

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## **DEDICATION**

I dedicate this research project to my wife, family and friends who made it a reality by helping unleash the potential in me. The project is also dedicated to all the board members and directors who participated in the study.

## **ACKNOWLEDGEMENTS**

This piece of work would not have been a better accomplishment without many people that helped me through. I would like to appreciate with thanks my supervisor, Mr Hahlani for his patience constructive criticism, guidance and unwavering support throughout the whole period of my dissertation. I am also grateful to my family who provided homely counsel, understanding and patience as the pressure to conclude this work demanded that I spend long hours away from my family. I thank the almighty God whose kindness and mercy saw me throughout my life and enabled me to work on this project which I hope is going to transform the operations of many non-governmental organizations.

Furthermore I would like to thank my supervisor at work Mrs F.B. Matsanga, who constantly allowed me time off to do my dissertation work. Last but not least, I would like to give all the glory to the Almighty God, if it had not been for the Lord, I would have labored in vain. Finally to the directors that I interviewed, whose participation was key in realizing the results presented in this study, I thank and salute you.

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## **LIST OF ACRONYMS**

FASO..... Family Aids Support organisation

FACT.....Family Aids Caring Trust

NGO.....Non Governmental Organisation

NANGO ..... National Association for Nongovernmental Organisations

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## **CHAPTER ONE**

### **1.1 INTRODUCTION**

Internal governance structures in nongovernmental organisations have been established in almost all national and international organisations. It has been viewed as a phenomenon peculiar to almost all local Ngos and is being experienced globally. These structures are the ones that have the responsibility of running the administrative affairs of the organisation through the management board and the organisation's director. The fact that the management board and organisation directors make crucial decisions means they directly face a lot of obstacles in executing their duties. These challenges are becoming almost common in the day to day running of most local organisations , for instance lack of incentives for board members, lack of autonomy of the management board, lack of crucial expertise and experience just to mention but a few. It is however of no doubt that many organisations are adopting various coping strategies to try and handle the challenges that they face. Hence ,this becomes a clear indication that NGOs are finding it difficult to make ends meet and resultantly they are engaging in a number of coping strategies which some of them are detrimental to organisational efficiency and success while others are simply not fit for the challenges at hand. Therefore, in line with the above given information, the research is aimed at establishing an analysis of the effectiveness of internal governance structures and systems, challenges and coping strategies in nongovernmental organizations focusing on local non-governmental organizations in Mutare.

Mostashari (2005) purports the term NGO came into use in 1945 as a result of the need for the UN to differentiate in its Charter between participation rights for intergovernmental specialized agencies and those for international private organizations. At the UN, virtually all types of private bodies can be recognized as NGOs. They only have to be independent from government control, not seeking to challenge governments either as a political party or by a narrow focus on human rights, non-profit-making and non-criminal. The structures of NGOs vary considerably. With the improvement in communications, more locally-based groups, referred to as grass-roots organizations or community based organizations, have become active at the national or even the global level. Increasingly this occurs through the formation of coalitions with other NGOs. A civil society is composed of three sectors: government, the private sector and civil society, excluding businesses. NGOs are components of social movements within a civil society.

NGOs can be distinguished into two groups thus operational and advocacy NGOs. This may be interpreted as the choice between small-scale change achieved directly through projects and large-scale change promoted indirectly through influence on the political system. Operational NGOs have to mobilize resources in the form of financial donations, materials or volunteer labour, in order to sustain their projects and programs. This process may require quite complex organization. Finance obtained from grants or contracts, from governments, foundations or companies, require time and expertise spent on planning, preparing applications, budgeting, accounting and reporting. Major fund-raising events require skills in advertising, media relations and

motivating supporters. Thus, operational NGOs need to possess an efficient headquarters bureaucracy, in addition to the operational staff in the field.

Advocacy NGOs will carry out much the same functions, but with a different balance between them. These two types of NGOs have varying range of activities that they carry out which include community health promotion and education, emerging health crises, community social problems, environmental, economic, development, women's issues just to mention but a few.

The NGO sector is funded primarily by international non-governmental organizations and bilateral donors. We find large differences in size and funding across NGOs, with only a few NGOs attracting most of the funding. Most NGOs are small and underfunded and focus on raising awareness and advocacy on social injustices, human rights, governance. Few NGOs are faith-based. Most screening, monitoring and evaluation is done by grant agencies who fund these organisations. Some monitoring is also done internally by organisational members and trustees. Little monitoring is done by government except in countries where NGOs play a very huge political role. NGOs do not file income tax returns and few respondents are able to provide coherent financial accounts.

All over the world, nongovernmental organizations (NGOs) operate in different spheres of life. In some countries, they are as powerful (if not more powerful than) as national governments. They command wider access to foreign aid than the respective



governments where they operate. They are easier heard by international development and donor agencies. Their relevance is well focused in their recognition by bodies like United Nations, European Union, African Union, other multinational organizations and powerful governments. This is especially the case with international NGOs, who in most cases, in the point of view of some of the international agencies, are saints. They do no evil, they are not corrupt, they are for the poor; and above all they are the 'third eye'. In the recent times, developments have brought these perceptions to query. Many now ask whether NGOs are actually progressive partners in the quest for sustainable development. It is the growing popularity of this question that forms the part of the discussions in this paper. The paper strives to find out whether the governance structures and systems in NGOs can effectively aid development, contribute to organisational growth and are efficient in driving the organisation forward. This chapter focuses on clearly bringing out the background to the quest for such an understanding, the rationale both theoretical and practical, problem statement, justification and objectives of the study. The chapter will also briefly define key terms in the study.

## **1.2 BACKGROUND TO THE STUDY**

There has been renewed interest by scholars on the issue of governance at international, national and local levels. This has been proven by the number of articles written around the subject and the difference in the concepts that many scholars coin around the topic. The term governance itself remains ambiguous owing to the

difference in perception and the socio economic environment in which the term is widely used. The English word “governance” is derived from a Latin word implying to steer, guide, or direct. The term generally refers to the way in which power is assumed, conveyed and exercised within a society or an organization. Western political theorists are of the view that good governance is the sharing of decision-making authority so that power and resources do not accumulate in the hands of a single individual or group.

The United Nations Development Programme (UNDP) defines governance as “the exercise of economic, political and administrative authority to manage affairs at all levels. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. According to Frederickson and Smith, “Governance refers to the lateral and inter-institutional relations in administration in the context of the decline of sovereignty, the decreasing importance of jurisdictional borders and a general institutional fragmentation”. Frederickson and Smith assert further that, with more emphasis on governance, “the administrative state is now less bureaucratic, less hierarchical and less reliant on central authority to mandate action.

Canada’s Institute of Governance (2002) offers a general definition, asserting that “Governance is the process whereby societies or organizations make important decisions, determine whom they involve and how they render account”. Hirst (2000) offers a more general definition of the term. He asserts that governance can be

generally defined as the means by which an activity or ensemble of activities is controlled or directed, such that it delivers an acceptable range of outcomes according to some established standard”.

As evidenced by the numerous definitions that the word governance garners it is with no reasonable doubt that it means different things to different people however the most common denominator whether at national, international or organisational level is the aspect of control and management of activities. With the inception of nongovernmental organisations in the globe many of them have resorted to establishing structures that manage the administration of that particular organisation, most of these structures include in most cases managers or directors and the management board being the overall governance structure that oversees the running of the organisation. Since governance entails the process of decision-making and the process by which decisions are implemented (or not implemented) the working environment of the person, people or structure making those decisions is very vital as this has a direct effect on how decisions are made and how efficient the decision making person or body is.

According to Babatunde and Olaniran (2009) the management board is the most vital governance structure within any institution. It is responsible for hiring and firing executives, setting executive compensations and making key decisions in the life of the firm or organisation. They continue to say that the board of directors should in principle be one of the major checks on the management. It is directly elected by the

shareholders to act on their behalf. A high level of independence is important for it to perform its monitoring duties more effectively. The United Nations brings to the fore 8 principles that govern good governance at any level including the local level, they mention that it is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable, inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

According to Wyatt (2004), many NGOs in the European set up have the dual governance structure. She argues that in this arrangement there are actually two governing bodies: a supervisory board, which mainly oversees the organization's financial affairs and a separate body known as the management board. This dual structure has the main advantage of integrating governance into the daily life of the organization. Furthermore the board has the authority to steer and monitor the organization. But it meets only occasionally and its members are busy individuals with many demands on their time. Facing such practical restraints, one of the most important ways in which the board discharges its duties is by delegating authority to the chief executive, manager or director. In doing so the board doesn't give up any of its own responsibility for setting policy, providing strategic direction or exercising oversight. It remains the principal decision-making authority and the chief executive or director is answerable to the board for his or her actions. However, within the restraints on chief executive authority set by the board, the head of management is free

to run the organization as he or she sees fit, making nearly all decisions on a day-to-day basis.

In non profit organizations, good governance works in much the same way. An organization exercises good governance when it has an internal system of checks and balances that ensures the public interest is served. Good NGO governance is based on the distinction between organizational entities (management and the governing body) and the distribution of decision-making power between them. This arrangement helps restrain and moderate the control of any one person or group, ensure the organization's resources are well managed, and safeguard the NGO's public-service orientation

Recently the terms governance and good governance are increasingly used in development literature. Bad governance is being increasingly regarded as one of the root causes of all evil within our societies. Major donors and international financial institutions are increasingly basing their aid and loans on the condition that reforms that ensure good governance are undertaken. Today the quality of governance is attracting more and more attention within and among countries. The number of democratic regimes continues to rise and good governance has become an important criterion for a country's credibility and respect on the international stage. Yet even as good governance takes hold, challenges to it also emerge. The greatest threats to good governance today come from corruption, violence and poverty, all of which undermine transparency, security, participation and fundamental freedoms even in the NGO set up.

The basis for NGO governance is usually a country's legal code, which assigns an internal governance structure depending on the type of organization. More specifically, an organization's governing body (or bodies) should be identified as required by law in its basic documents that is, the act of incorporation, statute, charter and other government documents. Explicit designation of the governing body by name is important, for it clarifies where fundamental decision-making and oversight responsibilities reside in the organization. An explicit governance structure is the first step toward establishing a stable and predictable framework for accountability in the NGO. Several factors can complicate an NGO's governance structure for instance NGO laws in the region, which are still being refined, are sometimes vague, contradictory, or silent about governance and the responsibilities of boards. Or perhaps different kinds of governing bodies may be mentioned in the law with no explanation about their purpose or authority. As a result, legal responsibility can be poorly assigned, and an NGO's board may have no discernable duty other than to exist at the time of registration.

Another challenge is the structure of associations and foundations. Many associations do not function as true membership organization. They have assumed this form merely for purposes of registration. Although the basic documents may identify the general assembly as the highest governing body, in reality it meets rarely and performs few governance functions. Between annual meetings a separate body known as the executive board, may assume a more active governance role, but its duties too, can be poorly defined. Both the general assembly and executive board, moreover, are often

composed of senior staff members and thus differ little from a senior management team. Similarly, there may be confusion over who actually governs, with the founders themselves retaining certain rights and privileges that are strictly speaking, of a governance nature. All of these arrangements can leave the true governance function shifting among various groups, adequately performed by none.

More so, many NGOs have the dual governance structure that is common in European corporations. In this arrangement there are actually two governing bodies. But it can be seen to pose challenges if the management board is composed mostly of staff, as is usually the case. Even though they understand the organization well, the presence of staff members on a governing body blurs the distinction between governance and management and quickly leads to conflict of interest. The situation is even more problematic if the supervisory board meets only once or twice a year. With such infrequent activity the supervisory board easily grows dormant and neglects its tasks hence depriving the NGO of a true internal oversight function. When these complicating factors are present, as a coping strategy an NGO should strengthen its governance by clarifying and simplifying the relationships among its leadership entities. Even when the laws are vague, they don't inhibit or forbid good governance and there is much an organization can do to strengthen its governance structure, starting with its basic documents untended, adopting a conflict of interest policy, the board setting its own rules for its own operations as well as professionally running meetings. A well-crafted governance structure, on the other hand, will strengthen accountability and sets the stage for an efficient, well-run organization.

An NGO's sustainability is its ability to serve its clients over the long term largely depends on the quality of the organization's governance. The concept of governance is not new and is as old as human civilization. Towards the end of the twentieth century, the term governance gained the prominent attention of donor agencies, social scientists, philanthropists and civil society. This popularity stems from the fact that it can be applied to a wide range of issues, relationships and institutions involved in the process of managing public and private affairs. The term governance enlarges and better illustrates what governments should be focusing on. In addition, at the end of the cold war, the usage of the term was revitalized as donor agencies, notably the World Bank and International Monetary Fund (IMF) and Western countries urged the countries of the former Union of Soviet Socialist Republics and the countries of the developing world to undertake political, economic and administrative reforms and to practice good governance. The conceptualization of the term does not seem to have been consistent, and it has generated various definitions and meanings as shown below.

In simpler terms governance means the process of decision-making and the process by which decisions are implemented or not implemented. Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance. Since governance is the process of decision making and the process by which decisions are implemented, an analysis of governance focuses on the formal and informal actors involved in decision-making and implementing the decisions made and the formal and informal structures that have



been set in place to arrive at and implement the decision. Government is one of the actors in governance. Other actors involved in governance vary depending on the level of governance that is under discussion. In rural areas, for example, other actors may include influential land lords, associations of peasant farmers, cooperatives, chiefs, village heads, NGOs and research institutions just to mention only but a few.

The United Nations Development Programme (UNDP) in their (1997) policy paper defined governance as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. This definition was endorsed by the Secretary-General's inter-agency sub-task force to promote integrated responses to United Nations conferences and summits. Over the past 10 years, the number of country level programmes on governance supported by the United Nations system has expanded considerably.

In 1993, the World Bank defined governance as the method through which power is exercised in the management of a country's political, economic and social resources for development. While the World Bank has focused on stabilization and state reforms that overwhelmingly focused on civil service retrenchment and privatization for a long period. The World Bank came to realize that most of the crises in developing countries are of a governance nature. Hence, the contemporary adjustment package emphasizes

governance issues such as transparency, accountability and judicial reform. In this context, the World Bank has introduced a new way of looking at internal governance.

According to Jon Pierre (2000) governance refers to sustaining coordination and coherence among a wide variety of actors with different purposes and objectives. Such actors may include political actors and institutions, interest groups, civil society, non-governmental and transnational organizations. This definition illustrates that while the government of a traditional state has to cope with internal challenges and external challenges from the above actors, some of the functions previously the preserve of government may be taken over some of the same parties. This definition gives credence to the assertion made earlier that governance is broader than government.

While Pierre's definition of governance is society-centric, Peters and Pierre offer a definition of the term that is more state-centric. Even as they concede that governance relates to changing relationships between state and society and a growing reliance on less coercive policy instruments they assert that the state is still the centre of considerable political power. They perceive governance as processes in which the state plays a leading role, making priorities and defining objectives. This is in line with the notion of the role of the state as that of steering society and the economy.

Hirst and Paul (2000) then offer a more general definition of the term. They assert that governance can be generally defined as the means by which an activity or ensemble of

activities is controlled or directed such that it delivers an acceptable range of outcomes according to some established standard.

Canada's Institute of Governance (2002) offers another general definition, asserting that governance is the process whereby societies or organizations make important decisions, determine whom they involve and how they render account.

Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

#### ✓ **Participation**

Participation by both men and women is a key cornerstone of good internal governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand.

✓ **Rule of law**

Good internal governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force.

✓ **Transparency**

Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media.

✓ **Responsiveness**

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe.

✓ **Consensus oriented**

There are several actors and as many view points in a given society. Internal governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how

this can be achieved. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given community.

✓ **Equity and inclusiveness**

A society's well being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their well being.

✓ **Effectiveness and efficiency**

Governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good internal governance also covers the sustainable use of natural resources and the protection of the environment.

✓ **Accountability**

Accountability is a key requirement of governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to who varies depending on whether decisions or actions taken are internal or external to an

institution. In general an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law.

From the above discussion it should be clear that good governance is an ideal which is difficult to achieve in its totality. Very few countries and societies have come close to achieving it in its totality. However, to ensure sustainable human development, actions must be taken to work towards this ideal with the aim of making it a reality.

Many individuals and institutions have coined numerous definitions to the term governance, synchronising all these definitions will cause confusion on the basis of the argument at hand therefore for the sake of this paper all the above mentioned definitions will be acknowledged. The most suitable definition for the sake of the discussion on this paper will be the one by Hirst and Paul who assert that governance is the means by which an activity or ensemble of activities is controlled or directed such that it delivers an acceptable range of outcomes according to some established standard.

### **1.3 PROBLEM STATEMENT**

Internal governance structures are one of the most vital elements in any organisation, the availability and functionality of these structures makes a lot of difference in determining whether an organisation succeeds in its operations or not . A lot of local nongovernmental organisations have these internal governance structures but very few

are efficient and effective because of numerous reasons that include lack of financial resources to sustain them, lack of qualified individuals, dependence on volunteer input just to mention but a few. These challenges have a very huge bearing on their performance which in turn cripples the development of the organisation itself as well as the sector in which that particular nongovernmental organisation works in. Frumkin and Andre-Clark (2000) argue that non-profits have too many constraints attached to their market behaviour to compete with for-profit organisations in the same market. They have disadvantages in their ability raise capital, to introduce incentive schemes, and face the additional penalty of loss of legitimacy and decline in volunteer input.

#### **1.4 PURPOSE OF THE STUDY**

The purpose of the study was to analyse the effectiveness and appropriateness of governance structures and systems, challenges faced by local Ngos as a result of the systems and structures and the coping strategies that they are adopting to handle these challenges. The study focused on local nongovernmental organizations in Mutare.

#### **1.5 OBJECTIVES OF THE STUDY**

The overall objective is to assess the effectiveness of governance structures and systems, challenges faced by local Ngos and the coping strategies that they are adopting to handle these challenges. The specific objectives are to:

1. Explore and analyse the nature of the systems and structures of governance employed by local Ngos.
2. Explore the effectiveness and appropriateness of these systems and structures.

3. Identify the prospects for improvement that can be employed by various local Ngos to address challenges arising from their governance systems and structures.

## **1.6 RESEARCH QUESTIONS**

1. What is the nature of governance systems and structures being employed in local Ngos?
2. How effective and appropriate are these systems and structures of governance?
3. What are the prospects for improvement in addressing the challenges and shortcomings of these governance structures and systems?
4. What is the role of internal governance structures in local Ngos?

## **1.7 SIGNIFICANCE OF THE STUDY**

The aim of the study was to analyse challenges and coping strategies of internal governance in local non- governmental organisations in Mutare. Research on this study has not been attempted in Mutare especially with reckon to local non -governmental organisations. Findings from this study will provide local non- governmental organisations with vital information and in depth understanding pertaining the challenges and coping strategies of internal governance structures and offer policy recommendations.



Through this study local NGOs will have data pertaining to the dynamics of internal governance, the challenge levels and this will assist them to scale up coping strategies and focus on their implementation modalities. Other researchers will also benefit from this study. Moreover the research will help to intensify academic understanding of internal governance challenges as well as coping strategies and make a significant contribution to the body of knowledge by addressing the gap that exists. It is through this research that recommendations on the way forward will be drawn with the aid of feedback received from data collected from the field. As mentioned above, currently there is limited research done in the area of governance in nongovernmental organisations in Zimbabwe, let alone in specific towns in Manicaland. This study will be very crucial in revealing some of the challenges faced by governance structures in NGOs and it will also serve as a reference and guide to nongovernmental organisations on the best coping strategies to employ once a certain challenge comes their way. The study will contribute to the research that is there around governance in NGOs.

## **1.8 ASSUMPTIONS**

1. All respondents would give accurate and true information about the status and operations of their governance structures
2. Permission would be granted by various organisations for their staff to participate in the study
3. The study would unearth the most significant challenges and the coping strategies adopted by various organisations

4. There would be no misinterpretation of the purpose of the study by participants.

### **1.9 LIMITATIONS OF THE STUDY**

- Time to conduct the study with a larger sample size was short, hence the sample was kept to a minimal size.
- Because of the poor filling and bureaucracies the researcher found it difficult to access some of the reports from the offices of key informants and hence had to rely on the information he was told.
- Discussions took longer than expected and the researcher had to fork out personal money to buy refreshments for the discussants

### **1.10 DELIMITATIONS**

The study was conducted in Mutare, Manicaland Province, Zimbabwe. The sample represented collective wisdom of only various board members of local Ngos. The study was conducted on a small scale thus local survey investigating elements namely internal governance challenges and coping strategies however not all local NGOS in Mutare were included in the study but just a few.

### **1.11 DEFINITION OF TERMS**

- Governance - The systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization.
- Coping strategies- refers to the specific efforts that can be either behavioural or psychological that individuals employ to master, minimise stressful events.
- Challenge - is a difficulty that bears within it an opportunity for development
- Management - The act of directing and controlling a group of people for the purpose of coordinating and harmonizing the group toward accomplishing a goal beyond the scope of individual effort

### **1.12 CHAPTER SUMMARY**

The chapter has that the issues of internal governance structures and systems is a challenge that is peculiar to all Ngos globally and being experienced everywhere by everyone. The chapter has given a background to internal governance systems and structures hence a clear indication that people are making it difficult to efficiently make use of internal governance and resultantly engaging in quite a number of coping strategies which are some of them detrimental to organisational effectiveness and success. Assumptions, limitations, delimitations were also discussed.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Introduction**

This chapter reviews literature in relation to the topic under study thus an evaluation of governance structures and systems in local NGO's. The chapter will take a closer look at the factors such as the nature of governance structures and systems in Ngos, their role, effectiveness and appropriateness as well as to what extent they are kept accountable to their supporters and true to their stated objectives.

#### **2.2 Governance in nongovernmental organisations**

The last decade has been marked by an increased involvement of non-governmental organizations (NGOs) in the development process. This in part reflects frustration and impatience with what is perceived to be the failure of governmental development assistance either to generate growth or to reach the poor, while the success of non-governmental initiatives has been strongly suggestive of NGO potential. An increased role for NGOs has also been made possible by traditional donors renewed interest in democratization and civil society hence their willingness to funding domestic NGOs in recipient countries.

According to Chêne (2009) NGOs have taken on an increasingly prominent role as development assistance implementers and political counter-power They are under

greater scrutiny and pressure to demonstrate that they are using their resources in an efficient, accountable and transparent manner especially in fragile states where they often provide essential services which are traditionally under the responsibility of the public sector. With the growing influence of the non-profit sector over service delivery as well as their increased involvement in the development of national and international policies, the transparency and accountability of NGOs have become an emerging area of concern. As the resources are channeled through the non-profit sector increase, their legitimacy in managing aid resources is closely tied to their accountability to the public, adherence to their mission statements, transparency of their processes and effectiveness in fulfilling their mandate.

In most countries, basic legal requirements for the set up and running of NGOs exist, NGO accountability is primarily enforced through self regulatory mechanisms and internal rules and procedures, which need to be carefully assessed with reckon of their effectiveness in managing corruption risks. This comprises of looking at the organization's governance structure and systems, independence, integrity policies/codes of conduct, transparency standards, human resource management policies, financial management standards and downward accountability measures.

Anherier, Carlson and Kendall (2001) put forward that there are many reasons why NGO sectors around the world, seemingly are facing crucial challenges including increased commercialism and competition. NGOs' lack of internal and external accountability and weak internal organizational governance structure has posed a

serious challenge to civil society globally. This is particularly true for Africa and Asia Pacific civil society as it has grown rapidly in volume over the last three decades before it had chances to institutionalize adequate accountability and internal governance systems.

Although the emergence and legitimacy of NGOs in democratic governance has been well documented, little research has explored appropriate types and practices of accountability for NGOs. In particular, little has been done to examine these topics in the comparative context. Discussions on the growing influence of civil society organizations and their roles in democratic governance are not complete without an examination of accountability relationships. The recent debates on governance and accountability of NGOs are all the more critical considering the growing involvement of these organizations in 'new governance' while the "traditional boundaries of governance that have relied on legal and organizational measures of answerability (Choudhury and Ahmed, 2002).

Monitoring and oversight of NGOs in developed countries is organized around two legal concepts, non-profit organizations and charities/philanthropic societies. Non-profit organizations do not seek to generate a profit for their owners (Glaeser, 2003). If a profit is generated it is ploughed back into the organization and such a status exempts an organization from corporate taxation. In developed countries where corporate taxation is high, maintaining a non-profit status is important.

NGOs typically seek to serve the public good. It is this characteristic that entitles them to solicit funds from various benefactors such as the public at large, the government, other NGOs and international donors. Benefactors give to philanthropic organizations because they care about the public. Developed countries all have instituted legislation regulating organizations that solicit from the public. In the United Kingdom, for instance, NGOs are registered with and report to the Charities Commission and in Zimbabwe they report to a board called The National Association of Non Governmental Organizations (NANGO). The rationale for regulation is that, by diverting funds, unscrupulous individuals may undermine the public's trust in NGOs and hence reduce funding to the NGO sector as a whole.

Stiles (2002) and Lister (2001) posit that monitoring and oversight issues differ between developed and developing countries. In developed countries, NGOs operate primarily to attract local funds and to channel these funds to a charitable purpose, for instance funding development and humanitarian assistance. In developing countries, collecting local funds is less important because the bulk of NGO funding comes from international sources whilst in rich countries the financial risk of unscrupulous NGOs is borne largely by the general public is most at risk from unscrupulous NGOs, in poor countries it is international donors who are at risk financially.

Abuse can take various forms. Apart from outright diversion of funds, misappropriation can take place through perks, initiated salaries, or unwarranted per diems. Failure to pay board incentives and can be much harder to detect and even

made more problematic when the organization does not hold proper records and accounts hence difficult to distinguish dishonest behavior from incompetence. Finally, it is also conceivable that the organization is honest but mismanaged and inefficient, in which case donor money does not maximize the bang for the buck.

The above monitoring difficulties are common to NGOs in poor and rich countries alike. Some incentive issues, however, are more prevalent in developing countries. In a context where most funding comes from international donors, talented individuals in what Platteau and Gaspart (2003a) call development brokers may initiate a local NGO not so much because they care about the public good but because they hope to secure a grant to pay themselves a wage (Weisbrod, 1998). Although some may use this approach mercenary or uncharitable, it is not inherently illegal provided the local NGO effectively and efficiently undertakes the task for which it secured external funding. Local NGOs operating in this manner are de facto for-profit.

Accountability and transparency are important because they help to define a NGO's purpose, functions and status. It is particularly important for the Zimbabwean civil society because nonprofits are increasingly providing more social, medical and educational services to the public. While advocacy organizations and their leaders are becoming embedded in the policy networks of central and local governments (Blasi, 2002). Although nonprofits which are often thought of as forces of good and representative of the true voices of ordinary citizens have occupied the moral high ground compared to governments and large corporations, practitioners and scholars



have long debated the need to institutionalize organizational governance and transparency to maintain public trust (Keohane, 2002). As Gibelman and Gelman (2001) and Holloway (1998) report, public images of the third sector worldwide have been tarnished by alleged and substantiated wrongdoings on the part of these organizations.

Eisenberg (2000) argues that the economic and social status these organizations have achieved has resulted in a self-righteous attitude, while Salamon (1995) argues the “myth of pure virtue” has made civil society organizations susceptible to public criticism. The Asian Pacific civil society is no exception. Numerous NGOs in the region has been accused of various wrongdoings, including its increasingly cosy relationship with the state and its heavy reliance on state funding (Kim and Shin, 2002). Local NGO service providers, especially social service and medical institutions, have been criticized for their lack of financial transparency and unethical business conduct. Numerous whistleblowers, aided by their labour unions, have brought public attention to fraudulent accounting and financial practices in numerous medical institutions, which were subsequently audited by the respective tax authorities.

In cases involving large philanthropic organizations set up by corporations, criticisms have been directed at continuing (informal and formal) ties to the corporations and their founding families. The People’s Solidarity for Participatory Democracy (1998), one of most active civic groups in Korea, argued that 45 philanthropic organizations

established by Korea's largest corporations were set up either to evade gift and inheritance taxes or to protect large corporations from hostile business takeovers. It also claimed that over a third of the philanthropies' board members were linked to corporations or to founders' families and these philanthropic organizations were reluctant to disclose operating information to the public.

While philanthropies and service organizations seek to provide public service to the socially disadvantaged or to the public in general, advocacy groups represent the collective non commercial interests of the general public rather than the special interests of particular segments of society. In other words, advocacy organizations are distinctively committed to the public interest, which is defined in terms of non-economic, collective interests whose intended beneficiary is the general public. The transparency and internal governance of these organizations has become more important as they became a major social force. As advocacy organizations become a vital component of liberal democracy, their internal democracy and public accountability is of critical importance. A more pointed criticism is that they lack both the participation of members in the decision-making process and internal democracy.

Often advocacy groups have been called civic groups without citizens. It is interesting to note that such criticisms often come from insiders (Oh, 2002) and target undemocratic decision-making among a small group of activists that resulted in a centralized decision-making structure (You, 1998). Recent incidents involving internal

power struggles among founders and manager have accentuated internal governance problems.

## **2.2 The nature of governance systems and structures being employed in local Ngos.**

The governance structure of local NGO's largely depends on the nature of the organization thus its constituencies, mandate, purpose, operations and activities. However, there is a broad consensus on some essential standards that cut across all organisations. By nature, NGOs should have a non profit making character, a legal entity identifying office holders, and a clear mission. NGOs should also have clearly defined governance structure and decision making processes, membership rules and a description of the responsibilities, powers and duties of the governing body, as well as its relationships to other organisational entities.

Donors' selection procedures varies according to the local context, amount of funding involved and the urgency of delivering aid, which may limit the possibility of conducting in-depth and costly financial reviews. However, it is good practice to exercise due diligence and conduct minimum background checks of new partners, including reviewing past performance on projects financed by other agencies and a set of internal governance and accountability systems.

An NGO's basic documents formally establish its governance structure. The basis for local NGO governance is usually a country's legal code, which assigns an internal governance structure depending on the type of organization. More specifically, an

organization's governing body or bodies should be identified as required by law in its "basic documents" that is, the act of incorporation, statute, charter among other government documents. Explicit designation of the governing body by name is important, for it clarifies where fundamental decision-making and oversight responsibilities reside in the organization. An explicit governance structure is the first step toward establishing a stable and predictable framework for accountability in the NGO.

NGOs should also have clearly defined governance structure and decision making processes, membership rules and a description of their responsibilities, powers and duties of the governing body, as well as its relationships to other organisational entities. Board members should be selected through transparent processes set out in publicly available policies, have defined terms of office, receive no remuneration beyond reimbursement of expenses and should not profit from the organisation's assets. There should also be conflict of interest provisions for board members in place.

Board functions should be clearly separated from management and the CEO should not have a voting role on the Board. Board competencies include the appointment and annual review of the CEO performance, the review of financial performance and statements, as well as the responsibility to hire the auditor. The list of current Board members should be publicly accessible, board meeting minutes should be recorded on file and decisions should normally be communicated to the membership in a comprehensive and timely manner unless good reasons apply.

Many local NGOs have the dual governance structure that is most common in European corporations. In this arrangement there are two governing bodies a supervisory board, which mainly oversees the organization's financial affairs as well as a separate body known as the management board. This dual structure has the main advantage of integrating governance into the daily life of the organization. But it can pose problems if the management board is composed mostly of staff as is usually the case. Even though they understand the organization well, the presence of staff members on a governing body blurs the distinction between governance and management and quickly leads to conflict of interest.

The situation is even more problematic if the supervisory board meets only once or twice a year. With such infrequent activity the supervisory board easily grows dormant and neglects its tasks, depriving the NGO of a true internal oversight function. When these complicating factors are present, an NGO should strengthen its governance by clarifying and simplifying the relationships among its leadership entities. Even when the laws are vague, they don't inhibit or forbid good governance and there is much an organization can do to strengthen its governance structure.

There is also the structure of associations and foundations. Associations are membership-based organizations whose members constitute its highest governing body. They can be formed to serve the public benefit or the mutual interest of members. Regulations vary as to whom and how many persons may found an association. Foundations traditionally must have property dedicated to a specific

purpose. Foundations do not have members. Instead they are governed by a board of directors that is appointed by the founders and is often self-perpetuating. In some countries, foundations may serve private purposes, but in many they are required to serve the public benefit only.

Many associations do not function as true membership organizations; they have assumed this form merely for purposes of registration. Although the basic documents may identify the general assembly as the highest governing body, in reality it meets rarely and performs few governance functions. Between annual meetings a separate body, often known as the executive board, may assume a more active governance role, but its duties too can be poorly defined. Both the general assembly and executive board, moreover, are often composed of senior staff members and thus differ little from a senior management team. In foundations, similarly, there may be confusion over who actually governs, with the founders themselves retaining certain rights and privileges that are strictly speaking of a governance nature. All of these arrangements can leave the true governance function shifting among various groups, adequately performed by none.

Local NGOs should also have strong internal integrity management systems in place and policies to prevent and effectively address corruption risks that also apply to partners and service providers. A group of UK NGOs developed a set of principles and guidance to NGOs for countering corruption and bribery (Bond 2011). In addition to recommending an anticorruption statement articulating the organisation's commitment

to high ethical standards should be considered for inclusion in the organisation's procedures, including provisions and guidance on bribery (especially for corruption prone activities such as procurement), facilitation payments, payments under duress, gifts and hospitality, political donations. The anti-corruption policy should be communicated to all partners, suppliers, contractors, intermediaries and other third parties.

### **2.3 The role of internal governance structures and systems in local Ngos**

NGO Connect News (2009) gives a clear distinction between governance and management and their roles within NGOs. They mention that as organizations grow and expand, it is important to understand the difference between governance and management and who is responsible for each. In most civil society organizations, governance is provided by a board of directors, which may also be called the management committee, executive committee, board of governors, board of trustees, etc. This group oversees the organization, making sure it fulfils its mission, lives up to its values and remains viable for the future. Although by no means an exhaustive list, essentially, the board has the responsibility to:

1. Define expectations for the organization
  - Set and maintain vision, mission and values

- Develop strategy (e.g., long-term strategic plan)
  - Create and/or approve the organization's policies
2. Grant power
    - Select, manage and support the organization's chief executive
  3. Verify Performance
    - Ensure compliance with governing document (e.g., charter)
    - Ensure accountability and compliance with laws and regulations
    - Maintain proper fiscal oversight

Management on the other hand takes direction from the board and implements on a day-to-day basis. Management has the responsibility to:

- Communicate expectations, mission, strategy, policies to the entire staff;
- Manage day-to-day operations and program implementation to fulfill the expectations; and
- Report results to the board

When the balance between the responsibilities of the board and management is established and functioning well, the organization is better able to:



- Meet the expectations of clients, beneficiaries and other stakeholders;
- Deliver quality programs that are effective and efficient; and
- Comply with laws, regulations and other requirements.

According to the hand book published by the International Information programs of the United States on NGOs (2012) In new NGOs without paid staff, board members take on roles and tasks that would otherwise be carried out by paid staff, including:

- Designing the NGO's first projects and getting them started.
- Attending meetings with stakeholders to build relationships.
- Creating the management infrastructure for the organization — such as setting up an accounting system or a system for organizing volunteers.
- Carrying out the project — such as teaching a computer class or leading a civic education workshop.

Board members of start-up NGOs need to remember that, in addition to carrying out the NGO's work and managing the organization, they still need to pay attention to their governance responsibilities and should set aside a portion of board meetings for oversight activities. Once an NGO gets its first grant and hires paid staff, the role of the board will begin to change. Not only will the board be less involved in the day-to-day work of the NGO, it will also have new governance responsibilities. It will need to develop personnel policies and supervise the executive director, for example. Making the transition from an all-volunteer NGO to a funded and staffed one can be very

challenging for NGO boards. When board members understand how their role is changing, they will be better able to navigate the transition.

They go on to further mention eight other roles of the management board as outlined below:

*1. Setting the NGO's values, vision, mission and goals.*

The board provides the overall direction to an NGO. The founding board usually sets the values, vision and mission at the time of its establishment. The board reviews the guiding principles every few years and makes sure that the NGO's long-term goals are aligned with the principles through a strategic planning process. If an NGO engages in advocacy, the board should set advocacy priorities and positions.

When an NGO faces a threat or opportunity, the board makes decisions about what to do. For example, if an organisation's largest funder withdraws its support, the board decides how to handle the loss. The board takes a hard look at the strategic plan and identifies the projects that are critical to the NGO's mission and those that are expendable.

*2. Making sure the NGO has the resources it needs.*

Boards raise money, collect in-kind contributions and recruit volunteers. Boards set the fundraising goals and work with staff to meet them. It is up to each NGO to determine its requirements in terms of staff and resources. It is the board's job to make sure the NGO has what it needs to carry out its mission. Usually the executive director

generally writes the funding requests to prospective donors, but the board organizes fundraising events and schedules meetings with individuals and businesses to ask for contributions.

2. *Making sure finances are well managed.*

Financial oversight is one of the board's most important responsibilities. Making sure that money is spent wisely and appropriately keeps your NGO accountable to your funders and community, so boards must regularly review financial reports. The staff of Clean Streets, Healthy Children prepares the annual budget, but the board approves it. Board members who cannot attend a budget or finance meeting need to get copies of the documents, review them and send questions before or after the meeting. All board members are responsible for the board's decisions and actions, regardless of their attendance at every meeting

3. *Ensuring that an NGO's work is effective.*

Your board regularly reviews your NGO's projects and activities — through updates from the executive director and evaluation reports. It then assesses whether the projects and activities are advancing the NGO's mission and goals. In the event of a negative assessment, the board may need to make a decision to end or restructure a project, or start a new project that better meets community needs. To be effective

monitors, all board members must be familiar with all of the NGO's activities. They should visit projects to meet the staff and see how the community is benefiting.

*5. Hiring, supervising and evaluating the executive director.*

The board hires the executive director. It does not take a short cut and appoint the first available person. It goes through a multi-step, transparent process that identifies the best candidate for the job.

- Develop a job description with clear objectives.
- Announce the job opening.
- Review resumes to identify the strongest candidates.
- Interview these candidates.
- Make a decision about the best candidate based on the NGO's needs

Once hired, the executive director reports to the board of directors. The board provides feedback and regular performance assessments, including a formal annual evaluation. If the executive director does not meet objectives or manage the NGO effectively, the board has a duty to dismiss that person. The board must make this decision carefully based on the best interests of the NGO. The board should never dismiss an executive director based solely on the preferences of one board member

*4. Establishing policies and procedures.*

The board approves all of the NGO's policies and procedures, covering the gamut from personnel and fiscal issues to conflicts of interest. Staff might prepare the policies but the board must approve them.

*5. Serving as ambassadors for the NGO.*

Board members should always look for opportunities to develop new relationships and find new resources for the NGO. They advocate for it and its community and represent the organization at community events. Board members for Clean Streets, Healthy Children are also active in national and international professional networks. When they attend meetings or conferences, they bring their NGO's brochures and have their talking points ready. Board members are the NGO's ambassadors. They attend community meetings and events, listen to community concerns and make themselves active and visible in the community. In this way, board members build trust with the community.

*6. Ensuring the NGO meets ethical standards.*

The board of directors ensures that anyone associated with the NGO behaves ethically and avoids corruption at all costs. An NGO must be honest, fair and transparent in its interactions with all stakeholders, internal and external. For example, it would be unethical for Clean Streets, Healthy Children to have a partnership with another NGO

to run a joint project but not reveal information that it received a grant to support the joint project. Or, it would be unethical for the executive director to pay a staff member a salary different from the salary written in the budget. If such practices are allowed, the NGO will rightly be seen as corrupt. To prevent unethical behaviour and corruption, an NGO's leadership must establish fair and open dealing as a core value. Practices must be put in place to discipline or terminate anyone found in violation. If the board learns that the executive director has engaged in corrupt practices, it should let this person go immediately. If one board member sees other members acting unethically, that board member must report their behaviour to the board chair for immediate action. All board members are responsible for ensuring the full board behaves ethically.

Mostashari (2005) identifies the board as the highest and most significant internal governance structure within an organization. He outlines the prerequisite requirements of effectively constituting a board and the main functions of a board. He mentions that one of the many ways that organizations are becoming effective and productive is by broadening and strengthening the constitution of their Boards. An increase in the effectiveness of NGO board itself has been achieved by bringing together organizations and leaders with a shared interest in the work of boards; building capacity by training; and developing management and governance tools.

Having a good and effective NGO Board provides a basis for successful management of its Organization; familiarizes its target constituents with the activities of the NGO;

help in better understanding the organizational structure of the NGO assists in distributing responsibilities among the team members within the NGO organization.

In a bid to show the role of internal governance structures Mostashari goes on to highlight that the board first of all, sets policies and strategies for the NGO, in line with the agreed purposes, principles and scope of the NGO. It also sets operational guidelines, work plans and budgets for the NGO and policy and program support. Many times, it is also called on to make funding decisions. It assists the internal workings of the NGO by setting criteria for membership of, and appointing, review panels and/or support groups. It may also establish a framework for monitoring and periodic independent evaluation of performance and financial accountability of activities supported by the NGO. One of its main roles is representation of the NGO in the larger community. It represents views of the NGO in various constituencies, or within the NGO community in relation to outside

There is a general recognition that the reasons for underdevelopment and misgovernment are “sometimes attributable to weak institutions, lack of an adequate legal framework, damaging discretionary interventions, uncertain and variable policy frameworks and a closed decision-making process, which increases risks of corruption and waste”. Views on governance also change with the context and the environment. As funding streams, public policy, politics, technology, demographics, the economy and community needs are changing and sometimes radically, governance strategies are also evolving along with them. The growing uncertainties on the development arena in

Zimbabwe and the diversity and large number of local NGOs make it mandatory to move from the rhetoric to practical action. The relationship between stakeholders and their different interests, rights and powers is a critical issue in corporate governance.

The focus on good governance will help local NGOs in Zimbabwe and beyond to bring a greater accountability and transparency hence prevent reluctance to introduce management and institutional changes. Internal governance also provide a quality rating by donors, provision of an incentive for collective services to members that members cannot provide for themselves, enable organizations to reframe development work through systems and policies that ensure transparency, enhanced accountability and program impact and enable organizations to enhance the return from the dollar or the investment, which would result in enhanced donor confidence. Another important function is for local NGOs to be exemplary in self-regulation hence bringing a renewed perspective of how NGOs can be managed through setting, appointing and overseeing effective Board structures, appropriate organizational policies and governing procedures that encompass determining policy and strategy as well as implementing the policies and strategy.

Consequently effective internal governance arrangements are fundamental in local NGO's as they provide wisdom and insight to operate well and effective. In recent years, internal governance issues have received the increasing attention of various international bodies. Their main effort has been to correct the institutions weak or superficial internal governance practices identified as key contributory factors.



NGOs differ from for-profits in that they are created to meet a need in the community or among members rather than earn a profit for owners and shareholders. Simply put, an NGO's mission is what it does to meet that identified need. The mission is usually linked to a set of basic, deeply held values, such as respect for the natural environment or aid to the poor. The mission and values inspire people to get involved in the organization while providing a common focus for its activities and goals. A declaration of the NGO's mission is usually included in its founding documents. One of the basic responsibilities of the board is to identify, articulate, safeguard, and promote the NGO's mission in watching over the mission, the board, in a sense, protects the very heart of the organization. The board's most important duties in this respect are to ensure the mission meets the test of fulfilling a community or members' need and the NGO honors the mission in everything it does. The board must also make sure the mission is realistic in scope, cost, and expected impact. The board should see to it that the mission is expressed in a concise and convincing mission statement. The mission statement is an informative and motivational message for multiple audiences, including beneficiaries, volunteers, donors, media, and staff. The mission statement provides a point of reference for planning and development efforts and brings unity.

#### **2.4 Effectiveness and appropriateness of systems and structures of governance**

According to the NGO management Association (2014) effective governance is essential to the long-term success of an organisation. In the NGO sector (as in other sectors) stakeholders are becoming more demanding in terms of what they expect. Donors want

to be sure that their money is going to a well-governed and accountable organisation. Board members want to be satisfied that the time they are contributing to the affairs of the organisation is well spent. And leaders, managers and staff want to feel that their relationship with the Board is constructive and mutually supportive. It is widely recognised in the NGO sector that there is much scope for improving governance if the right steps are taken in the right direction

If non-profit organisations justify their existence on the grounds of efficiency alone, they may lose out in the end. Frumkin and Andre-Clark (2000) argue that non-profits have too many constraints attached to their market behaviour to compete with for-profit organisations in the same market. They have disadvantages in their ability to raise capital, introduce incentive schemes, and face the additional penalty of loss of legitimacy and decline in volunteer input. To the contrary, it may only serve as vehicle to extinction or transformation.

Meyer and Zucker (1989) have commented on the persistence of non-profit organisations despite low performance. This view, echoed by Seibel (1996), diagnoses the longevity of non-profits as a case of permanent failure rather than success. They suggest that because of their complicated governance structure and minimal influences from markets and the electorate to check on performance, nonprofits can easily be manoeuvred into a state of hidden failure. In the context of the management model suggested, we can easily understand why and how this can happen. Different organisational component may unknowingly lock into a stalemate, unable to change

matters without giving up its own position. Truly successful non-profit organisations require pro-active management models, not management by exception. Because performance signals from markets and electorates are incomplete, if not totally missing, pro-active management frequently has to position and locate the organisations.

The literature identifies several channels through which governance effects growth and development. The first is the increased access to external financing by firms. This in turn can lead to larger investments, higher growth and greater employment creation. The second channel is a lowering of the cost of capital and associated higher firm valuation. This makes more investments attractive to investors, also leading to growth and more employment. The third channel is better operational performance through better allocation of resources and better management. This creates wealth more generally. Fourth, good governance can be associated with a reduced risk of financial crises. This is particularly important, as financial crises can have large economic and social costs. Fifth, good governance can mean generally better relationships with all shareholders. This helps to improve social and labour relationships and aspects such as environmental protection. All these channels matter for growth, employment, poverty reduction and well being more generally.

Moshman (2008) the management board is the main governance structures within an organisation, she ascertains that the board of directors is crucial to an NGO and is responsible for many specific tasks including governing and overseeing the operations

of the organization. The board is legally, financially, and morally responsible for the organization.

Each individual member of a board is significant and holds many responsibilities that help contribute to his/her work on the board as a whole. Moshman goes on to outline five The five main tasks that outline crucial responsibilities of the board as a whole, focusing on how each individual member can effectively contribute to the tasks:

1. Mission and Purpose

A board of directors as a whole is responsible for creating and defining the mission of an organization. This is usually done so in the form of a mission statement which includes The purpose of the NGO, The core values of the NGO and What the NGO seeks to accomplish.

The mission statement is not set in stone. The board of directors is responsible for reviewing it regularly in order to assess whether any revisions are necessary. One way in assessing whether this is necessary is to look at the programs, activities, and/or fundraisers of the NGO to make sure the organization has not drifted from its purpose

2. Hire and Work With the Chief Executive

The responsibility that the board has of choosing and hiring a chief executive director is significant because he/she is essentially handling and managing the entire organization. Before selecting an executive director, the board of directors must wholly review the mission and purpose of the organization and then agree on what their expectations are. They must agree on what kind of person they are looking for and what kind of person would positively contribute to the NGO.

### 3. Financial Oversight

The board is unanimously responsible for the careful and prudent use of money within the organization. In order to meet this responsibly, the board should determine what the financial policies are.

Most importantly, the board should help develop and approve the annual budget. This is a significant responsibility because approving the budget has a domino effect on all other priorities within the organization. It is important that the approval is done by no one else—not even the executive or finance committees. In overseeing the budget, board members should receive financial and accounting balance sheets and reports. This ensures that everybody is up to date on the financial situation and changes can be made if necessary. Lastly, board members as a whole should be insistent upon an annual audit. However, the board members should not perform the audit, but should regularly meet with an independent auditor who should be assessing the financial situation.

#### 4. Provide Adequate Resources

Providing resources for an NGO relies very much on individual board members and their ability to attract and influence large donors. However, there are some responsibilities of the board as a whole that need to occur first. The board of directors is responsible for: Ensuring that the NGO has enough human and financial resources to serve its mission and purpose. Working with the chief executive, who is often times the chief fundraiser, in setting fundraising goals. Formulating a fundraising strategy and approving a case statement that explains why the NGO needs money and what it will be used for Working together as a group to monitor, oversee, and guide fundraising activities.

#### 5. Communicate with the Community

The board of directors is responsible for acting as the voice of the NGO. They are responsible for articulating the goals, mission, and purpose of the organization in order to promote it and help the community understand what it is they do. They must ensure that they collectively listen to the needs of the community and make any necessary changes that will enable them to serve the community to the highest potential. Board members are also responsible for making sure the NGO can support outreach to the community through a significant and successful public relations strategy. Along with this, they should help in developing strategies for community outreach. Much of the

literature surrounding the role of the board of directors of an NGO focuses on the board responsibilities as a whole. The previous five points attempt to shed some light on the role of the individual and how important he/she is in contributing to the overall make-up of the board. Most importantly, individual members must perform their jobs competently and efficiently while being able to work well with other board members and establishing a healthy and responsible working relationship with them.

Empirical evidence, using various techniques, has documented these relationships at the level of the country, the sector and the individual firm and from the investor perspectives (Claessens, 2003). According to Charkam (1994) there are two basic principles of governance. The first is that management must be able to drive the enterprise forward from undue constraint caused by government interference, fear of litigation or fear of displacement. Secondly is the freedom to use managerial power to be exercised within a framework of effective accountability. Essentially governance failures may come about for two broad reasons. One, management may operate the firm inefficiently, resulting in an overall decrease in firm effectiveness and efficiency. While management may operate the firm efficiently they may divert a proportion of funds from shareholders via the consumption of excess perquisites, for example remuneration which is not related to performance. Hence, a system of internal governance needs to consider both efficiency and stewardship dimensions of corporate management. Stewardship emphasizes issues concerning, for example, the misappropriation of funds by non-owner manager.

Equally important, however, is the issues of how the structure and process of governance motivate entrepreneurial activities which increase the wealth of business. The relationship between governance and performance is based on the principal agent approach. The agency relationship is defined as a contract under which one or more persons engage another person to perform some service on their behalf which involves delegating some decision making authority to the agent. The separation of ownership and control, which occurs as a result of the introduction of external investors, bring to fore the agency problem: managers are expected to represent the interests of the external owners of the enterprise; however, it is difficult for owners to ensure that managers do so. Shleifer and Vishny (1996) argue that managers and equity investors should be capable of entering into a binding contract, which would ensure that investors' interest are fully represented. However, it is unlikely that it will be possible to specify contracts ex-ante that accommodates all possible future contingencies. If unforeseen circumstances arise, managers assume contingent control rights that proved them with the potential to operate against investors' best interests, by, for example, expropriating investors' funds or engaging in assets stripping. The discretionary control rights of managers are further increased by the existence of asymmetric information between themselves and external investors. Although it is precisely this insider knowledge that encourages investors to permit managers to operate as their agent, this allows managers the freedom to conceal information from external investors. Such action serves to increase the costs of monitoring and therefore enables managers to pursue their own goals rather than those of the shareholders, by entrenching their position or engaging in



behaviour that is sub-optimal for the shareholder. The possibility of higher monitoring costs is particularly strong if there are a large number of dispersed external investors, because a free-rider problem emerges if there are large costs to monitoring which the benefits accruing to each individual are relatively small. Metrick and Ishii (2002) identify four dimensions of corporate governance at the level of the firm that can help to minimize the agency problem: board of directors, ownership structure, executive incentive contracts, charter and by law provisions.

**(a) Board of Directors:** This is often considered to be one of the major sources of monitoring firm's conducts and performance. It is responsible for hiring and firing executives, setting executive compensations and making key decisions in the life of the firm. The board of directors should in principle be one of the major checks on the management. It is directly elected by the shareholders to act on their behalf. A high level of independence is important for it to perform its monitoring duties more effectively. The standard view is that the board of directors is more independent as the number of outside directors' increases. Executive directors are not likely to self monitor effectively the performance of the CEO because their career is closely tied to the incumbent CEO (Jensen 1999). Several studies show that board membership is related to the degree of agency problems at a firm (see for example, Borokhovich, Parrino and Trans (1996), Weisbach (1988) and Rosenstein and Wyatt (1990). The larger the percentage of outside directors, the more likelihood of

(i) an outside executive being appointed chief executive officer (CEO)

(ii) a non-performing, CEO to be dismissed and

(iii) significant positive share reactions. With respect to the size of the board and performance, Yermack (1996) provides evidence of a negative relationship between the size of the board and firm value. However, Hermalin and Weisbach (1999) found no significant relationship between board composition and performance while Yermack also shows that the percentage of outside directors does not significantly affect firm. Jensen (1993) and Hermalin and Weisbach (1991) argue that CEOs often control the composition of the board and lessen its monitoring role. This is especially possible when a person combine the position of chairman and CEO, and the use of exclusively large boards which increases communication problems among board members. Yermack (1996) report a negative relationship between board size and firm value for large and small firm respectively.

**(b) Ownership Structure:** This is another method of mitigating agency problems. The free-rider problem is minimize and internal constrains on managerial discretion can probably be imposed if ownership is concentrated in the hands of a large block of shareholders irrespective of whether they are individuals, organizations or investment funds. In this event, the returns to monitoring will increase monitoring activity, which may also be subject to economies of scale.

Moreover, large shareholders will be more likely to be able to utilize their voting power to influence managerial behaviour, although, as Shleifer and Vishny (1996) note, this does require shareholding voting rights. This leads to the proposition that

large shareholders will exercise more effective corporate governance; a finding that has been supported by a host of studies on developed market economies. For example, Franks and Mayer (1994), in a study of German Private Enterprises find that concentrated share ownership is associated with high rates of turnover of directors. In the study of Japan, Kaplan and Milton (1994) find that the existence of large shareholders raises the probability that managers of poorly performing firms will be replaced. La Porta et al (1999) posit that high concentration could minimize agency costs since it could serve as a substitute for legal protection. “Even without strong legal institutions, large investors have the means and the incentives to monitor managers, large investors have the means and the incentives to monitor managers, though they bear the cost of undiversified risk”.

However, the cost here is that large shareholders may use their control rights to expropriate minority interests. Nevertheless, there is no consensus yet as to the impact of ownership concentration on performance. In some countries, such as Austria, the Netherlands and Spain, companies with dispersed ownership perform inadequately than those with concentrated shareholdings, while in others the reverse seems to be true (Gugler 2001). On the contrary, Holderness and Sheehan (1988) find little evidence that high ownership concentration directly affects performance. The composition of ownership may also matter for performance. Institutional investors have been very active in the firm level corporate governance. Frydman et al (1997) examined the impact of private ownership on corporate performance in the transition economies. The study reports that private ownership dramatically improves the most

essential aspects of corporate performance in the countries undergoing post-communist transition. Furthermore, the study also reports that outsider-owned firms perform better than insider-owned firms on most performance measures. Jensen and Meckling (1970) suggest that agency costs can be reduced through the concentration of ownership and control within one single owner-manager. However the possibility of interplay between incentive alignment effect and entrenchment effect suggest a non-monotonic relationship between managerial stock ownership and firm value.

(c) A third mechanism through which shareholders can induce managers to behave efficiently is incentive contracts which tie managers' compensations to measures of corporate performance. This can be accomplished through performance related bonuses, stock grants and stock options. However, executive incentives pay has been criticized as being manipulated or controlled by the executive themselves. Jensen and Murphy (1990) examine the link between pay and performance for CEOs in the U.S. They argue that the conflict of interests between the shareholders and CEO represent a classic example of principal-agency problem. Agency theory predicts that compensation policy will be designed to give manager incentives to select and implement actions that increase shareholders wealth".

(d) Finally corporate charter and bye law provisions are an important source of governance. Federal and State laws containing provisions that establish firm level rules for a variety of areas such as shareholders voting, managers and directors

liability and takeovers. State laws that provide takeover protection may increase agency costs (Bertrand and Mullainathan 1999).

Klapper and Love (2002) examine corporate governance and performance in a sample of firms in 14 countries, most of which are developing economies. They find that better corporate governance is associated with better performance in the form of Tobin's q and Returns on Asset (ROA) and that good governance seems to matter more when the legal environment of a country provides investors with weaker protections. John and Senbet (1998) provide a comprehensive review of the Stakeholders theory of corporate governance. The main issue raised in the theory is the presence of many parties with competing interests in the affairs of the firm. They also emphasized the role of non-market mechanisms such as the size of the board, committee structure as important to firm performance. Jensen (2001) critique the stakeholders theory for assuming a single-valued objective. He proposed an extension of the theory called an enlightened stakeholder theory. However, problems relating to empirical testing of the extension have limited its relevance (Sanda et al 2003). Although the empirical works in the general areas of corporate governance have grown considerably, not much has been documented on the being industry in Nigeria. Lack of consensus on how to resolve the agency problem has produced a variety of mechanisms on how to deal with it, such mechanisms include: striking a balance between outside and inside directions; promotion of insider (i.e. managers and directors) shareholding; keeping the size of the board low; and encouraging ownership concentration.

Studies on corporate governance in Nigeria include Adenikinju and Ayorinde (2001), Oyejide and Soyibo (2001), Alshi (2002) and Sanda et al (2003), Sobodu and Akiode (1998) examined managerial efficiency in the banking industry. The study focused on the managerial efficiency of the banks using Data development Analysis (DEA) approach. Managerial efficiency is measured in operating expense to total assets. There are several problems associated with the measurement of banks' operational efficiency. First, there is the problem of identifying banks' inputs and outputs. Second, though not peculiar to banking, is the existence of several heterogeneous inputs and outputs that cannot be easily compared. Besides, rates of return, instead of operational efficiency, are most often used by investors to appraise the performance of their investments.

In the study by Adenikinju and Ayorinde (2001), the implication of ownership structure and control (governance) on the performance of publicly listed companies (excluding banks) in Nigeria was investigated. Banks were excluded because that is regarded as income in the banking sector is a liability in other sectors and vice versa. Also, the study by Oyejide and Soyibo (2001) reviews and analyses the practice and the standard of corporate governance in Nigeria. Their review of the legislations on corporate governance and the analysis of its standard between 1995 and 1998 show clearly that the institutions and the legal framework for effective corporate governance exists in Nigeria. However, compliance and/ or enforcement appear to be weak of non- the other hand, investigated the efficiency of corporate governance mechanism as a means of increasing firm financial performance between 1996 and 1999, in its analysis of 93 firms quoted on

the Nigerian stock exchange, the study sampled 10 banks, a figure not representative of the banking industry. Its findings show that small boards perform better than large boards, although it does not state what an optimal board size should be. The conclusion of the literature reviewed that corporate governance has been variously defined by different authors, and the relationship between corporate governance and performance is board membership is related to the degree of agency problem at a firm. Good corporate governance can mean generally better relationships with all stakeholders. This helps to improve social and labour relationships and aspects such as environmental protection.

## **2.5 Governance Challenges**

(Mukasa, 2006) affirms that there are a number of common problems and dilemmas that NGOs experience. One of the most mentioned was that of the decision-making processes.

Tensions often occurred between staff and senior managers because of the staff expectations that they would be equal partners in the decision-making process. Another common problem was to do with the governance of the organizations and the relations between board members and staff.

These stemmed largely from the boards' inability or unwillingness to carry out their responsibilities of governing the organizations. Board members often lacked the time or the expertise to be able to carry out these responsibilities effectively. As a result, senior staffs were often left to make policy decisions with little or no support from board members (Mukasa, 2006).

*Governance and decision making;*

The governance picture of many NGOs is quite complex. Most nonprofits are governed by self-perpetuating, largely self-appointing boards of directors. "Though trustees are not elected by society at large, their essential purpose is to hold an organization in trust for the benefit of society, as specified in its papers of incorporation and grants of tax exemption" (Lewis, 2005)

Other problem is about staff; such as; recruitment, assignment and layoff as well as human resources development and administration and finally everyday management of staff (Vilain, 2006). NGOs including local ones were found to be weak at staff career development. Often organizations lacked a career structure in which staff could develop. In addition they were not good at budgeting for staff training. In situations where the organizations were expanding rapidly, it created problems for many who were unable to keep up with the demands of their work. Fund raising activities were often the source of much tension in organizations. The strategies and images used to raise funds from the public were often felt to compromise the nature of the work done by other members of staff. These images often depicted beneficiaries as helpless victims in need of assistance, which other staff felt was inaccurate and lacked respect



for the beneficiaries (Mukasa, 2006). The most commonly identified weaknesses of the sector include; limited financial and management expertise, limited institutional capacity, low levels of self-sustainability, isolation/lack of inter-organizational communication and/or coordination, lack of understanding of the broader social or economic context (Malena, 1995).

NGOs can have members but many do not. NGOs may also be a trust or association of members. The organization may be controlled by its members who elect the Board of Directors or Board of Trustees. NGOs may have a delegate structure to allow for the representation of groups or corporations as members. Alternately, it may be a non-membership organization and the board of directors may elect its own successors (Wikipedia, 2006).

- ❖ The structural growth problem once they are successful, small businesses world-wide commonly face the problems of replacing one-person management (or family management) with a more institutionalized structure. The founder is used to having total control and doing things his or her way. It is difficult to persuade her/him to create independent management or expert roles, or to respect the authority and autonomy of independent managers and experts once they are in place. Their styles, ethos, and values are often severely challenged by the formality and the bureaucratic discipline that is imposed by this volume and variety of external funding from public organizations.

- ❖ **The accountability problem**

This has both a 'real' and a 'perceived' dimension. The 'real' problem is quite clear and is articulated repeatedly, who are these people accountable to? (Moore and Stewart, 1998).

❖ **The evaluation problem**

This is most immediately a problem for donors, but failure to resolve it reflects back on NGOs eventually, and should be perceived as their problem. *Performance evaluation*; is relatively easy in 'post-office' type organizations where (a) activities are routine; (b) objectives are few and clear; (c) there is no great distinction between immediate 'outputs' , medium-term 'effects' , and long-term 'impacts' ; and (d) outputs, effects or impacts can be measured relatively cheaply and reliably without the measurement process itself distorting the objectives of the organization or the goals of the staff. Few public organizations are like post-offices. Many, including many development NGOs, are very different: their activities are experimental rather than routine; their goals are often intangible (such as changing the consciousness of clients or the opinions of policymakers); they may be operating in the face of official obstruction and hostility; and it may be difficult to find other organizations with which their performances can usefully be compared in any quantitative sense. (Moore & Stewart, 1998).

❖ **The economies of scale problem**

Most NGOs are very small. They lack easy and cheap access to the specialist knowledge they require. For example, they may be aware that 'staff development' is important, but have little idea about how to do it (Moore & Stewart, 1998).

### ❖ **Volunteer relationships**

Volunteering means any activity in which time is given freely to benefit another person, group or organization". Organizational volunteering can further be defined as proactive (e.g., signing up to serve meals at a shelter every Sunday) rather than reactive (e.g., stopping to help an accident victim after a car accident) and entails commitment of time and effort (Lewis, 2005). *Mission, effectiveness, and accountability*; for NGOs to thrive, it must fulfill a mission that is valued by the community, staff, board, and founders. NGOs must create value within operational and environmental constraints that are at once more complex than those faced by corporations and more opaque than those confronted by government (Lewis, 2005). *Main future needs*: more funds and more staff, and above all the former, is more or less universal. Older voluntary organizations desire more paid staff. Younger voluntary organizations appear in relatively greater need of information and management advice. The desire for more volunteers is very widespread. (Marcuello, 2001)

### ❖ **Recruiting board members with the right skills and experience**

Getting board members with appropriate skills and experiences is important for board effectiveness. There is evidence to suggest it is becoming more difficult to recruit suitable board members in the third sector where most board members are volunteers. For example a survey of charities in 2000 showed that a much higher proportion of charities in England and Wales felt that finding board members was becoming rather

than less difficult and this was especially true of small to medium size charities (Cornforth 2001:9).Furthermore Tilly (2007) propounds that in a further survey of charities in 2007 42% of those surveyed felt it was more difficult to recruit trustees . There may be a number of reasons for this. Perhaps as a result of these difficulties more voluntary organizations are beginning to use formal recruitment methods to find and select board members, such as external advertising. The 2000 survey suggested overall about 4% of charities used external advertising, although this figure rose to 20% for the largest charities. The 2007 survey suggested that 31% of those surveyed used external advertising and the figures rose to 40% for larger charities, although the different methodologies used by the surveys means the figures are not strictly comparable

#### ❖ **The lack of a dominant external stakeholder**

In the private sector shareholders are the dominant stakeholders in companies meaning that within various legal and regulatory constraints, companies are meant to be run in the best interests of their shareholders. In the case of local NGO's the situation is often complex and a variety of stakeholders may have a legitimate stake in the organization, for example, members, beneficiaries and funders. These stakeholder groups are explicitly represented on boards, for example services users in a charity for those with a particular disability. An important role of the board of most voluntary and non-profit organizations is to balance different stakeholder interests, for example the interests of funders versus the interests of beneficiaries, or the interests of existing users versus the

interests of future users. Multi-stakeholder boards have the potential advantage of bringing different perspectives to decisions and making sure the different interests are balanced against each other. However, concerns have been expressed that they may make it more difficult to achieve a clear purpose and reach agreements ( Hutton et al. 1997).

#### ❖ **Managing membership**

Many NGO's are established as membership organizations, democratically controlled by their members on the basis of one-member one-vote. However, a common problem is that over time membership may decline or become inactive and may become run by elite of board members or full-time staff. Michels (1949) formulated this tendency of democratic associations to become dominated by elites as his 'iron law of oligarchy'. While many studies have confirmed the widespread nature of oligarchic tendencies the inevitability of these processes has been challenged and various factors have been identified that can help to safeguard member involvement and democracy .This has a number of implications for their internal governance (Spear 2004). The difficulty of maintaining an active membership, especially as membership grows means that boards can lose their legitimacy and accountability as member influence declines. It may also be difficult to find members with the right skills and experience to stand for election to the board hence possibly weakening the board's capacity to govern and hold management to account.

### ❖ **The power of boards to control management**

There is a paradox at the heart of governance arrangements in all organizations that employ professional managers. While it is the board that is formally responsible for the overall control of the organization it is management that have access to the main levers of power to carry out this responsibility. Management have the time, infrastructure, information, skills and access to resources (Demb and Neubauer 1992). The danger then is that managers may run organizations to further their own interests rather than the interests of the organisations at large thus goals and objectives. The view that managers have a tendency to dominate has early origins in the work of Berle and Means (1932) on business corporations, which asserted the dominance of management and argued there was a 'legal fiction of shareholder control'. As noted earlier, many of the private sector corporate reforms have been aimed at strengthening the hands of non-executive directors, elected by shareholders. However, there remain important question marks about the ability of many boards to carry out this task, and in particular the competency of board members. A common complaint of boards in NGO's is that they effectively become a 'rubber stamp' for management's proposals as indicated in Steele and Parston 2003 research on boards in the public sector. Yet the conclusion that all boards become rubber stamps is too sweeping, the empirical evidence suggests a much more varied picture .This then suggest that board members may draw on various power sources to develop a credible power base, relevant

expertise, their reputation, their position on board committees, and their networks developed within and outside the boardroom, but that patterns of power and influence at board level will also depend on their will and skill to make effective use of these power for example persuasion, persistence, charm etcetra.

#### ❖ **Managing the interdependencies between boards and management**

A frequent complaint about boards in non-profit organizations is that they often stray into management's territory and meddle in their affairs thus according to Middleton (1987) and Harris 1999). Perhaps much of the practice based literature on internal governance stresses the importance of being clear about the difference between governance and management, and defining the different roles of boards. While it is important to have some clarity over these issues this prescription is in danger of oversimplifying the problem. The roles of boards and management are inter-dependent and the boundaries between the two are often necessarily somewhat blurred, particularly in smaller organizations .For example the board should stick to strategic matters and not interfere in operational issues. However, drawing the boundary between operational and strategic matters is itself difficult .Strategy may emerge from practice and knowledge of operational matters may be important in making strategic decisions. Equally the boards of larger organizations are often dependent on management to draw up strategic proposals and the appropriate level of board involvement may vary

between different organizations at different times depending on the circumstances. What does seem to be important is that board members and management acknowledge this potential problem and recognize the need to review and renegotiate their respective roles and relationships from time to time.

### ❖ **Balancing of social and financial goals**

All voluntary and non-profit organizations have to balance social and financial goals. As a result boards may be faced with quite difficult trade-offs between different types of goals. However, for social enterprises that have to survive in the marketplace these problems may be particularly acute. The danger is that one set of goals may dominate to the detriment of others. Historically, the research on co-operatives has suggested that external pressures may mean that social goals get squeezed out and hence degenerates to become similar to other NGO's. While the inevitability of 'degeneration thesis', as it became known, has been challenged by various researchers, the dangers of financial considerations squeezing out social and other goals is a real one. Conversely too great an emphasis on social goals may mean important financial aspects of the enterprise are neglected threatening its survival.

## **2.7 Prospects for improvement**

*The Bureau of International Information Programs (2012)* in their handbook on non governmental organisations gives recommendations on how do you build an effective board and decide who should be on it. They mention that Building a board takes time.



Time to find people with the right mix of knowledge, skills and relationships and time to train them to fill their roles. Few board members will come to your NGO fully equipped to perform all the functions required of them. Think of your board as a team — each player has his or her own position. Working together, they get the job done. Regardless of what position each plays, all board members must believe in the NGO's mission and be willing to work hard to advance it.

*1. What expertise, skills and relationships do we need for a well-rounded board?*

Many NGOs look for new board members with expertise in their sector, such as health, human rights, education, or microfinance. This is important, but don't forget to recruit board members with expertise in management, communications, community outreach and finance.

*1. What specific knowledge and skills will help our NGO achieve its goals over the next three to five years?*

Let's suppose Clean Streets, Healthy Children plans to launch a public awareness campaign about the connection between waste and child health. The board would definitely benefit from having new members with backgrounds in communications and social media. A board consisting solely of sanitation and health experts would be

unable to guide the NGO through a communications campaign or review a contract with a consultant to ensure it was appropriate.

*3. What kinds of connections and relationships does our NGO need now and in the future?*

Clean Streets, Healthy Children has decided it wants to build a long-term partnership with a local university to bring engineering and environmental science students into the NGO's projects. The board realizes that it could benefit immensely by recruiting a new member from the university. The board draws up a list of their contacts at the university and arranges meetings with them to start the process of identifying prospective candidates for the board.

*2. What personal traits and characteristics should a new board member have to fit in with the rest of the board?*

This is an important question to answer before making your selection. If your board meetings are casual and informal, you should make sure new members are comfortable with that style. If the NGO is growing or changing rapidly, you need to find members who make decisions quickly and are flexible.

As you recruit new board members, keep in mind that, above all, they must be

committed to the NGO's vision, values and mission. Make it clear to them that they will need to devote time to NGO governance and planning, and acquire new skills to support the NGO.

Once your board has identified what it wants in new members, agree on a process for recruiting them to join the board.

Ball and Dunn (2005) mention that NGOs are improving both their governance and operations in the following ways:

- ❖ stating their mission, values and objectives clearly and ensuring that their strategies and operations are at all times within them
- ❖ better management processes as well as financial management, accounting and budgeting, systems;
- ❖ better human resource development and training within the organisation – of managers, administrators, project staff, Board members, beneficiaries, members and volunteers;
- ❖ better procedures to ensure that men and women have equal opportunities to participate effectively at all levels of the organisation, from members to leaders;
- ❖ better means by which both the organisation, and its projects, services and activities are monitored, evaluated, and reviewed
- ❖ better information provision by and about NGOs

- ❖ better networking and alliance-building among NGOs.

An organization exercises good governance when it has an internal system of checks and balances that ensures the public interest is served. According to Levente Mura-Mészáros, J.R. Saidel, B. Sátor, and M. Wyatt. (2002) Good NGO governance is based on the distinction between organizational entities thus management and the governing body as well as the distribution of decision-making power between them. This arrangement helps restrain and moderate the control of any one person or group to ensure the organization's resources are well managed and safeguard the NGO's public-service orientation.

Planning is a mission-directed activity that enhances accountability. Planning is a process of setting goals and articulating a strategy to achieve them through the acquisition and disposition of resources. It can take many forms for example an annual budget, a staffing pattern or strategic plan. Whatever its shape or scope, seeing that planning is an effective and regular process is a basic responsibility of the board. The board discharges this duty by making sure the staff sets realistic goals for itself and formulates logical steps for achieving those goals within a reasonable period of time. In a nutshell the board should oversee and monitors the planning process rather than engaging in the fine details of planning directly. Since it's removed from daily operations, the board can bring a valuable perspective to planning by testing the staff's

basic assumptions hence ensure that the plan is actually put into effect and when necessary is adjusted, redirected or scrapped (Sátor and Baláz, 2003).

Evaluation is the means by which the board confirms the organization is fulfilling its nonprofit mission effectively. The International Center for Not-for-Profit Law purports that the main value of the board is to bring to this area direction and oversight .While the actual work of the evaluation may be performed by the staff or consultants, the board ensures that the right questions are asked and the results are appropriately applied. The board should assert this role whether a comprehensive is undertaken such as finances is assessed for efficiency. During an evaluation, the board should make sure that the reasons for conducting the evaluation are clear, relevant factors are assessed and meaningful measurements are consistently applied. The board should review the outcomes of an evaluation and verify that recommendations, if appropriate are implemented putting into consideration whether the outcomes have any implications for the NGO's overall direction.

NGOs are often held to a higher standard of behaviour than for-profit entities since they receive tax exemptions and other benefits they are expected to demonstrate a commitment to the community that goes beyond the mission throughout the organization. The board makes sure the values and priorities communicated by the organization are those by writing a code of conduct thus a good way to think about the values your NGO stands for and the way they are realized in everyday actions. The

existence of a code shows your organization has the courage to set standards of behaviour and stake its reputation on them. Distribution of the code to all staff and making it public on your NGO's web site then the board, working with the chief executive, must ensure the code of conduct is taken seriously throughout NGO staff and when necessary strictly enforced. Given its importance, a code of conduct should be a board initiative, though its actual writing can be a board-staff or staff effort. In fact, discussion of the code's content is a good time for the board and key staff to come together and identify the values and goals they hold in common. A web search will turn up many good codes of conduct to use as your model. At a minimum most of them address the NGO's mission, accountability and transparency, use of resources, board leadership, management practices and avoidance of conflict of interest.

The most important measure by which an NGO is judged is its adherence to legal requirements. The board must know what laws apply and whether operations are in compliance. If legal obligations are not being met, the board must ensure that necessary corrections are made. Even though specific responsibilities can be delegated to the chief executive. The board monitors the standards of the NGO in other ways, too. The calibre of services provided, the salaries and benefits of top staff, and the accuracy of published information are but a few of the measures by which the public judges the integrity of an NGO. The board must make sure that poor or ill-considered performances in these areas do not damage an NGO's reputation beyond repair. For example, sloppy work or too much money spent on fancy offices prompting beneficiaries.

❖ Board members are not paid for their service. Payment of board members is common

in corporate sectors but considered inappropriate in the nonprofit sector because a board member's willingness to serve on a volunteer basis is seen as proof that the individuals who work with the organization are not motivated by opportunities for personal gain. For this reason it's crucial that board members not derive, or be perceived as deriving direct or indirect benefit from their board service. When board members receive an honorarium, salary perceived conflict of interest emerges, because opportunities for personal gain may outweigh or be seen as outweighing the interests of the organization and its beneficiaries. Luxurious travel, employment opportunities for family members and other perks and benefits can likewise suggest that the organization's ethical standards are lax or resources are going for purposes other than the non profit mission.

The board establishes a conflict-of-interest policy rather than leaving matters of ethics up to personal judgment, all NGOs should adopt a conflict-of-interest policy. Such a policy is especially important for organizations in counterfeiting the level of perceived mismanagement and corruption among NGOs which is relatively high (Civicus country reports at [www.civicus.org](http://www.civicus.org)). By establishing a conflict-of-interest policy, the board enhances the reputation of the organization for accountability and transparency and can help to attract new resources. It is also a guide for dealing with situations that have the potential to reflect badly on the organization or individuals associated with it. Conflict of interest exists when an individual faces competing choices that cloud or

influence decision-making. Conflict of interest situations usually make the organization's interests seem less important than other more personal matters. A conflict of interest situation doesn't automatically mean that an individual has done anything wrong. The danger may be the appearance rather than actual fact of wrongdoing. Conflict of interest can involve anyone, but it's particularly common on boards whose members are influential people with many ties in the community hence helps the board monitor behaviour within the organization and deal impartially with situations in which an individual's multiple interests compete or collide. The policy typically includes a requirement for full disclosure of potential or actual conflicts and abstention from deliberations and decisions in which an individual has a personal stake. Many boards require their members to sign conflict of interest disclosure statements annually. The policy should extend to employees, volunteers, as well as family members, business partners and other close associates.

The board oversees the publication of an annual report. The annual report is a vehicle for making financial and other information about the organization available to the general public. The annual report reflects how much money came into the organization, who provided it, and what programs and administrative costs it was spent on. Usually annual reports contain audited financial statements or the most accurate available financial data. The annual report is also a convenient place for publicizing information about an NGO's activities and programs. It's up to the board to see that an annual report is published on a regular basis and is made available to constituencies through wide distribution in hard copy or online.



The board should encourage transparent communications. An NGO's obligation to be accountable to the public takes many forms. To the government it owes financial statements or periodic registration. To donors it owes reports about the use of funds and assessments of program impact. To beneficiaries it owes descriptions of services and the way they meet community needs. This broad audience for an NGO demands an unusual degree of transparency. The privilege to solicit and dispose of public funds means that an NGO must show its inner workings honestly and accurately. It doesn't mean that the NGO must paint itself as the perfect organization. The board makes sure that a basic communications policy is in place and all communications from the organization thus publicity materials, grant proposals, fundraising letters, financial statements, reports to public authorities, web sites, descriptions of services are well presented and truthful and a may be with help of an expertise in Public Relations .In the case of time sensitive materials of a legal nature, the board must take particular care that they are punctually filed and contain and complete and accurate information.

The board should take part in resource development. Most board members are surprised to hear that resource development is a part of their job. However, this duty is a natural outcome of the board's duty to ensure that an NGO has sufficient resources. In NGOs the involvement of the board in resource development is increasingly important. As international funders withdraw from the region, cultivating local sources of support is a top priority for most organizations and board members can be among an NGO's most effective fundraisers. This is true, because board members derive no personal benefit

from any support received. They don't raise money for their own salaries, office space or other purposes that may seem like forms of direct or indirect gain. Instead board members communicate a personal commitment to the mission that strengthens the case for support. They can also broaden the organization's circle of contacts to include new potential sources of funding.

Last but not least the board should participate in resource development. This indicates that the board is active and involved, building confidence that the NGO is well-run, accountable and less likely to misuse donated resources. The board's involvement in resource development does not mean that board members have to approach donors and ask for donations as this might make many members uncomfortable. Boards also have a general oversight responsibility for human resources. Although the board delegates' management of staff to the chief executive, it's up to the board to make sure that applicable labour laws are observed and employees are respected, adequately paid and given opportunities for professional development. As part of its policies the board should establish a grievance procedure for handling complaints and resolving conflict in a fair, unbiased fashion.

The tendency is to offer decentralization, in which some power is devolved to field level, as a solution to the problem of tensions between field offices and headquarters. However, decentralization can have the paradoxical effect of increasing bureaucracy as organizations devolving power on the one hand, tend to set up all sorts of control measures on the other.

These problems revealed a clear gap between the values that NGOs espouse and what actually happens in practice. Balancing the needs of the different stakeholders who each feel they have an equal right to the decision-making process has created a number of management problems for these organizations. (Mukasa, 2006)

NGOs have to make strategic choices between confrontational, complementary or collaborative strategic relationships with government. The process of making these strategic choices gives rise to internal tensions concerning expenditure priorities, the conflicting demands of clients and donors, which result in disagreements over an appropriate balance between quality services and meeting fundraising targets. Service-deliverers are pulled towards clients and fund-raisers towards donors. The result can be a split within the organization, which can be resolved by the voluntary organization acting as a mediator or bridge between donor and client (Norrell, 2006)

Focus on fostering the participation of all sectors of society in environmental decision-making and in supporting regional cooperation. Offer the following services: information exchange and publications, with an emphasis on facilitating access to information; training and capacity building; and grants programs for NGOs with limited access to local resources. Consist of a network of national offices, as well as a head office that acts as a coordination and information center with financial authority (REC, 1997)

To develop the organization, individuals have to be able to contribute in the decision making process and they need to learn. All participants need to understand their

responsibility to represent their particular stakeholders and to support the implementation activities (Inglis & Minahan, 2006).

NGOs could form voluntary national professional associations, like associations of engineers, accountants, or insurance companies, aimed at promoting the sector, partly through self-policing of standards. The solution list is likely to include several of the following issues (Moore & Stewart, 1998):

- Timeliness of issuing of annual reports;
- Issues to be included in the annual report (or elsewhere publicly available), such as degree of disclosure of assets and liabilities, of salaries and all other benefits paid to staff, directors, board members, and consultants;
- Employment, recruitment and staff development policies and practices;
- Sources of finance;
- Arrangements for internal or external scrutiny of financial transactions, employment practices, organizational policies, etc.; and
- Arrangements for the evaluation of organizational performance.

Kameri –Mbote (2002) highlights to fundamental aspects that are largely affecting organisational operations, She says that while a number of NGOs have achieved administrative efficiency most have major difficulties in administration issues because Efficiency cannot be guaranteed because of the nature of NGOs themselves. Many of them are new, small and without guaranteed future. This is especially the case with local

or national NGOs that are still struggling to put effective and efficient management systems for good governance in place and whose survival largely depends on donor funding. On the issue of sustainability Mbote goes on to say that NGOs have difficulties in achieving sustainability and replicability in their projects. Sustainability has become a buzzword within development circles it describes the ability of a given project to remain viable after external support is terminated. NGOs project sustainability is a lifeline to their existence. Several factors put NGOs sustainability in jeopardy. These include those factors that are likely to enhance organisational stability some of which are: having a clear vision and mission, finances ,human resource capacity in the organisation and managerial skills in the organisation especially the management style.

## **2.8 Theoretical framework**

### **2.8.1 Stakeholder theory**

The shareholder model of corporate governance relies on the assumption that shareholders are morally and legally entitled to direct the corporation since their ownership investment is an extension of their natural right to own private property. Berle and Means (1932) point out that the notion the shareholders govern the corporation is largely a fiction: “Typically, executives have the greatest power.”

Etzioni (1998) questions whether “executives can and should be made more accountable and responsive to some groups other than themselves, and which groups this should include.”

Freeman’s (1984) seminal book on stakeholder theory posits that successful managers must systematically attend to the interests of various stakeholder groups. This “enlightened self-interest” position has been expanded upon by others (Donaldson and Preston ,1995 and Evan and Freeman (1983) who believe that the interests of stakeholders have intrinsic worth irrespective of whether these advance the interests of shareholders.

Under this perspective, the success of a corporation is not merely an end in itself but should also be seen as providing a vehicle for advancing the interests of stakeholders other than shareholders. Etzioni (2001) supports the stakeholder view. He accepts the moral legitimacy of the claim that shareholders have certain rights and entitlements because of their investment, but he maintains that “the same basic claim should be extended to all those who invest in the corporation.” This includes: employees (especially those who worked for a corporation for many years and loyally); the community (to the extent special investments are made that specifically benefit that corporation); creditors (especially large, long-term ones); and, under some conditions, clients. A prominent critic of stakeholder theory is Goodpaster (1991) who argues that a multi-fiduciary stakeholder approach fails to recognize that the “relationship between management and stockholders is ethically different in kind

from the relationship between management and other parties (like employees, suppliers, customers, etc.)”

## **2.9 Chapter Summary**

In light of all these findings carried in literature, it is clear that from the above discussion it good internal governance is an ideal which is difficult to achieve in its totality. Very few countries and societies have come close to achieving it in its totality due to the difference in the nature of organisations and other reasons that were unearthed during this study. However, to ensure sustainable human development, actions must be taken to work towards this ideal with the aim of making it a reality.

## **Chapter 3**

### **Research Methodology**

#### **3.1 Introduction**

The chapter highlights the methodological procedure in systematically evaluating internal governance systems and structures in local NGO's. The research methodology that was adopted is in line with Lichman (2006) who argues that research methodology refers to various techniques, methods and procedures used in conducting a research. Mcneil (1990) further concurs that methodology is used in theoretical study of the logical basis of research collecting data, interpreting and analysing findings. Pajares (2007) purports that the methodology section is the most important of the research as it explains each step the researcher takes when conducting the research. The researcher discussed the sample size for the study, sampling procedures as well as the data collecting instruments used in this study focusing on the various research



instruments used in the study, the reasons for using these methods and the advantages of the methods chosen to provide answers for the study questions.

### **3.2 Research Approach**

The research approach regularly starts by means of the collection of a topic and paradigm. A paradigm is basically a world view opinion, frame of attitudes, ethics, processes in which the research occurs (Field, 2005). The researcher employed a qualitative research methodology which gathers an in depth understanding of human behaviour and the reasons that govern such behaviour. According to Lincoln and Denzin (1994) qualitative investigation is comprehensive at the focal point concerning an interpretive, naturalistic approach towards its subject matter. This means that qualitative investigators explore consequences in their normal usual setting in an effort to put together wisdom of interpreting phenomenon in requisites of meaning populace brings to them. This study paradigm encompasses premeditated usage also assemblage range of realistic resources, individual involvement, truthful reporting, observational, historic, interactional, photographic texts and quotations of actual conversations that label predictable and challenging moments and significance in a person's life.

According to Schulze (2002) qualitative research bids rich data with regards to the evaluation of the systems and structures in local NGO's and its inductiveness and ability generate theories. The main motive for inclination is that it helps the researcher apprehend individuals, their cultural and societal settings and perspectives within

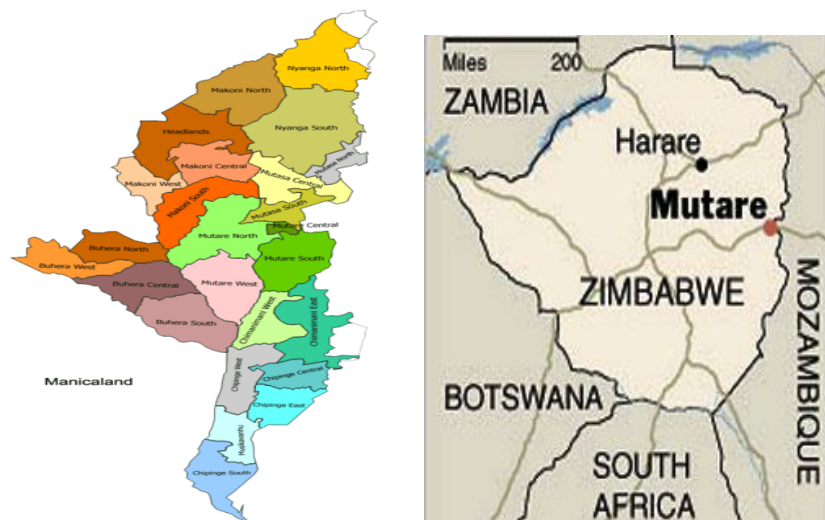
which they live consequently that their opinion is not lost when written data is quantified.

### 3.3 Research Design

According to Spinelli (2005) a research design defines the study type, research questions, hypothesis varies and data collection methods. The research will use phenomenology as the research design in an attempt to apprehend more sufficiently the human ailment as it exhibits itself in lived, real experience. This embraces visible behavioural upshots of experiences as well as likely experiences available to human reflection such as moments of happiness, misperception and irrationality. The design had a supplementary focus on interviews thus direct and participant involvement and questionnaires.

### 3.4 Target population

**Figure 1:** *Map of Manicaland Province and location of Mutare in the Map of Zimbabwe where the study was undertaken*



A population can be well-defined as comprising wholly of individuals or objects under study with characteristics anyone aspires to comprehend. Schulze (2002) also defines a population as a broad group or entity whose characteristics are under study and in other terms as a totality of persons, events, organisational units subject to sampling with which a research problem is concerned. For the reason that there are hardly sufficient time intervals or money to gather data from each individual in a population, the objective is to bargain a representative illustration or subgroup of that populace. The target population for this research are board members and directors of local NGOs. The researcher specifically targeted board chairpersons. The study targeted board chairpersons and NGO managers or directors because these are the ones that make up internal governance structures in most organisations. The reason why the researcher chose only to meet the board chairperson and not every other board member is because of financial constraints to travel and meet every board member and also the conviction that the board chairperson can represent the interests of the rest of his team. The researcher worked with the chosen participants from all cross roads regardless of backgrounds, education, race and religious beliefs. Because of the size of the target population that is too big, a sample for the study was selected.

### **3.5 Sample**

Field (2005) defines a sample as minor group of units from a population used to determine truths about that actual population. He further highlights that a research study is carried out on a sample from a population. A sample is a smaller but hopefully representative collection of units from a population used to determine truths about that

population. In a nutshell when data is partial and used to characterize the whole, the subset is called a sample. The research used purposive sampling as a procedure to get a sample from the population. The researcher chose the sample from the total number of NGOs in Mutare which is 68, these include both international and local NGOs. Out of these 68, 15 are local NGOs and from these 15 the researcher worked with 5 local NGOs that were closer to him and convenient. The researcher targeted the organisation's director or manager of these five local NGOs because of the accessibility of these individuals who see the day today running of the organisation and are present at the organisation premises as well as their board chairpersons so as to get a comprehensive idea of the way the organisation is run, from two main governance structures.

### **3.6 Sampling Procedure**

Gay (1992) asserts that the extent in which the sample symbolizes the populace is the measure towards which the outcome for one is related to a different one. To develop the sampling frame, complete census was done to get a glimpse of the total count and location of local nongovernmental organisations in Mutare. After conducting the census, the study subjects were selected by purposive sampling. Then the study subjects were identified by using key informants on the day of the survey. The researcher used program managers who are interconnected to the general population of board directors.

#### **3.6.1 Purposive sampling**

According to Maree (2007) purposive sampling is also known as judgemental sampling and was used in the research. This gave the researcher latitude in choosing

the sample according to the purpose of the study thus an evaluation of structures and systems of internal governance in local NGO's in Mutare. Purposive sampling is very popular in qualitative research and hence it was chosen for its characteristics of the sample. It is used in special situations where the sampling is done with a specific purpose in mind. Hence the board directors and managers were purposively sampled and using this sampling technique the researcher sampled 10 participants from five different local NGO's which he interviewed and administered the questionnaire to.

### **3.7 Data collection procedure**

To the effect the researcher sought permission from the faculty of Arts and wrote a proposal to conduct a study, which the researcher's supervisor corrected and gave the researcher a go ahead to proceed with the topic. The researcher designed data collection instruments which were shared with the supervisor for approval. After amendments basing on the inputs and corrections from the supervisor, the researcher resubmitted the instruments and was given the lime light to proceed with data collection.

Pilot testing of data collection tools was done a week before the actual data collection exercise. Pilot test refers to the small scale study to test a questionnaire, interview checklist to minimise the likelihood of respondents having problems in answering questions thus according to Saunders et al (2007). Zikmund (2003) supports these sentiments and says that testing instruments indicates realistically how the questions are to be answered. Pre-testing the instruments is therefore important as it gives the researcher an opportunity to edit instruments according to circumstances. According to

Cohen (2006) and Oppenheim (1996) piloting the research instruments is important because it helps to access and increase the validity, reliability, feasibility and practicability of the study and suitability of the research instruments and design.

### **3.8 Data collection instrument**

- Key informant interview

An interview is a face to face meeting amid whereby the interviewer makes enquiries to secure data from informants individually or in groups. Interviews were conducted with directors and managers selected from local NGO's in Mutare. Key informant interviews were conducted with program managers or directors per organisation who were selected from five local nongovernmental organizations. These managers and directors are the ones responsible for an organization exercising good internal governance when it has an internal system of checks and balances that ensures the organisation interest is served as well as wielding constant and consistent oversight and decision-making authority. The aim of these interviews was to solicit more information about the systems and structures of internal governance within their organisations from a more independent point of view. Combining the above approaches to data collection, allowed the researcher to obtain a complete picture of the reality regarding structures and systems of internal governance (Berg, 2009).All

the informants who were interviewed in this study were purposively selected because of their rich knowledge of the information sought.

- Questionnaires

Board chairpersons because of their busy schedules and their inconsistent unavailability a structured questionnaire which addresses all the variables on structures and systems of internal governance was constructed for them. The questionnaire included a diversity of approaches that can reveal the richness of the social world by revealing the story at hand thus the researcher listens to the board members describing the challenges they face day to day and coping strategies. Collins and Hussey (2000) purports that questions should be made in such a way that covers the objectives of the research, open ended questions were used. Open ended questions were used for their flexibility and accommodative effect they have for giving room to the interviewer to more information without restrictions. The questionnaire used English in order to help the researcher to get the right information from the respondents. A questionnaire guide ensured that different interviewers covers the same material and keep focused on the same predetermined topics and issues while remaining conversational and free to probe into unanticipated circumstances and responses.

### **3.9 Data analysis**

Data analysis is a procedure whereby an investigator utilizes to lessen information towards narratives and analysis. The researcher used thematic analysis whereby the researcher got data sets from respondents identifying commonalities and build themes

pertaining responses. Information was collected by the researcher for analysis, data collected was organised so that the researcher can easily and correctly interpret results. The data collected in this study was presented in tables, graphs and analysis through established themes in order to clearly show with much ease as well as analysed to common themes and quotations from participants.

### **3.10 Ethical considerations**

The researcher will work according to the following guidelines

- Consent forms were signed by all participants in the study and no form of coercion was used to gain access to information from subjects. Saunders (2007) states that it is unethical to force participants answering questions that they are not comfortable with. This is meant to protect the research subjects and the research in the sense that there will not be any legal implications as consents would have been signed as an indication that the participants are willing to take part in the study.
- The researcher disclosed his identity to the participants and explain the purpose and importance of the study. According to Blancheet et al (2006) the researcher is required to provide the participants with all factual information, benefits and ensure that participants are to participate voluntarily and could withdraw without penalties. This assisted in building rapport with the participants and gain acceptance and also encourage participants to open up as they are clearly aware of the motivation behind the study.



- Pseudo names for the organisation and the participants were used in the study. The researcher designated alias name to all human participants to conceal their identity. This is done in a bid to protect their privacy and confidentiality and assured that information collected would remain private and confidential as well as consent forms separated participants' personal information for disconnection of information.
- Interests and aspirations of participants were protected at all times during and after data collection.

### **3.11 Chapter summary**

In summary this chapter showed how the study was carried out and shows how the sample was collected and which tools were administered in the collection of data. The methodology followed by the study detailed in this chapter helped efforts meant to test reliability and validity of the results.

## **CHAPTER 4**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

This chapter aims to give a clear and embracing presentation of findings generated from this study. In presenting this data collected, this chapter makes use of thematic analysis which were used to summarize and present data collected in the study. Tabulation and graphical presentation are thus used to present data. The research study was conducted with 10 participants including the organisation director and board chairpersons from five local organisations whose names the researcher promised not to publish. These were chosen using purposive sampling technique. Results from the research were acquired through key informant interviews, and the administration of questionnaires. The themes that are analysed in this study were acquired through what participants said during the study. The governance structures and systems in nongovernmental organizations are analysed at length in this chapter.

## 4.2 Nature of governance systems and structures being employed in local Ngos

### 4.2.1 The programme Director/ Manager

All the participants that participated in the study confirmed the presence of a programme director in their organisations. Some however have different names to the same portfolio within the organisation. 6 organisations called their most senior member of the organisation the programme director. Other organisations called him or her the programme manager. However all the organisations that participated in the study confirmed that this particular office was the highest decision making structure after the management board.

### 4.2.2 Management board

Most of the organisations that participated in the study also confirmed that there is a management board within their organisations. One in all the organisations is run by a church council that has similar roles as those of the management board because the organisation is owned and run by the church.

**Table 1:** *Type of internal governance structures*

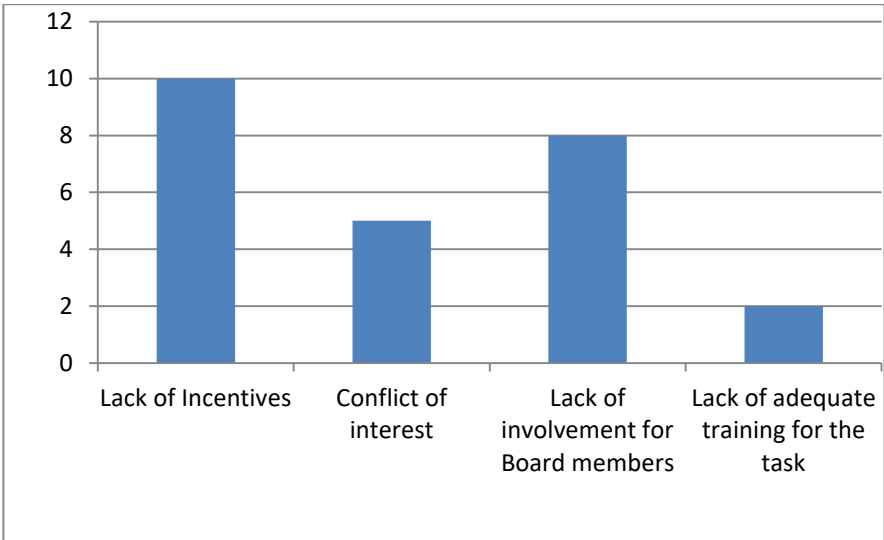
Internal governance structure	Organisation 1	Organisation 2	Organisation 3	Organisation 4	Organisation 5
	Management board and the organisation director	Management board and the organisation programme manager	Church council and the organisation manager	Management board and the organisation director	Management board and the organisation director

**4.3 Evaluation of the effectiveness and appropriateness of systems and structures of governance**

Most of the organisations related their effectiveness or ineffectiveness as well as the appropriateness based on the challenges that they face on a day to day basis.

These challenges were divided into themes

**Figure 2:** *Challenges of internal governance structures*



**4.4 Lack of incentives**

Participants confirmed that the lack of incentives was the major issue in the problems being faced by local nongovernmental organisations. Internal governance structures fail to meet in most cases because of the lack of incentives to motivate them to do work. Some of the members actually did not have the

means or financial resources to get to the venue of the meeting and the organisations that they are board members for did not have the capacity to finance the meetings of board members and managers to plan for the organisation's progress and success.

#### **4.5 Conflict of interest / Programme director syndrome**

One other major challenge being faced by the organisations that participated in this study was the issue of conflict of interest caused by the programme director syndrome that is prevalent within the organisations. Most of the local organisations were established by one person who is usually called the founding member in most circles. These people have the direct access to the organisations resources including financial resources. These people in most cases misuse the organisations resources, fire and hire relatives who in most cases are unqualified. These particular individuals usually get into a tug of war in terms of decision making with the appointed board members who also make up the decision making structure in internal governance. This challenge has led to organisations having to disregard the board members in most crucial decision making processes as they may derail some uncouth practices that other organisation directors or managers might want to partake on. This problem with conflict of interest has also led to corruption in most cases and misappropriation of funds.

#### **4.6 Lack of involvement of Board members and managers in field work**

One of the major challenges that affected the effectiveness of internal governance structures in local nongovernmental organisations was the issue of lack of involvement and participation in project implementation for individuals that make up the internal governance structure. This has led in most cases to poor uninformed decision making in the governance structures which will in turn affect project effectiveness. The participants mentioned that the lack of participation was mainly caused by:

- Lack of interest by the management board
- Other commitments during the time of project implementation
- Lack of funds to fund field trips for board members

#### **4.7 Lack of training**

Less organisations that participated in the study highlighted that lack of training was a contribution to the effectiveness or ineffectiveness of the internal governance structures. Most of the board chairpersons and organisation directors that participated in the study confirmed that they had professional and qualified people that constituted their boards and managerial positions and it was also interesting to note that most of the board members had lawyers, medical doctors, government workers, pastors, youth representative and one professional in the field that the particular organisation is focused on.

## **4.9 Prospects for improvement in addressing the challenges and short comings of governance structures and systems**

### **4.9.1 Resource mobilisation for incentives**

Incentives has proved to be a very huge challenge in the organisations that participated in the study, this has been caused by the funding base for local NGOs that is very little. Organisations have embarked on thorough resource mobilisation to cater for their internal governance needs so as to keep the organisations afloat as well as to stay in compliance with the donor requirements. Some of the organisations involved in this study have decided to work with the little that they have to incentivise their board members and directors so that they continue having the zeal to move the organisation forward. Resource mobilisation has become harder because of the immense donor fatigue that has come upon the NGO sector, most organisations have decided to do away with proposal writing and to donors as it is not yielding anything but instead they are doing income generating projects that try and sustain the organisation when donor funds come to an end. This supports the organisation financially and in turn fund the incentives of individuals that make up the internal governance structures.

### **4.9.2 Establishment of policies, operational manuals and guidelines**

As a reaction to counter the issue of corruption, misappropriation of funds and conflict of interest the respondents had concrete feelings, most of the

respondents especially those made up of board chairpersons said that policies, operational manuals were in place but some of them were in place because of the donor requirements and were not operational because of the size and nature of the organisations. This they said was because in most cases they were called in to rubber stamp what the director and his or her employees would have already agreed on and because of their experience on the ground they would adequately convince the board members adequately.

#### **4.10 Role of internal governance structures in local Ngos**

In addition to having decision making role, all Board have a distribution of roles and responsibilities where the most common structure is “President, Vice President, General Secretary, Treasurer & Accountant” thus each of those individuals not only has his decision making role, but also a functional role to play, whether it’s taking care of financials, or internal communication or following up on tasks or heading committees etc. Thus if those tasks and responsibilities are implemented properly, you would’ve successfully built the second pillar of the NGO to ensure that it stands tall and becomes sustainable. When this role is done properly, the internal dynamics of the organization start functioning properly.



#### **4.10.1 Decision making**

Board members and organisation directors are usually the founding members or are elected members that lead the organization. In this context, all major decision making in the organization goes through them. Now it has been noticed over and over again that many Board Members become passive and rather apathetic to decisions being taken, which makes the whole organization go biased towards the opinions of the remaining Board Members or the organisation director or manager. As feedback from respondents one of the most crucial decisions made within the organisation are made by the board members in consultation with the programme manger and most decisions are done either democratically or through consensus to avoid one person calling the shots in most cases. Out of the organisations who participated in the study decision making was primarily on the basis of consultation with the programme manager who is always on the ground and the project officer who are in direct contact with what happens in the field. In this regard the respondents mentioned that the whole process will then become consultative including many people within the organisation but the management board endorsing or rejecting the proposals made.

#### **4.10.2 Conflict resolution**

NANGO (2006) Conflicts are inevitable and if managed properly they can even be healthy. They are often good indicators of where change is needed. This change may be in the form of rules, benefits, power and responsibilities. Conflicts can also arise

from changing interests, personality clashes and structural matters. It is always important to identify the actual source of the conflict and the services of a specialist can be sometimes essential. Conflicts can occur among employees, between employees and management, between management and the Board, or within the Board. Conflict resolution in organisations was part of the major responsibilities of internal governance structures within the organisations that were included in the study, the most vital aspect was the fact that when funding is low within a certain organizations tempers tend to flare because of the remuneration that does not particularly directly tally with the amount of work being done. This has been the case in many instances as highlighted by respondents.

#### **4.10.3 Accountability and marketing the organisations**

Respondents also highlighted that it was the duty of the individuals that make up the internal governance structures to be accountable to their employees, the society, to themselves and to the sponsors. Besides looking for funds for operations the internal governance structures are responsible for ensuring transparency and accountability within the circles of the work that they do. The top brass management team which includes the director and the board of directors represent the organisation in many platforms thus marketing the organization and also giving feedback to the various stakeholders that they meet. This is not the case however for other organisations that participated in the study, some of them rely on the manager or the director to represent

the organisation at all levels and the board members play a silent role in the process as they take the back seat.

## **CHAPTER 5**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Summary**

This chapter presents the conclusions and recommendations based on the findings and discussions chapter. The study sought to evaluate governance structures and systems in local nongovernmental organizations Mutare. In a bid to have a clear understanding of the topic better, the researcher conducted a study which was guided by four research questions which sort to understand the nature of governance structures, their roles, and the challenges being faced by these structures as well as the coping strategies being employed. For the benefit of this study, 5 local nongovernmental organizations were involved and they were selected using purposive sampling.

The study was conducted using key informant interviews and questionnaires to try and understand the nature of governance structures and systems.

### **5.1.1. Overall research objectives**

The objectives used in this research formulated and used as the researcher wanted to understand the governance structures and systems in nongovernmental organizations.

The research questions used were derived from the research objectives

The specific objectives were:

1. Explore and analyse the nature of the systems and structures of governance employed by local Ngos.
2. Explore the effectiveness and appropriateness of these systems and structures.
3. Identify the prospects for improvement that can be employed by various local Ngos to address challenges as a result of their governance systems and structures.
4. Identify and analyse the role of internal governance structures

### **5.1.2. Specific research questions**

1. What is the nature of governance systems and structures being employed in local Ngos?
2. How effective and appropriate are these systems and structures of governance?
3. What are the prospects for improvement in addressing the challenges and shortcomings of these governance structures and systems?
4. What is the role of internal governance structures in local Ngos?

## **5.2. Conclusions**

The conclusion that can be drawn from the findings above is that governance structures systems in the local non-governmental organisations are established on a

one size fits all basis because of the requirements from the donor. As a pre requisite for funding, donors usually require that there should be an effective governance structure within the organisation so as to make sure that there is management of their funds and that monitoring and evaluation of the project can be done effectively. This has been the case in all the organisations that were involved in this study, most of them did not have the financial muscle to sustain the presence of board members within their organisations, this has led to poor management of the organisation because the manager or director will not be having another opinion for the decisions that he or she will be making. Organisations need to venture into fundraising activities and keep a smaller group of board members to ensure efficiency and so that the little available funds that maybe there will not be spread too thin for a big group. It is however interesting to note that the main issue surrounding issues of governance is not really about the structure but the inability to sustain those structures. This has had a very huge bearing on the performance of the organisation and performance of the employees further compromising the effectiveness of the organisation.

The roles of internal governance structures have been almost the same from the responses that have been received from participants these roles range from decision making, establishment and review of policies, financial management, hire and fire employees just to mention but few.

Methods of reacting to organisational governance challenges varied from organisation to organisation some relied solely on fund raising, some made use of volunteer policies. Most of the organisations were embarking on fund raising so as to incentivise

their internal governance structures and capacitate them so that they are fully qualified, experienced and knowledgeable about the job and what is expected of them.

### **5.3. Recommendations**

From the conclusions above, the following recommendations are made to various stakeholders involved:

- i. The organisations should come up with mechanisms to fundraise so as to incentivise the people that make up their governance structures
- ii. Organisations should establish the most appropriate structure that suits their situation so as to avoid doing a one size fits all approach in governance issues
- iii. Founding directors or managers of organisations should refrain from treating organisations as their personal property this affects the proper governance of organisations and in turn affects the proper running of the organisation
- iv. There should be more learning and exchange visits for local NGOs with the same size so as to share ideas on governance issues
- v. Board members recruited should be qualified according to the organisation's standards and should be from different sectors within the society e.g lawyers, doctors, pastors, academics government workers etc
- vi. Organisations who completely do not have the money to incentivise their board members should establish a volunteer policy that becomes a working document for the day today running of the organisation

#### **5.4 Area for future study**

- The study recommends that there be further study on the most appropriate governance structures and systems for local organizations who have little funding
- The study also recommends that there be further study in the coping strategies on the challenges being faced by local NGOs

#### **5.5. Chapter Summary**

The chapter gave a summary of the research study focusing on the methods used in the study as well as research participants. The major findings pertaining to the study under investigation, conclusions and recommendations are also highlighted in this chapter. The researcher noted with great concern that there is very little research in the area of governance particularly in local and non profit making organisations, this had a bearing in the decision making processes on what to do and what not to do in local non- governmental organisations as they are not informed by any baseline data. Lastly the researcher concludes the research findings by suggesting the area for future study.

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## **Appendix 1: Informed Consent Form**

My name is Steven Chinembiri and I am a student at Midlands State University, in the Faculty of Arts. I am undertaking a Masters Degree programme in Development studies. I am in my last semester of a one and a half year programme and i am required to do a research of my choice. My topic of study to fulfil my course requirements is to **evaluate governance structures and systems in nongovernmental organizations: The Case of local non -governmental organizations in Mutare** . I am therefore seeking your permission to interview you in my study. Your participation is voluntary and you are allowed to withdraw during the course of the interview if you feel that you are no longer interested to take part in the interview. Nothing will happen to you if you choose to withdraw from the study.

I would want you to know that during the course of the study i will not be interested in knowing your name therefore i will use pseudo names. All the information that you are going to avail to me will be treated privately and will not be published. I am not in a position to bring any changes in your life but it is my hope that the results will only be used to lobby for policies that will be in your favour. This interview is expected to last less than an hour. I would want you to know that this interview is not meant to cause any harm or hurt you in any way. If you consent to this interview i am therefore asking you to give your honest answers to the questions that I am going to ask you.

If you have any further information that you would like to know about me or the study I'm carrying out you are free to contact my supervisor on his email address [hahlanicd@msu.ac.zw](mailto:hahlanicd@msu.ac.zw) or me on my email [chinembiristeve@gmail.com](mailto:chinembiristeve@gmail.com)

If you have read and understood the consent form and you voluntarily and willingly consent to take part in this study. May you please sign below to show that you are in agreement.

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**Participants Signature**

**Date**

I have fully explained the purpose of this study to the participant and have sought her understanding for informed consent.

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**--Interviewers Signature**

**Date**

**Appendix 2: Interview Guide for Key Informants.**

**Name of Organization:** .....

**Position:** .....

**Sex of respondent:** .....

1. What are the types of governance systems and structures being employed in your organizations?
2. How effective and appropriate are these systems and structures of governance?
3. What challenges are you facing with the structures if they are any?
4. What are the prospects for improvement in addressing the challenges you have mentioned?

**Appendix 3: Questionnaire for board chairpersons**

Pseudonym.....

Position in board: .....

Sex: .....

1. What do you understand by the term internal governance?

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2. In your opinion are the governance structures in which you are a part, effective and appropriate?

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3. If they are not effective what are the challenges that the organization and its board members are facing?

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4. What are you doing to address these challenges?

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5. What do you think should be done to address these challenges?

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6. What are your roles as a board within the organization in which you are a board member?

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