THE IMPACT OF ORGANISATIONAL INNOVATION ON THE FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANISATIONS OPERATING IN UGANDA

by

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Dedication

This research report is dedicated to my NGO clients and professional network, who work tirelessly to uplift the less advantaged.

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ABSTRACT

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NGOs play a pivotal role in Sub-Saharan Africa in the development and humanitarian fields, primarily where governments cannot fully provide for their citizens. NGOs have contributed to Uganda's social, economic and political development. However, financial sustainability has been a critical challenge the NGOs face in fulfilling their role. The research investigated the relationship between organisational innovation and the financial sustainability of NGOs operating in Uganda. The study examined the impact of organisational innovations in corporate governance, financial management, external relations, and human resources management on the financial sustainability of the NGOs operating in Uganda.

The study followed a mixed research method, using quantitative and qualitative approaches to obtain the required information. The researcher interviewed eight top management executives and analysed 102 responses to the online survey questionnaire received from staff in the middle and top management levels of NGOs operating in Uganda.

The findings showed that organisational innovation in NGOs operating in Uganda was conceptualised as doing things in new ways and implementing new ideas and processes to improve s efficiency and effectiveness. Financial sustainability was conceptualized as an NGO's ability to secure financial resources to implement its interventions over a long period without frequently depending on the donors. A strong significant positive relationship exists between corporate governance, financial management practices, external relations and human resource management practices and financial sustainability. Collectively, the predictor variables explain 45.1% of the variation in the financial sustainability of NGOs operating in Uganda.

The study recommends that the donor community, NGOs and government promote organisational innovations to improve the financial sustainability of NGOs. NGOs should train staff in resource mobilization and strengthen their corporate governance, financial management practices and networking to diversify funding sources and improve financial sustainability.

This research contributes to a better understanding of the impact of organisational innovations on the financial sustainability of NGOs, a grey area in the East African region. Further research is recommended with a wider scope covering all countries in the East African region is recommended for better generalisability.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

CHAPTER I :

INTRODUCTION

1.1 Introduction

Non-governmental organisations (NGOs) are not-for-profit organisations engaged in development at local, national, and global levels and improving the livelihood and rights of vulnerable groups (Ebenezer, et al., 2020; Park & Cho, 2020; Koster, et al., 2017; Volmink & Lynn, 2017; Ahmed, et al., 2015; Shuib & Jamailah, 2013; Viravaidya & Jonathan, 2001; Read, 2000; Lewis, 2001). The World Bank defines NGOs as private organisations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide essential social services, or undertake community development (Malena, 1995). NGOs are founded by individuals or groups desirous of serving the needs of the poor and marginalised in society.

NGOs have played a pivotal role in offering humanitarian assistance and development support to Sub-Saharan Africa, primarily where governments cannot fully provide for citizens. Weak states and declining markets in Africa have contributed to the proliferation of NGOs as the only alternative to promote grassroots development. The emergence of the NGO sector in Uganda dates back to the 1970s and 1980s, driven mainly by religious organisations following the inadequacies in government provision of services (Abigail, et al., 2005). In the 1970s, Uganda experienced economic and social upheavals under the Idi Amin regime. The economy collapsed, and the government could not provide essential goods and services to the citizenry (Hansen, 2013). NGOs served as a beacon of hope to this suffering population by delivering essential services. The development-oriented NGOs emerged as the third sector between the state and the market to support the marginalised groups. NGOs are more flexible and adaptive than governments, quick to respond to people’s needs, and cost-effective (Lekorwe & Mpabanga, 2007).

NGOs proliferated in Uganda in the 1980s consequent to the spread of acquired immunodeficiency syndrome (AIDS) transmitted by human immunodeficiency virus (HIV). HIV/AIDS caused many deaths of adults in the family, leading to the phenomenon of child-headed families. NGOs supported the affected children and the communities increasingly devastated by the loss of their loved ones.

NGOs' contributions to service delivery, advocacy, democracy, good governance, and community empowerment in Uganda are beyond debate (Ministry of Internal Affairs, 2010). Their contribution is evident in the social development sector, including education, health, water and sanitation, environmental management, infrastructure development and a host of other important areas that impact the quality of life of Ugandans (Ministry of Internal Affairs, 2010). The target groups of NGO services include women, youth, children, orphans, refugees and the disabled (Abigail, et al., 2005).

Despite the crucial role played by NGOs in restoring hope to vulnerable populations, they face the challenge of inadequate funding. NGOs are vulnerable to donor exigencies and the political sensitivities of the government (Kyalimpa, et al., 2017). Ugandan NGOs are dependent on donor support (Burger & Owens, 2013). The NGO sector in Uganda is funded primarily by international NGOs and bilateral donors (Abigail, et al., 2005). However, donor funding has become increasingly unpredictable. The unpredictability of donor funding meant that the disadvantaged population was not receiving the services the NGOs planned to provide. Without domestic sources, NGOs are forced to re-align their priorities with donor interests in order to compete for funding (Parks, 2008).

The COVID-19 crisis undermined the Ugandan economy. The threat of the Covid-19 pandemic led the Uganda government to put stringent measures to control the spread of the virus, including restrictions on the movement of people. The gross domestic product growth of the country fell from 7.5% in 2019 to 2.9% in 2020 (World Bank, 2020). Poverty was declining in Uganda before the pandemic. But in 2020, 780,000 Ugandans were pushed into poverty as unemployment increased and household incomes declined. (USAID & UNNGOF, 2021). The social and economic welfare of the poor was hard hit. The government restrictions on movement reduced NGOs' ability to reach out to the beneficiaries.

The literature cites that the emergencies such as the Covid-19 pandemic hinder NGOs' efforts to promote social change and development (Thulani, 2020; Annika, 2020; Despard, et al., 2017). NGOs had to develop new ways of effectively delivering their services to the targeted beneficiaries amidst a restrictive Covid-19 pandemic environment. The Covid19 pandemic-related restrictions on the movement and assembly of people made it hard for the NGOs to engage the stakeholders and implement, monitor and evaluate projects. Many NGOs in Uganda closed shop or suspended their activities as it became increasingly difficult to mobilise financial resources.

NGOs have developed innovative solutions to address some of the challenges they face. Such innovations include efforts to generate funds internally and introducing the concept of social enterprises where the beneficiaries are empowered to generate income. Innovations used at the operational levels to improve efficiency and outreach include the use of mobile money services for cash transfers, often to beneficiaries in remote villages, and virtual platforms for communication with the stakeholders when Covid-19 pandemic was prevalent. Innovation is essential to NGOs' success in the development sector (Fyvie & Alastair Ager, 199). The UNHCR has constituted an NGO Innovation Award to celebrate the efforts and achievements of NGOs that developed innovative approaches for protecting and delivering services to refugees (UNHCR, ND).

One of the purposes of this research is to explore the type of innovations the NGOs in Uganda adopted to serve their clients amidst the challenges of a resource-constrained environment. The subject matter is especially pertinent as the demand for NGO services is rising with the increasing uncertainties on the adequacy of donor funding. NGOs are constantly concerned about their ability to implement their programmes sustainably (Maboya, 2017). The challenges of the day motivate people to find solutions to manage them. These challenges warrant NGOs to develop innovative processes and work methods. Kristina (2011) stresses that innovation is and will be critical for non-profit organisations' long-term success and survival and for addressing numerous organisational challenges. The environmental uncertainties are an excellent opportunity to stimulate organisational innovation (Jideofor, 2021). These views augur well with the adage that necessity is the mother of invention.

Abiddin, et al. (2022) characterise NGOs as non-partisan, voluntary, not-for-profit, and non-criminal. The not-for-profit characterisation makes NGOs different from business organisations. NGOs identify themselves with vulnerable populations and do not focus on profits. For this reason, many actors, including the government, collaborate with NGOs to deliver essential services to the needy population. NGOs' main strength and distinguishing features are their ability to mobilise and bring additional financial, technical and sometimes political resources to complement the state's efforts (Ministry of Internal Affairs, 2010). The NGO Policy of Uganda (2010) seeks to address the sustainability challenge of the NGO sector and the inadequacy in the capacity of Government and NGO actors to propel sustainable NGO sector development (Ministry of Internal Affairs, 2010).

Innovation is associated with an organisation's ability to do things differently from others, for example, producing a different mode of funding, process improvements, new impactful products, and new ways of communication and engagement. The literature identifies four types of innovation, namely (1) product innovation, (2) process innovation, (3) marketing innovation and (4) organisational innovation. Product innovation occurs when an organisation develops a new product or improves product usage. Designing, developing and selling low-cost, easy-to-use and durable irrigation pumps to smallholder farmers in Africa is an example of product innovation (Kickstart NGO, n.d.). At times, the organisation may develop a new service delivery method. NGOs tend to purse process innovations more than product innovations, as the former involves fewer risks and investments (Clyde & Brian, 2006).

Marketing innovation involves new ways of presenting the product to the target clientele by applying the marketing mix. Marketing tactics help NGOs to build their image and reputation in society and help the public remember them and their cause (Wymer, et al., 2006). NGOs must try innovative ways of providing services and develop new possibilities, even more so in financial crises (Göttlichováa & Soukalováa, 2015). Organisational innovation, which is the primary concern of this study, involves the implementation of new processes and the establishment of new policies and procedures in the way activities in the organisation are conducted. Yong (2017) associates organisational innovation with implementing new rules and procedures to suit the demands of the changing internal and external environment. When these new ways of doing things are aimed at solving social problems, the literature classifies them as social innovation (Bernal-Torres, et al., 2021; Bozic, 2021).

During the Covid-19 pandemic restriction on social gatherings and movements, the NGOs improved their communication processes from physical to virtual interactions. NGOs are increasingly moving away from the traditional way of doing it alone and focusing on building partnerships and collaborations to serve the beneficiaries. The new norm of NGOs collaborating with the government and the private sector has improved service delivery and reduced costs. Innovation is increasingly a key driver of corporate-NGO partnerships (Fleming, 2018). Partnerships with private sector businesses benefit the NGOs in resource mobilisation (Idemudia, 2017). These innovations have helped the NGO increase their social impact. Success in attracting funds from international donors depends mainly on the network effect (Fafchamps & Trudy, 2006). Donors are interested in the impact their donations make on the transformation of livelihoods. Sustainable organisations are characterised by continuous innovations (Putra, et al., 2021). Financial sustainability is the capacity of an NGO to mobilise revenues to implement projects at a steady or growing rate to produce the expected results. Organisations often use their productive assets to generate more services for their beneficiaries and, at the same time, improve their financial sustainability (Putra, et al., 2021).

James (2020) and Paul et al. (2017) observed that the changing donor funding priorities contributed to the financial challenges of NGOs in Uganda. The donors tend to restrict the funding to cover only the direct programming expense leaving the NGOs to mobilise for resources to cover the cost of support services or other overhead costs incurred (Viravaidya & Jonathan, 2001). The economic slowdown consequent to the Covid 19 pandemic outbreak negatively impacted fund flows to developing countries. NGOs in developing countries depend on the surpluses of developed economies (Fowler, 1992). The NGOs based in developed and developing countries are often referred to as Southern and Northern NGOs, respectively (Lewis, 2002). Southern NGOs that rely on Northern donors are viewed as entrepreneurial economic entities producing international public goods (Meyer, 1995).

The NGOs need to explore new ways of service delivery within the constraints of reduced donor funding and identify new funding sources to improve their sustainability levels. This research explores the impact of organisational innovations on the financial sustainability of NGOs operating in Uganda. This study argues that for NGOs in Uganda to attain financial sustainability, they must shift from the traditional ways of doing things to innovative practices in financial management, governance, external relations and human resource management.

1.2 Research Problem

There is an increasing demand for new services to satisfy the ever-changing needs of the marginalised groups that the NGOs serve (Otaru, et al., 2021). However, the NGOs in Sub-Saharan Africa experience financial challenges that hinder efforts to promote social change and development (Kyalimpa, et al., 2017; Despard, et al., 2017). Managers of non-profit organisations often struggle with reduced funding, which affects the sustainability of their organisations (Otaru, et al., 2021; Mataira, et al., 2014). Only a minority of large and well-established NGOs can access reliable funding from international donors, whilst the remaining NGOs are financially vulnerable and struggle to survive (Silva & Burger, 2015).

NGOs in developing countries heavily rely on foreign donor funding, and donor dominance is evident (Khaldoun, 2013). Most NGOs in Uganda are donor-dependent, making them highly vulnerable to financial challenges in the event of a reduction in donor funding. Uganda has a higher percentage of NGO inactivity and mortality due to unsustainable funding (Kyalimpa, et al., 2017). The level of diversification of NGO sources of funding is minimal. Income diversification means that funds are secured from different sources, including local business communities, the public, and national and local governments, and not just limiting funding sources to external donors (Lewis, 2001). Despard et al. (2017) studied the impact of revenue diversification on the financial vulnerability among NGOs in Sub-Saharan Africa. The study, however, did not find evidence concerning the relationship between revenue diversification and financial vulnerability. Abigail et.al (2005) observed that only 15-30% of the NGOs registered with the NGO Registration Board were in active operation. The low share of functional NGOs indicates the challenges faced by the NGO sector in Uganda. It should be noted that several NGOs register expecting funding from donors. Such NGOs usually close shops once they realise their expectations are not coming to fruition.

The Covid-19 pandemic aggravated the financial crises in the NGO sector in Uganda. The pandemic triggered a funding crisis for NGOs in Uganda when they needed funds the most. The economic downturn across the globe implies that future aid budgets and donations will likely decline (World Economic Forum, 2020). As the Covid-19 pandemic spreads and economic uncertainty looms, many NGOs struggle to stay afloat (Philanthropy.com, 2021), and the NGO sector in Uganda is not an exception. NGO consultancy INTRAC states that after the Covid-19 pandemic set in, much of the NGO sector is in crisis mode, convulsing and contracting as funders make painful decisions about future funding (Rick, 2020). Furthermore, the NGO sector in Uganda has been adversely affected by the changing donor funding priorities, which has affected their financial sustainability. Reduced funding from the donor community, changing donor priorities, poor resource allocation and lack of transparent structures to attract donor-funding impact the financial sustainability of NGOs (Shava, 2020). Setting the strategic direction, establishing a policy framework, evaluating performance, and ensuring accountability and transparency are key governance functions (Ricciuti & Calò, 2018). A formal mission statement, board of directors, standard operating procedures, strategic plan, annual reports and monitoring and evaluation systems are perceived to be manifestations of organisational capacity (Suarez & Marshall, 2014). NGOs with better organisational capacity are better positioned to access donor funding. Financial transparency means that NGOs must make information about their financial performance and financial position available to relevant stakeholders. Financial transparency involves preparing accurate, complete and timely financial reports and making them accessible to stakeholders, including donors.

Poor financial management and reporting dent the credibility of the NGOs in the eyes of donors. The credibility of the NGOs in Uganda is just average (Omona & Mukuye, 2013). Various scholars confirm this view by highlighting how questionable governance structures lack transparency and accountability in NGO activities (Yamron, 2020; Aldemir & Uysal, 2018). Poor external relations lead NGOs to over-relying on a single donor (Yamron, 2020). The fraudulent activities existent in some NGOs tend to drive away potential donors (Ebenezer, et al., 2020; Yamron, 2020). Different authors argue that human resource management practices are not responsive enough to meet the challenges of creating an innovative organisational environment (Ebenezer, et al., 2020; Alharbi, et al., 2019; Khallouk, et al., 2019; Gibb & Adhikary, 2010).

Some NGOs in Uganda do not have skilled staff conversant with the donor financial reporting requirements (Abigail, et al., 2005). This challenge arises when an NGO does not have adequate financial resources to employ qualified and competent staff. The inadequacy of competent staff to handle the finance function partly explains the failure of 54 NGOs in Uganda to submit annual returns, which led to the nonrenewal of their licences by the National NGO Bureau in 2021 (Elias, 2021). A study of financial reports of NGOs in Uganda found that 25% of the sample manifested cases of misreporting (Dang, et al., 2020). The finding points to weak corporate governance, financial management systems, and inadequate competent staff. Organisational innovation, especially workplace innovation and innovation in business practices, are associated with a firm’s performance improvements (Phan, 2019). NGOs must employ programme managers who are critical thinkers and innovators and have the networking capacity to attract funding for their operations. Shava (2020) asserts that collaborations are crucial to harnessing information, resources and labour for spearheading development programmes. Without adequate competent human resource capacity, the capacity of NGOs to innovate becomes limited (Mikeladze, 2021).

The extent to which organisational innovation can help NGOs in Uganda to achieve financial sustainability is unknown. A literature review confirmed that limited studies had been conducted on the effect of organisational innovation and the financial sustainability of

NGOs operating in Uganda. This research addresses that gap in the literature. This study endeavours to fill the gap in understanding how organisational innovation improves NGOs' financial sustainability, especially during crises such as the one experienced during the Covid-19 pandemic. Most of the research in innovation has been conducted on business organisations. Business innovation models from such research undertakings may not apply to the NGO setting (Kristina, 2011). The study attempts to contribute to the ongoing debate of making NGOs financially sustainable in crises characterised by reduced donor funding and shifting donor interests. The following section describes the research purpose.

1.3 Purpose of Research

This study investigates the relationship between organisational innovation and the financial sustainability of NGOs such that they can continue to offer much-needed services to the vulnerable sections of society, even during crises such as the Covid-19 pandemic. The NGO sector fills the gap in the services provided by the governments and the private sector. Financial sustainability strengthens the NGO's capacity to deliver services to its beneficiaries. In crises, new ways of doing things may be the only plausible way to improve the financial sustainability of NGOs (Steiber & Alänge, 2015; Kristina, 2011). Financial sustainability is listed among the critical challenges of NGOs in Africa (Ebenezer, et al., 2020). The research findings could help cash-strapped NGOs execute their projects and programmes even when confronted with continued uncertainty about access to financial resources during crises. The section below describes the objectives that contribute to achieving the research aims.

1.4 Significance of the Study

The research contribution could be classified into business practice, policy and knowledge addition. These are explained below.

1.4.1 Business Practice

The research findings could help the NGOs design innovative strategies for improving their financial sustainability. NGOs must be more accountable for developing social value indicators (Bull & Helen, 2006). Socially responsible behaviour offers win-win opportunities (Skouloudis, et al., 2015).

1.4.2 Policy

The policymakers could use the research findings to address the gaps in the management of NGOs and develop policies to promote innovation and improve financial sustainability. Adapting the organisational structure and procedures can help NGOs in developing countries improve financial sustainability (Mick & Stewart, 1998).

1.4.3 Knowledge Addition

The literature on financial sustainability has mainly dwelt on the public sector in Europe, ignoring the developing countries. In addition, research on the financial sustainability of NGOs is limited (Kakati & Roy, 2021). The research findings will create new knowledge on organisational innovation's effect on NGOs' financial sustainability, especially during economic uncertainties.

1.4.4 Closing Literature Gaps

The researcher did not find any literature relating to the impact of organisational innovation on the financial sustainability of NGOs operating in Uganda. This research contributes to filling that gap in the literature.

1.5 Research Purpose and Questions

The following objectives guided the research.

i. The first objective of the research is to explore what constitutes organisational innovations of NGOs operating in Uganda. Organisational innovation denotes, in general, the mechanism organisations apply to changing conditions of competition, technological advancement and market expansion by producing newer products, techniques and systems (Utterback, 1994; Dougherty, 1994). Hage (1999) explains that innovation can be either a new product, a new service, a new technology, or a new administrative practice. Sustainability involves all the elements and functions of an organisation, from human resources to finances to service delivery (Karanja & Karuti, 2014).

ii. The second research objective is to explore what contributes to the financial sustainability of NGOs operating in Uganda. Reduced funding from the donor community, changing donor priorities, poor resource allocation, and lack of transparent structures to attract donor-funding impact the financial sustainability of NGOs (Shava, 2020). Sound financial management practices, own income generation by NGOs, diversification of income and good donor relationships have been described by Ebenezer (2020) as key determinants of the financial sustainability of NGOs in Ghana. The study explores whether the determinants of NGO financial sustainability elsewhere, like in Ghana, parallel or differ from the NGOs operating in Uganda.

iii. The third objective of this research is to investigate the relationship between corporate governance and the financial sustainability of NGOs operating in Uganda. Corporate governance is the mechanism with which business is organised, directed, and controlled, and managers are held accountable for corporate conduct and performance (Krivogorsky & Dick, 2011). Organisational factors, such as legitimacy and board involvement, could increase organisational revenue diversification (Zhu, et al., 2018) and the financial sustainability of the NGOs. Embracing corporate governance practices influenced the financial performance of NGOs in the health sector in Kenya positively (Kimunguyi, et al., 2015). That study was, however, carried out outside Uganda and left a gap in understanding the contribution of organisational sustainability of NGOs operating in Uganda that this research attempts to fill. This study investigates the corporate governance practices that impact the financial sustainability of NGOs operating in Uganda.

iv. The fourth research objective is to investigate the relationship between financial management practices and the financial sustainability of NGOs operating in Uganda. Research studies also indicate a significant and positive relationship between financial reporting, income source diversification and the financial sustainability of NGOs in South Sudan (Wandera & Paul, 2017). Amagtome (2020) shows a correlation between the financial reporting system and financial sustainability among the NGOs operating in Iraq. In Somalia, the NGOs that diversified their sources of funds and had strategic plans enjoyed more financial sustainability than those that did not (Mohamed & Muturi, 2017). However, the existing literature does not provide the relationship between financial management practices and the financial sustainability of NGOs operating in Uganda.

v. The fifth objective of this research is to investigate the relationship between external relations and the financial sustainability of NGOs operating in Uganda. There is a significant and positive correlation between donor relationship management and the financial sustainability of NGOs in South Sudan (Wandera & Paul, 2017). A good relationship with the donors, government and other NGOs can help an NGO access the resources needed to implement the projects aligned with its mission and objectives. Ali & Kihika (2016) identified donor communication, segmentation, and reporting as factors that positively and significantly impact financial sustainability. An organization will also have greater social impact by working in collaboration with complementary organizations (Austin, et al., 2006) Partnerships often get derailed by conflicting interests, suspicions and competition for aid and legitimacy (Muhumuza, 2010). The collaborative capacity of NGOs to work with other NGOs, public agencies and the government and diverse stakeholders is a factor that contributes to their capacity to generate funding (Suarez & Marshall, 2014). No study exists on the relationship between external relations and the financial sustainability of NGOs operating in Uganda. This research fills the gap by investigating the relationship between external relations and NGO financial sustainability in Uganda.

vi. Finally, this research investigates the relationship between human resource management practices and the financial sustainability of NGOs operating in Uganda. The literature identifies several organisational innovation determinants, including human resource innovation strategies and management support (Arundel, et al., 2019; Okorley & Nkrumah, 2012). Read (2000) argues that management is responsible for cultivating an innovative culture by streamlining processes and structures to support innovation. This research attempts to define the relationship between human resource management practices and the financial sustainability of NGOs operating in Uganda. The section below provides the research questions used for the study.

The primary research question that guided this study is: “What is the relationship between organisational innovation and financial sustainability of NGOs operating in Uganda?” The researcher is interested in investigating the organisational innovations among the NGOs in Uganda, how such innovations impact financial sustainability and the extent to which such innovations are helping the NGOs to fulfil their mission and vision, especially when challenged by reduced donor funding and the impacts of Covid-19 pandemic. Steiber & Alänge (2015) and Kristina (2011) argue that NGOs can achieve financial sustainability by exploring new ways of doing things.

The following sub-questions were formulated to support the investigation of the research question.

i. What constitutes organisational innovations of NGOs operating in Uganda? Literature provides a diverse view of what constitutes organisational innovation. OECD Manual 2018 classifies innovations into two broad types: product innovation and business process innovation. Organisational innovation is grouped under the latter with the subtitle 'administration and management innovation', which is further sub-grouped into six categories: (1) strategic and general business management, (2) corporate governance, (3) accounting, bookkeeping, auditing, payments, and other financial or insurance activities, (4) human resource management, (5) procurement and (6) managing external relationships with suppliers and alliances (OECD/Eurostat, 2018). This research focuses on what constitutes organisational innovation, specifically among the NGOs operating in Uganda.

ii. What contributes to the financial sustainability of NGOs operating in Uganda? This research investigates the factors that contribute to the financial sustainability of NGOs operating in Uganda. Donor funding is listed among the key determinants of NGO financial sustainability (Ebenezer, et al., 2020). Unfortunately, the literature shows a decline in donor funding due to donor fatigue and changing donor priorities (Awadari, 2020; Ngendakurio, 2022).

iii. What is the relationship between corporate governance and NGO financial sustainability in Uganda? The future of the NGO sector has been linked closely to its ability to convince the public that it is performing and accountable (Abigail, et al., 2005). Trust and accountability enhance the credibility of an NGO, which places an NGO in a better position to attract varied sources of income flow (Amagoh, 2015). This research investigates the corporate governance practices of NGOs in Uganda and their contribution to financial sustainability.

iv. What is the relationship between financial management practices and the financial sustainability of NGOs operating in Uganda? The challenges the NGOs face regarding efficient management and good service delivery are caused by weak internal control systems (Abdulkadir, 2019). Donors increasingly require their partners to establish sound financial systems before they provide funds (Cammack, 2007). This research investigates the extent to which the existing financial management practices of NGOs in Uganda support their financial sustainability.

v. What is the relationship between external relations and the financial sustainability of NGOs operating in Uganda? The quality of relationships between grass root organisations, NGOs, donors, and the government promotes or impedes the wider goals of all these organisations in development (Ebenezer, et al., 2020; Michael, 1996). In this study, the researcher examines if the same is true of NGOs operating in Uganda.

vi. What is the relationship between human resource management practices and the financial sustainability of NGOs operating in Uganda? Human resource management practices are associated with administrative innovation, which concerns new ideas about structure, accounting systems and human resource management for better service to the intended clients (Read, 2000). Employee empowerment and engagement are crucial to the success of innovation (Thomas, et al., 2007). Innovative organisations implement performance appraisal and reward systems to recognise and boost employee creativity (Gupta & Singhal, 1993). The employees are likely to generate creative ideas and demonstrate innovation behaviours when an organisation uses creative capabilities and innovative characteristics as criteria in recruitment and selection (Maier, et al., 2014). Innovation behaviour is conceptualized as an initiative from the employees concerning the introduction of new processes, new products or new markets (Åmo & Kolvereid, 2005). This research explores the relationship between human resource management practices and the financial sustainability of NGOs operating in Uganda. The following sub-chapters show the research scope.

1.6 Research Scope

The sample, content and time scope of this research are described below.

1.6.1 Sample Scope

The sample scope is limited to the top and middle management staff of the NGOs operating in Uganda. The sample selected is deemed to have the information that the researcher is interested in to achieve the purpose of the study. The sample scope in research refers to the specific group of individuals or units that a study will include as participants or subjects (Creswell & David, 2018).

1.6.2 Content Scope

The content scope refers to the specific topics or areas a study will focus on. It is the boundary or limit within which the research will be conducted (Creswell & David, 2018). The research is limited to investigating the relationship between organisational innovation and the financial sustainability of NGOs operating in Uganda. Organisational innovation is more of a process than a product. Process innovations are more incremental than radical innovations, which implies that organisations can implement them over time with the commitment of lower financial and non-financial resources. In the researcher's view, improving the processes may go a long way to ease the financial hurdles of NGOs operating in Uganda, especially in crisis times.

1.6.3 Time Scope

The researcher collected and analysed data on the variables of interest for the NGOs operating in Uganda. The variation in NGO financing during the Covid-19 pandemic was of particular interest as this had implications for NGOs' financial sustainability. The time scope in research is the specific period or range of time that a study will cover (Creswell & David, 2018). The NGOs involved in the study should have been in operation for at least the last ten years (2010 to 2020).

1.6.4 Structure of the Study

Chapter 1 provides an overview of the research. It gives the background, problem statement, research objectives, scope and justification for the study. Chapter 2 reviews the theories guiding the research, the conceptual framework and empirical studies and provides a literature review summary. Chapter 3 explains how the research was conducted, the sample selection, the data collection instruments, and the data analysis methods. Chapter 4 presents the results, analysis and interpretation of the research findings. Chapter 5 handles the discussion, conclusions and research recommendations. It also provides possible areas for future research.

CHAPTER II :

REVIEW OF LITERATURE

2.1 Introduction

This chapter reviews the existing literature related to the topic under study. The review covers scholarly work from local and international literature sources and is based mainly on journal articles and relevant grey literature.

2.2 The NGO Sector in Uganda

Article 38 of the Constitution of Uganda 1995 embeds the right of every Ugandan to engage in peaceful activities to influence government policies through civic organisations. Additionally, the Local Government Act 1997 provides Civil Society Organisations (CSOs), including NGOs, with an essential role in service delivery at the community level. The National NGO Policy (2010) defines the policy framework for NGOs operating in the country (Ministry of Internal Affairs, 2010). The NGO Policy defines an NGO as a legally constituted private, voluntary grouping of individuals or associations involved in community work which augments government work but not for profit or commercial purposes. The definition implies that NGO activities must be conducted as community service rather than to profit from those served.

The NGO Act (Government of Uganda, 2016) established the National Bureau to maintain an NGO register and formulate and develop policy guidelines for NGOs and Community-Based Organisations (CBOs). An NGO must obtain a licence issued by the National NGO Bureau to operate in Uganda. The Act provides for close supervision of NGO activities by the local authorities, such as the District NGO Monitoring Committee (DNMC) and Sub-county NGO Monitoring Committee (SNMC). An NGO controlled wholly by Ugandans and licenced to operate in more than one district is called a National NGO. NGOs incorporated in East African Community Partner States (other than Uganda) are classified as regional NGOs. NGOs incorporated in Africa but outside the East African Community are called Continental NGOs, and those incorporated outside Africa are classified as International NGOs (Government of Uganda, 2016). A Foreign NGO refers to an organisation that does not have original incorporation in any country and is partially or wholly controlled by citizens of other countries other than the citizens of the Partner States of the East African Community (Government of Uganda, 2016). As of December 2022, NGO Bureau had registered 2132 NGOs (Uganda National NGO Bureau, 2022), comprising 1509 Indigenous, 374 foreign, 201 International, 24 Regional and 24 Continental NGOs.

Some people start NGOs hoping that an external donor will finance their activities. The realisation that no donor is available to fund the NGO activities leads to such NGOs closing shops or suspending their operations. The failure to get a donor to fund the activities may explain the wide variation between the registered and the functional NGOs. The literature indicates that most NGO sector activities are majorly financed through donor funding, exposing them to financial vulnerability (Silva & Burger, 2015; Ministry of Internal Affairs, 2010).

The NGOs are classified according to their key thematic area (Morrar & Sultan, 2021). The NGO sector in Uganda encompasses the thematic areas of humanitarian aid, health, education, livelihood, poverty reduction, water and sanitation, agriculture, environmental management, infrastructure development and human rights. Several NGOs advocate for strengthening governance, democratic institutions, and human rights. These thematic areas are similar to those participated in by other NGOs globally (Park & Cho, 2020). Throughout the 1980s and 1990s, civil society played a vital role in ‘filling the gaps’ left by the government in essential service provision in Uganda (Hearn, 2001). In the 1980s and early 1990s, NGOs’ activities focused on basic survival needs. In the late 1990s, the focus moved to development. Many donors found the Uganda government willing to be the 'star pupil' for their development paradigm (Hearn, 2001).

Most NGOs in Uganda are small, fragmented, community-based and donor-dependent operators (Silva & Burger, 2015; Ministry of Internal Affairs, 2010; Abigail, et al., 2005). The sector tends to be characterised by independent, vibrant and flexible with easy entry and exit routes, often with limited funding (Ministry of Internal Affairs, 2010). The literature indicates that NGO sector activities are mainly financed through donor funding, exposing them to financial vulnerability (Silva & Burger, 2015; Ministry of Internal Affairs, 2010). The NGO policy acknowledges the financial vulnerability of most NGOs in the country caused by the over-reliance on donor funding. The policy encourages the NGOs to think of other funding sources, primarily through income-generating activities.

NGOs play a significant role in advancing the cause for the poor and promoting democratic institutions in the country through advocacy campaigns (Silva & Burger, 2015; Morrar & Sultan, 2021). NGOs that act as watchdogs to make the government accountable to the population must do it in a manner that does not annoy the government in power (Odhiambo, 2017). Some NGOs sign memorandums of understanding with the district, local, and central governments. Such partnerships improve the working relationship between the NGOs and the government (Ministry of Internal Affairs, 2010). The desire for a harmonious working relationship is demonstrated in the consultative processes that the government initiates with the NGOs. For example, during the drafting of the NGO Act 2016, the government invited NGOs to suggest improvements in the provision of the proposed Act (Odhiambo, 2017).

The NGO Act obliges the NGOs to submit annual returns and audited accounts to the bureau, but some fail to meet this compliance requirement (Abigail, et al., 2005). Similarly, the NGOs must submit reports on their operations to the regional and district committees

(Government of Uganda, 2016). The information required includes the estimates of the NGO's cash flows and funding sources. The NGOs that fail to comply may face closure or suspension of their activities (Elias, 2021). In August 2021, 54 NGOs in Uganda were closed by the regulator for failure to submit annual returns and audited books of accounts as required by the law (Elias, 2021). Such incidents highlight the importance of good corporate governance and financial management practices among the NGOs in Uganda.

NGOs in Uganda have introduced several innovations to improve operational efficiency, increase outreach, and achieve their project and organisational objectives. Dan Church Aid, Uganda, was an NGO shortlisted by UNHCR for Innovation Award in 2018 for promoting innovative financial inclusion by providing agricultural and marketing information to farmers in refugee and host communities to enable them to increase income through producing crops for the market (UNHCR, 2018). Give Directly, another NGO operating in Uganda, uses an innovative way of transferring cash to support beneficiaries via phone, eliminating intermediaries (Give Directly, NGO, ND).

Some NGOs in Uganda have been trying to strengthen corporate governance by establishing competent boards of directors, developing strategic plans and organisational policies and strengthening internal controls.

2.3 Conceptual Framework

This research aims to determine (i) what constitutes organisational innovations of NGOs operating in Uganda, (ii) what contributes to the financial sustainability of NGOs operating in Uganda, and (iii) establish the impact of innovations in corporate governance, financial management, external relations and human resource management practices on financial sustainability. The hypothetical association of these aspects of organisational innovation and NGO financial sustainability is shown in Figure 2.1.

NGOs are non-political and non-profit organisations accountable to their stakeholders and involved in the welfare and socio-economic development of people (Mustaghis, 2007). NGOs are best known for providing humanitarian and development assistance worldwide (Lewis, 2011). NGOs have been heralded as new agents with the capacity and commitment to make up for the shortcomings of the state and the market in reducing poverty (Paul, 1991). An NGO is a not-for-profit, voluntary citizen's group organised on a local, national or international level to address issues in support of the public good (Leverty, 2008).

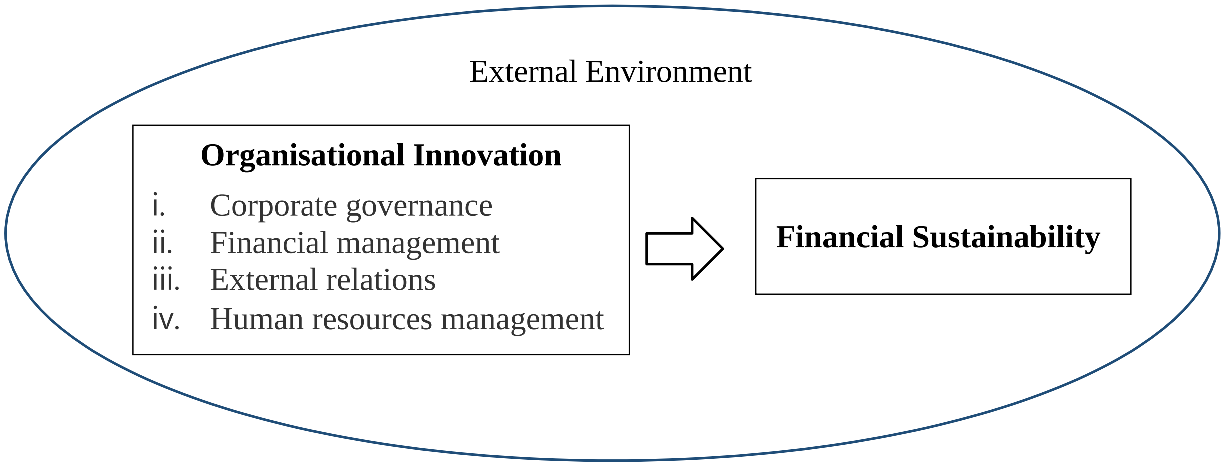

Figure II-1: Conceptual Framework

Financial sustainability in the context of NGOs refers to the ability of the organisation to generate enough income to cover its expenses and maintain its operations long-term (Edwards & Hulme, 1996). Financial sustainability allows an NGO to continue its activities for a long time and achieve its goals. Financial sustainability can also imply that an NGO can anticipate and respond to the changes in the operating environment, including the factors that influence funding sources and opportunities. Without financial sustainability, an NGO may be unable to meet the cost of its operations of the planned activities, which will stifle its effectiveness and impact.

Innovations involve developing and implementing new ideas or behaviours. Innovation can be a new product or service, a new production process technology, a new structure or administrative system, or a new plan or programme related to organisational members (Damanpour, 1991). Innovation is crucial as NGOs focus on solving social problems, which change continuously (Wei-Skillern, et al., 2007).

Organisational innovation means implementing a new organisational method in the firm's business practices, workplace organisation, new structures or external relations (Phan, 2019; Khan, 2018). Goodwill is not the only reason people give to worthy causes. To appeal for donations, NGOs must understand the motivation of their potential donors, just as commercial marketing executives must understand the different tastes and preferences of their varied customers. Some donors may wish to support only one aspect of the NGOs' work. Corporations offer support to NGOs for public relations benefits. Individual donors also may expect recognition. The NGOs must use marketing strategies to identify and address these expectations of the donors without a mission drift. NGOs that recognise and respond to the motivations of potential donors will be more successful at competing for their support (Viravaidya & Jonathan, 2001). Notably, NGOs are involved in social marketing to change behaviour and overcome behavioural barriers (RaiSingh & Abdulrahman, 2012). Individuals making charitable donations need some assurance on appropriately using their resources. These individuals may not have the time to research NGOs thoroughly. NGOs must communicate with potential donors to convince them of their credibility, transparency, trustworthiness and good governance (Tremblay-Boire & Prakash, 2017).

Innovations can be radical or incremental. Radical innovations create new markets and destroy existing ones based on technological or logistical breakthroughs (O'Connor, 2010). Incremental improvements to existing products, services, and organisational routines can enhance performance, quality, and usefulness and are vital to making more competitively advanced products and services (Tarus, et al., 2017). In a resource-constrained environment, the NGO may not initiate radical changes but rather involve itself in process improvements that may positively influence service delivery. In a resource-constrained environment, the NGOs may not initiate radical changes but rather involve themselves in process improvements that will positively influence service delivery. For example, modern teleconferencing tools such as Zoom and instant messaging applications like WhatsApp and social media have helped improve internal and external communication, stakeholder engagement, and service delivery. Despite the vast differences among the world's NGOs, most share a common dilemma: Lack of funds limits the quantity and quality of the work (Viravaidya & Jonathan, 2001).

Yamron (2020) refers to financial sustainability as the ability of the organisation to continue its operations when the key funders of the project end their project stewardship. In the NGO world, financial sustainability is critical in ensuring the continuity of the NGOs' core activities, especially during financial and economic crises (Aldemir & Uysal, 2018). In this research, NGO financial sustainability is studied in the context of the NGO's ability to deliver its planned activities to the vulnerable members of the community sustainably. When NGOs achieve financial sustainability, there will be no significant disruptions in the NGO service delivery due to inadequate funding.

In this study, financial sustainability is the response variable. The elements of organisational innovation are the predictors of NGO financial sustainability. These elements are corporate governance practices, financial management, external relations and human resource management.

2.4 Empirical Review

Bernal et al. (2021) studied the innovations implemented by non-profit organisations in Columbia to attain their objectives. The study considered organisational innovation and social innovation as predictors of organisational performance. The findings revealed that the non-profit organisations in Columbia were addressing the social problems through social innovations with a special focus on harmonising the economic, social and environmental concerns. However, the research was conducted in Columbia, outside the African continent. The current study fills the gap in the literature by focusing on Uganda and providing an African flavour to the research.

NGOs can be classified by their orientation and level of operation (Vakil, 1997). Based on their orientation, NGOs operating in Uganda can be categorised as welfare, development, advocacy and research oriented. Some of the NGOs may have more than one orientation. The oldest form of NGO provided rehabilitation services or community welfare. These were categorised as welfare NGOs. In most countries, NGOs are actively involved in development work and play the crucial role of uplifting the poor out of poverty. These categories of NGOs are referred to as developmental NGOs. Development NGOs have the ultimate goal of improvement in the capacity of a community to provide for its own basic needs (Elliott, 1987). One of the roles of the NGO is to make the government accountable to the citizens, especially in service provision. An advocacy orientation refers to influencing policy or decision-making related to particular issues and building social support among like-minded organisations and the wider population around these issues (Vakil, 1997). NGOs should not discriminate among the beneficiaries based on their religious affiliation in service delivery. Research capacity is another orientation that has been developing rapidly in the NGO sector, especially with the increasing acceptance of participatory research as a legitimate means of acquiring knowledge and the pressing need for interventions based on sound information (Vakil, 1997). The World Bank classifies NGOs based on the activity they engage in into (i) operational NGOs signifying those engaged in the implementation of development projects, and (ii) advocacy NGOs, denoting those focused on promoting specific social causes (Nega & Schneider, 2014). NGOs are also often categorised based on their geographical presence and level of operation as international, regional, national and community based.

Ebenezer et al. (2020) examined how sound financial management practices, income diversification, own income generation, good donor relationships, and the use of enterprise resource planning (ERP) and cloud accounting affected the financial sustainability of NGOs in Ghana. The study revealed that sound financial management practices, income generation, income diversification, and good donor relationships are vital components of NGO financial sustainability. However, the research did not examine the influence of organisational innovation on financial sustainability.

Financial sustainability refers to an organisation’s ability to be in a favourable financial position and secure the financial means to implement its programmes (Maboya & McKay, 2019). Factors influencing the financial sustainability of local NGOs in Puntland, Somalia, were researched using the independent variables of finance, income diversification and strategic financial planning (Mohamed & Muturi, 2017). The results showed a positive and significant effect of diversification strategies and strategic management on the financial sustainability of local NGOs. In contrast, the sources of finance had a shallow and insignificant relationship with financial sustainability. The study covered only the local NGOs and several factors impacting financial sustainability. In this research, the researcher covers local and foreign NGOs operating in Uganda and focuses on the relationship between organisational innovation and financial sustainability.

Pyanov, et al. (2021) and Timothy, et al. (2017) analysed the financial and organisational mechanisms for the sustainable development of NGOs. The study concluded that applying effective financial and organisational mechanisms aligned with the socio-economic objectives is necessary for the third sector to promote the green economy. The literature shows that a green economy is associated with the efficient use of resources

(Hmeedat & Albdareen, 2022; Irani & Kilic, 2022). Green practices are a form of organisational innovation that focuses on the sustainable use of resources. When organisational resources are used sustainably, the organisation saves on its limited financial resources, improving its financial sustainability. In this study, the researcher empirically examines which of the above constitutes the financial sustainability of NGOs operating in Uganda.

Nega and Schneider (2014) noted that NGOs had attempted social entrepreneurship and other innovative mechanisms to improve their financial sustainability in addressing social and developmental problems in developing countries. Further, a strong positive correlation between strategic human resource management practices, including recruitment and selection, training and development, reward and compensation and performance appraisal and financial performance, was found among the NGOs in Bangladesh (Sarker & Rahman, 2018). However, the study did not cover NGOs operating in Uganda. Steiber and Alänge (2015) conducted a study to develop a model for understanding how organisational innovations are continuously created, diffused and sustained in organisations. The study did not specifically dwell on financial sustainability as an essential feature of organisational sustainability, which is the concern of the current research. In the next section, the theories that guided the research are explained.

2.5 Theoretical Review

The stewardship theory and the resource dependency theory guided this study. Stewardship theory posits that the managers, left on their own, will act as responsible stewards of the assets they control (Davis, et al., 1997). The concept of stewardship has inspired the activities of several organisations whose mission is to preserve, protect and maintain natural, social and economic assets for the benefit of stakeholders and communities (Contrafatto, 2014). The stewardship theory postulates that the directors, who are the organisation's stewards, will act in a way that leads to organisational utility rather than self-serving benefits (Keay, 2017). People are collective-minded and pro-organisational rather than individualistic and therefore work toward attaining organisational, group, or societal goals because doing so gives them higher satisfaction (Idowu, et al., 2013). This view presupposes that the managers are competent and committed to attaining the organisation's vision and mission, which may be elusive when organisational transparency and accountability are not prioritised. The board and the management are the stewards of an NGO. The board sets the direction for the organisation by defining the vision, mission, and goals, and the management develops policies, plans, programmes and funding proposals that the board reviews and approves. If well executed, the board's oversight role improves the organisation's image and attracts potential donors. The board brings a vast wealth of experience in donor relationship management that, if well managed, will give an organisation the needed financial leverage to sustain its operations (Kallifatides & Neubeck, 2020).

The board establishes sound financial management systems and ensures compliance with the laws and regulations. The board contributes to resource mobilisation by networking with the donors and establishing a risk management framework. The sustainability aspects of governance are associated with improved competitiveness, quality services and responsibility (Otaru, et al., 2021). As stewards of the NGO vision, the board must ensure NGO compliance with the reporting requirements established by the relevant laws. Non-compliance with the law, policies and standard operating procedures indicates that the management and board are ineffective. Such failures may cause suspension until compliance is assured or cost the NGO its operating license (Elias, 2021). Even with constrained financial resources, NGOs must focus on balancing the double bottom line of mission impact and financial sustainability (Noose, 2010).

The resource dependency theory developed by Pfeffer and Salancik (1978) posits that no organisation is entirely self-sufficient, and inter-organisational exchanges are necessary. Dependence arises when an organisation lacks the resources to fulfil its vision and mission, necessitating partnerships (Bozic, 2021). Organisations are interdependent with other organisations exchanging monetary or physical resources, information, or social legitimacy (Pfeffer & Salancik, 2003). The resource dependency theory acknowledges the dependency nature of NGOs on external resources that play a significant influence in achieving organisational objectives. Power manifests within donor-NGO partnerships through the control and flow of money. Large power differentials exist between international funding agencies and receiving local NGOs (Khieng & Dahles, 2015).

The problems associated with over-dependency on limited donors justify the need to identify alternative funding sources. Diversifying funding sources reduces the risk of NGOs failing to implement their plans and programmes due to uncertainty in accessing funds from the primary donors (Khan, 2022; Mikeladze, 2021). When NGOs diversify their income sources, they improve the probability of their continued existence as income diversification enhances the stability of their finances. With the improved likelihood of financial stability, NGOs' autonomy is enhanced, enabling them to pursue their mission, which would not be the case if they continued to rely on donor funding (Mikeladze, 2021).

NGOs seeking donor funding face many challenges that reinforce the imbalance of power (Reith, 2010). Donors have views on the nature of the problems and the best intervention strategies to address them. In their eagerness to source funding, NGOs are forced to follow the money and let donors dictate the scope and direction of their activities (Viravaidya & Jonathan, 2001). The donors have more power over resources and can dictate their funding priorities to the NGOs (Khaldoun, 2013). Power dynamics are always in play (Ferris, 2007). Whether a government aid agency, another NGO or a UN agency, the funder has considerable power to call the shots, set the agenda, and determine participation in policy discussions (Ferris, 2012). Donors, on whom the NGOs are increasingly dependent, make demands around social policies, budget allocations, democratic structures and accountability systems (Wallace, 2004). Over-dependency can often lead NGOs to agree to pursue donor objectives rather than their own, which results in mission drifts. Hirschman identified three options for an organisation to react when faced with a problematic and unsatisfactory situation: exit, loyalty and voice (Hirschman, 1972). NGO responses to such situations were to suspend the relationship, reach common ground, automatically execute the donor's interests, and voluntarily and deliberately adapt to the situation (Khaldoun, 2013). Within the domestic political environment, the attempts of the local NGOs to adhere to such donor conditionalities exacerbate perceptions that NGOs represent donors' interests above the national interests, seriously damaging their credibility and effectiveness (Parks, 2008). The partnership between an NGO and a donor is a trojan horse, disguising the reality of the complex relationships involving power imbalances and inequality (Reith, 2010). The relationship between an NGO and donor can be characterized as (i) mentor-mentee, where a stronger NGO plays the role of a mentor or coach to the weaker NGO, (ii) partner-recipient: where both partners establish an equal partnership to achieve a common goal or objective, and (iii) dominant-subordinate where stronger NGO has a dominant role over the weaker NGO. The stronger NGO may dictate the terms of the partnership, control the resources, and have a greater say in decision-making (Doh & Teegen, 2003).

The problems associated with over-dependency on a few donors highlight the case for the NGOs to source alternative funding sources. Several authors have recommended diversifying the funding sources to limit donor dependency (Khan, 2022; Mikeladze, 2021). The donor-dependency ratio (Warren & Epstein, 2011) and resource generation ratio (Lewis,

2009) are measured to evaluate fundraising efficiency, raising costs, and the response rate of funding proposals also help in evaluating fundraising efficiency (Niven, 2008).

Diversification of income sources improves the financial stability of NGOs. With the improved financial stability, NGOs' autonomy is enhanced, which would not be the case if they continued to rely on donor funding (Mikeladze, 2021). Organisations seek to link with other organisations consciously to reduce uncertainties and manage dependencies (Celtekligil, 2020). Organisations adopt mechanisms to adapt, absorb, diffuse and co-opt external pressures and influences in their environment (Pfeffer & Salancik, 2003). Therefore, the NGO management and the board must effectively, efficiently and prudently utilise the organisation's resources.

The realities of resource limitations make NGOs need to establish networks with other actors to serve their beneficiaries better. This research assesses how NGOs in Uganda have innovated to address the resource dependency challenges. The next sub-chapters present the related literature in line with the research objectives.

2.6 Determinants of Organisational Innovation

Developing new ideas and ways of thinking is necessary to pull low-income countries out of poverty and oppression (Taylor, 2017; Innovation Working Group, 2015). Innovation is needed to transform people's lives. The United Nations integrates innovations into its humanitarian programmes to address the changing demands of its beneficiaries, fuelled by the ever-increasing humanitarian crises (Bloom & Faulkner, 2015). Along with other international humanitarian actors, several UN bodies develop and use new tools and practices to bring innovation to the forefront of their work. The increasing number of crises has strained the financial resources necessitating the UN bodies to find creative ways of reaching out to those in need. UNICEF has over fourteen innovation labs worldwide (Bloom &

Faulkner, 2015). These efforts by the UN reflect the thinking that an organisation's financial sustainability improves with the level of organisational innovation (Steiber & Alänge, 2015).

Innovations are associated with change. Some employees may resist change for fear of the unknown. NGOs may experience resistance to organisational innovation (Bernal-Torres, et al., 2021) if employees are not well-grounded in the culture of a learning organisation. Management must prepare employees to adapt and involve them in initiating change through training and employee empowerment programmes. The change should be initiated gradually or incrementally, making it easy for employees to adapt.

The literature review showed that innovation need not always be radical but can also be incremental. Incremental innovation helps in managing the cost of innovation over a longer period. If the finance gap is not managed through incremental innovation, the welfare of the ever-increasing number of the vulnerable is at stake (Jideofor, 2021). Organisational innovation entails improving internal processes to deliver services to the targeted beneficiaries efficiently. It may involve re-examining the service delivery value chain to ensure unnecessary processes are eliminated. Organisational innovation supports the development of a team culture where employees freely share and collaborate to deliver the organisation's services to the targeted beneficiaries efficiently. Innovative organisations thrive where employees are valued through impartial treatment, empowerment and recognition. Human resource management practices and systems should create an environment that allows free interaction among employees in the departments and across the organisation. Change efforts may all be in vain if not supported by the employees. In such a case, the change may worsen rather than improve an organisation's financial sustainability. The complex goals, multiple stakeholders, and organisational values in NGOs can complicate the innovation process (Dover & Lawrence, 2011). Given its importance and the several factors influencing organisational innovations worldwide, it is imperative to determine what constitutes an organisational innovation for NGOs operating in Uganda.

The literature suggests a significant positive relationship between innovativeness and organisational performance (Phan, 2019; Bloom & Faulkner, 2015; Tucker, 2014; Read, 2000). The Bangladesh Rural Advancement Committee (BRAC) is one of the prominent NGOs in the world that has benefited from incremental innovation. Innovative initiatives of BRAC include the successful integration of cost recovery into the programmes it offers to the poor and the commercial activities set up to help finance programmes designed for the poor (Viravaidya & Jonathan, 2001).

Innovative organisations establish systems and policies to promote idea generation and evaluation and support implementation of ideas. The literature identifies several determinants of organisational innovation. These include customer orientation, level of internal and external communication, human resource strategies, leadership, flexible structures, knowledge management, team spirit, networking, continuous improvement, technology adoption and management support (Arundel, et al., 2019; Marjolijn, et al., 2016; Okorley & Nkrumah, 2012). Johnsson (2017) identified twenty innovation enablers. These include collaboration, strategy, empowerment, capabilities, education, awareness, human resources, incentives, and knowledge management.

Odhiambo (2017) decries the weak human resources capacity in the NGO sector in East Africa. A well-trained team of staff responsive to the changing environment is essential for the NGO to deliver value for money even in a disruptive environment. Non-profit organisations strive for continuous improvement in their programmes' effectiveness and sustainability, service efficiency, and accountability (Khaldoun, et al., 2016). Partnerships imply collaborations, idea sharing and creating synergy. NGOs create a greater impact and enhance their reputation when communities are involved. The NGO activities gain support, and the financial sustainability improves. Human resource management practices of training and development are necessary to support the development of human resource capacity.

Innovation is one of the significant determinants of the performance of an organisation. In an increasingly globalised environment, organisations with the capacity to innovate will survive (Putra, et al., 2021). Organisations must pay particular attention to harmonising the social, economic and environmental aspects. Improved service delivery and sustainable development should be achieved without compromising the ability of future generations to meet their own needs (United Nations, 1987). Innovations in organisations should align with the triple bottom line. The literature often refers to this concept as sustainability-oriented innovations (González & Cabeza, 2020). Sustainability-oriented innovation involves introducing intentional changes to an organisation's philosophy, values, products, processes or practices to create and realise the social and environmental value and economic returns (Adams, et al., 2016). González & Cabeza (2020) highlighted the particular attention firms driving innovations pay to the social and environmental dimensions of their innovation strategies. Organisational innovations involve harmonising the social, economic and environmental concerns of society. Innovation provides a competitive advantage for profit-making organisations (Putra, et al., 2021) and improves the sustainability of the NGOs. Even though the NGOs are not profit-oriented, they must harmonise their programme activities with social and environmental aspects.

NGOs operating in Uganda need to promote an innovative culture and find better ways of serving the beneficiaries sustainably. As the literature exhibits, innovation should involve the development of new products that meet the community's needs. The use of digital communication was a popular innovation adopted by NGOs in Uganda to reach out to their beneficiaries when people's movements were restricted during the Covid-19 pandemic.

2.7 Determinants of Financial Sustainability

The critical determinants of NGOs' financial sustainability are sound financial management practices, income diversification, own income generation capacity and good donor relations management (Ebenezer, et al., 2020). NGOs obtain their funding from membership fees, private donations, bequests, fundraising activities, investment income from endowments, corporate alliances, sale of products, grants from other non-profits organisations, lending and government funding (Yamron, 2020; Ebenezer, et al., 2020; Ahmed, et al., 2015; Shuib & Jamailah, 2013; IDRC, 2010). Notably, a donor can offer restricted or unrestricted funding. Restricted funding comes with guidelines and restrictions on the programme, geographic location or the population the funding must benefit. NGOs receiving the funds must use the money as directed by the donor. Unrestricted funding, on the other hand, gives the organisation receiving the funds the freedom to use the money for any purpose that aligns with its mission and goals. (Rossouw, 2013).

Sound financial management practices require that NGOs diversify their funding sources and reduce over-reliance on a few donors. The over-reliance on limited donors exposes them to financial vulnerability and limits an NGO's ability to fulfil its vision and mission (Silva & Burger, 2015; Abigail, et al., 2005; Kallifatides & Neubeck, 2020). The financial vulnerability of NGOs increases when they fail to diversify their funding sources.

The ability of an organisation to diversify its revenue sources and reduce over-reliance on a single donor is a determinant of financial sustainability (Yamron, 2020). Ebenezer, et al. (2020) argue that some NGOs do not have sound financial management practices and cannot mitigate over-reliance on donor funding. Research studies reveal a positive relationship between income diversification and financial sustainability (Ebenezer, et al., 2020; Panayotou, 1994). NGOs that have initiated strategies to own income generation are less vulnerable to financial stress (Khan, 2018). The research findings have implications for Uganda’s donor-dependent NGO sector.

Various authors have stressed the need for NGOs to limit their over-dependence on donor funding, which worsens when an NGO has more than fifty per cent of its budget funded by a single donor (Yamron, 2020; Mbuya & Osodo, 2018; Shuib & Jamailah, 2013). For most NGOs in developing countries, this is a reality. For example, NGO budgets in Ghana are funded up to 70% by external donors, which makes them highly sensitive to any form of reductions in donor funding (Arhin, et al., 2018). The literature suggests that among the indicators of the diversification of income sources is the ability of the NGO to raise more than half of its funding from at least five different sources (Mikeladze, 2021). The advantage associated with diversification is that it is improbable that all funding sources could be disrupted simultaneously.

Apart from the uncertainties in the continuous flow of donor funding due to the changing donor landscape, there are also problems related to access. Access to donor funding may be limited when the government establishes stringent norms for accessing donor funds. The government may want to ensure donor funding is not used for subversive activities or to promote undesirable foreign ideologies and practices (Odhiambo, 2017). The NGO Act 2016 requires the NGOs operating in Uganda to declare their funding sources.

The realities of Ghana's changing donor funding landscape motivated Arhin et al. (2018) to conduct a qualitative study. This study was conducted to discover the NGOs’ coping mechanisms to counteract the changing aid landscape in Ghana. The study revealed that strategies adopted by NGOs included diversification of funding sources, image building, visibility activities and partnership building. Donor dependency may lead to mission drift, as the NGOs have no option but to promote the donor’s agenda rather than focus on their goals.

The over-reliance on donors tends to limit the NGOs' creative capacity and compromise their mission as champions of pro-poor programmes (Cannon, 1996).

Given the changing donor requirements, adopting new ways of resource mobilisation is an innovation that NGOs operating in Uganda must embrace. Important innovations that drive change in organisations start from simple ways of wanting to do something better than it is today. Silva & Burger (2015) argue in support of internal revenue sources that are more controllable and more like to give an NGO a stable financial position. Mikeladze (2021) argues that the shift to internally generated funds would enable an NGO to pursue its mission without undue influence from external funders. Diversification of funding sources gives a chance to increase revenues, strengthen stability and limit the control of public and private donors, especially when any of them predominates in capital contributions (Mikołajczak, 2019).

The characteristics of the NGO, such as size and years of existence, play a role in financial sustainability. The organisational structure, years of existence and size are linked to the capacity to innovate (Kutieshat & Farmanesh, 2022). NGOs that have existed for several years can easily demonstrate their expertise in a particular thematic area and attract funding. Large organisations are better positioned to access information on funding opportunities and more experienced in writing winning project proposals (Silva & Burger, 2015). Similarly, large organisations are likely to attract diverse skills, a crucial foundation of idea generation, new ways of thinking, and new processes and products.

Localisation is an innovation in the NGO sector that has been used to reach out to the beneficiaries in crises, including movement restrictions. The Covid-19 restrictions highlighted the importance of empowering local actors to deliver community services. The concept of localisation is debated as the desired change necessary to empower local actors to efficiently deliver services to a community that is increasingly becoming more vulnerable

(Jideofor, 2021). Localisation of NGO activities implies increasingly involving the communities in identifying and contributing to solving the problems around their communities, which tends to be more sustainable. When communities are involved, the NGO’s impact is more felt, enhancing the NGO’s visibility and reputation. The change through localisations focuses on empowering local actors, building their capacity to self-sustain, engaging the communities, and being more transparent. Localisation is cost-effective and efficient because it helps NGOs to appreciate the needs of the communities in which they operate. Localised activities involve community participation and have a high probability of sustainability. The NGOs must adopt localisation as an incremental change to improve service delivery to vulnerable communities. Capacity development and partnerships are essential for localisation (Jideofor, 2021). Appropriate human resource management practices of recruitment and training are necessary to support the development of local human resource capacity. Without capacity building, the NGOs may not be able to efficiently use the finances advanced to them. Partnerships imply collaborations, idea sharing and synergetic effects from that place.

NGOs need to develop a resource mobilisation strategy to attract potential funders, both local and international. While income diversification can promote financial sustainability, the opportunities available to NGOs in Uganda for pursuing such diversification are unclear, which this research tries to address. The funding sources of NGOs can include grants from donors from foundations, corporations, individuals, development partners and multi-lateral organisations and membership fees from organisations, associations, and individuals. Crowdfunding, fundraising events, charity walks or auctions, sales of products or services, funding from the government, investment income, rental income, sponsorships, CSR partnerships and cost-sharing are other possible funding sources. To improve financial sustainability, NGOs may consider the need for the beneficiaries to cost share. Cost sharing is a positive sign that the beneficiaries appreciate the NGO's services, though this requirement may leave out some sections of the poor. It has, however, been argued that sustainably helping some needy community members is better than helping none due to the unavailability of funds and other cooperating resources (Viravaidya & Jonathan, 2001). Such initiatives may necessitate NGOs redesigning how their programmes are delivered to the target beneficiaries (Viravaidya & Jonathan, 2001). NGOs like Oxfam, CARE International, Save the Children, and BRAC subsidise their development activities with commercial activities. The NGO Act of Uganda 2016 allows NGOs to establish income-generating activities. Any profit must be ploughed back into the NGO and not paid out as dividends (Government of Uganda, 2016). Innovation in corporate social responsibility projects has the potential to create local income-generating mechanisms and support local self-sufficiency (Kourula & Halme, 2008).

NGOs have to compete with each other for donations through fundraising activities. Fundraising activities include advertising, direct mailing campaigns, and organising events (Aldasheva & Verdierb, 2010). Non-profit organisations have long engaged in income generation and businesses to supplement or complement their mission activities by launching social enterprises (Alter, 2007). NGOs can generate funds through consultancies, training, and the sale of educational materials and other publications (Antrobus, 1987).

Ebenezer et al. (2020) found a weak but positive relationship between own income generation and NGO financial sustainability. Whereas internally generated funds would be a better source of NGO funding and positively linked to financial sustainability, the potential for generating such funds is limited. The situation leaves most NGOs with no choice but to rely on external funders. The focus on internally generated funds is essential as it improves the financial autonomy of the NGO to pursue its planned activities. Very little information is available on the income-generating capacity of the NGOs operating in Uganda.

An innovation's success depends on its acceptability by the people it is designed for (Bloom & Faulkner, 2015; Tucker, 2014). The active participation of the beneficiaries in programme design increases the probability of project success. Participation creates a sense of ownership of a given programme (OECD, 2006). Arundel et al. (2019) show that the participation of stakeholders in innovative drives is in line with the networked governance model that encourages collaborative processes with all stakeholders. The aspect of monitoring the use of donor funds is stressed in the principle of accountability.

The common qualifying standard to access the donor funds is hinged on the potential impact of the programme to be funded on the marginalised communities. The programme development, implementation and evaluation are key activities that contribute to the capability of an NGO to attract donor support. These are driven primarily by the quality of human resources. The ability of an organisation to mobilise the required financial resources is based on the skills of its resource mobilisation team (Ebenezer, et al., 2020). When employees are empowered through training and involvement, their innovative capabilities tend to be ignited. Employee involvement has been positively associated with an organisation's financial sustainability (Johnsson, 2017; Shuib & Jamailah, 2013). An organisation's financial sustainability depends mainly on the quality of innovations the workforce brings. The employees need skills in product development, resource mobilization and writing winning project proposals.

A study to explore the organisational factors that accelerated the transformation of BRAC into a sustainable social enterprise (Sangmi & Razia, 2015) found that BRAC continuously restructured to find synergies between development, business, and investment. Second, it opened up its organisational boundaries to form strategic alliances with donors and poor beneficiaries instead of becoming dependent on them. Third, it continuously developed explicit projects of investment and training to stimulate the creation of new ventures.

2.8 Governance and Financial Sustainability

The term governance has been defined variously by scholars without a consensus (Arundel, et al., 2019). Good governance starts with a competent board that can promote good corporate governance practices, such as accountability and transparency, enabling an organisation to attract donor funding (Morrar & Sultan, 2021; Aldemir & Uysal, 2018; Shuib & Jamailah, 2013; Mikeladze, 2021). Good governance practices are built on participation, openness, transparency, the rule of law, fairness, inclusiveness, responsiveness, consensus building, accountability, efficiency and effectiveness (Mikeladze, 2021).

Corporate governance is associated with the basic principles of accountability, transparency, fairness and responsibility. The board of directors reconciles the interests of the organisation's diverse internal and external stakeholders. The lack of transparency about NGO activities is among the significant causes of tensions between the stakeholders and the NGOs (Cannon, 1996). The NGO Act 2016 empowers the local government to assess and recommend which NGO qualifies for registration with the Uganda National NGO Bureau NGOs must maintain high levels of compliance and governance standards and comply with the established legislation.

Competent boards are associated with creating high-sustainability companies (Eccles, et al., 2014) that actively engage stakeholders in their activities, which creates ownership of organisation activities. The ultimate prize for good governance is the improved financial sustainability of an entity. The standards of governance instituted by the board are among the fundamental pillars that promote an organisation's financial sustainability (Aldemir & Uysal, 2018; Shuib & Jamailah, 2013). The traditional model posits that innovation is initiated from the top. This view underscores the critical role expected to be played by the board in directing the strategic direction of the NGO. The World Bank provides a framework for sound corporate governance practices consisting of four pillars, commonly referred to as the RAFT:

Responsibility, Accountability, Fairness and Transparency. Donor funding to local NGOs by UNDP is based on the RAFT principles (Bernal-Torres, et al., 2021; UNDP, 2012).

Sound corporate government practices endear an organisation to potential donors, thereby increasing the financial sustainability potential of an organisation. Several studies confirm the existence of a positive relationship between corporate governance and firm performance (Dzomonda, 2022; Mikeladze, 2021; Wanyama & Olweny, 2013; Gürbüz, et al., 2010). However, these studies were carried out in the setting of profit-making organisations that may not have direct application to the NGO setting.

The study by Kallifatides & Neubeck (2020) classifies the board's role into three dimensions. These are the role of service, control and strategy. Through service, board members help organisations develop and implement their strategic objectives. The wealth of experience possessed by the NGO board is essential to create useful networks for the organisation, which may eventually lead to the improved financial sustainability of the NGO. By controlling, the board help to direct the NGO activities by actively getting involved in formulating and approving policies guiding the NGO operations. The NGO board then monitors management's compliance with the set policies. The deviation from the agreed-upon targets due to the dynamism in society implies the board's necessity to recommend appropriate changes to be pursued by the NGO.

The strategy dimension empowers the NGO board to set the organisation's strategic direction (Aldemir & Uysal, 2018; Shuib & Jamailah, 2013). In this dimension, the NGO boards are at the forefront of managing the vision and mission of the NGO. Society is dynamic, implying that even the strategic direction of a given organisation should constantly be reviewed and aligned with the changing needs of society. The board analyses the changing dynamics in society, and the changing needs of the communities served, proposes new ideas to serve the communities better and develops the necessary policies to attain the objectives.

The board makes decisions and approves the policies that guide the activities of the NGOs. The board sets the strategic direction of the organisation. The board participates in formulating and developing an organisation's strategic plan. As explained by Aldemir & Uysal (2018), strategic planning improves financial sustainability, especially if organisational innovation is an integral part of the strategic plan. A strategic plan sets an organisation's long-term vision and enables clarity of purpose. The board must ensure that the NGO has a strategic plan aligned with the global and national goals, such as the SDGs and the national development plans. The alignment of the NGO's strategic plan with the SDGs and the national development goals enhances the NGO's potential to attract funding from donors and the national governments. The board plays a crucial role in ensuring compliance with the applicable laws. The board monitors the efficient execution of an organisation's activities and establishes the required policies and procedures to ensure sound management practices. Usually, board members are nominated based on their wealth of experience in a given organisation. The wealth of accumulated knowledge and experience is essential in initiating and guiding the NGO innovation process.

The financial management policy is among the essential policies of an NGO. A comprehensive financial management policy will guide the financial management practices of the NGO, and the board should ensure that the policy is in place. Compliance by the finance staff with the financial policy guidelines will improve the credibility of the NGO in the eyes of potential donors. The inadequacies in the financial policies limit the ability of the NGOs to raise funds and are among the reasons for organisational death (Kallifatides & Neubeck, 2020). The failure of boards to effectively perform their supervisory functions may lead to compliance issues for the NGOs, which may even result in suspending their activities (Elias, 2021).

Shuib & Jamailah (2013) have described an effective board as one with the ability to monitor the organisation's financial affairs, which tends to attract donor funding and improve the performance of a non–profit organisation. Accountability promotes knowledge sharing and cooperation. Where accountability is lacking, there is a manifestation of reduced support and commitment, which affects the firm's performance. Some studies, however, have found no significant impact between accountability and the firm's financial performance (Shuib & Jamailah, 2013). NGO accountability transcends several layers (Volmink & Lynn, 2017). These include donor reporting requirements (Abigail, et al., 2005), often termed upward accountability and meeting the expectations of the beneficiaries through improved service delivery, referred to as downward accountability. The willingness to collaborate or network with other organisations with whom they share the mission to avoid duplication and resource wastage which is aptly dubbed horizontal or peer accountability.

High standards of accountability and transparency build donor confidence in an organisation and pave the way for attracting donor funding. The NGOs are required to report the financial position and performance of the organisation to the stakeholders to ensure accountability and transparency. An effective board should embrace diversity. The board should consist of men and women of repute with an acceptable level of social standing, knowledgeable and possess expertise in the type of core activities promoted by an organisation (Kijkasiwat, et al., 2022; Yamron, 2020). SDG-5 underscores the need for organisations to pay attention to gender issues. Kijkasiwat, et al. (2022) found a positive association between women's representation on the board and firm performance. Several others, like Arvanitis, et al. (2022) and Terjesen, et al. (2015), also support the positive association between board gender diversity and firm performance.

Good governance promotes the sustainability of an organisation as it ensures that all activities of an organisation are done transparently (OECD, 2006). The board should be ethical in its dealings, and its members must declare any conflict of interest. Ethical practices are identified among the critical factors that influence the sustainability of an organisation (Komen & Buluma, 2018). The ethical practices focus on the key role of oversight that the board plays to ensure the NGO's compliance with the existing legal and reporting frameworks (Maboya & McKay, 2019). Good governance practices require internal controls in an organisation that the literature associates with improved firm performance (Ghasemi, et al., 2022; Park & Cho, 2020). Goel (2018) cites the lack of transparency and poor disclosure practices among the unethical practices that diminish sound governance practices and adversely affect the organisation's financial performance.

Visionary and inspirational leadership and close engagement with the stakeholders improve organisational sustaianabilty (Johnsson, 2017). Effective board leadership is a critical success factor for any NGO. The leadership should promote open interaction at all levels of the organisation. The mission and vision of the organisation should cascade to all levels of the organisation. The NGO leadership should walk the talk. In times of crisis, leadership and management play a crucial role in maintaining organisational sustainability. Leadership and management influence how the organisation addresses the challenges presented by the operating environment. The board sets the strategic direction of an organisation (Shuib & Jamailah, 2013), spearheads the development of managerial capacity and identifies opportunities for continuous improvement. NGOs with entrepreneurial orientation and those who initiated bold actions and innovatively adopted missions aligned with the donors' agenda were more successful in international fundraising than those who were risk averse (Betti & Avrichir, 2020).

2.9 Financial Management Practices and Financial Sustainability

Financial management practices are associated with improved performance of non-profit organisations (Shuib & Jamailah, 2013). A high level of compliance builds public trust and confidence and improves goodwill. The donors would not like to associate with NGOs whose legal status is contentious or whose activities are suspicious. Pyanov et al. (2021) show that sound financial management practices, such as budget monitoring, are needed to maintain organisational financial health. NGOs adhering to sound financial management practices are less likely to default on legal obligations such as submitting annual returns and subjecting their operations to annual audits.

An organisation's financial resilience built on its financial sustainability, flexibility, and the ability to address vulnerability (Corporation of the County of Wellington, 2019). Financial vulnerability increases with an organisation's overreliance on external donors or limited funding sources (Bozic, 2021). Alternative funding models can minimise such vulnerabilities. It is, therefore, necessary for NGOs to diversify their sources of funding to minimise instances of financial vulnerability. Among the key principles driving prudent financial management practices is the organisation's ability to deliver value for money, primarily through continuous quality improvements (Marjolijn, et al., 2016). For organisational innovation to take root in an NGO, it must be supported by senior management and the governance structures (Bozic, 2021).

Financial management is a crucial concern of donors (OECD, 2006). Weak financial management has been associated with poor service delivery leading to sub-optimal benefits. For this reason, donors strive to build the capacity of NGOs to utilise the funds effectively and efficiently. The internal controls of the NGO need to be strengthened (Park & Cho, 2020) and made an integral component of the organisation's risk management framework (Mikeladze, 2021).

An organisation operating on sound financial management practices is well positioned to ensure that the financial resources are used effectively for activities geared towards attaining its vision and mission. Sound financial management practices require that

NGOs comply with the established international accounting standards, which stipulate timely and accurate reporting systems. Effective internal controls should be established to ensure the financial system's integrity and eliminate potential fraud cases. The internal controls that would promote prudent financial management practices in an NGO setting may include separation of duties, authorisation and approval procedures, recordkeeping and documentation, regular reporting and internal and external audits. Internal controls should be reviewed periodically to suit the changing operating environment (Mikeladze, 2021). The literature suggests that though NGOs are striving to streamline their internal control processes, there are still lacking in some respects (Ghasemi, et al., 2022). The loopholes in the internal control systems of some NGOs in Uganda may be attributed to the inadequate funding experienced by the NGOs that make it hard to enable the recruitment of qualified finance personnel. Unsurprisingly, the Government of Uganda closed 54 NGOs in 2021 due to failure to submit annual returns (Elias, 2021).

The problems with donor funding include the preference for the project over programme aid, the recent decreases in total amounts available, the tendency to shift funds arbitrarily, and the influence and accountability often demanded by donors (Antrobus, 1987). Project funding usually supports a specific project or activity with a defined scope, objectives, and timeline. Project funding is typically short-term and targeted and is intended to support the implementation of a specific project or set of activities. Programme funding is provided by donors to support a broader program or initiative that may consist of multiple projects or activities. Programme funding is typically longer-term and more flexible than project funding and is intended to support the overall goals and objectives of the programme. Programme funding provides NGOs with more flexibility to adapt to changing circumstances and to pursue a wider range of activities than project funding. Programme funding also allows NGOs to take a more strategic and holistic approach to their work, as they can focus on addressing underlying problems and building sustainable solutions, rather than just implementing short-term projects. The programme funding provide certain overhead costs of the NGOs and a component of unrestricted funding, which can be used by the NGO for any programme related expenditure at its discretion. The finance management teams of NGOs should establish transparent costing of overhead expenditures essential for the effective delivery of the programmes and use such costing to strengthen their case for accessing funds from donors for more sustainable operations. NGOs receiving program funding must be able to demonstrate the impact and effectiveness of their work over the longer term and must be able to adapt their strategies and activities as needed to achieve the program's objectives.

Sound financial management practices will ensure a continued flow of financial resources to the organisation. In the study about the determinants of financial sustainability for NGOs in Nakuru county, Kenya, a significant positive association between internal financial controls and NGO financial sustainability was established (Mutinda & Ngahu, 2016). Internal controls contribute to prudent financial management where all funds received are well expended and accounted for.

Donors have specific reporting requirements that the NGO needs to adhere to (Chowdhury, et al., 2019; Abigail, et al., 2005). The accounting bodies also prescribe specific reporting methods. International Accounting Standards, International Financial Reporting Standards and Generally Accepted Accounting Principles (GAAP) are some reporting frameworks NGOs must follow. Chowdhury, et al. (2019) have recommended setting financial reporting regulations to provide a standardised financial reporting framework. Perhaps the standardisation may reduce the financial reporting challenges some NGOs face. The quality of financial reporting improves an organisation’s financial sustainability (Aldemir & Uysal, 2018). The adherence to financial reporting requirements presupposes the existence of qualified staff in the finance department, which some local NGOs may not have.

Most local NGOs in Africa exhibit poor financial management practices making it hard to attract donor funding (Yamron, 2020; Ebenezer, et al., 2020; Asogwa, et al., 2021). In August 2021, the regulators closed 54 NGOs in Uganda for failing to submit annual returns and audited books of accounts as required by the law (Elias, 2021). These developments point to poor financial management practices by some NGOs in Uganda. Accurate and timely donor reporting is essential to win trust (Mikeladze, 2021). Most local NGOs are challenged in meeting the accountability requirements of donors (Asogwa, et al., 2021) due to their weak operational capacity and inadequate internal controls (United Nations Children's Fund, 2018). Some NGOs, especially the local ones, do not have qualified finance personnel, which puts them at risk of not exercising the required donor reporting procedures. NGOs should strive to solve this challenge by strengthening their human resource capacity. Investing in employee capabilities is essential for improving service delivery to the marginalised. A competent and skilled workforce is more innovative and tends to create new ways of doing things better at a reduced cost.

NGOs must conduct internal and external audits, which are crucial for ensuring accountability. Engaging competent auditors is closely linked with the financial sustainability of NGOs (Ogega, et al., 2017). Some small NGOs in Uganda, who cannot afford a full-time internal auditor, engage external audit firms to conduct internal audits. This practice can be considered an innovation.

The desire to diversify the sources of funding by the NGOs comes with accountability challenges and reporting requirements (Ahmed, et al., 2015). As a sound financial management practice, NGOs should use their assets to diversify their income sources. One of the critical assets of an organisation is its human resource. NGOs can innovatively use the human resource capacity to provide consultancy services in the area of expertise at a fee. Competent human resource is essential to write fundable project proposals. The human resource capacity can be developed in networking, which can assist the NGO in identifying potential funders for the organisation.

Mikeladze (2021) stresses the importance of financial management practices to successfully fulfilling the NGO's social mission. Poor financial management practices are often caused by inadequate and competent staff. The indequacy of trained personnel to manage the finances expose the NGOs to fraud and misuse of the already limited organisational resources. Cases of financial misappropriation erodes community trust and donor support. The donors whom most NGOs heavily rely on to fund their activities are keen on prudent financial management practices (UNDP, 2012). Prudent financial management practices include timely reporting in line with the donor reporting requirements, accountability for funds disbursed, high levels of transparency and assurance of value for money (Mikeladze, 2021).

The board and management of an NGO must have lobbying and resources mobilisation skills. A study of NGOs in Bangladesh found that they generate more income from credit services than donor grants, which could be partly attributed to the persuasive power of ideas and sociological pressures of conformity (Gauri & Galef, 2005). The skills in managing donor relationships are critical in achieving NGO financial sustainability. The staff should be adequately trained to handle the challenges of the ever-changing dynamics in NGO management.

Chepkemoi, et al. (2021) investigated the determinants of the sustainability of donor-funded poverty reduction programmes in NGOs in Mombasa county. The study findings revealed a positive and statistically significant relationship between financial management practices and the sustainability of poverty reduction projects. This finding is supported by (Mikeladze, 2021), who argues that attaining the NGO's strategic objectives depends on prudent financial management. Fragile financial management practices imply the NGO's lack of accountability and transparency, leading to poor performance of the programmes and failure to attract donor funding.

Morrar & Sultan (2021) argue that the debate on NGO financial sustainability is pertinent in light of the ever-increasing reduction in external funding. Financial sustainability is associated with the NGO's capacity to deliver consistent service despite disruptive environments. The NGOs must be financially stable to reach out to the beneficiaries and fulfil their social mission. The inadequacies in the NGO's strategic planning often render them ill-prepared to sustain their service offering to vulnerable communities when donor funding is constrained. Sound financial management practices necessitate aligning the NGO's financial plans with the strategic plan.

The Covid-19 pandemic plunged many NGOs in Uganda, dependent on donors, into a financial crisis as donor income declined (Philanthropy.com, 2021; Rick, 2020). The NGOs were ill-prepared to outmanoeuvre abrupt disruptions in the flow of donor funds. Employing competent finance staff would enable NGOs to develop comprehensive resource mobilisation plans to hedge them against abrupt disruptions in donor funding. A volatile operating environment warrants organisations build the capacity to manage uncertainties. It is high time that NGOs made the risk management plan an integral component of their strategic planning. A risk management plan would better prepare the organisation for tackling such adverse events and circumvent them with minimal disruptions to the planned activities. Other risks that must be integrated into such a plan include exchange rate volatility, political risks, inflation and operation risks such as frauds.

Government funding is cited among the most stable funding sources for NGOs in developing countries (Otaru, et al., 2021; Silva & Burger, 2015). Government funding, together with donor funding, is what the NGOs need to deliver on their social mission (Mikeladze, 2021). The ability of the government to fund NGO activities puts the government in high bargaining terms to influence the activities of the NGOs. When the NGOs are donor-dependent, their activities tend to be driven by the donor's interests (Silva & Burger, 2015; Abigail, et al., 2005; Morrar & Sultan, 2021) which, at times, the government may consider as unwelcome. Such trends occur with NGOs operating in the thematic areas of human rights and governance, whose objective is often to make governments accountable and check on the excesses in government. Similarly, the NGOs operating in the thematic area of governance aim to strengthen democratic institutions. These NGOs are known for taking the governments to respect human rights s and adhere to the rule of law. They are known for their role in the area of advocacy. Such activities of NGOs often put them into direct conflict with the government, which can threaten them with closure or suspension of their activities (Odhiambo, 2017). The Government of Uganda suspended the activities of the Democratic Governance Facility (DGF) in 2021. The stated reason for that suspension was that the fund lacked oversight (Human Rights Watch, 2022)**.** DGF was a major funder of NGO activities in Uganda. The suspension of the DGF activities resulted in many NGOs dependent on the funding from DGF, limiting the scope, suspending their activities, or even closing down. There is also a view that while NGOs hold businesses and other institutions accountable for their social responsibility, some NGOs have not established governance mechanisms whereby their members and supporters can hold them accountable for their activities (Weidenbaum, 2009).

2.10 External Relations and Financial Sustainability

The NGOs must develop and maintain good working relationships with the stakeholders to improve their financial sustainability. Organisations can harness potential partners to marshal financial support by building stakeholder relationships. The United

Nations' Sustainable Development Goals (SDGs) under the 2030 Agenda seek to address several socioeconomic development challenges and call for promoting multi-stakeholder partnerships (United Nations, 2015). SDG 17.16 calls for promoting global partnerships for sustainable development to mobilise and share knowledge, expertise, technology, and financial resources in all countries, particularly developing countries. Similarly, SDG 17.17 promotes effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

NGOs experience shortfalls in resources when the major donors shift their priorities outside the traditional scope of the organisation (Parks, 2008). Therefore, strategic partnerships are associated with reduced operational costs for an NGO, which improves sustainability. Strategic partnerships emphasise the need for organisations to conduct joint activities to reduce costs and maximise social impact. Donors and other stakeholders are interested in the NGO's sustainability plan that shows how the activities will be sustained beyond the grant period. Research shows the increasing interest of donors in how organisations can support their activities further once funding ends (The Board of Regents of the University System of Georgia, 2011).

Mafa & Kang'ethe (2019) examined the challenges related to women NGOs' financial inadequacy in Zimbabwe. They conceptualised that the sustainability of NGOs in Zimbabwe was highly vulnerable to donor dependency. NGOs find it hard to realise their vision and mission without stable funding sources. The availability of financial resources is said to be critical in the implementation of the NGO's planned activities. The adequacy of financial resources defines the NGO's capacity to implement its planned activities (Park & Cho, 2020). Overreliance on external funders is also associated with the potential to expose the NGO to the likelihood of mission drift. Mission drift happens when the NGO prioritises the donor's interests at the expense of its social mission to attract donor funding.

Among the key sources of NGO funding identified in the literature are donations. Park & Cho (2020) investigated the determinants of donor intention focusing on television fundraising campaigns. The study findings revealed the highly significant positive influence emotional sympathy plays on the level of donations people are willing to make. The perception that NGOs are better positioned to provide services in community empowerment influences the willingness of potential donors to fund NGO projects and programmes. Clear vision and mission of an NGO build donor confidence that they are donating to the right cause, potentially contributing to an NGO's financial sustainability. The fundraising environment is competitive, where several NGOs vie for the same funds, and funding opportunities are declining. Donors support NGOs closest to their preferred ideology, and each NGO tries to convince donors that their project is closest to the donor's preferred ideology and beliefs (Aldasheva & Verdierb, 2010).The capacity of the NGO fundraising team must be enhanced with modern fundraising techniques (Park & Cho, 2020). Many of the local NGOs in Uganda do not have this capacity. Therefore, involvement in networks for joint lobbying for funds becomes pertinent.

Park & Cho (2020) argue that donors will respond to the fundraising campaigns if they are emotionally attached to the project objectives and are convinced that their monies will be utilised for the right purpose. The donors need to be convinced of how their donations will help transform the lives of vulnerable people. The literature reviewed revealed that the amount of donations people are willing to make depends mainly on how they perceive the need for help (Park & Cho, 2020). The findings imply that the NGOs should be competent in identifying the community's needs and package them in a way that motivates potential donors to donate. Of course, the NGOs should demonstrate genuineness of their requests for donations. NGOs must execute programme activities transparently and with accountability (Bernal-Torres, et al., 2021; Mafa & Kang'ethe, 2019; UNDP, 2012). There is a growing concern among the beneficiaries and development practitioners about the low impact of NGO activities on the communities. NGOs must urgently address this issue to access continued donor funding and diversify (Morrar & Sultan, 2021).

Organisational innovations should aim to improve relations with external agents (Bernal-Torres, et al., 2021). Ebenezer et al. (2020) indicate a positive relationship between good donor relationship management and the financial sustainability of NGOs. The operational costs of NGOs strain their financial resources. The NGOs must work closely with the communities to enable them to attain their project objectives successfully (Ebenezer, et al., 2020). By building strategic partnerships and networks with the government, the community and other NGOs, the organisation is better disposed to serve the population. Partnerships help increase the impact of NGO activities. Such alliances make the joint delivery of services possible to benefit the community and promote the efficient use of scarce financial resources. Innovation thrives in a system of networks (Innovation Working Group, 2015). Multifunctional teams enable the superior performance of an organisation by stimulating the creation of new ideas and knowledge sharing (Johnsson, 2017). External relations are closely associated with the benefits of idea generation and exploring opportunities to connect with potential partners and funders. In a crisis such as the Covid-19 pandemic, the ability to collaborate with stakeholders with diverging views may enrich the way services are provided to the beneficiaries cost-effectively.

A good working relationship between NGOs and donors will likely impact the communities positively. Donors like UNDP often engage the local governments to create an enabling environment where NGO activities could thrive. They can, for instance, provide input in formulating the legislative and regulative framework of the NGOs (UNDP, 2012). As donors remain the primary source of funding for most NGOs in developing countries (Abigail, et al., 2005), it is imperative for NGOs to effectively manage donor relationships

(Maboya & McKay, 2019). NGOs must invest in procedures that promote accurate and timely reporting and adherence to international reporting standards. The NGOs need to build a culture of transparency and accountability. Accountability in the use of funds extended is critical to building donor trust. The new changes required of NGOs amidst stressful financial times include building new external relationships and seeking new forms of collaboration with stakeholders.

NGOs aim to uplift the lives of the marginalised. They fight for the rights of the oppressed and the excluded populations. NGOs need good work practices to deliver value for money as they serve their targeted beneficiaries. By doing so, the long-term value of the NGO will improve, and the potential for the NGO's financial sustainability will improve. The four principles identified as key to involving the community in the development agenda are community involvement in decision-making, community empowerment and ownership, representation and social inclusions and governance and transparency (International Finance Corporation, 2010). NGOs should involve all stakeholders in the planning and execution of their activities. Through community development, the NGOs, usually in collaboration with the government, engage communities in activities to uplift the social, economic and environmental conditions (Abiddin, et al., 2022).

The triple bottom line concept that has dominated the sustainable development literature necessitates NGOs to balance their social, economic and environmental objectives. Authors like (Fathihani, et al., 2021) have discussed the concept of green finance offered by NGOs and the efficient use of resources. Efficient utilisation of resources is critical to improving the organisation's financial sustainability. Some of the NGOs operating Uganda have been involved in sustainable livelihood activities and greening. The government is identified as a critical player that should support sustainable activities and provide the guiding regulatory framework and funding (Otaru, et al., 2021; Silva & Burger, 2015). For instance, a policy that supports energy saving is likely to improve the quality of community life. The use of green finance to support green innovations targeting the efficient use of resources requires the collaboration of various actors, like the government and the community, with whom the NGOs should work closely.

The concept of social innovation popularised for NGOs seeking to solve social problems amidst limited resources requires collaborations that lead to synergies (Bozic, 2021). Social innovations are new solutions in the form products, services, models, markets, processes that simultaneously meet a social need more effectively than existing solutions and lead to new or improved capabilities and relationships and the better use of assets and resources (The Young Foundation, 2012). Social innovation is enabled by idea sharing through activities such as brainstorming sessions and team building sessions. By its very nature, social innovation requires involvement or an environment receptive to other opinions. In the context of the NGOs, social innovation and organisational innovation would make an impact if the beneficiaries were involved in establishing how the NGO can serve them better. The collaboration between the different actors, such as the state and the non-state actors, is essential (Bozic, 2021).

The need for NGOs to network in their service offering is critical, especially during periods of crises (International Finance Corporation, 2010). The NGO networks are a form of social wealth that will lead to the improved financial performance of the NGO (Mariappanadar, 2022). When NGOs collaborate, they minimise cases of fragmented service delivery (Morrar & Sultan, 2021). The NGO Act of Uganda 2016 mandates the Uganda National NGO Bureau to ensure the establishment and functionality of the national NGO consultative dialogue platform. Opportunities for interaction among entities of related objectives are a fertile source of innovative ideas for NGOs. The financial sustainability of the NGOs can improve by networking and sharing resources and facilities (Abigail, et al., 2005). The NGOs can also collaborate on developing joint funding proposals. Collaboration paves the way for access to resources, including funding, people and information (Arhin, et al., 2018).

Government funding is one of the most dependable sources of funding for NGOs, and the close cooperation of an NGO with the government is worth the effort (Otaru, et al., 2021). Government funding is said to be one of the more stable sources of revenue for NGOs (Silva & Burger, 2015). The government provides the regulatory framework in which the NGOs operate and stipulate the compliance requirements for their continued operation. A good relationship with the government is critical in reducing costs through the tax exemptions the NGO may apply for and acquire from the government. There is a high potential for collaboration between the NGO and government with significant synergistic benefits (Volmink & Lynn, 2017). NGOs work closely with the government as viable social partners to build the population's capacity and promote social entrepreneurship and innovative efforts through research and development. NGOs sometimes play the ombudsman's role in making the government accountable to its citizens. Therefore, NGOs must cultivate a good working relationship with the government without sacrificing their mission of being the voice of the voiceless. Otaru et al. (2021) caution against reliance on government funding as it may expose NGOs to the risk of goal displacement in their attempt to satisfy the government's interests.

Cannon (1996) investigated the relationships between NGOs and the government. NGOs must declare their funding sources to the government. The relationship between the government and the NGO tends to improve if the government endorses the donor activities. Otherwise, tensions may exist. This phenomenon has manifested when the donor prefers to deal directly with the NGO to deliver services to the beneficiaries without hindrances from the bureaucratic government structures. The decentralisation approach is established to improve the relationships between the NGOs and the government. The watchdog role of some NGOs (Asogwa, et al., 2021) puts them in confrontation with the government, thereby straining the relationship with government. However, more and more NGOs have begun to work with governments, shedding the adversarial mode of operation between the two (The World Bank, 1991).

Engagement with the external world is a potential source of ideas to drive innovation and improve financial sustainability (Aldemir & Uysal, 2018). Agussani & Akrim (2020) investigated the influence of external factors on the social performance of NGOs in Indonesia. 'External factors' include something external that persuades or intimidates an organisation into acting in a given way. The findings revealed that external factors positively influence the social performance of NGOs. External pressure originates from an organisation's operating environment, such as regulation and professional agencies. Pressure is viewed as both positive and negative. Positive external pressure is associated with stimulating the creative potential of an organisation. The study (Agussani & Akrim, 2020) argue that external pressure empowers organisations to innovate. The Covid-19 restrictions governments imposed worldwide to combat the virus spread are an example of external pressure that significantly contributed to how organisations deliver their services to the communities safely. Adopting digital platforms to manage continuous interactions between employees, management and beneficiaries supports the submission that positive pressure enforces innovation (Agussani & Akrim, 2020). This innovation was operationalised through the standard operating procedures (SOPs) to combat the spread of the Covid-19 pandemic.

The private sector is identified among funders of NGOs, though their funding is highly volatile and unpredictable (Otaru, et al., 2021). Working with the private sector tends to improve the financial sustainability of a collaborating organisation (Panayotou, 1994). However, this may be limited by the lack of capacity of the NGOs to forge strategic collaborations, and training in this area may be critical in promoting NGO financial sustainability (Yamron, 2020). Ebenezer, et al. (2020) have shown that corporate alliances positively impact NGO financial sustainability. When an NGO builds public confidence by serving to its expectations, the sustainability of an organisation tends to improve. The NGOs with their objectives aligned with the donor interests are more likely to attract donor funding and attain financial sustainability (Ebenezer, et al., 2020). Collaboration in providing services to the marginalised is described by Johnsson (2017) as a better substitute for competition. The collaboration with local actors has been credited with bringing services nearer to the people (Martin, Griffiths, 2021). A study of corporate social responsibility found that 35% of Standard & Poor's 500 (S&P 500) firms had at least one director with a professional background in not-for-profit organisations (Chen, et al., 2020). The revelation highlights the need and value of NGOs to network with the private sector. This research examines the extent to which the NGOs in Uganda collaborate and the benefits they derive from them.

The NGOs need to collaborate with partners with similar goals and help fill their skills gap. An NGO can collaborate with media houses to promote its activities and local authorities to achieve successful mobilisation drives and gain support for its advocacy activities (Viravaidya & Jonathan, 2001). By raising goodwill in the eyes of the public, an NGO's ability to focus on attaining its mission is strengthened (Viravaidya & Jonathan, 2001). The importance of NGO networking is associated with sustainability-oriented innovations (González & Cabeza, 2020), where NGOs can share resources, especially human capabilities, to attain their objectives. The highly skilled human resources needed to drive sustainable innovation may not be available in every NGO. However, through networks, this limitation can subside.

In a crisis, relationships sustain an organisation (International Finance Corporation, 2010). The Covid-19 pandemic is a reminder that crises can occur unexpectedly. Establishing a partnership with different stakeholders is associated with generating social wealth, which is essential in hedging an organisation against possible financial crises arising from pandemic situations and shifting donor-funding priorities. Dennis and Luli (2020) found that NGOs collaborate with the private sector to acquire additional resources to enhance their financial capacity and influence public policy (Dennis & Luli, 2020).

2.11 HRM Practices and Financial Sustainability

Improving financial sustainability requires building the capacity of the human resources in grants management, strategic planning, relating with stakeholders especially existing and potential donors, business development and proposal development (Yamron, 2020). NGOs face challenges regarding their capacity to engage in fundraising activities because often they do not have dedicated fundraising staff, primarily due to inadequate budgets to maintain them (Shuria, 2014). The human resource management function is necessary to organise training in essential business skills in developing and delivering products and services to the poor (Viravaidya & Jonathan, 2001).

A growing strand of literature supports the view that innovative human resource management practices enhance firm performance (Xiu, et al., 2017). Human resource management practices and innovation significantly and positively affect employee performance (Silva, et al., 2020). Human resources management practices shape a firm’s performance through three key channels: by increasing employees’ knowledge, skills, and abilities (KSAs), motivating employees to leverage their KSAs for the firm’s benefit and empowering employees to do so (Huselid, 1995). Performance management systems can help communicate organisational expectations. Financial sustainability and innovation can be incorporated into the performance objectives of employees.

Like other authors who single out human resources as the primary asset of an organisation, Mikeladze (2021) attributes the NGO’s success to the skills and competencies of its human resources. When the organisation invests in employee training and development, a highly innovative personnel resource base is created (Yamron, 2020). Training and development build the employee's performance capacity, improving employee productivity.

Hasnain (2015) has identified organisational knowledge as one of the essential assets of an NGO. A well-trained workforce is more likely to initiate new ways of serving clients leading to the satisfaction of the beneficiaries and improved organisational image and financial sustainability. Organisations increasingly focus on harnessing human resource capability to improve sustainability (Putra, et al., 2021). Donors prefer to work with NGOs with adequate managerial capacity to run the programmes they promote. The lack of NGO capacity burdens the donor (UNDP, 2012). The acquisition of new knowledge through formal and informal training organised by the human resource management function tends to develop new products to satisfy the target beneficiaries. During periods of economic turmoil, when uncertainty is the only thing we are sure of, knowledge is a crucial source of competitive advantage (Hasnain, 2015). The efforts of NGOs to mobilise financial resources are best achieved with the people who possess the proper knowledge and skills to identify potential donors and bring them on board. Ahmed et al. (2015) found a significant positive relationship between human capital development and the quality of financial reporting. Mikeladze (2021), who associates human capital with balanced financial reporting, echoes the finding.

The human resource management functions of NGOs play a role in streamlining the reporting structures in an organisation to avoid role conflict that may hinder decision-making (Aldemir & Uysal, 2018; Hossain, et al., 2017). An effective human resource management function contributes to improving communication within the organisation. Organisational innovation is possible when roles are clear and team spirit exists in the workforce. The organisational culture should be supportive of innovative ideas. For innovation to be successful, employees need to know the innovations taking place and the role employees are to play to make those initiatives successful.

A well-trained staff is in a position to identify changes in the operating environment and develop innovative solutions to meet the challenges of the time (Johnsson, 2017). The onset of Covid-19 and its associated preventive measures made it imperative for NGOs to develop innovative ways of reaching out to their beneficiaries. NGOs had to train staff to engage stakeholders virtually and serve the communities in an environment of restricted movement and social isolation. Yamron (2020) stresses the importance of employee training in any innovation agenda of the organisation. The issue of flexible work systems is increasingly gaining the attention of human resource practitioners as one of the ways to balance overall organisational objectives with people objectives. Flexible working hours are associated with improvements in employee autonomy in performing their roles. The feeling of the ability to control one's job expectations is associated with the feeling of being empowered. An empowered employee is more likely to try new ways of doing things, thereby promoting the state of innovation in the organisation (Kutieshat & Farmanesh, 2022).

In an increasingly globalised environment, organisations with the capacity to innovate survive (Putra, et al., 2021). Innovation is one of the significant determinants of the performance of an organisation. Organisations must pay particular attention to harmonising the tripartite, social, economic and environmental aspects. More output should be produced with fewer resources and without harming the environment through pollution. Improved service delivery should not be attained at the expense of the future generation. NGOs in Uganda must establish an innovative culture and find better ways of serving the beneficiaries sustainably. Such an effort would include measures to improve the outreach to the beneficiaries. Moreover, as the literature exhibits, innovation should involve the development of new products that meet the community's needs..

The sustainable development goal (SDG 8) emphasises the concept of decent work, where organisations should put the welfare of employees at the centre stage of all organisation activities and programmes. Respect for human dignity requires organisations to provide fair compensation for the employees' efforts and a safe working environment. Adherence to the established labour laws and the provisions of the International Labor Organisation on employee health and safety may mitigate the avoidable cost of indemnifying aggrieved employees (Genari & Macke, 2022).

The organisation's board and management need to provide a human resources management policy framework and monitor the performance of human resources department (Arundel, et al., 2019). The motivation of employees is a crucial human resource management practice that positively influences performance outcomes (Kutieshat & Farmanesh, 2022). The employees need to be empowered (Johnsson, 2017) by management by providing productive workplace opportunities that favour continuous professional development. The opportunities for employee social dialogue can lead to the generation of novel ways of doing things. An environment that allows employees the free expression of their views is essential for the organisation to generate new ideas without fearing reprimand. The employees are likely to be more productive when their social security is integrated into the organisational policies prioritising social protection.

Research studies indicate a positive relationship between sustainable human resource management practices and organisational commitment (Genari & Macke, 2022). When employees are committed to the vision and mission of the organisation, their appetite to leave the organisation for better opportunities tends to reduce. An organisation's ability to retain its best talent is critical to stimulating innovation. Genari & Macke (2022) identify three dimensions of sustainable human resource management practices that human resource practitioners may need to embrace for the betterment of their organisations. These practices are identified as 1) the ability to attract and retain the recruited employees, 2) the ability to maintain healthy professionals that are well motivated, and 3) the ability to develop the employees' skills.

An organisation's focus on achieving its objectives should be harmonised with the concern for improved employee welfare. The issues of workload should be monitored and fairly compensated for. Work overload is often associated with increased stress levels among employees, which may lead to employee attrition. Employee attrition deprives the organisation of the accumulated wealth of human capital that drives organisational innovation. The organisation's human capital is developed through continuous professional development, work experience and formal education (Mikeladze, 2021; Yamron, 2020). The harmonisation of the triple bottom line should manifest in the human resource management practices prioritising employee empowerment and investments in training and development. The performance management processes should promote superior performance through goal setting, capacity building and objective performance appraisal and enable the organisation to identify performance gaps.

While contributing to sustainable human resource management practices (Mariappanadar, 2022), harmonising the triple bottom-line is underlined. The triple bottom line enables an organisation to attain improved financial performance, minimum environmental harm, and enhanced people welfare, including employee welfare. The approach requires organisations to integrate the triple bottom line concept in their human resource management practices and strategy (Osolase, et al., 2022). Some authors term this practice as sustainable human resource management (Genari & Macke, 2022; Kutieshat & Farmanesh, 2022). Other authors employ the term green human resource management (Hmeedat & Albdareen, 2022; Irani & Kilic, 2022; Khan, 2018; Osolase, et al., 2022; Zahrani, 2022) to refer to socially responsible human resource management practices that take care of the triple bottom line. The concept of sustainable human resource practices brings on board the need to harmonise the human resource practices in line with the triple bottom line. The human resource management function which is responsible recruitment, training and development, need to permeate green practices at all levels of the organisation (Khan, 2022). As society becomes sensitive to environmental issues, NGOs must adopt green policies and practices. The increasing call for green jobs implies that human resource personnel must orient their functions towards green recruitment and green skills development. The unsustainable human resource practices cause employee burnout and high levels of employee stress and attrition (Baum, 2018). Human resource practices should contribute to creating a sustainable world. The focus should be putting the future in context as we harness today's resources to satisfy the needs of our current generation. The research conducted by Osolase, et al. (2022) contributes to understanding how human resource practices can support organisational innovation by practising green human resource management. Human resource functions can be given a new outlook by practising green recruitment, orientation, onboarding, reward, and appraisal.

The emergence of green human resource management requires managers to take on innovative human resource management practices in all the essential functions. The concept implies that the human resource management practices like recruitment, selection, compensation, work supervision, training and development should all be geared towards environmentally friendly practices (Hmeedat & Albdareen, 2022). Zahrani (2022) submits that society continuously demands that organisations perform their activities in an environmentally friendly manner. Social innovations are a crucial aspect of green human resource management, which, according to research by Hmeedat & Albdareen (2022), is positively associated with sustainable performance. This research draws our attention to the need for NGOs to practice green human resource management practices if they are to attain sustainability in their services to the underprivileged members of the community. The employees of an organisation are obliged to ensure they contribute to green practices that focus on the frugal use of company resources. An example of a green huma resources practces is green recruitment. Green recruitment targets the attraction of human resources positioned to produce goods and services using production processes that use fewer inputs to achieve optimal outputs. The application and assessment of the job applicants done online reduce the use of paper in the recruitment process.

Sustainable human resource management practices imply promoting innovative practices that yield more results with fewer resources. For instance, e-recruitment reduces the use of paper during recruitment. Online interviews eliminates the need for travel from one location to the place of a job interview, resulting in saving from the transport costs and reducing the negative environemntal impacts from the fossil fuel based trasportaion systems.. All perties involved in the process are save time spent on travel. Appropriate employee training and support enable them to contribute positively towards attaining the organisational objectives (Khan, 2018). Employees are empowered to perform when appropriate training and support are provided to manage the skills gap. The green training practices (Osolase, et al., 2022) are recommended to focus on the six R’s (reduce, reuse, recycle, redesign, renew and re-educate). The R’s are all focused on protecting and conserving the environment. For instance, when employees become sensitive to the economical use of water and energy, this will reduce their utility bills. The reduction in bills will improve the financial sustainability of the organisation (Irani & Kilic, 2022). Khan (2018) associates the practice of recycling and reuse with the reduction in the consumption of resources. The reduction in the consumption of resources has a positive bearing on an organisation's financial sustainability.

The dynamic changing environment implies NGOs cannot deliver on their mission using the same old ways. For example, the growing call on organisations to grow sustainably calls on organisations to efficiently put their resources to maximum use. The commitment to solving social problems through social innovation aligns with the social mission of NGOs. The focus on green human resource management practices is centred around the recruitment of human resources that is environmentally sensitive (Genari & Macke, 2022; Khan, 2018; Irani & Kilic, 2022).

The employee perception of human resources management practices is critical in shaping employee behaviour at the workplace (Irani & Kilic, 2022). Green human resource management practices and innovation in human resource management are associated with improved organisational performance. Green human resource management practices are associated with cost reductions that can improve an organisation's financial health (Osolase, et al., 2022). The human resource strategy must address the aspects of employee participation, concern for the environment and social dialogue. During employee orientation and onboarding, training and development, issues relating to the environment should be given prominence (Hmeedat & Albdareen, 2022). Human resource management function must contribute to building awareness and appreciation among employees of the need to embrace environmentally friendly activities. The awareness can be built by making environmental conservation integral to all human resource management practices. The employee training and development activities should focus on conserving the environment and working in a safe and clean environment. The job design should integrate the economic, social and environmental aspects required to perform the job. The literature suggests that human resource management practices that integrate the triple bottom line are associated with improved employee motivation. Sustainable organisations refer to organisations that can achieve their vision and mission with the available resources (Mariappanadar, 2022; Hmeedat & Albdareen, 2022). Organisations that pay attention to environmental concerns are more likely to earn goodwill from the public, which is a crucial pre-condition for any organisational sustainability efforts. The organisation's corporate social responsibility programme should integrate efforts towards contributing to a green environment. Organisations concerned with the environment tend to benefit from the gains associated with social legitimacy (Mariappanadar, 2022).

Sustainable human resource management practices that support organisational innovation are part of the efforts to persuade organisations to offer decent work opportunities to existing and potential employees. The practices associated with a green human resource environment can enhance financial sustainability. These include the use of electronic documents to replace manual paper-based documentation and filing and adopting virtual or telep-conferencing. An organisation's reward system may be painted green by tying the reward system to behaviours that support greening efforts. For example, employees that promote re-cycling efforts and participate in proper waste management may be recognised and given prizes or bonuses (Hmeedat & Albdareen, 2022). Since some donors are now channelling their funding in environment-related thematic areas, NGOs that align their strategic plans towards greening practices may sufficiently attract more funding.

In uncertain environments, human resource management practices are crucial in creating a conducive environment for continuous innovations (Kutieshat & Farmanesh, 2022). Disruptions are not always harmful. Often they contribute to making organisations more innovative (Agussani & Akrim, 2020). Sustainable organisations embrace continuous innovation in their processes and product offerings. Sustainable organisations are characterised by human resource management practices that embrace employee involvement in idea generation and contribute towards organisational, creative processes. The Covid-19 pandemic created uncertainty and the need for organisational innovation enabled by technological advancement created opportunities for innovation in many organisations. NGOs used online virtual technologies to sustain their interactions with key stakeholders and targeted beneficiaries. The pandemic awakened the NGOs to the reality that they must use technology optimally to serve their clients better.

Gone are the days of rigid work structures and systems. The Covid-19 pandemic has changed how people think of employee productivity; therefore, NGOs should devise innovative ways of measuring employee productivity. The turbulent environment often triggers innovations (Agussani & Akrim, 2020). The Covid-19 restrictions forced organisations to think of new ways of service delivery. New work methods like remote working and flexible working hours cannot be measured using the old metrics. Human resource management practices should focus on the responsibility and flexibility of the workforce (Kutieshat & Farmanesh, 2022). Enabling employees to work autonomously with minimal supervision will likely improve service delivery and employee satisfaction.

Human resource management practices are associated with the level of innovation in organisations (Kutieshat & Farmanesh, 2022). The new work practices, such as remote working, require new motivation and supervision practices. The Covid- 19 pandemic caught many organisations ill-prepared for change. The approaches to address the threat paused by the virus were essentially reactive. These reactive approaches led to the suspension of activities of several NGOs and employee layoffs. The experience teaches us the need for organisations to prepare for the unexpected through deliberate proactive initiatives. Education sector was one of the sectors that suffered the most from the impact of Covid-19 pandemic in Uganda (EPRC, 2022). Educational institutions were closed was closed for over a year in Uganda as a measure to curb the virus's rapid spread among populated spaces like schools. The actors in the education sector had to find new ways of providing teaching and learning opportunities in a restricted environment. The NGOs operating in the education sector provided digital skills to their beneficiaries to remain relevant in their service offering. The education of students continued using this online arrangement, though the approach benefited students and schools who had access to electricity and could afford internet connectivity and devices to access internet. The rural learners largely did not benefit from the new trend. Reaching out to rural learners through radios and printed learning materials was an innovation to address these challenges. These innovations helped the learners continue their learning, even though at a slower pace, during the Covid-19 lockdown.

Innovative practices originate from an environment receptive to new ideas. The emergence of modern technologies provides opportunities for cost-saving and, therefore, is associated with the capacity to save scarce financial resources (Zahrani, 2022; Osolase, et al., 2022). However, to exploit the opportunities offered by the new technologies, the employees need to be technologically proficient. Flexible job design is a feature designed to attract talent that may ably work remotely.

Sustainable human resource management practices are associated with endearing employees to an organisation as the favoured employer. Such organisations offer a decent working environment that values the contributions of its workforce by maintaining a safe and healthy working environment. Decent work environments are characteristic of protecting employee rights, opportunities for social dialogue and conditions for social protection. In a decent work environment, employees enjoy dignity at work, receive fair remuneration and are motivated through opportunities for continual professional growth. Socially responsible human resource management, where decent work opportunities flourish, helps employees to harmonise their expectations in socially responsible ways (Omidi & Dal Zotto, 2022).

Whereas traditional human resource management essentially focuses on attaining an organisation’s economic goals, the paradigm shift in human resource practices requires the integration of sustainability principles in managing human resources. Human resource management is no longer solely about compliance with established regulations and minimising costs per employee (Genari & Macke, 2022). Employee turnovers disrupt the successful completion of the targeted organisational activities and should be minimised. The human resource management practices such as coaching and mentorship endear the employees in an organisation (Jena, 2014). The motivation of employees to stay with the organisation eventually trickles down into organisational sustainability (Mujtaba, 2021). Providing a quality working environment that allows for free employee interaction and offers opportunities for social dialogue will lead to employee empowerment (Kutieshat & Farmanesh, 2022). Employee empowerment awakens the employee's creative potential and improves their overall job satisfaction (Osolase, et al., 2022). When employees are satisfied, their retention levels improve. The continued stay of talented employees within an organisation is critical asset organisations need to utilise to improve their sustainability levels. The levels of employee creativity imply an improved potential for idea generation. From the ideas generated, new processes and products emerge. The human resource role is to provide a working environment that allows for the right balance between individual and organisational goals. Idea generation thrives in teams with diverse skills. Such an approach poses the challenge of managing a diverse workforce that human resource practitioners should accustom themselves to. Employees feel valued when they are appreciated for their contribution towards attaining organisational goals. The reward practices should be fair and aligned with the triple bottom line. The working environment should be motivating, with attention paid to providing a safe environment.

2.12 Summary

The literature review showed that most of the research on the determinants of the financial sustainability of NGOs did not explore the impact of how organisational innovation and its related components (Ebenezer, et al., 2020; Amagtome & Alaa, 2020). Various studies on NGO financial sustainability have been conducted outside Uganda. These include studies in Iraq (Amagtome & Alaa, 2020), South Sudan (Wandera & Paul, 2017), Somalia (Mohamed & Muturi, 2017), Kenya (Kimunguyi, et al., 2015) and Ghana (Ebenezer, et al., 2020). During the literature review, the researcher did not come across a study handling the effect of organisational innovation on the financial sustainability of NGOs in Sub-Saharan Africa and Uganda in particular. The current research attempts to contribute toward filling this knowledge gap. In the next chapter, the methodology used in the research is explained.

CHAPTER III :

METHODOLOGY

3.1 Overview of the Research Problem

NGOs in developing countries depend heavily on foreign donor funding, making them highly vulnerable and financially vulnerable. Uganda's NGO sector is experiencing uncertainty as donors shift their funding priorities, despite the increasing demand for NGO services by vulnerable and marginalised groups. Uganda has a high percentage of NGO inactivity and mortality due to unsustainable funding (Kyalimpa, et al., 2017). The Covid-19 pandemic aggravated the financial crises in the NGO sector in Uganda. In addition, lack of transparent structures to attract donor-funding impacts the financial sustainability of NGOs (Shava, 2020). NGOs with better organisational capacity are better positioned to access donor funding, thereby increasing their financial sustainability. The NGO must have the capacity to support and promote an innovative culture. This study explores how innovative practices and policies of the NGOs in Uganda impact their financial sustainability. The critical processes studied are governance, financial management, external relations and human resource practices.

The extent to which organisational innovation can help NGOs in Uganda to achieve financial sustainability is unknown. A literature review confirmed that limited studies had been conducted on the effect of organisational innovation and the financial sustainability of NGOs operating in Uganda. Most of the research in innovation has been conducted on business organisations, whose findings may not apply to the NGO setting (Kristina, 2011). This study contributes to the ongoing debate of making NGOs financially sustainable in crises characterised by reduced donor funding and shifting donor interests. The study endeavours to fill the gap in understanding how organisational innovation improves NGOs' financial sustainability, especially during crises such as the one experienced during the Covid-19 pandemic.

3.2 Operationalisation of Theoretical Constructs

This study investigates the impact of organisational innovation on the financial sustainability of Non –Government Organisations operating in Uganda. The organisational innovations which constitute the independent variable are operationalised in terms of new ways of doing things at the NGOs. These new ways include but are not limited to new processes, policies and procedures. In particular, the study looks at new practices in governance, financial management, external relations and human resource management and how these impact the financial sustainability of NGOs operating in Uganda. The items included in the question items evolved from the literature review. The Likert scale was used for the respondents to self-assess the various question items as per the major construct of interest. The study postulates that NGOs promoting organisational innovations are better positioned to sustain financial stability even during crises and pandemics such as Covid-19.

3.3 Research Purpose and Questions

This study set out to investigate the impact of organisational innovation on the financial sustainability of NGOs operating in Uganda. The donor fatigue, the donor funding priorities and the unexpected disruptions caused by the Covid-19 pandemic make it imperative for NGOs to be innovative in their operations to survive. This study attempts to understand the nature of organisational innovations NGOs in Uganda have adopted to improve their financial sustainability. To achieve this purpose, the researcher formulated several research questions based on the literature reviewed on the constituents of NGO organisational innovation and financial sustainability. The research questions are replicated as (i) what constitutes organisational innovation?, (ii) what constitutes the financial sustainability of NGOs, (iii) what is the relationship between corporate governance, financial management practices, external relations and human resource practices, and the financial sustainability of NGOs operating in Uganda?

3.4 Research Design

The study followed a mixed research approach, using quantitative and qualitative methods to obtain the required information. Qualitative research is credited as being suited to the understanding of organisational systems and processes (Read, 2000). The mixed research method allows triangulation, providing more clarity on aspects that may not be clear when only qualitative or quantitative methods are used (Creswell, 2014). The mixed method approach also solves the limitation of inflexibility in instruments associated with quantitative studies (Ebenezer, et al., 2020). This research adopted a cross-sectional design to collect the required information at a given time. This implies that the research recommendations only apply if external variables remain unaffected (Shuib & Jamailah, 2013).

3.5 Population and Sample

The research population consisted of NGOs registered with the NGO Bureau and members of the NGO Forum (UNNGOF, 2021). The sample consisted of international and national NGOs which fit the NGO criteria the researcher was interested in. To be selected in the sample, the NGO had to have existed for at least ten years, from 2010 to 2020. This was intended to enable the researcher to capture accurate information on how NGOs have sailed through various crises, including the Covid-19 pandemic. Silva & Burger (2015) found a positive relationship between the years of experience of an NGO and its financial sustainability. NGOs that have existed for several years can demonstrate their competence in the thematic area, which young or newly established NGOs may not. At the time of the research, the Uganda NGO Forum had about 240 registered members, of which 185 were national or international NGOs.

NGO Bureau has registered 2132 NGOs in five categories: foreign, indigenous, international, regional and continental (Uganda National NGO Bureau, 2022). The research focussed on the 185 NGOs that befitted the researcher's interests. Using this sampling frame, the researcher randomly visited the NGO websites and obtained the emails and telephone contacts of the NGOs. The researcher then called out to the potential participants seeking their consent to participate in the research. Where consent was received, an online Survey Monkey link was sent to the potential respondent. The researcher received information from 102 respondents of the online survey questionnaire. (Please see Table 4.1 on the respondents' characteristics). The research participants were selected purposively, targeting only those in middle and top management based on their presumed knowledge of the key NGO processes. Participation in the online survey was voluntary.

The methodology ensured that the researcher informed the respondents of their freedom to participate in the study by filling out the online survey questionnaire. They were also free to withdraw from the study or even leave some items in the questionnaire unanswered. This was well explained to the contact persons during the initial telephone contact. The researcher also clearly stated this in the introductory part of the questionnaire. (Please see Appendix 1.)

The purposive sampling technique was used to select the eight top executives who participated in the interviews. Some interviews were face-to-face, based on the participant's preference. All eight interview participants were based in Uganda's capital city, Kampala. This is explained by the fact that most NGOs in Uganda have their headquarters in Kampala, and the Covid-19 pandemic-related travel restrictions were in place at the time of data collection. According to (Sekaran, 2003, p. 277), purposive sampling is proper when one is interested in obtaining information from a specific section of the population. Purposive sampling, however, is limited by the lack of generalisability of the research findings.

3.6 Participant Selection

The research targeted middle and top management, given that these are at the helm of the NGOs' decision-making. Participation in the study was voluntary. The researcher sent a Survey Monkey online link to the targeted sample with a request to participate in the research by filling out the questionnaires. The purpose of the study was explained in the link provided. The researcher sent email reminders to the targeted sample and, at times, followed up with a phone call to ensure that the target respondents filled out the questionnaires. These efforts enabled the researcher to improve the response rate. For triangulation purposes, the researcher interviewed selected top and senior management members from various NGOs. Of the eight interviews held, four were chief executives/executive directors of NGOs, of which two were females and two were males. The remaining four interviews were held with members of the senior management team of the selected NGOs, heading functions such as finance, human resource and programme management. Of the four members of senior management interviewed, two were females, and two were males. The sample size saturation is explained as the "point in data collection and analysis when new incoming data produces little or no new information to address the research question.

3.7 Instrumentation

The researcher used the self-administered questionnaire and the interview guide to conduct this study. The interview guide was used to collect qualitative data, while the self-administered questionnaire was used to collect quantitative data, as explained hereafter.

3.7.1 Interview Guide

An interview guide was used to collect qualitative data from the top management executives of the NGOs to answer Research Objectives One and Two. Research Objective One sought top management's views on what constitutes organisational innovations of NGOs operating in Uganda. The interviews were both face-to-face and online. The interviews were pre-arranged and conducted with eight members of the top management of various NGOs. The interview sessions lasted between 30 to 45 minutes. The interviews were conducted between January and June 2022. The interview proceedings were recorded using the researcher's phone with the participant's consent. These recordings were played back later and transcribed into text format by listening to each interview one by one following the interview guide. The common aspects of the participants per interview have been presented in Chapter Four under the presentation of findings concerning Research Objectives One and Two of the research. A sample interview question under Research Objectives One read, '*What key organisational innovation has your NGO implemented in the last five years (2016 - 2020)?*'. Research Objective Two sought views on the contributors to the financial sustainability of NGOs. A sample interview question read, '*What is your understanding of NGO financial sustainability?*' The complete interview guide is in Appendix 2.

3.7.2 Self- Administered Questionnaire

The researcher developed a close-ended questionnaire using the five-point Likert scale, capturing the research constructs. The questionnaire comprised six sections of research questions that sought participants' opinions on the areas the researcher was interested in: Corporate governance practices, financial management practices, human resource practices, external relations, innovative behaviours and financial sustainability of their NGOs.

Under corporate governance, board representation, leadership, accountability, transparency, independence, stakeholder management, corporate social responsibility, board oversight, and financial prudence are covered. Further internal regulations, responsibilities, policy formulation, risk management, strategic planning, and defining mission and vision are covered. A good corporate governance image improves an NGO's reputation and increases attractiveness to donors (Lipman, 2006). The Board should lead in identifying the stakeholders and understand their interests and power to influence the NGO's successful implementation of the strategy, plans and policies. The NGO should engage with stakeholders. NGOs should establish a stakeholder engagement policy. The board should oversee the effective implementation of the policy. The NGO should be accountable and responsive to the needs and interests of its stakeholders.

The board should encourage the development of policies such as conflict of interest and whistle-blower policies and monitor their implementation. A conflict-of-interest policy helps to prevent conflicts of interest and potential misconduct by setting guidelines and procedures for identifying, disclosing, and managing conflicts of interest. A whistle-blower policy provides a system of safe and confidential ways for employees, volunteers, and stakeholders to report any concerns about illegal or unethical behaviour within the NGO. A risk management policy helps the NGO to identify, assess, manage and monitor potential risks. Effective risk management helps in ensuring compliance with legal and regulatory requirements. A strategic plan specifies the SMART goals and objectives for the organisation. SMART is an acronym for specific, measurable, attainable, relevant, and time-bound (Bjerke & Renger, 2017). Clarifying the strategic objectives improves the effectiveness of decision-making and resource allocation. Strategic plans also help anticipate and respond to changes in the operating environment and measure performance.

A sample capturing aspects of corporate governance practices is shown in Table 3.1.

Table III.1: Sample Questions - Corporate Governance

No.	Item	S/D	D	N	A	S/A
B1	There is a board representation at general meetings					
B2	The board adheres to corporate discipline					
B3	The board considers transparency & accountability important					
B4	The board exercises independence in its decision making					
B5	The board plays a key role in stakeholder management					

A self-administered questionnaire covering all the targeted study constructs is in Appendix 1.

The research questions in the financial management sections covered budgeting, internal controls, reporting, transparency, internally generated funding, and cash flows. Transparency implies that the NGO demonstrates accountability and commitment to responsible stewardship of its resources. Financial transparency means NGOs must make information about their financial activities available to relevant stakeholders. Adherence to transparency involves preparing accurate, complete and timely financial reports and making them accessible to stakeholders, including donors. Preparing the annual budget aligned with its strategic plan ensures that resource allocation is prioritised based on the organisational strategy and approved plans.

Fundraising is critical to obtaining funds for NGO's survival (Andreasen & Kotler, 2008). The Board should guide the strategy development and support fundraising efforts. The board is essential in identifying and building relationships with potential donors, funding sources, community leaders, business leaders, and other stakeholders. An NGO must establish a robust internal control system and ensure financial prudence. The internal controls system can include segregation of duties, preparation of financial reports, risk management and audits. Internal controls ensure that the NGOs' assets are protected from fraud and mismanagement and that financial transactions are accurate and compliant with laws and regulations and the organisation's policies and procedures. NGOs should establish financial policies and procedures aligned with international standards such as the International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA). Budget control is a crucial factor contributing to the financial sustainability of NGOs (Wandera & Paul, 2017). Preparing periodical cash flow projections helps ensure that NGOs possess funds to meet their financial obligation, identify any potential cash shortages and surplus and take appropriate action. With limited access to funding, planned cash management is crucial for NGOs (Mikeladze, 2021). Below (Table 3.2) is a sample capturing aspects of financial management practices).

Table III.2 Financial Management Practices - Sample Questions

No.	Item	S/D	D	N	A	S/A
C1	Our annual budget is aligned with our strategic plan.					
C2	Our accounting system can provide timely reports					
C3	There are strong internal controls in our organisation					
C4	Our reporting systems are built on transparency principles					
C5	The NGO has a financial plan for fundraising					

The research questions on human resource management practices covered the aspects of staff recruitment, training in proposal writing, grant management and strategic planning, performance appraisal, and how innovation is promoted. Human resource management practices are increasingly relevant for the effective management of NGOs (Timothy, et al., 2017). Good recruitment and selection practices help NGOs attract and retain competent staff. Staff training aids in ensuring that the staff have the capacity to write compelling grant proposals, thereby improving the chances of an NGO accessing donor funds. Staff skills are also critical for promoting compliance with the grants agreements and ensuring that the grant funds are used effectively and efficiently. A good performance management system defines the goals and expectations and facilitates regular feedback. Staff appraisals enable the NGOs to measure and evaluate employee performance and identify areas for improvement. Human resource management practices and innovation are interrelated (Silva, et al., 2020). A sample of questions in the human resource management section of the questionnaire is in Table 3.3 below.

Table III.3 Human Resources Management Practices - Sample Questions

No.	Item	S/D	D	N	A	S/A
D1	The staff is trained in writing grant proposals					
D2	The staff is trained in grants management					
D3	Regular appraisals of staff are conducted					
D4	Feedback is regularly provided to staff on performance					
D5	Staff are trained in formulating strategic plans					

The sub-section of external relations of the questionnaire encompassed networking, community participation in programming, and relationship with the beneficiaries, government and the private sector and other NGOs. Networking implies working with other organisations without any formal contract, which can lead to linkage to access to wide-ranging sources of up-to-date information (Nanthagopan., 2012). Formal and informal inter-organisational relations occur among NGOs, government, private sectors, and multilateral organisations at national and international levels to address a policy or a problem (Rafael & Joachim, 2017). The fundraising policy helps an NGO ensure that it can raise the resources required to execute its plans and projects for achieving its goals. It helps the NGO to identify and target potential donors, develop compelling fundraising materials and messages, and track the results of its fundraising efforts. A sample of questions capturing aspects of external networking is in Table 3.4.

Table III.4 External Relations - Sample Questions

No.	Item	S/D	D	N	A	S/A
E1	The NGO has established a network of donors					
E2	The NGO is a member of the NGO forum and other networks					

No.	Item	S/D	D	N	A	S/A
E3	We prioritise community participation in our programmes					
E4	Our programmes are developed based on a needs assessment					
E5	There is much interest in our programmes by the community					

NGOs use revenue diversification strategies by accessing funding from multiple sources, cost-cutting, building partnerships, and enhancing credibility and visibility to respond to the challenges of aid architecture in Ghana (Arhin, et al., 2018). The income diversification strategies include setting up subsidiaries, social enterprises, and fundraising from individuals. NGOs in Bangladesh, for example, generate more of their income from fees for services rather than grants (Gauri & Galef, 2005).

The questionnaire included a subsection on the innovative behaviours of the NGOs. The sub-section covered aspects of how NGOs promote idea generation and innovation. Innovative orientations of NGOs influence their performance in beneficiary satisfaction, reputation and resource attraction (Mark, et al., 2020). The risk-averse approaches of NGOs can reduce innovation opportunities (Clyde & Brian, 2006).

A sample of questions capturing aspects of the innovative behaviours of NGOs is in Table 3.5.

Table III.5 Innovative Behaviours - Sample Questions

No.	Item	S/D	D	N	A	S/A
F1	Innovative habits are rewarded in this NGO					
F2	We are encouraged to always come up with something new					
F3	The organisation encourages the free exchange of ideas					
F4	Bureaucratic procedures are minimal in this organisation					
F5	Team spirit is encouraged in this organisation					

The questionnaire covered aspects such as the ability to meet operational expenses, donor dependency and the existence of fundraising policy, plans and lobbying skills. The NGOs' ability to diversify their funding sources, entrepreneurial ventures and networking are elements that influence the financial sustainability of NGOs (Shava, 2020). A financial sustainability plan helps an NGO identify and secure the resources it needs to cover its costs of implementing projects and plans, including staff salaries, programme expenses, and overhead. The financial sustainability plan helps the NGO manage financial risks, as it helps identify fluctuations in funding or changes in economic conditions. The sample questions from the sub-section on financial sustainability are below.

Table III.6 Financial Sustainability - Sample Questions

No.	Item	S/D	D	N	A	S/A
G1	The NGO is able to meet its operational expenses					
G2	The NGO has a variety of income sources					
G3	The NGO is able to reduce its expenses					
G4	The NGO is able to survive without donor funding					
G5	The NGO budget includes own generated funds					

The questionnaires offer objective means of collecting information about people's knowledge, beliefs and attitudes. The Likert scale is, however, associated with personal bias and judgment errors (Shuib & Jamailah, 2013). The self-administered questionnaire was the main instrument used in collecting quantitative data. The questionnaire, which was the key research instrument, was pilot tested on 15 respondents operating in the NGO sector but outside the research sample.

3.8 Data Collection Procedures

3.8.1 Primary Data

The online survey questionnaire was used to collect data from the targeted sample of top and middle management members. The researcher developed a survey questionnaire based on the reviewed literature on the variables of interest. The questions solicited the respondents to provide information on the variables of interest. The respondents were required to tick the appropriate number based on the Likert scale of 1-5, where 1= Strongly disagree (S/D), 2= Disagree (D), 3 = Neutral (N), 4 =Agree (A), and 5 = Strongly agree (S/A).

The information from the online survey was supplemented with the information gathered through the interviews held with members of top management. These interviews were pre-arranged and lasted between 30 to 45 minutes. Most of the interviews were face-to-face, at the convenience of the interviewee, while a few were online and telephone interviews. This approach helped the research capture in-depth views on similar issues. An interview guide guided the interview sessions. The guide included questions such as “what is your understanding of NGO financial sustainability? What key organisational innovations has your NGO implemented in the last five years (2016-2020)? The complete interview guide is provided in Appendix 2.

3.8.2 Secondary Data

The secondary data were obtained by reviewing the literature on the research done on the NGOs operating in Uganda. The researcher reviewed the relevant regulatory documents, such as the NGO Policy 2010 and NGO Act 2016. The literature review enriched the researcher’s understanding of the operating environment of NGOs in the country.

3.9 Data Analysis

Qualitative data was generated mainly from interviews with key informants. The interviews were first transcribed into text format by listening to each recorded interview. The researcher coded the data and developed themes for further qualitative data analysis. Coding in qualitative research involves systematically categorising interview excerpts in common themes to generate a general understanding of the problem under investigation (Creswell & Poth, 2017). Coding the qualitative data helped the researcher to define what the data being analysed was all about. During the coding process, the researcher listened to the audio, transcribed the audio, and looked out for recurring concepts on a given interview question to help describe the participants' views. The first step involved transcribing the participants' interview responses verbatim, as shown in the example in Appendix 5.

The second step involved intelligent transcription. This was done question by question following the interview guide. In the process of verbatim transcription, the researcher modified pauses and other issues like grammatical errors. The key concepts emerging from the interview question were then contextualised in a phrase that gives the most consistent description of the issue under investigation. For example, on the perception of NGO financial sustainability, the common recurring words were: **Interviewee 1:** sustained funding, **Interviewee 2: **sustain, **Interviewee 3:** function effectively regardless of the financial flows from the traditional donors, **Interviewee 4: **remain in business **Interviewee 5**: continue independent operations for a period post donor funding, **Interviewee 6:** build self-financing mechanisms and **Interviewee 7:** cover operations with or without donor projects. (For sample details, see Appendix 5).

After the transcription, words that brought out the concept of financial sustainability were highlighted in pink, as shown above. These words, such as sustain or phrases that closely imply the same as shown in the highlighted text, were used as codes for financial sustainability. The coding processes helped the researcher improve the validity of the research findings (Gibbs, 2007). Coding allows the researcher to reflect on the responses, apply a critical approach, and make sense of the responses to the interview questions. The researcher then attached an interpretation to these highlighted words to explain the participants' views on the NGO's financial sustainability. The researcher followed this process while presenting findings for Research Objectives One and Two that required qualitative responses (See sections 4.3.1 and 4.3.2). Direct quotations from the key informants have also been used to strengthen and validate the central arguments of the research. The results from the qualitative data helped answer research questions one and two of the research presented under sections 4.2.1 and 4.2.2.

Quantitative data was captured, coded, entered into a Microsoft Excel sheet, and imported into STATA 12 software for data analysis. The procedure included converting data in statement form from the Survey Monkey online tool into numerical values. That is, strongly disagree –coded as 1, disagree coded as 2, neutral coded 3, agree coded 4 and strongly agree coded 5. For example, when a participant responds to a question item as strongly agree, it was coded as 5; Disagree coded as 2, as shown in Table 3.3. The question items were placed in the horizontal row of c1, c2. At the same time, the first column on the vertical axis shows the serial number of respondents. Table 3.3 shows that respondent 1, on question c1, strongly disagreed while responding to the item in the questionnaire. On question c5, the response was neutral. The same procedure is followed for all items until all the respondents' responses are entered.

Table III.3: Reliability Test

Sl. No.	c1	c2	c3	c4	c5
1	1	5	4	3	3
2	3	4	5	3	3
3	1	2	4	5	2

The filled Excel Sheet was then imported into STATA 12 to aid the analysis in the form of descriptive and inferential statistics. The descriptive statistics for the demographic data were analysed using the STATA command "tab space variable of interest," e.g., tab Var1, then press Enter tab (See Appendix 4.2). The descriptive statistics for the predictor variables were analysed using the STATA command, "sum space range of variable of interest," e.g., sum B1 – B20. Then press the Enter tab. The descriptive statistics are presented as frequencies, means and percentages of the data collected (Table 4.1 to 4.6; see Appendix 4.3).

Inferential statistics have been used to test the relationships between research variables (Appendix 4.4 & 4.5). In particular, Pearson Correlation tests have been run and tested at a 0.05 level of significance. The items on a single predictor variable, say, corporate governance practices (B1 to B20) in the STATA sheet under the variable view, were converted into one name, "corporate governance practices." The items on financial management practices (C1 to C15) in the STATA sheet under the variable were converted into one name, e.g., "financial management practices." These new variable names were then used to obtain the correlation results using the STATA command "pwcorr" (Table 4.7; Appendix 4.4).

A multiple regression analysis was run to check for the model fit and test the extent to which the independent variables explain the dependent variable. The new variable names used in the correlation analysis were used to obtain the multiple regression results. The STATA command used was "reg(space)DV(space)Ivs", then press Enter. The R-squared obtained from the regression model has been used to help us explain the extent to which the chosen independent variables explain the response variable. The F-test was estimated to ascertain whether our data set fits the model (Tables 4.8 and 4.9; Appendix 4.5).

To ensure that the data set does not suffer from problems of multi-collinearity, the researcher ran the Variable Inflation Factor (VIF) using the STAT command "vif" (Table 4.10; Appendix 4.6).

3.10 Validity and Reliability of Research Instruments

3.10.1 Validity

The content validity of the research instrument was established using the Content Validity Index (CVI). The process involved giving the research instrument to two experts in the field of NGOs to provide comments on the suitability of the research items. A panel of judges who are experts in the field under study should establish content validity (Sekaran, 2003; Yusof, 2019). The content validity index (CVI) was obtained using the formula below (Nunnally & Bernstein, 1994).

CVI = Total number of items declared valid/Total number of items

From the experts' rating, the CVI of the instrument was estimated at 0.8. The rating received is above the acceptable CVI of at least 0.70 recommended by Nunnally & Bernstein (1994). The rating of 0.8 from the panel of experts implies that our instrument had valid content items. Content validity is the degree to which an instrument has an appropriate sample of items for the measured construct.

3.10.2 Reliability

The questionnaire was pilot tested before its administration to the target sample to test its reliability. Reliability measures the ability of the instrument to yield consistent results over time. The internal consistency of the research instrument was established using the Cronbach Alpha coefficient. A coefficient alpha above 0.70 is acceptable and a good indicator of the instrument's internal consistency (Nunnally, 1978). A reliability coefficient of at least 0.7 was considered safe to judge the instrument as highly reliable (Sekaran & Bougie, 2010). The reliability statistics are in Table 3.7. The workings are shown in Appendix 4.1.

Table III.7: Reliability Test

Variable	Alpha value
Corporate Governance Practices	0.92
Financial management practices	0.92
Human resource practices	0.94
External relations	0.92
Promoting Innovative behaviours	0.93
Financial sustainability	0.86
Overall	0.98

Source: Primary data 2022

All items in the research instrument posted an alpha value of a minimum of 0.8, implying that our instrument was highly reliable.

3.11 Ethical Considerations

All respondent identities have been kept anonymous. The information obtained is to be used only for academic purposes. Given that the data used in this study were obtained with *Survey Monkey*, an online tool, the respondents' consent was requested and obtained while introducing the tool to the targeted respondents. (See Appendix 1 and 3). The tool clearly explained to the respondents that they were offering their consent to voluntary participation in the research by filling out the online survey tool extended to them. The interviews with selected participants were conducted after explaining to the participants the purpose of the research. The interviewees' consent was then sought to allow the researcher to record the interview proceedings for later transcription and data analysis. The researcher's identity and details were clarified to the respondents. The researcher's telephone contacts, and email addresses were provided for further clarification during or after the data collection. The principles of confidentiality, anonymity and informed consent essential for social research have been observed during this research study (Heath & Charles, 2008)

3.12 Research Design Limitations

Research limitations are factors that may limit the applicability or validity of the research findings to other settings. The limitations are mainly methodological. For example, using the online survey instrument tends to be associated with a low response rate compared to the self-administered questionnaires taken physically to the targeted respondents. The delimitations refer to the research boundaries, what the research handles and what is not handled in the study. The research limitations and delimitations are given below.

i. Quantitative research methods are often associated with the inflexibility of the research instruments during the research process. This is especially true where closed-ended survey instruments are used, as the one applied in this study (Appendix 1). Once a question item is set, it does not change during the data collection. This limitation was managed by employing mixed research methods for purposes of triangulation.

ii. Constant email and phone call reminders solved the low response rate to the targeted respondents.

iii. The fear of face-to-face interactions due to the uncertainties caused by the Covid-19 pandemic was overcome by observing the Covid-19 protocols. The usage of 'Survey Monkey,' an online survey system, for collecting data from the respondents through self-administered questionnaires also helped overcome Covid -19 related fears and risks.

iv. The non-probabilistic sampling technique, which limits the generalisation of the results to other contexts, was used to select the sample of the participants. The findings are thus usable for NGOs with similar features to those involved in the study.

v. The biases associated with a five-point Likert scale have been managed by collecting data using mixed methods.

vi. The research was delimited to establish the relationship between organisational innovation and the financial sustainability of NGOs operating in Uganda. The research participants were exclusively the members of the top and middle management of the participating NGOs on the rationale that they drive the strategy and policy of the NGOs. The NGOs operating outside Uganda were beyond the scope of this research.

3.13 Conclusion

This study investigated the impact of organisational innovation on the financial sustainability of Non-Governmental Organisations operating in Uganda. The reduction in donor funding and the changing donor funding priorities made this study timely in light of the heavy donor dependence of NGOs in Uganda. To measure organisational innovation in NGOs, the researcher looked for innovative behaviour and practices in selected NGOs. The online self-administered questionnaire was the main study instrument used for capturing the quantitative data. An interview guide was used to collect qualitative data from key informants like NGO Chief Executives. The combination of quantitative and qualitative methods was to improve the validity of the research findings through triangulation. The study population consisted of Middle and Senior management participants from NGOs registered with the NGO Bureau and members of the NGO Forum. Participation at all levels was voluntary. The interviews consisted of a mixture of both face-to-face and online interviews. The interview session was recorded in both cases, and the recordings were played back later for transcription and thematic analysis. The interviews mainly helped to answer research question one and research two.

The self-administered questionnaire helped to answer research questions three to six. The questionnaire was administered online using the survey monkey tool. The data obtained was exported to Microsoft Excel and then imported into STATA 12 for the appropriate. The reliability of the instrument was established using the Cronbach alpha coefficient. Both descriptive and inferential statistics were conducted. Multiple regression was performed to test the explanatory power of the independent variables on the dependent variable. The study being mainly quantitative in approach, was limited by the inflexibility associated with quantitative research methods. The adoption of the mixed methods approach helped to overcome this limitation.

CHAPTER IV :

RESULTS

4.1 Introduction

This chapter presents the results of the research. The first section shows the demographic characteristics of the respondents. The researcher then presents the research findings guided by the research objectives.

4.2 Demographic Characteristics

Table 4.1 presents the respondents' characteristics on selected parameters.

Table IV.1: Characteristics of Respondents

Variable	Description	Frequency	Percentage
Gender	Female	29	28.43
	Male	73	71.57
	Total	102	100
Education level	Diploma	1	0.98
	Degree	22	21.57
	Masters	58	56.86
	Postgraduate	20	19.61
	Total	102	100
Level of management	Lower Management	7	6.86
	Middle Management	58	56.86
	Top Management	37	36.27
	Total	102	100
Terms of employment	Contract	71	70.3
	Permanent	29	28.71
	Volunteer	2	1.98
	Total	102	100

Variable	Description	Frequency	Percentage
Working experience	1-5 Years	22	21.57
	6-10 Years	28	27.45
	More than 10 Years	52	50.98
	Total	102	100

Table 4.1 shows that 73 out of 102 respondents, or 71.6%, were males and 29 (28.4%) while females. The data reflects that more males are employed in MANAGERIAL positions in Uganda, which was the target population for this research. 78 respondents (76.5%) possessed a postgraduate qualification, 22 (21.6%) had a bachelor's degree, and one respondent (1%) had a diploma. The higher share of respondents with postgraduate qualifications was because the research targeted the NGOs' middle and top management employees. The majority of the respondents (58 or 56.9%) were from middle management, followed by 37 (36.3%) from top management and 7 (6.9%) from lower management.

The majority of the respondents, 71 (70.3%), were in contract employment terms, 29 (28.7%) were in permanent employment terms, and 2 (2%) were volunteers. The higher share of respondents employed on contract terms is attributed to the fact that most NGOs implement projects of fixed durations, and the employment contracts tend to be aligned with the project duration, which ranges from one to three years, depending on the nature of project activities. 52 respondents (51%) had worked in the NGO sector for more than ten years, 28 (27.5%) between six years and ten years, and 22 (21.5%) worked in the NGO sector for less than five years.

4.3 Presentation of Results per Research Objective

Six major objectives guided this study. (1) To explore what constitutes organisational innovations of NGOs operating in Uganda, (2) To explore what contributes to the financial sustainability of NGOs, (3) To investigate the relationship between corporate governance and the financial sustainability of NGOs, (4) To investigate the relationship between financial management practices and financial sustainability of NGOs, (5) To explore the relationship between external relations and financial sustainability and (6) To investigate the relationship between human resource practices and financial sustainability of NGOs operating in Uganda.

4.3.1 Research Question One

This question explored what NGOs in Uganda conceptualise as organisational sustainability. Using the interview guide (Appendix 2), the researcher interviewed the key informants from eight NGOs' middle and top management executives. The interview questions sought to elicit responses on what NGO top management executives considered to constitute organisational innovation in an NGO setting in Uganda. The interview guide sought to capture the critical organisational innovations executed by the NGOs from 2016 to 2020. The strategic direction of an organisation is enshrined in the strategic plan. The board guides the organisation's strategic direction by participating in formulating, developing, and approving plans and policies. Strategic planning is associated with the improved financial sustainability of an organisation (Aldemir & Uysal, 2018).

The interviews with the NGO's top executives showed that NGOs had engendered several organisational innovations in the last five years. Such organisational innovations included adopting the balanced scorecard methodology while developing an organisation's strategic plan. The balanced scorecard is a strategic planning and performance management framework that tracks financial and non-financial measures to determine an organisation's effectiveness. The framework uses learning and growth, financial, internal processes, and customer/stakeholder perspectives to manage the organisation strategically. The integrated approach to strategic planning enables NGOs to embrace organisational innovations. Organisational innovations enable serving the beneficiaries even in trying moments of financial constraints such as one caused by the Covid-19 pandemic. Exploring new ways of serving NGO beneficiaries is aligned with the recommendation of authors like Steiber & Alänge (2015) and Kristina (2011).

The NGOs have used innovative approaches to develop new business models. Organisational innovation links strategy models and operational planning and creates value (Abdulkader, et al., 2020)The NGOs utilised locally sourced materials to reduce operational costs, which at the same time, benefitted the local communities. A few NGOs have established partnerships with local vocational and other formal and informal training institutions, enabling them to reduce the costs of construction, transportation and distribution activities. The establishment of networks to reduce operational costs, especially during times of crisis, is supported in the literature (International Finance Corporation, 2010). Networks are a form of social wealth that improves the financial performance of an organisation (Mariappanadar, 2022). The Innovation Working Group (2015) recommends capacity strengthening and partnerships as effective approaches for promoting innovation.

Some NGOs have signed a memorandum of understanding with the government and cultural and faith-based institutions for sharing workspace and facilities to minimise costs. The efforts by the NGOs to forge partnerships with the government are supported by various authors (Otaru, et al., 2021; Volmink & Lynn, 2017; Silva & Burger, 2015). The government is a significant source of funding for NGO activities, and a harmonious relationship between the government and the NGO benefits the NGO (Bozic, 2021; Cannon, 1996). The NGO will benefit from government funding if it does not over-depend, as the over-dependency on any donor may expose the NGO to the potential of mission drift (Otaru, et al., 2021).

Another key innovation was leveraging partnerships with the private sector and the media in executing NGO activities. The literature shows that the private sector is a key source of funding for NGOs ((Otaru, et al., 2021; Park & Cho, 2020; Panayotou, 1994). The partnership with the private sector to improve the financial sustainability of the NGOs in

Uganda may be hampered by the limited capacity of the private sector, characterised by small and medium-sized companies. The implication is that the private sector may not be a reliable source of funding as not much funding may be obtained from this source.

Through social entrepreneurship, NGOs engage in business activities to improve financial sustainability that can support their activities even after the donors' exit. The NGOs had also sought viable avenues through investment to generate income for financing the NGO activities. This trend was complemented by the growing interest of NGOs in social entrepreneurship in line with the BRAC model (Viravaidya & Jonathan, 2001).

In executing their activities, the NGOs consider the triple bottom line as a key aspect of their sustainability programme. The triple bottom line approach integrates economic, social and environmental protection in their programming. Several researchers of green and sustainable human resource management practices (Osolase, et al., 2022; Genari & Macke, 2022; Irani & Kilic, 2022; Khan, 2018) support this view. The community is involved in programme management right from the time of the proposal development through project implementation and evaluation. This approach is intended to increase the ownership of NGO activities and enhance programme sustainability.

"Our practice of adverse event reporting and learning to overcome the adverse events and addressing the underlying issues lead to good social standing," said an NGO Senior Manager.

The NGOs revealed that they protect the environment by promoting eco-friendly projects such as supporting solar energy, eco-stoves and tree planting. The NGOs emphasised that projects are designed duly considering the environmental protection guidelines and best practices.

"Advocating for family planning and reducing the adverse effects of the population explosion, such as cutting down trees for fuel, contributes to environmental protection," commented an NGO top executive.

The NGO's organisational innovation encompasses critical processes, including human resource practices. The NGOs surveyed take the issue of staff capacity building seriously by encouraging and facilitating staff exposure and networking meetings. Some NGOs conduct regular weekly/monthly meetings to share updates on resource development. They encourage staff to discuss new opportunities they have encountered in their activities for growth, partnership building and developing project concepts. Capacity building is supported as a good governance practice that ensures the quality of service and value for money (Mikeladze, 2021). Some international NGOs operating in Uganda depute their staff to their offices in other countries for experiential learning to facilitate career development and improve organisational capacity. NGOs also recruit volunteers with relevant skills to supplement the human resource base.

"The youth coming on board to take up some activities as they gain experience, then the organisation also reduces the cost of operation," said an NGO Manager.

There is an increased focus among the NGOs surveyed on building networks. It was revealed that through networking, NGOs could increase visibility and share knowledge and resources that help them to reduce operational costs by improving efficiency and achieving synergy. Some NGOs have established collaborations with the central government ministries, local governments, private sector companies, philanthropies and royalties like the Buganda Kingdom in Uganda.

"Operating through the existing structure of the government, for example, the local government and the government ministries, help us implement the projects at lower costs," stated the Executive Director of an NGO.

Through the networks, NGOs tend to find common solutions to some administrative, financial and legal challenges they face. The NGOs collaborate and write project proposals, bid for funding opportunities, and execute and evaluate projects jointly. The networks bring synergies to the NGOs by bringing in new skills and sharing knowledge and best practices. The literature supports forming networks for idea generation (Johnsson, 2017; Innovation Working Group, 2015) and sustainable innovation (González & Cabeza, 2020). Some NGOs have explored funding opportunities with new potential donors tapping into the Chinese and Japanese government funding and moving beyond the traditional western donors.

The informants revealed that certain limitations existed in their networking efforts. These included bureaucratic processes and self-interests that make some NGOs reluctant to share vital information with the partners because they compete for the same funding from the same donors. There were also fears associated with large consortia with several members that might make coordination difficult. Inadequate resources available for networking activities also constrain the success of networking. Some NGOs do not allocate resources for facilitating networking, while others allocate limited budgets.

4.3.2 Research Question Two

This research question investigated the understanding of NGO financial sustainability in the context of NGO practitioners in Uganda. The interviews with several NGO top executives revealed that despite the diverse ways the term 'financial sustainability' was expressed, they all pointed to a central theme: An NGO's financial sustainability is "the ability to have continuous financial streams to enable it to implement its interventions over a long time without frequently depending on the donors".

One Executive Director remarked, *"To me, financial sustainability means the ability to continue independent operations, past donor funding."*

Adverse event means any untoward medical occurrence associated with using a drug in humans, whether or not considered drug-related (Food and Drug Administration, USA, ND; National Drug Authority, 2019). The findings align with Aldermir & Usyal (2018), who attributed an organisation's financial sustainability improvements to strategic planning. The findings revealed that NGOs have used strategic plans as a critical tool to market and attract donor funding, contributing to financial sustainability. Strategic plans provide the internal and external stakeholders with information on the NGOs' strategies and initiatives to achieve the objectives. Therefore, the strategic plans help to galvanise donors' support with a mutually aligned vision and objectives in implementing humanitarian and community development initiatives.

"Developing a strategic plan and marketing it, and showcasing achievements in the annual reports, opening up an income generating arm have helped us generate funds," a manager of an NGO reflected.

The NGOs are streamlining and strengthening their governance and financial structures to promote transparency and accountability to ensure continued donor funding and attract more donors. This view is supported by several authors (Aldemir & Uysal, 2018; Shuib & Jamailah, 2013; OECD, 2006). This finding also aligns with the RAFT principles that guide donors in funding NGOs (Bernal, et al., 2021; UNDP, 2012). Marketing is an integral part of the resource mobilisation effort as NGOs are required to tap into the market for cash donations, volunteers, and corporate donors (Viravaidya & Jonathan, 2001).

The NGO boards have been deliberately constituted to capture the diverse expertise required to govern the NGOs efficiently. The researcher probed further into the NGO board composition, which revealed that most board members are top executives of reputable organisations or senior professionals from key industries and sectors of the economy with expertise in financial management, human resource management, programme management and corporate governance. The diversity of the board is associated with the improved financial performance of an organisation (Kijkasiwat, et al., 2022; Arvanitis, et al., 2022; Yamron, 2020; Terjesen, et al., 2015). Most NGO board members are chosen based on their presumed capacity to realise the NGO's vision and mission.

It was revealed that several NGOs had established functional board committees, such as partnership, fundraising committees, finance, and accounting committees, to streamline the financial function and mobilise resources. The NGOs have also focused on having strong internal financial systems enabled by recruiting competent financial managers. The finance teams are tasked with developing realistic budgets, building strong internal control systems and ensuring timely reporting as required by the donors and other statutory agencies. The finance team is also responsible for preparing and presenting the financial statements and ensuring external audits that improve the accountability and credibility of the NGOs. Financial sustainability is also viewed in terms of NGOs' ability to reduce costs by innovating work processes and exploring digital innovations, such as mobile money. Arundel, et al., (2019) argue for technology adoption by NGOs to minimise costs.

The results are aligned with earlier research findings ((Morrar & Sultan, 2021; Mafa & Kang'ethe, 2019; Silva & Burger, 2015; Abigail, et al., 2005). The challenges reported by the NGOs surveyed include the heavy dependence on external donors in the last five years. Further, the low per-capita income of Uganda and inadequate staff skills are critical challenges in generating income locally. The informants also reported a few cases of mismanagement of the funds that exposed some NGOs to reputational risk. The loss of credibility deprives the NGOs of essential donor funding, threatening their financial sustainability. Some researchers attribute the sustainability of an organisation to the maintenance of ethical practices (Komen & Buluma, 2018).

"Donor fatigue affects us. Mismanaging the funds given to the NGOs by one affects the reputations of all NGOs," lamented a respondent.

With the onset of Covid-19, NGOs experienced a reduction in the flow of donor funding, further threatening their financial sustainability. This has exacerbated the already limited donor funding resulting from the changing donor priorities. The Covid-19 outbreak also affected most NGOs' activities, especially those operating outside the health sector whose mobility was restricted during this period due to general travel restrictions enforced by the government. A new norm of 'work-from-home' was implemented to overcome the barriers of travel restrictions. Several NGOs that participated in the study reported having reduced the number of staff when Covid-19 broke out. Work stalled since the same workload remained while the number of workers was reduced. During Covid-19, some workers fell sick physically and emotionally. The Uganda government had imposed one of the longest Covid-19 lockdowns in the world. Some NGOs, more so the humanitarian agencies, started involving the members of beneficiary groups and community members in their activities, like food distribution in refugee camps, to reach out to the wider group of beneficiaries. This enhanced the ownership of the NGO programmes by the communities. Such approaches to involving the communities increase programme sustainability amidst the financial challenges.

It was also revealed that some NGOs had collaborated with the private sector, especially the big companies, to deliver corporate social responsibility initiatives. This initiative supports Theodore (1994), who recommends the collaboration of NGOs with the private sector to improve financial sustainability. The NGOs have also collaborated with the media to promote advocacy campaigns and increase visibility. It was reported that through such activities, the communities increase their participation and promote a sense of ownership of the NGO activities, which in the long-term help improve sustainability. This finding is aligned with the views of Viravaidya & Jonathan (2001).

The strategic plan was a key tool that helped NGOs in Uganda to mobilise financial resources from external stakeholders and generate income internally. However, the literature indicates that insufficient funds can be raised from internally generated sources (Ebenezer, et al., 2020). The shifting donor funding priorities may limit the external channel's potential, and Uganda's low per-capita income and inadequate staff skills are key challenges in generating income locally.

4.3.3 Research Question Three

This research question explored the corporate governance practices of NGOs operating in Uganda. To investigate this research objective, the researcher solicited responses from the respondents on items covering several aspects of corporate governance, as shown in Table 4.2. The results indicate good corporate governance practices among NGOs operating in Uganda, with an overall mean of 4.13 (out of a maximum of five) and a standard deviation (SD) of 0.62. The low SD compared to the mean indicates low variation in responses given by the survey respondents.

Table IV.2: Corporate Governance Practices

Variable	Mean	SD	Min	Max
There is a board representation at general meetings	4.19	1.09	1	5
The board adheres to corporate discipline	4.29	0.97	1	5
The board considers transparency & accountability important	4.39	0.94	1	5
The board exercises independence in its decision making	4.11	1.05	1	5
The board plays a key role in stakeholder management	4.06	0.88	1	5
The board provides the required leadership for the NGO	4.14	1.00	1	5
The board promotes the social responsibility of the NGO	3.93	1.05	1	5
The board closely monitors the NGO activities	4.12	1.03	1	5
The board promotes financial prudence	4.14	1.01	1	5

Variable	Mean	SD	Min	Max
The board is actively engaged in the NGO affairs	3.63	1.17	1	5
Job descriptions for each board member are clearly spelt out	3.78	1.03	1	5
The board has established functional sub-committees	3.90	1.12	1	5
The NGO has a conflict-of-interest policy	4.12	1.18	1	5
The NGO has a whistle-blower policy	4.18	1.18	1	5
The NGO has in place a code of business conduct	4.45	0.88	1	5
The board has a risk management committee	3.89	1.11	1	5
The board closely monitors the NGO's financial position	4.25	0.89	1	5
The NGO has functional strategic plans	4.5	0.83	1	5
The board is actively involved in fundraising activities	3.69	1.24	1	5
The board timely reviews the annual audits of the NGO	4.20	0.94	1	5
The NGO has a clear Vision and Mission	4.74	0.63	1	5
Average	**4.13**	**0.62**	**2**	**5**

The NGO boards are credited for playing their supervisory role by setting a clear vision and mission (Mean 4.74, SD: 0.63) and timely review of the annual audits. The results show that boards closely monitor the financial position of the NGO (Mean 4.50, SD: 0.83), set in place a clear code of ethics for all employees (Mean 4.45, SD: 0.88) and are keen on issues of transparency and accountability (Mean 4.39; SD: 0.94). The board adheres to corporate discipline (Mean 4.29, SD: 0.97), is actively involved in sourcing funding for the NGO (Mean 4.20 and SD: 0.94) and plays a crucial role in stakeholder management (Mean 4.06 and SD: 0.88). These findings imply that NGO boards in Uganda are performing their oversight roles well, which augurs well with the recommendations of several authors (Johnsson, 2017; Shuib & Jamailah, 2013). The respondents' views contradict reality in light of the recent closure of 54 NGOs due to non-compliance with financial reporting requirements (Elias, 2021).

The findings showed a slight variation in respondents' views in some areas of corporate governance, as reflected by a slightly higher standard deviation in relation to the mean. The areas that show a difference in opinion among respondents include the effective representation of the board at general meetings (Mean 4.19, SD: 1.09). Other areas of concern are the existence of a whistle-blower policy (Mean 4.18, SD: 1.18) and a conflict-of-interest policy (Mean 4.12, SD: 1.18) and the ability of the board to promote financial prudence (Mean 4.14, SD: 1.01). There were also varied opinions on the ability of the board to closely monitor NGO activities (Mean 4.12, SD: 1.03), provide the required leadership (Mean 4.14, SD: 1.00) and take independent decisions (Mean 4.11, SD: 1.05).

Some items that scored low on the scale, at the same time, exhibited wide variations in opinions. These were in the areas of the board being at the forefront of promoting the NGO social responsibility activities (Mean 3.93, SD: 1.05) and the functionality of the board sub-committees (Mean 3.90, SD: 1.12). The respondents also differed in opinions on the existence of a board risk management committee (Mean 3.89, SD: 1.11) and on whether the roles of the board members had been spelt out (Mean 3.78, SD: 1.03). There were also variations in opinions regarding the functionality of the strategic plans (Mean 3.69, SD: 1.24). As described by Aldemir & Uysal (2018), NGOs with a strategic plan are better positioned to achieve financial sustainability. A systematic and thoughtful strategic planning process can ensure that the organisation understands the confluence of emerging trends, envisions a positive future, determines a direction for success, and executes a course of action to attain the desired outcomes (Weston, 2020).

4.3.4 Research Question Four

This research question investigated the financial management practices of NGOs operating in Uganda. To study this objective, the researcher solicited responses from the respondents on items covering several aspects of financial management practices, as shown in Table 4.3.

Table IV.3: Financial Management Practices

Variable	Mean	SD	Min	Max
Our annual budget is aligned with our strategic plan.	4.37	0.86	1	5
Our accounting system can provide timely reports.	4.33	0.9	1	5
There are strong internal controls in our organisation.	4.31	0.84	1	5
Our reporting systems are built on transparency principles.	4.37	0.85	1	5
The NGO has a financial plan for fundraising.	3.89	1.05	1	5
The NGO maintains an updated asset register.	4.29	0.87	1	5
The NGO's own generated funds are on a steady increase.	3.17	1.17	1	5
There is flexibility in adopting donor-tracking systems.	3.94	0.97	1	5
Periodical cash flow projections are prepared in our NGO.	4.07	1.02	1	5
The staff in the finance department are qualified & competent.	4.33	0.86	1	5
The NGO prepares and submits annual financial statements timely.	4.25	0.92	1	5
The internal control systems in our NGO are strong.	4.16	0.93	1	5
The Audit Committee regularly reviews financial reports.	4.11	0.91	1	5
The NGO carries out project evaluations	4.16	0.99	1	5
Average	4.12	0.6	1	5

From Table 4.3, we observe that good financial management practices exist among the NGOs surveyed, with an overall mean of 4.12 and a standard deviation of 0.60. The

NGOs endeavour to align the annual budgets to the strategic plan (Mean 4.37, SD: 0.86), emphasise transparency (Mean 4.37, SD: 0.85) and recruit qualified and competent staff in the finance department (Mean 4.33, SD: 0.86). The accounting systems of the NGOs enable the production of timely reports (Mean 4.33, SD: 0.9), there exist strong internal controls (Mean 4.31, SD: 0.84), and updated asset registers are maintained (Mean 4.29, SD: 0.87). The annual financial statements are prepared and submitted on time (Mean 4.25, SD: 0.92). A board audit committee reviews the financial reports (Mean 4.11, SD: 0.91), and the NGOs conduct project evaluations (Mean 4.16, SD: 0.99). These findings contradict several authors (Elias, 2021; Kyalimpa, et al., 2017; Despard, et al., 2017) that associate NGOs in developing counties with poor financial management practices.

The respondents took a neutral stand on the issue of the NGOs increasing funding from their internally generated income sources (Mean 3.17, SD: 1.17). The apathy towards considering internally generated funds as a potential source of funding may be explained in light of the findings (Ebenezer, et al., 2020) that not much can be mobilised from this source. The neutral stand of the respondents is not surprising as Uganda is a developing country, with close to 30% of the population living below the poverty line (World Bank, 2022), which offers limited potential for resource mobilisation locally. There were also wide variations in opinion on whether the NGO prepares periodical cash flow projections (Mean 4.07, SD: 1.02). Variations in opinions were also observed in the NGO’s possession of a fundraising plan (Mean 3.89, SD: 1.05).

4.3.5 Research Question Five

This research question explored the existing NGO external relations practices. To study this objective, the researcher solicited responses from the respondents on items covering NGOs’ external relations, as shown in Table 4.4.

Table IV.4: NGOs' External Relations

Variable	Mean	SD	Min	Max
The NGO has an established network of donors.	4.25	0.82	1	5
The NGO is a member of the NGO forum and other networks.	4.37	0.77	1	5
We prioritise community participation in our programmes.	4.35	0.86	1	5
Our programmes are developed based on a needs assessment.	4.27	0.84	1	5
There is much interest in our programmes by the community.	4.43	0.83	1	5
We have a good working relationship with the beneficiaries.	4.39	0.77	1	5
The NGO culture blends commercial objectives with philanthropic values.	3.76	1.01	1	5
Our employees actively participate in international forums.	3.62	1.2	1	5
The NGO provides support to other NGOs.	3.91	1.16	1	5
There is the visibility of the NGO activities to the external stakeholders.	4.05	0.88	1	5
The NGO collaborates with the private sector for funds development.	3.61	1.18	1	5
The NGO collaborates with the government for funds development.	3.75	1.24	1	5
Average	**4.06**	**0.61**	**1**	**5**

Table 4.4 portrays the existence of positive external relations of NGOs, which is crucial for NGOs' financial sustainability (Mean 4.0, SD: 0.61). The results indicate community interest in the NGO programmes (Mean 4.43, SD: 0.83). The existence of a good working relationship between the NGOs with the beneficiaries (Mean 4.39, SD: 0.77) enabled by the NGOs prioritising community participation in their programming (Mean 4.35, SD: 0.86). The NGOs surveyed are members of the National NGO Forum and subscribe to several other networks (Mean 4.37, SD: 0.77), including an established network of donors (Mean 4.25, SD: 0.82). The NGO programmes are informed by a clear needs assessment

(Mean 4.27, SD: 0.84), and the NGO activities are visible to the external stakeholders (Mean 4.05, SD: 0.88). The findings augur well with the views of Ebenezer, et al., (2020) on the need to strengthen financial sustainability through collaborations.

There were variations in opinions on the aspect of the NGO providing support to other NGOs (Mean 3.91, SD: 1.16) and the culture of the NGO having the capacity to blend commercial with philanthropic values (Mean 3.76, SD: 1.01). Further variations in opinions were observed in NGOs collaborating with the government to access funding (Mean 3.75, SD: 1.24) and the private sector (Mean 3.61, SD: 1.18) to promote development. This variation may be explained by the fears of NGOs of a potential mission drift when they engage in commercial activities or depend on the government for funding. Authors like Khaldoun (2013) and Otaru, et al., (2021) have explained this fear of the potential mission drift. Volmink & Lynn (2017) dispels these fears when they argue that associating with the government has potential synergistic benefits. In the same vein, Mikeadze (2021) recommends the NGO's engagement in commercial activities to enhance financial sustainability while cautioning that it may lead to a mission drift. The active participation of NGO employees in international fora is another area that showed variations in opinions (Mean 3.62, SD: 1.2).

The factors contributing to successful NGO–business collaborations in developing countries include trust, conscious partner selection, effective communications, accountability, transparency, power balances, personal relations, flexibility, good planning, and clear expectations (Dennis & Luli, 2020; Murphy, et al., 2015; Dahan, et al., 2010). The NGO–business partnerships seek to go beyond philanthropy by pooling expertise and resources that manifest cross-sectoral collaboration to address complex social and environmental problems that one party can solve individually (Dennis & Luli, 2020).

4.3.6 Research Question Six

The research question investigated the human resource practices of NGOs operating in Uganda. To study this objective, the researcher sought opinions from the respondents on items covering human resource practices, as shown in Table 4.5.

Table IV.5: Human Resource Practices of NGOs

Variable	Mean	SD	Min	Max
The staff is trained in writing grant proposals.	3.12	1.23	1	5
The staff is trained in grants management.	3.42	1.23	1	5
Regular appraisals of staff are conducted.	4.28	0.93	1	5
Feedback is regularly provided to staff on performance.	4.05	0.98	1	5
Staff are trained in formulating strategic plans.	3.34	1.03	1	5
Staff are trained in how to work with funding partners.	3.49	1.19	1	5
Staff ideas to improve programmes are welcome.	4.04	0.84	1	5
The managers of the organisation lead by example.	3.93	0.85	1	5
There is role clarity for employees in this NGO.	4.09	0.87	1	5
The NGO has a clear recruitment policy.	4.24	1.01	1	5
Our managers instill team spirit among employees.	4.09	0.85	1	5
The NGO is able to attract and retain competent staff.	3.63	1.14	1	5
There is a clear plan for in-service training.	3.3	1.14	1	5
Staff are trained in lobbying skills.	2.91	1.09	1	5
There is a system to capture & evaluate new ideas generated by staff.	3.18	1.12	1	5
The management encourages staff to present new ideas.	3.74	1.01	1	5
Average	**3.68**	**0.639**	**1**	**5**

Table 4.5 shows some of the human resource practices of the NGOs in Uganda. There was a general agreement among the respondents on the importance of human resource

management practices, with a mean of 3.68 and a standard deviation of 0.64. The findings revealed the emphasis on staff appraisals (Mean 4.28, SD: 0.93) and the provision of feedback on staff performance (Mean 4.05, SD: 0.98). As employees agreed to a clear recruitment policy, they varied in opinion (Mean 4.24, SD: 1.01). The respondents agreed that the role of each employee was clear (Mean 4.09, SD: 0.87), staff ideas to better the programmes were accepted (Mean 4.04, SD: 0.84), and managers strive to instill team spirit among employees (Mean 4.09, SD: 0.85). The findings also revealed that NGO managers in Uganda lead by example (Mean 3.93, SD: 0.85). The findings support the views on the sustainable human resource practices literature (Mariappanadar, 2022; Kutieshat & Farmanesh, 2022). However, the wide variation in opinion on the recruitment policy needs attention.

The opinions of the respondents from different organisations in the NGO sector varied about whether the staff of the NGOs were trained in writing grant proposals (Mean 3.12, SD: 1.23) and formulating strategic plans (Mean 3.34, SD: 1.03). The respondents were indecisive and varied in their opinion on items that capture aspects of staff development. There were variations in opinions on the ability of the NGOs to attract, recruit and retain competent staff (Mean 3.64, SD: 1.14). The equivocation in opinion to positively respond to the critical aspect of human resource training and development seem to testify to some NGOs' weak human resource capacity. Employee performance is significantly influenced by the way employees feel about how the human resources practices support career growth (Mariappanadar, 2022; Hmeedat & Albdareen, 2022; Irani & Kilic, 2022) and their ability to perform ((Osolase, et al., 2022; Arundel, et al., 2019; Baum, 2018; Khan, 2018; UNDP, 2012). Organisational capacity includes the organisational arrangements and the technical capabilities that permit organisations to carry out their primary functions and thereby accomplish their development goals (Ronald, et al., 2002)

The staff took a neutral stand and expressed varied opinions about receiving training on how to work with funding partners (Mean: 3.49, SD:1.19). The respondents expressed reservations about staff receiving training in grants management (Mean 3.42, SD: 1.23). The respondents were also neutral on the existence of a clear plan for in-service training (Mean 3.3, SD: 1.14) and training in lobbying skills (Mean 2.91, SD: 1.09). The wide variation in opinion on employee training is a cause for concern that NGOs should address. This is critical to the success of NGO efforts towards attaining financial sustainability, considering that human resource is a key asset of any organisation ((Xiu, et al., 2017; Hasnain, 2015) (Hasnain, 2015). NGOs should be able to attract and retain competent staff because having a talented and dedicated workforce is crucial for achieving the organisation's mission and goals. Skilled employees can help an NGO to effectively design and implement programmes, manage resources, and build partnerships. They also help ensure the NGO is accountable to its stakeholders, including donors, beneficiaries, and the broader public. Empowered employees (Johnsson, 2017; Hasnain, 2015) positively influence organisational outcomes (Kutieshat & Farmanesh, 2022; Zahrani, 2022; Irani & Kilic, 2022; Khan, 2018).

4.3.7 The NGO Financial Sustainability Practices in Uganda

To study this objective, the researcher sought opinions from the respondents on items covering behaviour that may promote the financial sustainability of an NGO, as shown in Table 4.6.

Table IV.6: NGOs' Financial Sustainability Practices

Variable	Mean	SD	Min	Max
The NGO is able to meet its operational expenses	4.0	1.2	1	5
The NGO has a variety of income sources	3.6	1.2	1	5
The NGO is able to reduce its expenses	3.9	0.9	1	5
The NGO is able to survive without donor funding	2.4	1.2	1	5

Variable	Mean	SD	Min	Max
The NGO budget includes own generated funds	3.1	1.4	1	5
Our activities are funded by various donors	4.4	0.9	1	5
No single donor funds our budget by over 25 per cent	2.8	1.4	1	5
Our activities are running smoothly despite the Covid pandemic	3.6	1.1	1	5
The NGO ably meets its timelines/deliverables	4.1	0.8	2	5
No negative annual cash flows were experienced in the last 2 years	3.7	1.1	1	5
There have been minimal audit queries over the last three years	3.9	0.9	2	5
The NGO has been experiencing budget deficits for the last 2 years	2.4	1.3	1	5
Our activities have been slowed by reduced income flows	2.6	1.4	1	5
The NGO always attracts repeat funding from donors	4.3	0.8	2	5
The NGO has a streamlined fundraising policy	3.8	1.1	1	5
The NGO has a financial sustainability plan	3.7	1.1	1	5
We need to charge fees for our services to survive	2.6	1.3	1	5
Locally mobilised resources can fund the NGO activities	4.1	0.9	1	5
Our finance staff have good lobbying skills	3.7	1.0	1	5
Average	**3.5**	**1.1**	**1.2**	**5**

Table 4.6 shows the overall mean and standard deviation of the respondents' views on the NGO financial sustainability practices as 3.51 and 1.1, respectively. The findings indicate that respondents were cautious while providing their views on the NGO's financial sustainability. There was general agreement among respondents that several donors fund NGO activities (Mean 4.4, SD: 0.9), the ability of NGOs to attract repeat funding from donors (Mean 4.3, SD: 0.8) and the NGOs' ability to meet their deliverables (Mean 4.1, SD: 0.8). The respondents generally agreed on the possibility of funding NGO activities using locally mobilised resources (Mean 4.1, SD: 0.9). The ability to mobilise local revenue

resources should be taken seriously, given the donor fatigue and the changing donor priorities (Mataira, et al., 2014; Otaru, et al., 2021; Silva, 2018). There was an agreement but varied opinions on the ability of NGOs to meet their operational expenses (Mean 4.0, SD: 1.2). Most respondents agree that NGOs can reduce operating expenses (Mean 3.9, SD: 0.9) in periods of financial uncertainty.

There was an agreement, but varied opinions among respondents on the existence of a streamlined fundraising policy (Mean 3.8, SD: 1.1) or a financial sustainability plan (Mean 3.7, SD: 1.1). The findings point to the need for NGOs to establish fundraising policies and sustainability plans and disseminate them among the staff. The fundraising policy should provide for resource mobilisation from multiple donors (Bozic, 2021; Park & Cho, 2020). Mikeladze (2021) recommends that the policy should integrate a risk management framework. Such a framework is necessary for NGOs to hedge against abrupt financial disruptions that adversely affect the delivery of NGO services to the target population. On a positive note, respondents agreed that their NGOs had had minimal audit queries over the last three years (Mean 3.9, SD: 0.9). The RAFT principles (UNDP, 2012) emphasise the need for transparency and accountability in financial management practices. Conducting regular audits is one of the ways an NGO can adhere to the RAFT principles.

The research findings revealed that NGOs staff, especially in the finance department, possess good lobbying skills (Mean 3.7, SD: 1.0). This is supported by the respondents' agreement that NGOs have not been experiencing negative annual cash flows in the last two years (Mean:3.7, SD:1.1). The respondents also varied in opinion when it came to the idea of the NGO activities running smoothly despite the Covid-19 pandemic (Mean 3.6, SD: 1.1). This may not be surprising as some NGOs, especially those supporting health-related activities, continued to operate during the pandemic with full capacity as they were considered essential sectors for addressing the health crisis.

The respondent's opinions varied on the question of whether the NGOs had a variety of income sources (Mean 3.6, SD: 1.2). They took a neutral position on the question of whether the NGO budget included internally generated funds (Mean 3.1, SD: 1.4). The findings revealed that some NGOs rely on single donor funding, constituting more than 25% of the NGO budget (Mean 2.8, SD: 1.4). The respondents took a neutral stand when asked whether the NGO activities had been slowed by reduced income flows (Mean 2.6, SD: 1.4). There were also variations in opinions on whether NGOs need to charge fees to survive (Mean 2.6, SD: 1.3). The score of Mean 2.6 in relation to the need for NGOs to charge fees is tending towards Disagree if we consider that the respondent's opinions are highly varied. The responses reflect the reluctance of respondents to let NGOs charge beneficiaries a fee for accessing services. This may not be surprising given that NGOs in Uganda have a mission of serving the most disadvantaged segments of the population that may not have the capacity to pay a fee to access the services (Ebenezer, et al., 2020; Koster, et al., 2017; Volmink & Lynn, 2017; Malena, 1995).

The respondents did not feel that the NGOs had experienced budget deficits for the last two years (Mean 2.4, SD: 1.3), nor did they think that the NGOs could survive without donor funding (Mean 2.4, SD: 1.2). These views reflect the dependence of NGOs on donor funding (Otaru, et al., 2021; Morrar & Sultan, 2021; Silva & Burger, 2015).

4.4 Inferential Statistics

The research explored the relationship between external relations and the financial sustainability of NGOs operating in Uganda. Specifically, the researcher wanted to investigate the relationship between corporate governance and the financial sustainability of NGOs operating in Uganda. The study further investigated the relationship between financial management practices and the financial sustainability of NGOs operating in Uganda. Finally, the study investigated the relationship between human resource practices and the financial sustainability of NGOs operating in Uganda. The inferential statistics were useful in understanding the relationship between the research variables.

4.4.1 Correlation Tests

The researcher performed a Pearson correlation test to examine the relationship between the research constructs. The test results are in Table 4.7.

Table IV.7: Matrix of Correlations

Variables	**CG**	**FM**	**HR**	**ER**	**IB**	**FS**
CG	1					
FM	0.626***	1				
HR	0.6508***	0.612***	1			
ER	0.687***	0.630***	0.822***	1		
IB	0.557***	0.488***	0.722***	0.671***	1	
FS	0.456***	0.447***	0.587***	0.557***	0.653***	1

**** p<.01, ** p<.05, * p<.1*

Note: The variables mentioned in the short form in Table 4.7 are as follows: CG: corporate governance practices, FM: financial management practices, HR: human resource practices, ER: external relations, IB: promoting innovative behaviours and FS: financial sustainability.

The matrix revealed the following:

i. A moderately significant positive relationship exists between corporate governance and the financial sustainability of NGOs operating in Uganda ($r = 0.456$; $p‹0.05$). The results imply that the corporate governance practices of NGOs operating in Uganda moderately contribute to their financial sustainability. The findings support earlier studies that confirm the existence of a positive relationship between corporate governance practices and an organisation's financial sustainability. Several studies showed the existence of a positive relationship between board diversity (Arvanitis, et al., 2022; Kijkasiwat, et al., 2022); accountability (Abigail, et al., 2005); transparency (Komen & Buluma, 2018; OECD, 2006) with NGO performance. However, the research by Shuib & Jamaliah, 2013 did not find a significant relationship between accountability and firm performance (Shuib & Jamailah, 2013).

ii. A moderately significant positive relationship exists between financial management practices and the financial sustainability of NGOs operating in Uganda ($r = 0.447$; $p < 0.05$). The scores suggest that financial management practices in NGOs moderately positively contribute to their financial sustainability. The result confirms earlier study findings (Chepkemoi, et al., 2021). Internal control is an element of good financial management practice, which has a positive relationship with the financial sustainability of an organisation (Ghasemi, et al., 2022; Park & Cho, 2020; Mutinda & Ngahu, 2016).

iii. There is a moderate significant positive relationship between external relations and the financial sustainability of NGOs operating in Uganda ($r = 0.557$; $p < 0.05$). This outcome means that external relations positively contribute to the financial sustainability of NGOs. The findings are congruent with earlier research findings (Mariappanadar, 2022; Bernal, et al., 2021; Ebenezer, et al., 2020; Maboya & McKay, 2019; International Finance Corporation, 2010).

iv. A moderately significant positive relationship exists between human resource practices and the financial sustainability of NGOs operating in Uganda ($r = 0.587$; $p < 0.05$). This means that human resource practices in NGOs strongly positively contribute to the financial sustainability of NGOs. The literature associates the innovations in human resource practices is cost saving (Genari & Macke, 2022; Hmeedat & Albdareen, 2022; Irani & Kilic, 2022; Kutieshat & Farmanesh, 2022; Mariappanadar, 2022; Omidi & Dal Zotto, 2022;

Osolase, et al., 2022; Zahrani, 2022; Fathihani, et al., 2021; Khan, 2018). The research findings provide credibility to these earlier studies.

v. There is a strong significant positive relationship between innovative behaviours and the financial sustainability of NGOs operating in Uganda ($r = 0.653$; $p < 0.05$). The results mean NGOs promoting innovative behaviours are more likely to attain financial sustainability. The research results confirm the findings of earlier researchers (González & Cabeza, 2020; Silva, et al., 2020; Johnsson, 2017; Innovation Working Group, 2015).

4.1.1 Regression Tests

The researcher performed a multiple regression test to explore the overall contribution of the independent variables towards explaining the dependent variable. The results of the multiple regression test are in Table 4.8.

Table IV.8: Multiple Regression Test

Financial Sustainability	Coefficient	Standard Error	t-value	p-value	95% Conf	Interval
Corporate Governance Practices	0.231	0.069	3.41	0.020**	0.135	1.381
Financial Management Practices	0.560	0.066	8.52	0.000***	0.750	1.870
Human Resource Practices	0.079	0.088	0.90	0.369	-0.095	0.253
External Relations	0.053	0.090	0.59	0.559	-0.125	0.230
Promoting Innovative Behaviours	0.330	0.080	4.12	0.000***	0.171	0.488
Constant	1.500	0.245	6.11	0.000***	1.013	1.987

Investigating the beta values from multiple regression helps identify the extent to which the independent variables contribute to the dependent variable. Table 4.8 shows that a unit improvement in NGO financial management practices contributes 56% to NGO financial sustainability, innovative behaviours contribute 33%, corporate governance practices contribute 23%, human resource practices contribute 7%, and external relations contribute

5% to the NGO's financial sustainability.

4.1.2 Regression Model

The model summary is shown in Table 4.9.

Table IV.9: Regression Model Summary

Attribute	Score	Attribute	Score
Mean dependent var	3.509	SD dependent variable	0.382
R-squared	0.463	Prob > F	0.000
Adj R-squared	0.451	Bayesian crit (BIC)	56.511
F-test	16.555		
Akaike crit. (AIC)	40.762		

*** *p<.01*, ** *p<.05*, * *p<.1*

The model summary indicates that all combined, the predictor variables explain 45.1% of the variation in the financial sustainability of NGOs operating in Uganda (Adj R-squared 0.451; p‹0.000). The F test is significant, indicating that our regression equation fits the data set used in the analysis well.

4.1.3 Multicollinearity Test

The researcher tested for multicollinearity among the research constructs using the Variable Inflation Factor (VIF) to ensure the model did not suffer from multicollinearity problems. The results are in Table 4.10.

Table IV.10: Multicollinearity of Independent Variables

Variable	VIF	1/VIF
Corporate Governance Practices	3.842	0.26
Financial Management Practices	3.704	0.27
Human Resource Practices	2.215	0.452
External Relations	2.197	0.455
Innovative Behaviors	1.926	0.519

Mean VIF	2.777	.

The collinearity tolerance (1/VIF) for all predictor variables was greater than 0.1(10%), with the corresponding VIF is 2.77 for all variables, which falls within the recommended intervals of 1 and 10. This indicates the non-existence of multicollinearity in the data set. Therefore, the researcher concludes that the estimations are reliable. The next chapter presents the discussion, conclusion and recommendations based on the research findings.

4.5 Summary

The practitioners of NGOs in Uganda conceptualise NGO organisational innovation as doing things in new ways and implementing new ideas and processes to improve efficiency and effectiveness of the organisation. The preferred and most common forms of innovation are incremental as opposed to radicalism, especially in the NGO processes, policies and practices. In pandemic situations, such as during Covid-19, organisational innovations would involve new ways of reaching out to the beneficiaries. Given the restrictions in movement, the NGOs worked closely with the local communities in Uganda, and in some cases, digital approaches were employed. These included virtual interactions and meetings with donors, staff and beneficiaries. The partnership with local partners is associated with cost reductions and improved efficiency in delivering NGO services. The Balance Scorecard approach was another innovation that gained momentum during the pandemic period. The focus on balancing the triple bottom line is an increasing concern of the NGOs through the promotion of eco-friendly projects. The NGO - private sector partnerships and the movement towards social entrepreneurship were encouraged. The NGOs dealing with the youth have found it imperative to advocate or include a young person on the NGO board.

NGO financial sustainability is generally understood as ensuring a continuous flow of funds from various sources. Presently, most NGOs are donor dependent and, worse, depend on a single or a few donors. The common feeling is that NGOs need to diversify their funding sources. Where donors are involved, seeking multiple donors is what NGOs are vying for. The strategic plan is viewed as a vital tool to attract donor funding. The governance aspects of NGOs are being strengthened to win donor confidence in the NGOs. The key areas of attention are the aspects of transparency and accountability that promotes value for money in delivering NGO services. The NGO boards comprise persons with diverse expertise and experience to improve their financial mobilisation skills. The major limitation to mobilising funds from the community is the general poverty level of the population. This has made NGOs rely on external donors continuously.

The corporate governance practices of NGOs operating in Uganda are rated desirable, with a Mean of 4.74. Corporate discipline has focused on ensuring transparency and accountability of the NGOs. The NGO boards are satisfactorily performing their supervisory roles. Whereas the full board seem to be functional, the functionality of board committees is some of the grey areas. Much as the boards have spearheaded the development of strategic plans, their functionality seems to be an issue. The problem may lie in the failure to communicate the strategic plans effectively, especially to the staff.

The financial management practices of NGOs operating in Uganda were found satisfactory. There are attempts to align the annual plans with the strategic plans. The NGOs surveyed have strong internal controls and can produce timely reports. There is still scepticism regarding the NGO’s ability to use the channel of locally generated funds as a viable source of funding. This is attributed to the general poverty among the population.

External relationships are among the key practices the donor community encourages to engage in. The concepts of partnerships or consortiums are increasingly becoming the catchword in the NGO world. The community's involvement in NGO programming activities enhances the sense of ownership of the NGO programmes. The feeling of ownership of any given activity is essential to its sustainability. The NGOs in Uganda have the National NGO Forum, where they can register their membership. Through the forum, they can conduct joint activities, enhance visibility and strengthen lobbying skills. The partnership with the government, the regulator of NGO activities, is associated with potential synergistic benefits. The potential limitation is the high probability of mission drift if the partnership is not aligned with the NGO mission and vision.

The human resource practices drive the NGO activities, including the innovative culture and the related bearing on financial sustainability. The NGO must understand their human resource capacities and the gaps therein. The practice of regular staff appraisals in the NGO setting is a commendable ideal. The issue of staff development seems not prioritised in the NGO sector. This is probably because NGOs employ staff mainly on a contract basis and as per available projects. Whether NGO staff can be prepared for multi-tasking is an issue that NGOs may wish to look into to ensure the security of project staff.

The practices promoting NGO financial sustainability include but are not limited to sourcing several donors and the ability to attract repeat funding from donors. This is despite the fact that NGOs still overly rely on single donors. The idea of effectively utilising the channel of locally mobilised resources is seriously considered by the surveyed NGOs. The NGOs endeavour to abide by the RAFT principles in pursuit of transparency and accountability practices. The idea of cost sharing seems not very welcome among the respondents. This would entail charging the beneficiaries of NGO services an access fee. This apathy is understandable in the context that the NGOs are meant to serve the most disadvantaged segments of the population. In such a scenario, levying an access fee may lead to the disorientation of the intended beneficiaries.

Overall, the independent variables under study were found to be positively significantly correlated to the dependent variable. Corporate governance and financial management practices are major variables that help explain the NGO financial sustainability in Uganda. The human resource practices and external relations had no observable significant explanatory power as regards the NGO financial sustainability in Uganda.

4.6 Conclusion

The NGOs' innovative organisational practices are crucial to achieving financial sustainability. The NGOs must continuously embrace new ways of doing things, develop more efficient processes in line with the changing political, social and economic environment. Working with the communities helps to reduce the operational costs and improves the stakeholder inlvement and ownership of the projects implemented in the communities. Whereas NGOs need donor support to implement the projects, sourcing funds from multiple donors is recommended. NGOs operating in Uganda are trying to adhere to the RAFT principles to build donor confidence and attract new and repeated donor funding. External relation and networking are promote idea and information sharing and offer synergies to NGO activities. To survive financially, NGOs must continuously pursue innovations in their key processes, policies and practices.

CHAPTER V DISCUSSION

5.1 Discussion of Results

This chapter handles the discussion of the results, draws conclusions from the research findings s and provides research recommendations. The discussion is based on and guided by the research objectives. The following research objectives guided the study: (1) To explore what constitutes organisational innovations of NGOs operating in Uganda. (2) To explore what contributes to the financial sustainability of NGOs operating in Uganda. (3) To investigate the relationship between corporate governance and the financial sustainability of NGOs operating in Uganda. (4) To investigate the relationship between financial management practices and the financial sustainability of NGOs operating in Uganda. (5) To investigate the relationship between external relations and the financial sustainability of NGOs operating in Uganda. (6) To investigate the relationship between human resources management practices and the financial sustainability of NGOs operating in Uganda.

5.2 Discussion of Research Question One

The first objective sought to explore the constituents of organisational innovation of NGOs operating in Uganda. The interviews with the top management executives of eight of the sampled NGOs revealed that most NGOs conceived organisational innovation as adopting new ways of doing things and implementing new ideas and processes to improve efficiency and effectiveness of the organisation. Developing strategic plans using a balanced scorecard methodology was an example of organisational innovation quoted by the top management executives interviewed. The illustration implies that NGOs conceive organisational innovation to exploring new models for delivering services and embrace the learning organisation concept. The study authenticates the argument that the conceptualisation of an NGO as a learning organisation stresses the novelty of how things are done (Hage, 1999;

Dougherty, 1994; Utterback, 1994). From this perspective, research contributes to the existing body of knowledge.

In a volatile environment, an organisation's survival depends on its ability to adapt its key activities to the prevailing economic, social and environmental conditions. Dougherty (1994) and Utterback (1994) called for organisations to adapt to changing conditions with a focus on the triple bottom line. The NGOs have also strengthened their networking skills, which has helped in idea sharing and adopting new ways of doing things cost-effectively. However, these efforts are constrained by the limited budget availability and the unwillingness of some NGOs to share their experiences with others.

The organisational innovations of NGOs encompassed prudent financial management practices. The finding is in line with the thinking of earlier researchers that link organisational innovation to financial sustainability (Marjolijn, et al., 2016; Steiber & Alänge, 2015). NGOs in Uganda prioritise using local institutions and resources to reduce operational costs. NGOs have used local institutions to bring services nearer to the targeted beneficiaries. These trends are aligned with the concept of localisation of services (Jideofor, 2021; Martin, Griffiths, 2021). The NGOs have engaged the government and the local authorities to share facilities, where possible, to manage costs. The NGOs in Uganda are steadily embracing the concept of social entrepreneurship supported by the BRAC experience (Viravaidya & Jonathan, 2001). Social entrepreneurship will likely contribute to increased income and reduce the NGOs' financial stress (Khan, 2018) and enhance their capacity to pursue their objectives. The findings evidence that NGOs are continually searching for new models of service delivery and raising financial resources to fund their activities.

NGOs appreciate that organisational innovations can improve the efficiency of their internal processes. They increasingly use the media to communicate with the beneficiaries and stakeholders to popularise their activities and increase participation (Viravaidya &

Jonathan, 2001). Media is a vital tool for attracting the attention of potential donors (Park & Cho, 2020). The NGOs increasingly focus on involving beneficiaries in the implementation, which has improved the relevance of the NGOs to the communities they serve and ownership of NGO programmes. Human resource management practices of staff capacity building and employee empowerment contribute to the improvement of internal processes (Osolase, et al., 2022). The research findings rhyme well with the twenty innovation enablers Johnsson (2017) identified.

NGOs have demonstrated an urge to prioritise the needs of the project beneficiaries who are essentially their customers using innovative approaches even during the trying moments of the Covid-19 lockdown. These efforts paralleled the experience of the UN when it had to integrate innovative processes in its programmes amidst the growing humanitarian crises (Bloom & Faulkner, 2015). As a key constituent of NGO organisational innovation, customer orientation is supported in earlier research studies (Arundel, et al., 2019; Marjolijn, et al., 2016; Okorley & Nkrumah, 2012). In general, the research findings revealed that organisational innovation supports improved organisational performance, as had been expressed by earlier researchers (Phan, 2019; Bloom & Faulkner, 2015; Tucker, 2014; Read, 2000).

5.3 Discussion of Research Question Two

The second objective sought to explore the contributors to the financial sustainability of NGOs operating in Uganda. The interviews with the top management executives of the sampled NGOs revealed consensus on the general conceptualisation of NGO financial sustainability. The results show that the NGOs understand financial sustainability as *"the ability of an NGO to secure and manage continuous financial streams to enable it to implement its interventions over a long period without frequently depending on external donors."* This understanding is aligned with the view that NGOs should diversify their income sources and minimise their over-dependency on external donors to improve their financial sustainability (Ebenezer, et al., 2020; Corporation of the County of Wellington, 2019; Mohamed & Muturi, 2017; Panayotou, 1994).

The strategic plan was a critical tool that helped NGOs in Uganda to mobilise financial resources from external stakeholders and generate income internally. However, the shifting donor funding priorities may limit the potential for generating adequate funding from donors. The literature, however, indicates that NGOs may not generate sufficient income from internal sources (Ebenezer, et al., 2020). The potential for generating income from local sources is constrained by the country's low per-capita income and the inadequate skills of NGO staff to design, develop and implement activities for generating income internally. Nevertheless, Khan (2018) stated that even if the amount of income mobilised from local sources is not large, it can help reduce organisational financial stress.

Some local NGOs have faced governance issues. The donor community is not inclined to fund NGOs with unclear or compromised governance structures. The NGO boards play the critical roles of oversight and policy formulation that can enhance the resource mobilisation capacity of the NGOs (Arundel, et al., 2019; Aldemir & Uysal, 2018; Johnsson, 2017). The corporate governance capacity is enhanced with a diversified board (Arvanitis, et al., 2022; Yamron, 2020; Terjesen, et al., 2015). The realisation of the NGOs of the need to streamline their governance systems and structures, primarily through board empowerment, is a step in the right direction and supported by several studies (Shava, 2020; Shuib & Jamailah, 2013). The effectiveness of streamlined governance presupposes that boards are functional and empowered to perform, which may not be the reality in some cases.

The findings revealed the efforts of the NGOs to strengthen their financial management systems, which are among the essential requirements for donor funding (OECD, 2006). The efforts to strengthen the financial management systems are severally supported by research work on NGO financial sustainability (Ebenezer, et al., 2020; Aldemir & Uysal, 2018; Shuib & Jamailah, 2013). Despite these efforts, the findings confirmed the existence of financial mismanagement in some of the NGOs surveyed, in line with earlier research studies (Asogwa, et al., 2021; Elias, 2021; Ebenezer, et al., 2020; Yamron, 2020; United Nations Children's Fund, 2018; Goel, 2018). The inadequacy of financial management skills also explains why some of the local NGOs in Uganda still rely on a single donor (Mbuya & Osodo, 2018; Johnsson, 2017; Shuib & Jamailah, 2013).

By collaborating with other players like the media and the private sector, NGOs in Uganda have improved their reputation and opened more avenues for increased access to finance. Such collaborations of NGOs are supported in the literature as key tools in promoting the financial sustainability of NGOs (Arundel, et al., 2019; Ahmed, et al., 2015; Shuib & Jamailah, 2013; IDRC, 2010; OECD, 2006; Panayotou, 1994).

5.4 Discussion of Research Question Three

The third objective sought to investigate the relationship between corporate governance practices and the financial sustainability of NGOs operating in Uganda. The research findings revealed a positive association between corporate governance and NGO financial sustainability. This association is confirmed using the Pearson correlation coefficient (Table 4.7), which conforms to the results of earlier studies (Kimunguyi, et al., 2015). The model summary confirmed the association where corporate governance practices explained 23% of the variation of the financial sustainability of NGOs operating in Uganda.

The effectiveness of corporate governance practices is rooted in a competent and functional board. The board plays an oversight role in NGO activities and helps in policy formulation. The survey respondents expressed satisfaction with their boards. The boards were rated highly for enforcing corporate discipline, transparency and accountability. These findings align with the ethical roles expected to be promoted by the board of directors (Goel, 2018; Komen & Buluma, 2018; OECD, 2006). The boards of the surveyed NGOs take a keen interest in the financial management strategy and policy. They spearhead setting of the vision, mission and the strategic direction, review and approve the policies and provide oversight to activities of the NGOs. The survey responses were homogenous on the corporate governance practices in their NGOs. The results imply that NGOs operating in Uganda appreciate the critical role played by the board in enforcing corporate governance practices that build donor confidence and attract funding to the NGOs. Various research studies support the view that a competent board is a prerequisite for attracting NGO funding (Aldemir & Uysal, 2018; Shuib & Jamailah, 2013; UNDP, 2012).

A competent board directs the affairs of the NGO, guides the formulation of policies and monitors adherence. The survey results revealed that the NGO boards had supported formulating conflict-of-interest and whistle-blower policies. However, the wide variations in the responses could be attributed to employees' inaccessibility to the policies. It is a common practice in many organisations in Uganda to have a lot of good policies, but their dissemination among staff remains limited. In some organisations, the top executives keep the policies approved by the board under lock and key. In several cases, only the management gains access to the policies. These practices contradict the RAFT principles advocated for by the World Bank (UNDP, 2012).

The research findings show that boards guide the development of the strategic plan in the NGOs, despite the wide variations in opinions. The variations in opinions reflect the practice of some boards directing the management to develop the strategic plan and present it to the board for their approval. In such cases, the board's involvement is predominantly at the approval stage of the strategic plans. However, it is inconceivable that a board would approve a strategic plan without fully understanding what it entails. The board's leadership role in steering organisational innovation is well explained (Johnsson, 2017). The strategic plan defines the strategic focus of the NGO, which should inspire organisational innovations. The board's involvement in strategic planning is aligned with the results of other research studies that attribute an organisation's financial sustainability to the board leadership (Aldemir & Uysal, 2018; Mohamed & Muturi, 2017).

5.5 Discussion of Research Question Four

The fourth research objective sought to investigate the relationship between financial management practices and the financial sustainability of NGOs operating in Uganda. The research findings revealed a strong significant positive relationship between NGO financial management practices and financial sustainability. The model summary showed that 56% of the variation in NGO financial sustainability is explained by financial management practices. These results augur well with earlier research conclusions that attest to the positive relationship between financial management practices and the financial sustainability of an organisation (Wandera & Paul, 2017; Shuib & Jamailah, 2013; Panayotou, 1994).

The survey respondents agreed on the relationship between financial management practices and NGO financial sustainability. The variations recorded in the responses were minor. The research revealed that NGOs align their annual budgets to the approved strategic plans, which is an excellent financial management practice. The finance departments were rated positively for having competent staff who provide timely financial reports, which is a crucial aspect of the RAFT principles (Amagtome & Alaa, 2020; UNDP, 2012; OECD, 2006).

The research findings revealed the existence of strong internal controls, which was not surprising as the finance department staff were rated as qualified and possessed the required professional competencies. Several studies supported the relevance of internal controls to the financial sustainability of an NGO (Ghasemi, et al., 2022; Park & Cho, 2020; Mutinda & Ngahu, 2016). The financial reports were prepared and reviewed regularly which practice is associated with the high probability of attracting donor funding (Ogega, et al., 2017; Ali & Kilika, 2016; UNDP, 2012).

The wide variation in opinions on whether the surveyed NGOs possessed a fundraising plan is a testimony to the inadequate efforts of the NGOs in fundraising and diversifying their income sources. The finding supports the conclusion of earlier studies about the NGOs' over-dependency on donors (Ebenezer, et al., 2020; Rick, 2020; Mafa & Kang'ethe, 2019; Johnsson, 2017; Shuib & Jamailah, 2013). The respondents' tactical neutral position on raising internally generated income echoes the views of other researchers (Ebenezer, et al., 2020). The general poverty level in the country and inadequate exposure of the respondents to the methods of raising internally generated income may explain the neutral position adopted by the respondents. Some NGOs follow the concept of cost sharing, where the beneficiaries contribute a fee to access the NGO services.

5.6 Discussion of Research Question Five

The fifth research objective sought to investigate the relationship between external relations and the financial sustainability of NGOs operating in Uganda. The correlation analysis revealed a strong significant positive relationship between external relations and the financial sustainability of NGOs operating in Uganda. These findings are similar to the results of earlier studies (Ebenezer, et al., 2020; Wandera & Paul, 2017). The results attest to the benefits of networking which provides a platform for idea sharing that is critical for organisational innovation effort (Bernal-Torres, et al., 2021; Aldemir & Uysal, 2018; Johnsson, 2017; Innovation Working Group, 2015).

The survey results revealed wide variations in responses to the question on NGOs' willingness to support each other. The regression analysis presented a weak positive and insignificant contribution of external relations to the financial sustainability of NGOs operating in Uganda. Though weak, the positive result indicates the role external relations play in NGO financial sustainability. This research conceptualised external relations as the ability of NGOs to establish networks among the NGO fraternity and donor community. The insignificant contribution of external relations to the NGO's financial sustainability in Uganda may be explained by the hitherto limited emphasis on the benefits associated with networking. Notably, Johnsson (2017) advocated collaboration as a preferred substitute to competition in providing services to the marginalised.

The analysis of the descriptive results affirms the benefits of external relations to in improving NGOs' financial sustainability. The results revealed that good working relationships with the beneficiaries enhance the community's interest in the NGO programmes. The programming approaches used by NGOs prioritised community participation, and the needs assessments informed the type of services provided to the communities. These findings support the need for community empowerment in NGO activities (Innovation Working Group, 2015; International Finance Corporation, 2010).

The survey results also revealed that NGOs participating in the research are members of the National NGO Forum, which was among the criteria used to select the NGOs for inclusion in the research. The surveyed NGOs subscribe to several other networks, including an established network of donors. The wide variations in opinions among respondents may be attributed to the limited exposure of NGO employees to external relations and networking. Building strong external relationships is essential to attract donor funding, especially in times of crisis (International Finance Corporation, 2010).

Donors are the primary funding source for most NGOs in developing countries. The survey results attest to this reality in Uganda. The literature surveyed cautions on the risks associated with overreliance on external donors (Ebenezer, et al., 2020; Johnsson, 2017; Shuib & Jamailah, 2013). While NGOs are encouraged to generate funds from sources other than donors, not much can be generated from such internal income-generating activities

(Ebenezer, et al., 2020). Therefore, the skills to effectively manage donor relationships become paramount (Ebenezer, et al., 2020; Maboya & McKay, 2019). NGO managers should acquire skills in donor communication (Ali & Kilika, 2016) and developing sustainability plans (The Board of Regents of the University System of Georgia, 2011).

The results revealed the challenges that NGOs face in building and managing relationships. There were wide variations in the responses to the question on NGO collaborations with the government and the private sector. Collaboration with the government is essential as the government provides the regulatory environment in which the NGOs operate (Bozic, 2021; Otaru, et al., 2021; Volmink & Lynn, 2017; UNDP, 2012). In situations where the NGO activities support the government agenda, the government may contribute funds and other resources needed by the NGOs (Otaru, et al., 2021; Volmink & Lynn, 2017; Silva & Burger, 2015). The inability of the NGOs to effectively manage NGO-government relations is, however, a limiting factor. The lack of cooperation between the NGO and the government may hinder the NGO's activities (Mikeladze, 2021). At the same time, working closely with the government is often associated with the likelihood of mission drift (Otaru, et al., 2021). Mission drift occurs when the NGO ends up serving the government's interests instead of prioritising the NGO's vision and mission to win favours from the government.

Collaboration with the private sector improves the organisation's image, and implementing activities jointly with the private sector increases community access to NGO services (Martin, Griffiths, 2021; Ebenezer, et al., 2020; Viravaidya & Jonathan, 2001; Panayotou, 1994). The private sector can collaborate with NGOs to help facilitate new ways of value creation by each party contributing complementary capabilities creating and delivering value in novel ways while minimising costs and risks (Dahan, et al., 2010). However, the unpredictability of the potential for fundraising from the private sector limits the value of such collaborations (Otaru, et al., 2021). Further, some NGOs cannot manage

NGO–private sector relations effectively (Yamron, 2020). Highly networked organisations can communicate their mission and core values and are better able to establish alliances with other stakeholders (Dennis & Luli, 2020).

5.7 Discussion of Research Question Six

The sixth research objective sought to investigate the relationship between human resource management practices and the financial sustainability of NGOs operating in Uganda. The results revealed a strong significant positive relationship between human resource management practices and the financial sustainability of NGOs operating in Uganda. The quality of an institution is best measured by the quality of its human resource base (Putra, et al., 2021; Johnsson, 2017; Hasnain, 2015). The proper management of an organisation's human resource is associated with employee performance (Mikeladze, 2021; Silva, et al., 2020; Arundel, et al., 2019; Ahmed, et al., 2015; Okorley & Nkrumah, 2012; Viravaidya & Jonathan, 2001; Read, 2000).

The results from the regression analysis showed a weak positive and insignificant contribution of human resource management practices to the financial sustainability of NGOs operating in Uganda. Though weak, the positive result indicates human resource management practices' role in promoting NGOs' financial sustainability. The regression result reflects the impact of the variables studied in explaining the relationship between organisational innovation and NGO financial sustainability. Compared to human resource management practices, financial management practices posited a significant and high contribution to NGO financial sustainability in the model. The distinctness is not surprising, as financial management practices directly affect an organisation's financial sustainability. On the contrary, the association of human resource management practices with financial sustainability is indirect, as the role of human resources mangement is to make competent and motivated staff available.

The human resource management practices of the NGOs surveyed provide a favourable environment for innovative ideas and practices. Innovative practices are critical enablers of NGO financial sustainability efforts (Xiu, et al., 2017). The behaviours leading to NGO financial sustainability may be integrated into the employee performance objectives (Huselid, 1995). The NGOs surveyed conduct regular staff appraisals and provide feedback to staff. Staff appraisals help organisations identify performance gaps among their employees.

The NGOs operating in Uganda have a clear recruitment policy despite wide variations in opinions. The divergence in opinions may be due to the variety of methods the NGOs use for recruitment. Notwithstanding the difference in recruitment methods, there was job clarity for each jobholder. This finding aligns with the literature that supports job clarity as an enabler of innovative efforts (Aldemir & Uysal, 2018; Hossain, et al., 2017). The survey revealed that NGO managers led by example are supportive and were committed to building team spirit among employees, and receptive to ideas generated by staff. These align with the key enablers of innovative efforts cited in the literature (Xiu, et al., 2017; Innovation Working Group, 2015; Steiber & Alänge, 2015).

The findings depicted the need to train employees in competencies to improve the NGOs' financial sustainability. Some highlighted competencies include proposal writing, fundraising skills (Park & Cho, 2020), grant management (Mikeladze, 2021), lobbying skills and donor relations (Johnsson, 2017). The donor community increasingly yearns to work with qualified and competent staff (Ahmed, et al., 2015; Hasnain, 2015; UNDP, 2012). Knowledge is an essential asset that elicits innovative ideas among employees. Such ideas may eventually contribute to the NGO's financial sustainability (Hasnain, 2015).

CHAPTER VI

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

6.1 Summary

From the research findings, the following summary is drawn.

Organisational innovation in the context of NGOs operating in Uganda is conceptualized as doing things in new ways and implementing new ideas and processes to improve efficiency and effectiveness of the organisation. It helps improve service delivery and supports continuity of services even during times of crises, such as the COVID-19 pandemic. Organisational innovations involve continuous improvements, which should be in harmony with the triple bottom line to enhance the NGO's relevance to society (Dougherty, 1994; Utterback, 1994).

There is a consensus among the top management executives of the surveyed NGOs on what constitutes NGO financial sustainability. These executives consider that NGO financial sustainability is the ability of an NGO to secure and manage continuous financial streams to enable it to implement its interventions over a long period without frequently depending on the donors. The NGOs must minimise their dependence on a single external donors (Yamron, 2020) and seek new ways of diversifying the sources of funding (Morrar & Sultan, 2021; Ebenezer, et al., 2020; Silva & Burger, 2015; Abigail, et al., 2005). The NGOs must develop and implement their activities with the active involvement of the stakeholders to improve sustainability.

A moderately significant positive relationship exists between corporate governance practices and NGO financial sustainability. Sound corporate governance practices are manifest in a competent and functional board that drives the strategic direction of an NGO upholding ethical principles (UNDP, 2012; Bernal-Torres, et al., 2021; Mafa & Kang'ethe, 2019). The strategic direction of an NGO is enshrined in documents like the strategic plan and policies.

A moderately significant positive relationship exists between NGO financial management practices and financial sustainability. A finance team competent in planning, budgeting, internal control, reporting and resource mobilisation enables sound financial management practices (Chowdhury, et al., 2019; Abigail, et al., 2005). Sound financial management practices have a significant bearing on the financial health of an organisation (Pyanov, et al., 2021; Aldemir & Uysal, 2018; Ogega, et al., 2017; Marjolijn, et al., 2016). The internal controls should be strengthened and regularly reviewed in a changing operational environment (Asogwa, et al., 2021; Mikeladze, 2021; United Nations Children's Fund, 2018). NGOs should diversify their income sources to avoid over-reliance on a single external donor. NGOs should train their staff in mobilising resources from donors and generating income internally. However, the low-per capita income of the Ugandan population may limit the potential for generating funds internally.

A moderately significant positive relationship exists between external relations and the financial sustainability of NGOs operating in Uganda. The insignificant, weak, but positive contribution of external relations to the financial sustainability of NGOs points to the need to popularise the benefits associated with managing donor relations and collaborations among NGOs. Ebenezer et al. (2020) argued that good donor relationships positively impact NGO financial sustainability. Community involvement enhances the ownership and sustainability of NGO programmes and collaborations with the private sector improves community access to NGO services at a reduced cost. The Innovation Working Group (2015) stressed the benefits of partnership in delivering value to the beneficiaries.

A moderately significant positive relationship exists between human resource management practices and the financial sustainability of NGOs operating in Uganda. Human resource management practices have an insignificant, weak, but positive contribution to NGO financial sustainability. The relationship is corroborated by the indirect role played by human resource management practices in managing NGO finances. The human resource management practices indirectly promote financial sustainability by recruiting, training and making qualified and competent staff available for the NGO. Human resource management practices are enablers of innovative efforts through employee empowerment. The desired new ways of doing things, new practices and procedures (Yong, 2017) are brought about by people, the most critical asset of any organisation (Hasnain, 2015). Innovations in human resource management are associated with cost-saving (Genari & Macke, 2022) and improved financial sustainability of an organisation (Kutieshat & Farmanesh, 2022; Xiu, et al., 2017).

6.2 Implications

NGOs conceive organisational innovation as adopting new ways of doing things and implementing new ideas and processes to improve efficiency and effectiveness of the organisation. The study authenticates earlier researchers that conceptualise organisational innovation as the novelty of how things are done (Hage, 1999; Dougherty, 1994; Utterback, 1994). The innovations should be in line with the triple bottom line. The localisation of NGO services is a concept that calls on NGOs to minimise their dependency on external donors and increase their relevance to the local communities. The NGOs that prioritise organisational innovation are more likely to gain improved organisational performance, as expressed by earlier researchers (Phan, 2019; Bloom & Faulkner, 2015; Tucker, 2014; Read, 2000). The limiting factor to organisational innovation in the context of the NGO sector in Uganda may be the limited technical capacity and the lack of job security due to contractual employment terms that are project specific.

Financial sustainability in the context of NGOs is not any different from its general use in other settings. Financial sustainability is the possession of adequate cash flows to run the activities of an organisation without unnecessary financial encumbrances. Unfortunately, NGOs in Uganda are dependent on external donors. To achieve financial sustainability, NGOs should reduce their dependency on a single external donor by sourcing different donors. The NGOs should also strive to gain income from local revenue sources. This may not be very feasible given the general poverty levels in the country.

Corporate governance practices are a key driver of an NGO's financial sustainability. The effectiveness of corporate governance practices is rooted in a competent and functional board. The board sets the vision and mission, establish policies and plays an oversight role in NGO activities. Whereas respondents were happy with the functionality of the boards, they were uncertain whether the policies and the strategic plan were disseminated among staff. The strategic plan and the policies must be disseminated among staff as they are the primary implementers of the NGO activities. The strengthening of the NGO financial systems and the adherence to the RAFT principles may endear the NGOs to continue support from external donors.

The financial management practices of an NGO are pivotal in the financial sustainability of NGOs. The model summary showed that financial management practices explain 56% of the variation in NGO financial sustainability. This is not surprising given that money financial management practices encompass planning, budgeting, internal control, reporting and resources mobilisation. Without prudent financial management practices, value for money may not be attained. The donors assess the financial management practices before committing funds to an NGO. The NGOs in Uganda seem to be aware of this requirement of donors, thus giving it priority. However, the wide variation in opinions on whether the surveyed NGOs possessed a fundraising plan is a testimony to the inadequate efforts of the NGOs in fundraising and diversifying their income sources.

The NGOs in Uganda are increasingly working in partnerships. Partnerships offer synergies in delivering NGO services. The major limitation is the fear of mission drift. The avoid mission drift, NGOs must reduce donor dependence and enter into partnership only with organisations with shared vision. Often imbalance in power of the NGOs and partner organisation results in unequal partnership ((Reith, 2010; Doh & Teegen, 2003). Mutual trust and transparency are crucial for successful partnerships. The state of external relations in the context of the NGO sector in Uganda are exemplified by the model results. The results showed the insignificant contribution of external relations to the NGO's financial sustainability in Uganda. The NGO - government partnership is beneficial in efficient service delivery, but poses the risk of mission drift, especially when NGOs' dependence on the government funding is high. Avoiding overreliance on the government funding and capacity building in negotiation are critical in this respect, to avoid mission drift. The NGO-private sector relations should be explored and strengthened, as it will likely lead to improved service delivery by the NGOs towards the community.

The correlation results depicted a significant positive relationship between human resource management practices and NGOs' financial sustainability. The model results, however, showed that human resource management practices play an insignificant role in explaining NGO financial sustainability. This may be explained by the fact that human resource management practices play the indirect role in financial management and service delivery by recruiting, training and managing performance of staff involved in the NGO activities.

6.3 Recommendations for Future Research

This research concentrated on understanding the relationship between organisational innovation and the financial sustainability of NGOs operating in Uganda. The research recommends that a similar study incorporating a broader scope, like an East African region-wide study, be conducted for generalisability.

Managing external relations is a crucial feature of NGOs' performance excellence. The study has shown the challenges of NGOs in managing external relations. It is recommended that further research be conducted on the challenges and ways of stregthnenig external relations.

6.4 Conclusion

NGOs in Sub-Saharan Africa, especially Uganda, experience financial challenges that hinder their efforts to promote social change and development (Despard, et al., 2017; Kyalimpa, et al., 2017). Changing donor priorities have worsened the funding challenges (Shava, 2020). Otaru, et al. (2021) call upon NGOs to find new ways of reaching out to their beneficiaries. Uganda has a higher percentage of NGO inactivity and mortality due to unsustainable funding (Kyalimpa, et al., 2017). Organisational innovation in the NGO sector in Uganda is key to achieving the NGO's financial sustainability. NGOs must continuously re-invent themselves in a dynamic operational environment and use the triple bottom line approach of achieving social, financial and environmental objectives. NGOs should diversify their funding sources and work with multiple donors, and increase the share of internally generated income. NGOs must strengthen their corporate governance, financial management, networking and human resource management to achieve financial sustainability.

This research focused on the contribution of organisational innovation to the financial sustainability of NGOs operating in Uganda. The literature reviewed showed that limited studies had been conducted on the effect of organisational innovation and NGO financial sustainability in Uganda. Most of the innovation research has been conducted on business organisations and their findings may not apply to NGOs (Kristina, 2011). This research contributes to a better understanding of organisational innovation and financial sustainability in the NGO setting, a grey area in the East African region.

APPENDIX A

SURVEY COVER LETTER

Dear Respondent,

I, Nandanan Kannan Pulakkal, am pursuing a Doctor of Business Administration (DBA) at the Swiss School of Business Management. I am conducting a research study on "Organisational innovation and financial sustainability of NGOs in Uganda". As a person experienced in NGO management, you have been selected to participate in this study. Your input into this study will contribute to promoting the financial sustainability of NGOs in Uganda, especially when major donors are shifting their funding priorities. The information obtained will be strictly used for academic purposes. By filling out this questionnaire, we acknowledge your voluntary and informed consent to participate in this study.

Risks/discomforts:

There is no foreseeable risk of harm or discomfort arising from your participation in this study. The only risk or discomfort will be the inconvenience in terms of time spent during the interview.

Benefits:

By participating in this study, you will make a tremendous contribution towards finding the solution to the NGO financial sustainability in the country. The findings of this study will be shared with you or your organisation as per your request and interest to aid in evidence-based policy formulation. You will also have a chance to make further contributions before the final report is disseminated.

Confidentiality:

Your identity will not be revealed to anyone, as we shall only use codes to identify participants. Information obtained will only be accessible by the research team. Soft copies of the data will be protected by password and hard copy files will be kept under lock and key. Confidential information will only be accessed by the principal investigator.

Alternatives:

You do not have to participate in this study if you are not interested. You will not lose any benefit in case of no participation.

Cost:

There will not be any additional cost incurred as a result of participating in this study.

Questions:

If you have any questions related to the study as a research participant, you can contact the principal investigator, Nandanan Kannan Pulakkal, telephone number +256772740404

Thank you for your cooperation!

Nandanan Kannan Pulakkal

APPENDIX B

INFORMED CONSENT

Dear Respondent,

I, Nandanan Kannan Pulakkal, am pursuing a Doctor of Business Administration (DBA) at the Swiss School of Business Management. I am conducting a research study on "Organisational innovation and financial sustainability of NGOs in Uganda". As a person experienced in NGO management, you have been selected to participate in this study. Your input into this study will contribute to the promotion of the financial sustainability of NGOs in Uganda, especially at a time when major donors are shifting their funding priorities. The information obtained will be strictly used for academic purposes.

By filling out this questionnaire, we acknowledge your voluntary and informed consent to participate in this study.

Risks/discomforts:

There is no foreseeable risk of harm or discomfort that will arise from your participation in this study. The only risk or discomfort will be the inconvenience in terms of time spent during the interview.

Benefits:

By participating in this study, you will make a tremendous contribution towards finding the solution to the NGO's financial sustainability in the country. The findings of this study will be shared with you or your organisation as per your request and interest to aid in evidence-based policy formulation. You will also have a chance to make further contributions before the final report is disseminated.

Confidentiality:

Your identity will not be revealed to anyone, as we shall only use codes to identify participants. Information obtained will only be accessible to the research team. Soft copies of the data will be protected by password, and hard copy files will be kept under lock and key. Confidential information will only be accessed by the principal investigator.

Alternatives:

You do not have to participate in this study if you are not interested. You will not lose any benefit in case of no participation.

Cost:

There will not be any additional cost incurred as a result of participating in this study.

Questions:

If you have any questions related to the study as a research participant, you can contact the principal investigator, Nandanan Kannan Pulakkal, telephone number +256772740404

Thank you for your cooperation!

Nandanan Kannan Pulakkal

APPENDIX C

RESEARCH QUESTIONAIRE :

Section A: (Biodata)

Please tick in the box the most appropriate choice

1. Gender of the respondent

1. Male ☐ 2. Female ☐

2. Respondent’s level of education

1. Diploma ☐ 2. Degree ☐ 3. Postgraduate ☐ 4. Others ☐

3. Level of Management

1. Top management ☐ 2.Middle management ☐ 3.Lower management ☐

4. Terms of employment

1. Permanent ☐ 2. Contract ☐ 3. Volunteer ☐

5. Years of experience working in an NGO environment

1. 1-5 years ☐ 2. 6-10 years ☐ 3. More than ten years ☐

Section B (Research Questions)

This part seeks your candid opinion on the state of corporate governance in your NGO. For each item provided. Please tick the appropriate number on a scale of 1-5 where 1 = Strongly Disagree (S/D), 2 = Disagree (D), 3 = Neutral (N), 4= Agree (A), and 5= Strongly Agree (SA).

Corporate Governance Practices

No.	Item	S/D	D	N	A	S/A
B1	There is a board representation at general meetings					

No.	Item	S/D	D	N	A	S/A
B2	The board adheres to corporate discipline					
B3	The board considers transparency & accountability important					
B4	The board exercises independence in its decision making					
B5	The board plays a key role in stakeholder management					
B6	The board provides the required leadership for the NGO					
B7	The board promotes the social responsibility of the NGO					
B8	The board closely monitors the NGO activities					
B9	The board promoted financial prudence					
B10	The board is actively engaged in the NGO affairs					
B11	Job descriptions for each board member are clearly spelt out					
B12	The board has established functional sub-committees					
B13	The NGO has a conflict-of-interest policy					
B14	The NGO has a whistle-blower policy					
B15	The NGO has in place a code of business conduct					
B16	The board has a risk management committee					
B17	The board closely monitors the NGO financial position					
B18	The NGO has functional strategic plans					
B18	The board is actively involved in fundraising activities					
B19	The board timely reviews the annual audits of the NGO					
B20	The NGO has a clear Vision and Mission					

Section C (Research Questions)

This part seeks your candid opinion on the financial management practices in your NGO. For each item provided, please tick the appropriate number on a scale of 1-5, where 1 = Strongly Disagree (S/D), 2 = Disagree (D) 3 = Neutral (N), 4 = Agree (A), and 5= Strongly Agree (S/A).

Financial management practices

No.	Item	S/D	D	N	A	S/A
C1	Our annual budget is aligned with our strategic plan.					
C2	Our accounting system can provide timely reports					
C3	There are strong internal controls in our organisation					
C4	Our reporting systems are built on transparency principles					
C5	The NGO has a financial plan for fundraising					
C6	The NGO maintains an updated asset register					
C7	The NGO own generated funds are on a steady increase					
C8	There is flexibility in adopting donor tracking systems					
C9	Periodical cash flow projections are prepared in our NGO					
C10	The staff in the finance department are qualified & competent					
C11	The NGO timely submits annual financial statements					
C12	The NGO prepares annual financial statements					
C13	The internal control systems in our NGO are strong.					
C14	The Audit Committee regularly reviews financial reports					
C15	The NGO carries out project evaluations					

Section D (Research Questions)

This part seeks your candid opinion on the human resource management practices in your NGO. For each item provided, please tick the appropriate number on a scale of 1-5, where 1=Strongly Disagree (S/D) 2= Disagree (D), 3=Neutral (N) 4= Agree (A), and 5= Strongly Agree (S/A).

Human resource management practices

No.	Item	S/D	D	N	A	S/A
D1	The staff is trained in writing grant proposals					
D2	The staff is trained in grants management					
D3	Regular appraisals of staff are conducted					
D4	Feedback is regularly provided to staff on performance					

No.	Item	S/D	D	N	A	S/A
D5	Staff are trained in formulating strategic plans					
D6	Staff are trained in how to work with funding partners					
D7	Staff ideas to improve programmes are welcome					
D8	The managers of the organisation lead by example					
D9	There is role clarity for employees in this NGO					
D10	The NGO has a clear recruitment policy					
D11	Our managers instill team spirit among employees					
D12	The NGO is able to attract and retain competent staff					
D13	There is a clear plan for in-service training					
D14	Staff are trained in lobbying skills					
D15	The NGO has a system of capturing and evaluating new ideas generated by staff					
D16	The management encourages staff to present new ideas.					
D17	NGO documents and evaluates, and implements new ideas					

Section E (Research Questions)

This part seeks your candid opinion on the effectiveness of external relations in your NGO. For each item provided, please tick the appropriate number on a scale of 1-5 where 1=Strongly Disagree (S/D) 2= Disagree (D), 3=Neutral (N) 4= Agree (A), and 5= Strongly Agree (S/A).

External relations

No.	Item	S/D	D	N	A	S/A
E1	The NGO has established a network of donors					
E2	The NGO is a member of the NGO forum and other networks					
E3	We prioritise community participation in our programmes					
E4	Our programmes are developed based on a needs assessment					
E5	There is much interest in our programmes by the community					
E6	We have a good working relationship with the beneficiaries					

No.	Item	S/D	D	N	A	S/A
E7	The NGO culture blends commercial with philanthropic values					
E8	Our employees actively participate in international forums					
E9	The NGO provides support to other NGOs					
E10	There is the visibility of the NGO activities to the external stakeholders					
E11	The NGO collaborates with the private sector for funds development					
E12	The NGO collaborates with the government for funds the development					

Section F (Research Questions)

This part seeks your candid opinion on the antecedents of innovative behaviours in your NGO.

For each item provided, please tick the appropriate number on a scale of 1-5 where 1=Strongly Disagree (S/D) 2= Disagree (D) 3=Neutral (N) 4= Agree (A), and 5= Strongly Agree (S/A.)

Promoting Innovative behaviours

No.	Item	S/D	D	N	A	S/A
F1	Innovative habits are rewarded in this NGO					
F2	We are encouraged to always come up with something new					
F3	The organisation encourages the free exchange of ideas					
F4	Bureaucratic procedures are minimal in this organisation					
F5	Team spirit is encouraged in this organisation					
F6	Team building sessions are a regular feature around here					
F7	Partnerships with other actors are encouraged					
F8	Work/life balance is encouraged in this organisation					
F9	The NGO continuously lookout for new funders					
F10	Virtual interactions are promoted in this organisation					

No.	Item	S/D	D	N	A	S/A
F11	Virtual meetings are organised for our target communities					
F12	Our activities are often benchmarked against the best					
F13	I am supported when I fail to achieve my set targets					
F14	The organisation encourages independent thinking					
F15	My immediate supervisor has confidence in my abilities					
F16	This organisation is a customer focused					
F17	The organisation has clear communication channels					
F18	The NGO has a system of capturing and evaluating new ideas generated by staff					
F19	The management encourages staff to present new ideas.					
F20	NGO documents and evaluates, and implements new ideas					

Section G (Research Questions)

This part seeks your candid opinion on the financial sustainability of your NGO. For each item provided, please tick the appropriate number on a scale of 1-5 where 1=Strongly Disagree (S/D), 2= Disagree (D), 3=Neutral (N,) 4= Agree (A), and 5= Strongly Agree (S/A)

Financial sustainability

No.	Item	S/D	D	N	A	S/A
G1	The NGO is able to meet its operational expenses					
G2	The NGO has a variety of income sources					
G3	The NGO is able to reduce its expenses					
G4	The NGO is able to survive without donor funding					
G5	The NGO budget includes own generated funds					
G6	Our activities are funded by various donors					
G7	No single donor funds our budget by over 25 per cent					
G8	Our activities are running smoothly despite the Covid pandemic					

No.	Item	S/D	D	N	A	S/A
G9	The NGO ably meets its timelines/deliverables					
G10	No negative annual cash flows were experienced in the last two years					
G11	There have been minimal audit queries over the last three years					
G12	The NGO has been experiencing budget deficits for the last two years					
G13	Our activities have been slowed by reduced income flows					
G14	The NGO always attracts repeat funding from donors					
G15	The NGO has a streamlined fundraising policy					
G16	The NGO has a financial sustainability plan					
G17	We need to charge fees for our services to survive					
G18	Locally mobilised resources can fund the NGO activities					
G19	Our finance staff have good lobbying skills					

APPENDIX D

INTERVIEW GUIDE

1) What is your understanding of NGO financial sustainability?

2) What key organisational innovation has your NGO implemented in the last five years (2016-2021?)

3) How does your NGO take care of the so-called triple bottom line of sustainability (economic, social and environmental protection) while implementing its activities?

4) What key challenges to financial sustainability have been faced by the NGO in the last five years?

5) What are the various funding strategies the NGO has used to achieve financial sustainability over the years?

6) What are the various networks/collaborations your NGO is involved in?

7) How have these networks benefited or limited the operation of the NGO?

APPENDIX E

DETAILED WORKING

4.1 Validity and Reliability of the Instruments

```
. alpha B1-B21

Test scale = mean(unstandardized items)

Average interitem covariance:     .3820638
Number of items in the scale:           21
Scale reliability coefficient:      0.9241

.
. alpha C1-C14

Test scale = mean(unstandardized items)

Average interitem covariance:      .399062
Number of items in the scale:           14
Scale reliability coefficient:      0.9196

.
. alpha D1-D17
D17 constant in analysis sample, dropped from analysis

Test scale = mean(unstandardized items)

Average interitem covariance:     .5167875
Number of items in the scale:           16
Scale reliability coefficient:      0.9361

.
. alpha E1-E12

Test scale = mean(unstandardized items)

Average interitem covariance:     .4736176
Number of items in the scale:           12
Scale reliability coefficient:      0.9211

.
. alpha F1-F20
F19 constant in analysis sample, dropped from analysis

Test scale = mean(unstandardized items)

Average interitem covariance:     .3658887
Number of items in the scale:           19
Scale reliability coefficient:      0.9268

.
. alpha G1-G19

Test scale = mean(unstandardized items)
Reversed items:  G12 G13 G17 G18

Average interitem covariance:     .3108118
Number of items in the scale:           19
Scale reliability coefficient:      0.8608

.
. alpha B1-B21 C1-C14 D1-D17  E1-E12 F1-F20 G1-G19
D17 F19 constant in analysis sample, dropped from analysis

Test scale = mean(unstandardized items)
Reversed items:  G12 G13 G17

Average interitem covariance:     .3057418
Number of items in the scale:          101
Scale reliability coefficient:      0.9770
```

4.2 Demographic Characteristics

```
. tab1 Genderoftherespondent- Yearsofexperienceworkingina

-> tabulation of Genderoftherespondent

  Gender of |
        the |
 respondent |      Freq.     Percent        Cum.
------------+-----------------------------------
     Female |         29       28.43       28.43
       Male |         73       71.57      100.00
------------+-----------------------------------
      Total |        102      100.00

-> tabulation of Respondentslevelofeducation

Respondent's |
    level of |
   education |      Freq.     Percent
-------------+-----------------------
      Degree |         22       21.57
     Diploma |          1        0.98
     Masters |         58       56.86
      Others |          1        0.98
Postgraduate |         20       19.61
-------------+-----------------------
       Total |        102      100.

-> tabulation of LevelofManagemen

         Level of |
       Management |      Freq.
------------------+-----------
 Lower Management |
Middle Management |
   Top Management |
------------------+-------
            Total |

-> tabulation of Termso

  Terms of |
employment |      F
-----------+------
  Contract |
 Permanent |
 Volunteer |
-----------+--
     Total |

-> tabulatio

experienc

      e
------

Mor
--
```

4.3 Descriptive Statistics

```
. sum C1- C14
```

Variable	Obs	Mean	Std. Dev.	Min	Max
C1	84	4.369048	.861209	1	5
C2	83	4.325301	.8986227	1	5
C3	84	4.309524	.8355965	1	5
C4	84	4.369048	.8471037	1	5
C5	84	3.892857	1.053026	1	5
C6	84	4.285714	.872214	1	5
C7	84	3.166667	1.170247	1	5
C8	84	3.940476	.9737666	1	5
C9	84	4.071429	1.015372	1	5
C10	84	4.333333	.8549408	1	5
C11	84	4.25	.9167123	1	5
C12	83	4.156627	.9302757	1	5
C13	84	4.107143	.9053769	1	5
C14	83	4.156627	.993662	1	5

```
. sum D1- D17

    Variable         Obs        Mean    Std. Dev.       Min
-------------+--------------------------------------------------
          D1 |        76    3.118421    1.232527
          D2 |        76    3.421053    1.224888
          D3 |        76    4.276316    .9323616
          D4 |        76    4.052632    .9783624
          D5 |        76    3.342105    1.0270
-------------+------------------------------------
          D6 |        76    3.486842
          D7 |        76    4.039474
          D8 |        74    3.9324
          D9 |        76    4.0
         D10 |        76
-------------+------------
         D11 |
         D12 |
         D13 |
         D14 |
         D1
-------


. sum E1- E12

    Variable         Obs        Mean    Std. Dev.       Min
-------------+--------------------------------------------------
          E1 |        75    4.253333    .8235279
          E2 |        75    4.373333     .767117
          E3 |        75    4.346667    .86201
          E4 |        75    4.266667    .8
          E5 |        75    4.426667
-------------+
          E6 |        75    4.
          E7 |        75
          E8 |
          E9 |
         E10 |
----------
```

```
. sum F1- F20
```

Variable	Obs	Mean	Std. Dev.	Min	Max
F1	71	3.15493	1.129449	1	5
F2	71	3.788732	.9398403	1	5
F3	70	3.9	.9502097	1	5
F4	71	3.338028	1.120506	1	5
F5	71	4.225352	.8484807	1	5
F6	71	3.464789	1.106229	1	5
F7	71	4.197183	.7487078	1	5
F8	70	3.814286	.9523861	1	5
F9	71	4.323944	.8581483	1	5
F10	70	4.342857	.7200184	1	5
F11	70	3.357143	1.239866	1	5
F12	71	3.943662	1.054071	1	5
F13	71	3.816901	.9608011	1	5
F14	71	3.84507	.9203708	1	5
F15	70	4.214286	.9151361	1	5
F16	71	4.295775	.7633454	2	5
F17	68	4.264706	.7251896	2	5
F18	71	3.338028	1.054835	1	5
F19	0				
F20	71	3.56338	.9521764	1	5

```
. sum G1 -G19
```

Variable	Obs	Mean	Std. Dev.	Min	Max
G1	69	3.956522	1.155992	1	5
G2	69	3.550725	1.157282	1	5
G3	68	3.852941	.8510697	1	5
G4	69	2.347826	1.222655	1	5
G5	69	3.086957	1.401041	1	5
G6	69	4.376812	.8928054	1	5
G7	67	2.761194	1.404425	1	5
G8	69	3.608696	1.114311	1	5
G9	69	4.130435	.7842764	2	5
G10	69	3.681159	1.131017	1	5
G11	69	3.927536	.896379	2	5
G12	69	2.42029	1.288019	1	5
G13	69	2.637681	1.350066	1	5
G14	69	4.333333	.7605468	2	5
G15	69	3.768116	1.126485	1	5
G16	69	3.724638	1.148964	1	5
G17	67	2.597015	1.337792	1	5
G18	69	4.144928	.9892862	1	5
G19	69	3.710145	1.044614	1	5

4.4 Correlation between variables

```
. pwcorr B- G,sig
```

	B	C	D	E	F
B	1.0000				
C	0.6263	1.0000			
	0.0000				
D	0.6508	0.6123	1.0		
	0.0000	0.0000			
E	0.6867	0.6			
	0.0000				
F	0.5				

4.5 Regression model

reg FinSustainability CorpGovPrac FinMgPrac HumanResPrac ExterRelations ProInnovBehav, robust

FinSustainability	Coef.	Robust St.Err.	t-value	p-value	[95% Conf	Interval]
CorpGovPrac	**0.231**	**0.069**	**3.41**	**0.020****	**0.135**	**1.381**
FinMgPrac	**0.560**	**0.066**	**8.52**	**0.000*****	**0.750**	**1.870**
HumanResPrac	**0.079**	**0.088**	**0.90**	**0.369**	**-0.095**	**0.253**
ExterRelations	**0.053**	**0.090**	**0.59**	**0.559**	**-0.125**	**0.230**
ProInnovBehav	**0.330**	**0.080**	**4.12**	**0.000*****	**0.171**	**0.488**
Constant	**1.500**	**0.245**	**6.11**	**0.000*****	**1.013**	**1.987**

Mean dependent var	**3.509**	SD dependent var	**0.382**
R-squared	**0.463**	Number of obs	**102**
Adj R-squared	**0.451**		
F-test	**16.555**	Prob > F	**0.000**
Akaike crit. (AIC)	**40.762**	Bayesian crit. (BIC)	**56.511**

*** p<.01, ** p<.05, * p<.1

4.6 Variable inflation

vif

Variance inflation factor

	VIF	1/VIF
CorpGovPrac	3.842	.26
FinMgPrac	3.704	.27
HumanResPrac	2.215	.452
ExterRelations	2.197	.455
ProInnovBehav	1.926	.519
Mean VIF	2.777	.

APPENDIX F

QUALITATIVE ANALYSIS SAMPLE

Interview Question: What is your understanding of NGO financial sustainability?

Responses and coding

Interviewee 1: the ability of an NGO to have sustained funding streams to enable it to implement its strategic interventions over time.

Interviewee 2: financial sustainability looked at it in terms of social entrepreneurship. Social entrepreneurship looks at doing business but, at the same time, ensuring the organisation can sustain itself even after the donor has given the resources.

Interviewee 3: financial sustainability in an NGO setting is the capacity of an NGO to function effectively regardless of the financial flows from the traditional donors, and this is seen in the way NGOs are operational even in times when there is no funding coming in, yet you have to continue with the operational activities to serve the beneficiaries.

Interviewee 4: NGO financial sustainability is the ability of an NGO to remain in business and for that to happen . . . You must present services to people that are able to address people's needs, and when you do that, you remain relevant and able to attract funding from donors.

Interviewee 5: NGO financial sustainability is the ability of an organisation to continue independent. operations for a period post-donor funding

Interviewee 6: NGO financial sustainability is where (i) NGO is able to have continuity in mobilising funds, (ii) NGO will have systems in place that would ensure that these funds are optimised, (iii) NGO would have mechanisms for replenishing the funds and (iv) NGOs should build self-financing mechanisms.

Interviewee 7: Financial sustainability is where an NGO has a strong economic base where it is actually in charge of its funding as opposed to depending on donors where they are not sure of when the funding will come in ....When they are at least certain that they can cover their operations with or without donor projects.

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