

Board Composition and Performance of Non-Governmental Organizations in Ethiopia

¹Lakachew Walie Zeleke, ²Wario Guyo & ²Makori Moronge

Abstract

The objective of the study was to determine the influence of board composition on performance of non-governmental organizations (NGOs) in Ethiopia through descriptive survey and correlational research designs. The study achieved 72.6% response rate from 276 chief executives and 199 board chairpersons analysed through descriptive and inferential statistics. The findings showed a positive relationship between board composition and performance of local NGOs. The results also showed that majority of the boards are characterized by limited diversity (male dominated), lack clearly constituted board committees and challenged on enablers of board function (infrequent meetings). Nonetheless, board diversity, effectiveness of the boards in carrying out their functions, and the existence of board committees were all important factors for determining performance of NGOs. With these findings, the study recommends setting of clear eligibility criteria for board appointments/elections, setting term limits, holding regular elections, regular appraisal of board and CEOs performance, induction of new board members, providing clear terms of references and encouraging gender diversity. Since the study was based on views of the board chairpersons and chief executive officers, secondary data and assessments of the external stakeholders can be used to triangulate the findings.

Keywords: board, board composition, performance, non-governmental organizations

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About the authors:

¹Corresponding author. PhD Scholar (Leadership and Governance), Jomo Kenyatta University of Agriculture and Technology. Email: lakachewwalie@gmail.com

²Lecturer, Jomo Kenyatta University of Agriculture and Technology



1. Introduction

The uneven funding trends of the Non-Governmental Organizations (NGOs) in the last two decades with current cuts to official development assistance (ODA) by developed countries has been cited as the biggest threat to their existence (Bond, 2020). In fact, data from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) showed that global income for international NGOs grew at a steady rate between 2003-2009, followed by a more rapid growth until 2015-2016, followed by a plateauing and then a decline. The decline disproportionately affected the smaller local NGOs which depend on the international NGOs for a significant amount of their incomes (upwards of two thirds) (Tallack, 2020). According to a financial survey, it was projected that 52% of organizations would hardly survive through 2023 (Bond, 2020).

In Ethiopia, 552 NGOs were shut-down between 2009 and 2016, of which 44% closures were due to lack of funds (Ariti et al., 2018). This was mainly occasioned by the implementation of Proclamation No. 621/2009 law governing registration and regulation of Ethiopian charitable NGOs limiting the foreign funding to local Ethiopian civil society organizations to only 10% if engaged in human rights related work. The law was passed with the intention of reducing the vulnerabilities of sensitive domestic issues to manipulation by imported agendas that may accompany foreign funds. To survive, most rights-based NGOs in Ethiopia had to change their mission statements to become service provision NGOs. They are not allowed to engage in advancement of human and democratic rights, promotion of equality of gender, ethnic groups and religion, promotion of the rights of children and persons with disability, promotion of conflict resolution and the promotion of the efficiency of justice and law enforcement services (Gebre, 2016). These changes in objectives further aggravated the situation with traditional funders gradually losing interest to even fund the allowable 10% (Ariti et al., 2018).

In the wake of this funding crisis, NGOs were more than ever required to be innovative and reposition themselves for alternative sources of funding, and be efficient and effective in utilization of limited funds they have (Recadina & Ouma, 2017). Survival of local small NGOs will therefore greatly depend, among others, on the NGOs' boards capacity to navigate this emerging trend and offer strategic direction and support efficient and effective resource management and utilization. An achievement which would greatly be impacted by the board characteristics (Mihail et al., 2022).

Scholars, practitioners, and policy makers have been engaged in ongoing debates regarding the impact of board composition on performance of NGOs. While the concept of board composition has been defined from different perspectives, the common themes and traits revolve around board size (Martin & Herrero, 2018), mix of inside and outside directors (Sener et al., 2011), board demographics such as heterogeneity of education levels, experience, background, class, gender, race, ethnicity, board independence, board assigned roles and board diligence among other attributes (Butler 2012; Srivastava et al., 2018; Chemweno, 2016; Amedi & Mustafa, 2020). These characteristics can have a significant influence on the board's effectiveness, decision-making processes, and ultimately, the overall performance.

The influence of board composition has been widely studied to establish correlations with board outcomes (Chen & Wu, 2016). Moreover, literature has shown various conflicting evidence on the effects of board attributes such as diversity, functionality and committees on non-governmental organizations. With respect to board diversity, Recadina and Ouma (2017) identified occupational diversity with a strong correlation to performance among NGOs in Nairobi City County, Kenya. Similarly, Alabede (2016) established that moderating effect of board diversity strengthens the relationship between outside directors and operating performance as well as between board size and operating performance with an important moderating role in corporate governance. Rao and Tilt (2016) showed that gender, tenure and multiple directorships have the potential to influence board functioning and performance with some interaction effects between gender and multiple directorships but the relationship between independent/non-executive directors was unclear. Additionally, Chapple and Humphrey (2014) did not find evidence of an association between gender diversity and performance but established some weak evidence of a negative correlation between having multiple women on the board and performance.

Regarding board functions and effectiveness, Amadi (2015) reported that more than half (51%) of the NGOs in Kenya do not have functioning board of directors. Similarly, Omar et al. (2016) reported that only 50% of the Malaysian non-profit organizations board members were committed in generating funds for their organizations. On the other hand, Kemei and Mweberi (2017) described that more than 80% of non-governmental organization boards in Kenya adopt good corporate management practices to enhance functionality of

their boards. The study also established that efficiency, responsibility, transparency, and integrity have a positive effect on financial performance of NGOs in Kenya. Likewise, Puyvelde et al. (2018) assert that indeed interactions in the boardroom really matter and are generally positively associated with both board chairs' and chief executives' perceptions of board effectiveness.

Concerning board committees, a study by Amadi (2015) reported that more than half of the NGOs in Kenya do not have board committees. For the corporates, Mihail et al. (2022) reported that the average number of committees per board was 1.66 among Romanian firms. The study also showed that 57% of the boards had audit committees, 31% remuneration committees, and 30% nomination committees. Further, a study by Chen and Wu (2016) investigated 6,000 firms in the USA and painted a positive picture by indicating that 99.9% of the firms had audit committees, 98.1% compensation committees, 84.8% governance or nomination committees, 21.2% executives, 12.1% finance committees and less than 10% for all other committees.

The influence of board composition has been widely studied to establish correlations with board outcomes (Chen & Wu, 2016). Nonetheless, most of this literature come from outside Ethiopia (Amadi, 2015; Kemei & Mweberi, 2017; Recadina & Ouma, 2017) and are cases from the corporate world (Adams & Ferreira, 2009; Alabede, 2016; Chapple & Humphrey, 2014; Chen & Wu, 2016; Mihail et al., 2022; Puyvelde et al., 2018). While some studies show positive effects of board composition on performance (Alabede, 2016; Kemei & Mweberi, 2017; Rao & Tilt, 2016; Puyvelde et al., 2018; Recadina & Ouma, 2017), others show negative (Adams & Ferreira, 2009), no relationship (Chapple & Humphrey, 2014) or unclear findings (Rao & Tilt, 2016). These mixed findings in the literature on the relationship between board composition can be attributed to differences across studies in measures of performance, methodologies, time horizons, omitted variable biases, other contextual issues and lack of clarity on when and which concept of diversity may be important (Adams et al. 2015). Understanding board composition, therefore, allows deeper insights into the role of boards and their optimal design. Further, literature on the effect of board composition on performance of non-governmental organizations in Ethiopia is not exhaustive. Hence, the objective of this study was to examine the influence of board composition on performance of non-governmental organizations in Ethiopia.

2. Literature Review

2.1. Theoretical background

Agency theory. Proponents of this theory see organizational shareholders or stakeholders and managers as distinct entities, often with contrary or conflicting interests on organizational-related decision-making matters (Booth-Bell & Jackson, 2021). They see managers and shareholders/stakeholders as having different goals resulting in potential governance issues. The theory was proposed to mitigate this potential risk by promoting robust monitoring of managers and employees considered to always act in their own self-interest. The theory is built on the assumption that human beings by their very nature are self-centered and unless constrained, they will act in manner that prioritizes their interest against the goals of the shareholders/stakeholders. Hence, the theory focuses on determining the best way to manage the contract between shareholders/stakeholders and managers in an organization.

From NGOs perspectives, stakeholders can use the board as an information system to control and monitor managers and their assumed opportunistic behavior (Booth-Bell & Jackson, 2021). This seeks to reduce the associated risks and enhance overall performance. NGO boards are expected to be highly representative and in most cases board members are drawn from different stakeholders for the voices of the stakeholders to be heard in the board. These often include donors, beneficiaries, other NGOs and experts, government agencies among other stakeholders. Agency theory was appropriate for the study in that, effectiveness of a board in delivering its oversight role (function) has a direct impact on NGOs performance with regards to meeting its objectives (Adane et al., 2018). Agency theory is also seen as a basis for promoting board diversity. Butler (2012) argues that diverse boards present a possible deterrent to self-serving behavior on managers as diversity bring different perspectives on management decision making. For instance, Booth-Bell and Jackson (2021) opine that women monitor more aggressively than men and are more likely to attend more meetings. Thus, boards with three or more women explicitly monitor better whether the corporate strategy is being implemented resulting in more corporate transparency.

Resource dependency theory. The theory identifies resources as the key drivers of success in an organization. The theory proposes that organizations need internal and external resources to sustain their long-term existence (Zehir et al., 2019). With respect to

management, the theory indicates that board of directors represents a strategic and creative resource for any organization (Miller & Triana, 2009). The primary function of the board is therefore to provide different resource functions to the organization such as, expertise, channels for communicating information with external organizations, building important external relationships, advising the executive and legitimacy (Makhlouf et al., 2017). Thus, boards play a significant role in strategic decision making and in enhancing organizational performance.

This theory implies that NGOs depend on their boards as a crucial resource for managing external dependencies, reducing environmental uncertainty and reducing the transaction costs associated with environmental interdependency (Hillman et al., 2000). The board thus become a vessel for co-opting important external resource in the management of the NGOs. The proponents of this theory argue that where internal board of directors largely serve to provide organizational-specific information, outside directors primarily provide resources needed to deal with external factors such as uncertainty and external dependencies. This acts by bringing “outside” inside the organization, by having external board of directors who serve to link the organization with its external environment, may act to reduce external uncertainty and dependencies (Hillman et al., 2000).

2.2. Empirical review

2.2.1. Board diversity

The concept of diversity varies from context to context and the term is often difficult to be given an explicit meaning. Nonetheless, the diversity concept is underlined by the heterogeneity of attributes including education, experience, background, class, gender, race, ethnicity among other attributes (Butler, 2012). Board diversity in this context constitutes the range of backgrounds, demographics, skills, competencies and experiences that board directors possess collectively. It has been argued that board diversity may improve board functioning (Hillman, 2015) since decision making in groups may improve with diversity as creativity may increase and a broader set of alternatives may be considered. Further, diverse directors are expected to bring varied perspectives and enhance monitoring of managers as board diversity increases board independence (Adams et al., 2015).

Despite these propositions, past literature on relationship between board diversity and organizational sustainability performance remain inconclusive (Islam et al., 2022). A study by Recadina and Ouma (2017) identified board diversity attributes of age, occupational

background and professional networks to have positive correlation with performance of non-governmental organizations in Nairobi County, Kenya. The study established that occupational diversity was the strongest of the 3 variables followed by age diversity and then professional networks diversity. Further, a study by Alabede (2016) explored the effect of board diversity on corporate governance structure and operating performance. The study indicated that the moderating effect of board diversity strengthens the relationship between outside directors and operating performance as well as between board size and operating performance. The study concludes that board diversity plays an important moderating role in corporate governance.

A study by Rao and Tilt (2016) showed that gender, tenure and multiple directorships have the potential to influence board functioning and performance (measured as corporate responsibility). While the study also showed that the relationship between independent/non-executive directors was unclear, there is possible existence of some interaction effects between gender and multiple directorships. Additionally, a study by Chapple and Humphrey (2014) investigated whether having multiple women on the board is linked to performance. Overall, the study did not find evidence of an association between diversity and performance but established some weak evidence of a negative correlation between having multiple women on the board and performance. Adams and Ferreira (2009) studied the impact of board gender diversity on firm performance, and reported a negative relationship between the two. According to Adams et al. (2015), the mixed findings in the literature on the relationship between diversity and performance can be attributed to differences across studies in measures of performance, methodologies, time horizons, omitted variable biases, other contextual issues and lack of clarity on when and which concept of diversity may be important.

2.2.2. Board functions

In line with resource dependence theory, literature suggests that the board of directors serve functions beyond monitoring management on behalf of shareholders or stakeholders to providing advice and counsel to management and linking the organization to external contingencies. Thus, directors play a critical role in strategic decision making, helps to enhance firm legitimacy by signifying the organization's stature or quality (Chen et al., 2022). Further, NGOs board members have the core responsibility of determining and articulating the organization's mission, vision (Recadina & Ouma, 2017), steering strategic planning and providing strategic direction (George & Sahay, 2018), defining and monitoring

performance of organizational programs and services, providing legal and ethical oversight, financial oversight, evaluating the executives (Puyvelde et al. 2018), interacting with the community, and managing conflicts between staff members, communities, or both (Chen et al., 2022).

Effectiveness of the board in carrying out its functions is important for proper functioning of NGOs due to the board's key role of monitoring and supervising management behaviors, aligning the interests of donors and management, and protecting donor's and stakeholders' interests (Makhlouf et al., 2017). El-Dahdoh (2018) identified some of the behaviors related to the effectiveness of NGO boards to include, board members' attendance of compulsory meetings, quality of contribution by the board members during meetings, board members' knowledge of the NGOs' mission, services, and programs, members' general knowledge and good sense of all issues that the organization face, and availability of members to guidance when needed. Nonetheless, Amadi (2015) investigated the effects of board effectiveness on business planning and sustainability of NGOs in Kenya and concluded that more than half (51%) of the NGOs did not have functioning board of directors.

2.2.3. Board committees

The board committees are specialized subgroups of the board that exist to perform many of the board's most critical functions, such as setting executive compensation, identifying potential board members, and overseeing financial reporting (Kolev et al., 2019). Mihail et al. (2022) posit that establishment of board committees has been strongly recommended as a suitable mechanism for improving corporate governance, by delegating specific tasks from the main board to a smaller group and harnessing the contribution of non-executive directors. The proponents of this concept have argued that board committees provide specialization, efficiency, accountability, and costs (information segregation) benefits (Chen & Wu, 2016). The committees are expected to allow more diligent and comprehensive monitoring and advise to the executives leading to better outcomes. According to Kolev et al. (2019), smaller committees may meet more frequently, and draw on specialized expertise and abilities of their members, thus executing tasks with greater efficiency and expediency. Moreover, due to their well-defined purpose and clear expectations, subcommittees face greater scrutiny from various stakeholders, which reduces

individual free-riding and encourages more effective implementation of their duties (Kolev, et al., 2019).

A study by Amadi (2015) reported that more than half of the NGOs in Kenya do not have board committees. However, findings from the corporates provide more impressive result. A study by Mihail et al. (2022) among Romanian firms observed that the average number of committees per board was 1.66, with a standard deviation of 1.28. The study also showed that 57% of the boards had audit committees, 31% remuneration committees, and 30% nomination committees. Further, a study by Chen and Wu (2016) investigated 6,000 firms in the USA and painted a positive picture by indicating that 99.9% of the firms had audit committees, 98.1% compensation committees, 84.8% governance or nomination committees, 21.2% executives, 12.1% finance committees and less than 10% for all other committees. In Ethiopia, a study by Dato et al. (2018) investigated the related subordinate board structures which influence performance. The relationship between board size and financial performance metrics was shown to be mediated by the organization of the board committees. Importantly, board committee assists in improving operational self-sufficiency, reducing operating costs and increasing client outreach in rural communities. Further, authority, makeup, and compensation of the board of directors were specifically evaluated by Tura (2012) among corporates in Ethiopia. The study argues that boards should be suitably composed of non-executive and truly independent members who should be professionally competent.

3. Methodology

This study set out to establish whether board composition influences performance of NGOs in Ethiopia. A quantitative approach was used to investigate the relationships with both descriptive survey and correlational research designs. The study population was 2,201 local registered NGOs in Ethiopia (Authority for Civil Society Organizations (ACSO), 2022). Fisher's formula was used to calculate the sample size as $327 (n = Z^2pq/ e^2)$, where p and q are population proportions which are set at 0.5 each, Z being the critical z-value at the 95% confidence interval (1.96), and e being the margin of error of the sample proportion at 95% confidence interval (0.05). The sampled NGOs were then systematically drawn from the

sampling frame provided by ACSO. These constituted the units of analysis with the units of observations being the chief executives and board chairpersons of the sampled institutions.

A survey questionnaire was used to collect quantitative data with Likert Scale and factual responses, which can be independently verified. The questionnaire was developed through literature review and was subjected to expert opinions and pre-testing before use. Questionnaires were distributed to the chief executive officers and board chairpersons of the sampled local NGOs operating in Ethiopia. The study adopted a drop and pick strategy where completed questionnaires were dropped at the NGOs head offices and collected after three weeks. As part of the questionnaire cover letter, a statement on research ethics was included. The statement informed the respondents that participation was voluntary and that all information would be held confidential.

The factual questions were used to establish the nature of board composition while a Likert scale was used to assess board composition and performance measured through accountability and effectiveness. Factual questions were used to corroborate the findings in the rating scale. Statistical analysis was used for quantitative data to infer meaning to the larger population and also to create an understanding of the relationship between independent variables and NGO performance in Ethiopia. The findings were presented in tables and charts.

4. Results and Discussion

The study achieved 72.6% response rate, of which 58.14% were chief executive officers and 41.86% board chairpersons. This shows a fair representation of the key respondents in the study. Majority of the respondents were males (84.75%) with females accounting for only 15.25%; an indication of male dominance in top leadership of NGOs, congruent with the report by EMAH Social Development Consulting (2022) suggesting cultural barriers as the key drivers of low number of women in top leadership in Ethiopia. The findings also show that majority (83.65%) of the respondents had worked in the NGO field between 1 to 10 years, 12.06% for 11 to 20 years and 4.29% for above 20 years, an indication that most respondents had been in their organizations long enough to understand the nature of its performance and stakeholders' engagement. Majority had masters' degrees (44.8%) followed by bachelor's degree (38.8%), certificate/diploma (10.6%), PhD (4.4%)

and ESLCE (1.4%). The data established that majority (33.5%) of the sampled NGOs were registered between 2011 and 2020, 30% between 2001 and 2010, 19.1% between 1991 and 2000, 5.9% between 1981 and 1990, 7.4% between 2021 and 2022 while 4.2% earlier than 1980. This showed that majority of the local NGOs were new (<11 years) when it comes to operation in Ethiopia. Further, majority (27.7%) of them had between 11 and 20 employees, 25.4% over 20, 24.6% between 5 and 10, and 22.3% between 1 and 5 employees. This confirms that majority of the NGOs are small and have limited human capacity.

Regarding board composition, findings in table 1 show that majority (78.74%) of the organizations had male board members ranging between 1 and 5 while 21.03% had male members ranging between 6 and 10 and only 0.23% had organizations with more than 10 male board members. The findings also show that most (93.44%) of the organizations had between 1 and 5 female board members, and 6.56% of the organizations had between 6 and 10 female board members. This is an indication that there are relatively more males in the NGO boards compared to the females. Findings show that nearly 15% of the boards have no female representation at all. This trend shows reduced diversity of the boards with respect to gender.

Table 1

Board gender composition

Number	Male		Female	
	Number	%	Number	%
1-5	337	78.73	342	93.4
6-10	90	21.02	24	6.6
Above 10	1	0.23	0	0
Total	428	100	366	100

The study sought to find the frequency of board meetings in a year. Table 2 shows that majority (50.5%) indicated board meetings held quarterly, 30.4% semi-annually, 7.1% annually, 9.6% on need arises and 2.5% monthly. Nearly half (47.1%) of the boards seems to be taking too long (> 6 months) before holding a meeting. This would limit effectiveness of board oversight on management activities. Even though 2.5% may seem to be small percentage, it is sign that the boards of these NGOs may not be giving the management adequate time to execute their mandates and possible lack of separation of responsibilities between the board and management.

Table 2*Frequency of board meeting in a year*

	Frequency	Percentage
Monthly	11	2.5
Quarterly	221	50.5
Semi-Annually	133	30.4
Annually	31	7.1
As the need arise	42	9.6
Total	438	100.0

Majority of the respondents confirmed lack of clearly constituted board sub-committees with clear terms of references in their boards. This would indicate reduced efficiency and comprehensiveness of the boards' oversight role. Kolev et al. (2019) opined that board sub-committees allow more diligent and comprehensive monitoring and advise to the executives leading to better firm outcomes. That is, smaller subcommittee may meet more frequently, and draw on specialized expertise and abilities of their members, thus executing tasks with greater efficiency and expediency.

Table 3*Board sub-committees*

Sub-Committees	Frequency	Percentage	No. of Sub Committees	
			1-5	>10
I don't know	28	6.4	-	-
No	286	65.3	-	-
Yes	124	28.3	95.4%	4.6%
Total	438	100.0	95.4%	4.6%

On board diversity, table 4 shows that slightly above one third of the respondents agreed that there is enough diversity in their boards (39.58%, $M=3.0$; $SD=1.251$). The findings further show in detail that only 39.4% of the respondents agreed that there is a clearly defined eligibility criteria for individuals to serve on the board of the organization such as experiences, qualifications and gender. This means that six out of 10 local NGOs lack eligibility criteria for appointment of board members. In addition, 30.6% agreed that their boards consist of the executive and non-executive members (internal and external directors) on a balanced proportion; an indication that six out of ten of these boards may lack balanced opinions for board decision making.

Table 4*Board composition and functionalities*

Board Composition	SD	D	N	A	SA	Mean	Std. Dev.
Diversity							
There is a clearly defined eligibility criteria for individuals to serve on the Board of the organization such as experiences, qualifications and gender	19.3	21.6	19.7	28.7	10.7	2.90	1.302
The Board consists of the executive and non-executive members (internal and external Directors) on a balanced proportion	16.0	30.6	22.8	20.4	10.2	2.78	1.230
The organization has a maximum term limit for a Board member to serve in the organization	6.9	15.7	21.7	34.0	21.7	3.48	1.189
The organization conducts regular Board elections/appointments as stipulated in the byelaws/ constitution	19.8	22.3	25.3	21.5	11.1	2.82	1.282
Sub Category	15.5	22.55	22.38	26.15	13.43	3.0	1.251
Functions							
As a Board member or CEO, I have received induction on the roles and responsibilities of the Board and management	13.6	25.2	28.4	22.4	10.4	2.91	1.197
The Board appraises at least annually the performance of the CEO based on set objectives	16.3	25.6	25.4	24.5	8.2	2.83	1.207
There is at least annual evaluation of the Board performance based on objectives set in order to improve effectiveness	16.3	26.3	26.5	20.8	10.0	2.82	1.222
Board formulates long term strategy and policy, review performance and mobilizes resources to achieve organizational goals	2.3	14.5	22.6	38.7	21.9	3.63	1.050
Sub Category	12.13	22.9	25.73	26.6	12.63	3.05	1.169
Aggregate	13.8	22.7	24.1	26.4	13.0	3.0	1.2099

The 55.7% agreed that the organization has a maximum term limit for a board member to serve in the organization showing that nearly half of the boards do not have clear

term limits for board members. Finally, 32.1% agreed that the organization conducts regular board elections/appointments as stipulated in the bylaws/ constitution. This shows that nearly, seven in ten of the boards do not have regular elections. Overall, this is an indication of inadequate diversity in the boards. Lack of diversity is a major concern as it can impede sourcing of wide range of views and voices, which is integral for strategic decision making, innovation and improvement of performance (Kueka et al., 2021).

On board functions, the findings revealed that slightly above one third of the respondents agreed that board members are effectively carrying out their functions as required (39.23%, $M=3.05$; $SD=1.169$). The findings further revealed that 32.8% of the respondents agreed that as a board member or CEO, they have received induction on the roles and responsibilities of the board and management. This could indicate that for six in ten boards, members may not be operating with a clear understanding goals and strategies of the organizations. However, 32.7% agreed that the board appraises at least annually the performance of the CEO based on set objectives, and 30.8% agreed that there is at least annual evaluation of the board performance based on objectives set to improve effectiveness. Quite a higher percentage, 60.6% agreed that board formulates long term strategy and policy, review performance and mobilizes resources to achieve organizational goals. Board effectiveness is important for proper functioning and enhancing performance of NGOs due to the board's key role of monitoring and supervising management behaviors, aligning the interests of donors and management, and protecting donors and stakeholders' interests (Makhlouf et al. 2017).

On the performance, majority (73.0%) of the respondents affirmed the availability of internal system of checks and balances that divides power and authority between management and the board, 22.8% said internal system of checks and balances that divides power and authority between management and the board were not available while 4.1% said they were not sure. The study findings presented in table 5 show that 53.5% of the respondents agreed that the perception of NGOs results is satisfactory, 37.2% that the government perception on outputs of NGOs is satisfactory, 28.5% that the media perception on the impact of NGOs is satisfactory, 26.9% that NGOs are accountable and transparent to the stakeholders, and 34.9% that the NGOs comply with government requirements. Despite majority (53.5%) of the public being satisfied by the performance of NGOs in Ethiopia, there

is an indication of an indictment for poor performance from the regulatory authorities and the public watchdogs (media). This could possibly mean that the stakeholders do not read from the same page and view performance in different perspectives. Thus, the need for stakeholders' engagement to create a better understanding for all. Cumulatively, the study shows average performance of Ethiopian NGOs where in slightly above one third (36.2%) of the NGOs, the respondents agreed that performance was satisfactory while 26.14% were neutral and 37.7% disagreed. This means only about one third of the NGOs satisfactorily achieve their objectives with about one quarter moderately achieving their objectives and the rest failing to achieve set objectives. The performance of NGOs in Ethiopia has been greatly influenced by contextual factors such as legal and administrative barriers, poor networking and cooperation among NGOs, lack of capacity, lack of information, and a lack of clear role on policy issues (Ariti et al., 2018).

Table 5

Descriptive statistics for performance

Performance Indicators	SD	D	N	A	SA	Mean	Std.
	(%)	(%)	(%)	(%)	(%)		Dev
The public perception of NGOs results is satisfactory	8.0	20.9	17.5	38.7	14.8	3.31	1.189
The government perception on outputs of NGOs is satisfactory	8.7	23.8	30.2	29.8	7.4	3.03	1.088
The media perception on the impact of NGOs is satisfactory	16.7	30.0	24.8	22.3	6.2	2.71	1.166
NGOs are accountable and transparent to the stakeholders	18.0	24.0	31.0	22.9	4.0	2.71	1.127
The NGOs comply with government requirements	22.0	15.9	27.2	25.3	9.6	2.75	1.347
Aggregate	14.68	22.92	26.14	27.8	8.4	2.9	1.183

To test the study hypothesis, a simple linear regression analysis was conducted. Cronbach's alpha for the 8 board characteristics and 5 performance measurement items were .849 and .738, respectively. Thus, the scales were found to be reliable and adequate for analysis. The results of the regression indicated that board composition explained 19.2% of the variance (Adjusted $R^2 = .192$, $F(1,473) = 113.68$, $p < 0.05$). It was found that board composition significantly predicted performance ($\beta = .44$, $t = 10.66$, $p < 0.05$) even though, there was a weak relationship between board composition and performance. In summary, the

results show that board composition (diversity, effectiveness of carrying out its functions, & presence of board sub committees) positively affect performance of NGOs in Ethiopia. Thus, the study rejects the null hypothesis which states that there is no significant relationship between board composition and performance of NGOs in Ethiopia. It means boards with members from diverse backgrounds (gender, education, experiences), more effective in carrying out their functions, and have sub-committees, tend to perform better. The findings support other research which found positive effects of board characteristics (Chemweno, 2016) and its composition (Adane et al., 2018) as major influencers of organizational performance.

Table 6

Model summary for board composition and performance

Source	SS	Df	MS	Number of obs	= 473
Model	63.313	1	63.313	F (1, 473)	= 113.688
Residual	262.857	472	.557	Prob > F	= .0000
Total	326.169	473	.689	R-squared	= .194
				Adj R-squared	= .192
				Std. Error of the Estimate	= .74626
Performance	Coef.	Std. Err.	Beta	T	P> t
Constant	1.567	.129	-	12.103	.000
Board Composition	.440	.041	.441	10.662	.000

5. Conclusion

The study showed a positive relationship between board composition and performance of NGOs in Ethiopia. The results showed that majority of the boards are characterized by limited diversity (male dominated), lack of clearly constituted board committees, and challenges on enablers of board function (infrequent meetings). Nonetheless, board diversity, effectiveness of the boards in carrying out their functions, and existence of board committees were all important factors for determining performance.

From the findings, it can be concluded that limited diversity impedes sourcing of wide range of views and voices, which is integral for strategic decision making, innovation and improvement of performance. Moreover, NGOs without sub-committees are most likely to face reduced efficiency, diligence and lack of comprehensiveness in monitoring and offering advice to the executives with negative effects on the organizational outcomes. This

has created an understanding on the role of board characteristics on performance and allowed for deeper insights into the role of boards and their optimal design for enhanced NGOs performance. Thus, the study recommends setting of clear eligibility criteria for board appointments, setting term limits, holding regular elections, regular appraisal of board and CEO performance, induction of new board members and providing clear terms of references, and encouraging gender diversity.

Since performance evaluation was based on board chairpersons and executives' opinions on accountability and effectiveness, inclusion of secondary data (reports) would improve the evaluation by providing an opportunity to triangulate the findings. Recognizing that the assessment of performance was from internal stakeholders, studies considering external stakeholders would help validate the findings. Similarly, the study only established a weak relationship between board composition and performance, further study should be done to find out the other factors that might affect performance of NGOs in Ethiopia. In this regard, future studies should consider wider scope in terms of period and include other international NGOs and other NGOs outside Ethiopia.

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