# INFLUENCE OF INTERNAL ORGANIZATION ALENVIRONMENT ON PERFORMANCE OF COMMUNITY-BASED HIV AND AIDS ORGANIZATIONS IN NAIROBI COUNTY

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**Abstract**
        Organizational performance is a key concern for stakeholders in both the profit and non-profit sectors. However, more attention has been focused on profit-making organizations with little emphasis on performance of community-based organizations (CBOs) and other Civil Society Organizations (CSOs) especially those located in sub-Saharan Africa. Theoretically, scholars in management discipline indicate that the internal environment of an organization influences its performance.   Thus, performance is dependent on the internal structures and systems existing within an organization.   This paper examines the impact of the internal organizational environment on performance of community-based HIV and AIDS organizations in Nairobi County, Kenya.   The authors empirically assess the predicted relationship using survey data from 163 Community Based HIV and AIDS Organizations, in Nairobi County, Kenya. The study findings indicate that the internal environment of an organization has an impact on an organization's effectiveness, efficiency, relevance and financial viability with impacts on the efficiency and relevance performance indicators.   This study has important implications for managers of CBOs on the relevance of developing sustainable internal systems and structures within their organizations to enhance performance.

**Keywords:** Internal environment, performance, community based organization, Nairobi County

        Public policy challenges ranging from environmental protection to disease control have grown more complex at global and national levels and

existing inter-governmental mechanisms often have been insufficient to address these problems effectively. As a result, CBOs have become important channels for delivery of social services and implementation of other development programs, especially in areas where government capacity is weak or non-existent. Kenya's Vision 2030 and the current devolved government entrenched in the new constitution has emphasized decentralization or even privatization of social service delivery, which has resulted in a larger role for CBOs (GoK, 2010).

Community-based organizations are increasingly becoming a pillar in facilitating development, especially in third world countries.  For instance, Kenya's multisectoral approach to achieving Vision 2030 has emphasized the role of CBOs in lowering HIV and AIDS prevalence rate that is estimated at 6.3% and in mitigating the social and economic impacts of the HIV pandemic. CBOs have been on the frontline in dealing with the pandemic by increasing access to treatment, home based care, and education and supporting the affected through income generating activities (GoK, 2010; UNAIDS, 2010).   Though this is true, performance of these organizations has not been substantially documented.

The increasing international focus and emphasis on better governance and transparency of Governments has also pushed many stakeholders to be concerned with CBO's performance particularly because on-Governmental Organizations(NGOs), CBOs and other CSOs receive a lot funding on behalf of beneficiary groups. However, the performance of an organization cannot be evaluated without reference to its operating environment.

An organization's internal environment forms an integral part of this environment. It consist elements within the organization including: current employees, management, and especially organizational culture, which define employee behavior. Although some elements affect the organization as a whole, others affect only the manager. For instance, a manager's philosophical or leadership style has a direct impact on employees. Traditional managers give explicit instructions to employees, while progressive managers empower employees to make many of their own decisions. Changes in philosophy and/or leadership style are under the control of the manager (Freeman & Reid, 2006).

McKinsey's conceptualization of internal organizational environment through the 7Ss framework posits that strategy, structure, skills, staff, systems, shared values and style, play a major role in influencing performance of organizations. These aspects provide an enabling environment for an organization to achieve its objectives (Waterman, Peters, & Julien, 1980). Despite this, performance of CBOs in Kenya remains wanting due to limitations such as finance, constraints of the environment and lack of management and technical expertise (Odindo, 2009).  Moreover,

constant pressures of fundraising, weak management skills and difficulties in scaling-up operations can limit CSOs' effectiveness and accountability.

We ascribe to the argument that improved internal organizational environment can lead to better performance of CBOs as it would improve their ability to attract funding.  In this study, we seek to answer the question 'what is the effect of internal environment on performance of community based HIV and AIDs organizations in Nairobi County, Kenya?  Through this knowledge, managers of CBO would be able to understand the role of internal systems and structures in enhancing performance of their organizations.  The findings from this study also provide useful guidelines to donors and government agencies, on how to build capacity of CBOs as well as selecting their partners, leading to efficient and effective utilization of resources advanced to them.

The rest of the paper is organized as follows: The next section presents the theoretical framework of the study. This is followed by methods used to accomplish the study, presentation of the findings and discussion. The paper closes with implications of the study, conclusions and recommendations for future research.

**Theoretical Framework**

Different authors perceive organizational performance differently based on the theory adopted.  In this study four main models or approaches were adopted to describe performance of CBOs, these include: Resource Based View (RBV), Sink and Tuttle Model, Balanced Scored Card and Logical Framework Analysis (LFA) as discussed below.

The RBV of an organization suggests that a firm's sustained superior performance and competitive advantage is the outcome of discretionary rational managerial choices, selective resource accumulation and deployment, strategic industry factors, organizational demographics and market factor imperfections (Dharanaj & Beamish, 2003). RBV regards the firm as a bundle of resources and suggests that their attributes significantly affect the firm's competitive advantage; and by implication performance (Barney, 1986&1991; Penrose, 1959; Peteraf, 1993; Wernerfelt,1984). Thus, researchers believe that a firm's resources are closely linked to its size and have been found to influence firms' performance (Boateng & Glaister, 2002).   The Sink and Tuttle Model (1989) describes organizational performance as a complex interrelationship between effectiveness, efficiency, quality, and productivity, quality of work life, innovation and profitability.

Kaplan and Norton's (1996) Balanced Scored Card proposes performance measurement to include both financial and non-financial measures such as customer satisfaction and retention. The performance of

non-profit organizations, such as CBOs, may be conducted at the overall organizational level, individual program level and their impact on the community.  Logical framework models are a management tool widely used in the non-profit sector in program design and evaluation. They are created to show how measurable impact (desired objectives and outcomes/goal) will be achieved and how achievement will be verified (McLaughlin & Jordan, 2010).  Typically, logic models specify how program inputs, such as money and staff time, produce activities and outputs, which in turn lead to impact. Logical Framework Analysis (LFA) is the most widely used approach in the non-profit sector.  It highlights project activities, outputs or results, purpose and goals as the key areas of evaluation in projects (Rolstada, 1998). Key performance indicators for non-profit organizations as well as CBOs include efficiency, effectiveness, impact, influence and financial leverage (Silverman, 2008; Marta, 2008).These indicators were adopted for this study.

Organizational effectiveness is the extent to which a program or a project achieves its immediate objectives or produces its desired outcomes (UNDP, 2010). Scott (2003) posits that organizational effectiveness is a measure of performance against a set of standards. Measuring organizational effectiveness requires a set of standards, indicators, work sampling size, and evaluation of the samples against a defined standard. According to him, indicators to be used in evaluating organizational effectiveness have to be chosen from among several possible types. Although several representations for differentiating among these concepts have been proposed, Scott (2003) suggests that the three paradigms of organizational perspectives; the rational, natural, and open systems perspective, account for much of the variances in measures of effectiveness.

Organizational efficiency is the optimal transformation (activities) of inputs into outputs. It focuses on rational use of resources at tactical level, meeting timelines and emphasizes least costs and maximum results (UNDP, 2010).  Organizational efficiency is a ratio that reflects a comparison of outputs accomplished to the costs incurred for accomplishing these goals. There are two aspects of efficiency. The first is the units of production or services that relate to the organizational purpose, and the second is how much it costs to produce those goods and services (Barker, 1995). This implies that to attain efficiency, an organization must ensure that maximum outputs are obtained from the resources it devotes to a program, operation or department (Tavenas, 1992). Conversely, efficiency is achieved when the minimum level of resources is used to produce the target output or to achieve the objectives of a program, operation or department.

Organizational relevance denotes its ability to meet the needs and gain the support of its priority stakeholders in the past, present and future. It is an organization's ability to innovate and create new and more effective

situations as a result of insight and new knowledge. To perform well, an organization must also pay attention to its ability to generate the resources it requires. This means not only having the ability to pay its operational bills, but also having some excess of revenues over expenses (profit or surplus).Financial viability is the ability of an organization to raise the funds required to meet its functional requirements in the short-, medium- and long-term (Lusthaus, Adrien, Aderson, Carden & Montalvan, 2002).Financial viability is a key short- and long-term concern for all organizations in different sectors.  In private sector private sector, profits are a measure of financial health (Booth, 1996). In NGOs it is access to unrestricted funds to cover ore expenses and institutional development costs

**Internal Environment and Performance**

An organization's internal environment consists of the trading status of the business, its finances, physical resources, staff and management skills, operational and control systems, stakeholders' interests, policies and procedures. Duncan (1972a) and Williams (2009) assert that the internal environment of any organization comprises firm-related factors that influence its capacity to achieve set objectives, develop and implement a viable plan, which consequently contributes to its performance (Amoako-Gyampah, 2003; Ghani, Nayan, Ghazali & Shafie, 2010). Waterman, Peters and Julien (1980) describe internal environment as key internal aspects that need to be aligned within an organization for improved performance or effective change implementation. Internal environment can also be described as those internal controllable forces operating within the organization itself that have a direct impact on an organization's performance.  These include financial resources, information and knowledge, firm's capabilities, incentives, organizational demographics such as size, inter-institutional linkages, company's objectives, goals and employees' skills (Freeman & Reid, 2006).

Whereas the operationalization of an organization's internal environment remains varied, there is consensus among scholars that internal environment is a key determinant of an organization's performance. Internal environmental forces provide strengths and weaknesses to the business (Tolbert & Hall, 2009). The aspects forming the internal environment of an organization provide an enabling environment for an organization to achieve its objectives. McKinsey's conceptualization of organizational internal environment highlights strategy, structure, skills, staff, systems, shared values and style as the key internal factors that influence performance of organizations(Waterman et al., 1980).Consequently, firms' are said to operate within a social framework of norms, values and assumptions, which eventually influences their performance and competitive advantage (Oliver,

1997). The human capital of the firm refers to the knowledge, skills and abilities that employees possess and use in their work. Studies of employee human capital have found its direct positive effects on firm performance (McKelvie & Davidson, 2009).Performance of an organization is dependent on the degree to which the values of the culture are comprehensively shared (Denison, 1990).

   We therefore argue that internal environment influences performance of community-based HIV and AIDS organizations. This perspective indicates a direct relationship between the internal environment and performance of community-based HIV and AID organizations, as illustrated in Figure 1.

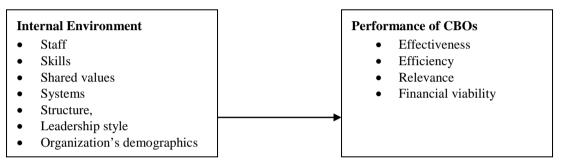| **Internal Environment** | | **Performance of CBOs** |
|---|---|---|
| • Staff <br> • Skills <br> • Shared values <br> • Systems <br> • Structure, <br> • Leadership style <br> • Organization's demographics | → | • Effectiveness <br> • Efficiency <br> • Relevance <br> • Financial viability |

Figure I: A Model Linking Internal Environment and Performance of CBOs

   Silverman (2008) indicated that aspects such as local networks of CBOs, leadership, client characteristics, staff and strategy can have an influence on the success of their programs. The development and exploitation of managers' social networking relationships with external entities affects performance of those organizations. Such social networks create social capital for organizations by establishing avenues for the exchange of valuable information, resources, and knowledge (Adler & Kwon, 2002). However, other studies show that networking relationships and ties can have detrimental effects on firm outcomes (Gargiulo & Benassi, 2000). In addition, many development projects implemented within organizations either partially or fully fail because the intervention does not adequately address the enabling environment within which the organization operates. Hence, this study proposes the following hypothesis:

   $H_1$: *Internal Environment has a significant influence on the Performance of Community Based HIV and AIDS Organizations in Nairobi County, Kenya.*

**Methods**

   The study adopted a descriptive cross-sectional survey design. Zikmund (2003) posits that surveys provide a quick and accurate means of

accessing information on a population at a single point in time. A descriptive cross-sectional survey collects data to make inferences about a population of interest (universe); this information provides snapshots of the populations' from which researchers gather data. A survey assists the researcher to establish whether significant associations among variables exist at one point in time, depending on the resources available and the target population (Owen, 2002). A descriptive cross-sectional survey affords the opportunity to capture a population's characteristics and test hypotheses quantitatively and qualitatively. Consequently, the researcher has no control on the variables thus could not manipulate them making it inappropriate to use other research designs such as experimental research design Drawing on the foregoing insights, we considered descriptive cross-sectional research design a suitable design.

The participants in the study were Chief Executive Officers (CEOs), Chairpersons and Directors, or those familiar with the HIV and AIDS activities within their organization, from a target of 350 CBOs operating in Nairobi County, Kenya. A list of active CBOs was provided by the National Aids Control Council (NACC) based on each organization's return of **Community Based Program Activity Reports (COBPAR) to NACC offices. Data were collected from a sample of 183 CBOs selected based on area and random sampling methods using both semi-structured questionnaires and interviews.** To enhance response rate and the quality of data collected, we contacted NACC headquarters for official communication to Constituency Aids Committee (CAC) officials. Following this, two research assistants were trained and 163 usable questionnaires were received yielding a response rate of 89%. Data were analyzed using correlations and simple regression analysis methods.

**Results**

Foremost, we assessed the reliability and validity of the measurements used in the study.  Reliability of the measures was assessed using three approaches. First, a pilot study to pre-test the questionnaire was conducted using 20 CBOs randomly selected from the list of active CBOs with similar characteristics as the target population but who were not to participate in the final survey. The instrument was also discussed with content experts and practitioners, redesigned and then distributed. Second, Cronbach's Alpha (ά) test, a measure of internal consistency, was also used to evaluate extent to which a set of items can be considered to be measuring a single latent variable. The Cronbach's Alpha reliability coefficients indicated high levels of reliability of the instrument with all values above the acceptable minimum value of 0.50 (Cronbach, 1951) and above the recommended value of 0.7 (Nunnally & Bernstein, 1994; Polgar & Thomas,

2008). The internal consistency of the measures used was therefore considered to be sufficiently high and to have adequately measured the relevant study variables. Third, a confirmatory factor analysis using PCA technique with Varimax rotation (Kaiser, 1974) was carried out to verify unidimensionality, that is, actual scale item on an instrument, (Gefen, 2003, Gerbing & Anderson, 1988). Prior to subjecting the data to factor analysis, all data relating to various variables measured using multiple items were subjected to Keiser-Meyer-Olkin (KMO) and Bartlett's test of sampling adequacy. KMO values were greater than 0.5 (>0.5) which is the recommended value (Malhotra, 2007). Barlett test of Sphericity was p= 0.01 which is less than the level of significance of 0.05. The results confirmed the theorized dimensionality of the study constructs.

In this study, construct validity was assessed through convergent validity tests. Convergent validity refers to the degree to which the scale correlates in the same direction (converges) with other measures of the same construct implying that the items exhibit homogeneity within the same construct. Items are only valid when they demonstrate high item to total correlations, high loadings on the intended factors (above 0.60), and with no substantial cross-loadings (Hair, Anderson, Tatham & Black, 1998; Zikmund, 2003). Results of these tests revealed that most of the items had loading in excess of 0.5, thus providing support for convergent validity of the measures used in the study.

An analysis of the CBOs surveyed revealed 41% of the participating CBOs had been in existence for two years and below while only 7% had been in existence for more than 14 years. These results indicate that many CBOs are started but few last long enough to continue their activities over a long period of time. This raises questions of the sustainability of these types of organizations. In terms of geographical distribution of the CBOs, Dagoretti Constituency had the highest number of participating CBOs at 23% of the sample, followed by Embakasi and Langata both at 13%.  The least number of CBOs came from Westlands with only 8%.Sources of funding for CBOs varied across organizations with 62% getting funding from community members and 36% receiving funding from local donors and private organizations. Only 31.9% of the surveyed organizations got funding from international donors. Regarding the HIV and AIDS interventions that each surveyed CBO was involved in, the findings indicate that 94.5% were involved in HIV and AIDS awareness campaigns while 73.6% participated in HIV and AIDS prevention activities. However, only 14.1% provided treatment access and literacy services suggesting that more information is provided on prevention but little or not enough has been done.

## Correlations

To evaluate if a relationship exists between internal environment and performance of CBOs, a Pearson's product moment correlation analysis was conducted. The results are reported in Table 1.

|   | Variable | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|
| 1 | Internal Environment | 1 | | | | | |
| 2 | Effectiveness | .483(**) | 1 | | | | |
| 3 | Efficiency | .750(**) | .557(**) | 1 | | | |
| 4 | Relevance | .739(**) | .593(**) | .791(**) | 1 | | |
| 5 | Financial Viability | .540(**) | .467(**) | .621(**) | .673(**) | 1 | |
| 6 | Performance | .749(**) | .762(**) | .877(**) | .922(**) | .813(**) | 1 |
| | Method: Pearson Product Moment Correlations **. Correlation is significant at the 0.01 level (2-tailed). Sig. (2-tailed, for all was 0.000 less than the P- value = 0.01 and 0.05. Sample (n) =163 | | | | | | |

*Table 1:  Correlations for Internal Environment and Performance of CBOs*

The correlation results presented in Table 1 point out that internal environment and efficiency are significantly correlated (r=0.750, p<.01; sig. 2-tailed =0.000<0.05).  The findings also indicate that internal environment is significantly correlated with relevance (r=0.739, p<.01; sig. 2-tailed =0.000<0.05). This suggests that an organization's ability to use resources with minimum wastage is determined by internal factors existing within that organization. At the same time, determination and designing of programs that add value to the society is determined by an organization's internal capacity, such as the skills available to carry out market analysis. Internal environment is also depicted to have a slightly lower correlation with effectiveness indicating that though the internal environment might hinder organizations from determining correctly what is to be done and when, the level of interference is low. This supports the ideas put forward by Oliver, 1997 indicating that relationships with all stakeholders such as funding agencies have an influence on performance.  These results therefore point out that definition of outputs and outcomes of specific projects and programs though determined by implementing organizations, funding agencies also play a key role in determining where they want their funds to be put. Internal environment also had a high correlation with overall aggregate mean scores of performance.

## Hypothesis Testing

The hypothesis tested stated that Internal Environment has a significant influence on the Performance of Community-Based HIV and AIDS Organizations in Nairobi County, Kenya. This hypothesis was tested

through simple linear regression analysis using the enter method. Internal environment (predictor variable), was regressed against each performance indicator (dependent variable) and then against aggregate mean scores of Performance. Multicollinerity (the linear inter correlation among variables) in the study was tested using Variance Inflation Factor (VIF). This shows the levels of correlation between independent variables displayed in SPSS regression outputs as well as examination of correlation coefficient among variables. These results are presented together with hypotheses test results in Table 2 and 3.

*Table 2: Results of Goodness-of-fit of the Regression of CBOs' Effectiveness, Efficiency, Relevance and Financial Viability on Internal Environment*

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .483[a] | .234 | .229 | .56017 |
| a**. Predictors**: (Constant), Internal Environment | | | | |
| **Dependent Variable**: Effectiveness | | | | |
| Model Summary | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .750 | .563 | .560 | .50269 |
| a. **Predictors:** (Constant), Internal Environment | | | | |
| **Dependent Variable**: Efficiency | | | | |
| Model Summary | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .739 | .546 | .543 | .47712 |
| a. **Predictors:** (Constant), Internal Environment | | | | |
| **Dependent Variable**: Relevance | | | | |
| Model Summary | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .540 | .291 | .287 | .73834 |
| a. **Predictors:** (Constant), Internal Environment | | | | |
| **Dependent Variable**: Financial Viability | | | | |

*Table 3: Significance of the Regression of CBOs' Effectiveness, Efficiency Relevance and Financial Viability on Internal Environment*

| Coefficients[a] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Unstandardized Coefficients | | Standardized Coefficients | | | Collinearity statistics | |
| Model | | B | Std. Error | Beta | T | Sig. | Tolerance | VIF |
| 1 | (Constant) | 1.803 | .278 | | 6.502 | .000 | | |
| | Internal environment | .406 | .0711 | .483 | 7.008 | .000 | 1.000 | 1.000 |
| **a. Dependent Variable**: Effectiveness | | | | | | | | |
| Coefficients[a] | | | | | | | | |

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1  (Constant) | .042 | .249 | | .161 | .868 | | |
| Internal environment | .915 | .064 | .750 | 14.390 | .000 | 1.000 | 1.000 |
| a. **Dependent Variable**: Efficiency | | | | | | | |

**Coefficients**[a]

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1  (Constant) | .315 | .237 | | 1.333 | .185 | | |
| Internal environment | .839 | .060 | .739 | 13.905 | .000 | 1.000 | 1.000 |
| a. **Dependent Variable**: Relevance | | | | | | | |

**Coefficients**[a]

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1  (Constant) | -.720 | .366 | | -1.967 | .051 | | |
| Internal environment | .759 | .093 | .540 | 8.133 | .000 | 1.000 | 1.000 |
| a. **Dependent Variable**: Financial Viability | | | | | | | |

When internal environment (independent variable) was regressed separately against effectiveness, efficiency, relevance and financial performance, the simple regression results presented in Table 2 indicate an $R^2$ of 0.234, 0.563, 0.546 and 0.291. This implies that internal environment score explains more variation in efficiency at 56.3% while it least explains variation in effectiveness at 23.4%. These results also suggest that internal environment determines whether resources within the organization will be used well to achieve the set objectives with minimum wastage.

The regression results in Table 3 reveal a statistically significant positive linear relationship between internal environment and Effectiveness (beta 0.483, p-value=0.000), Efficiency (beta 0.750, p-value=0.000), Relevance (beta 0.739, p-value=0.000) and Financial Viability (beta 0.540, p-value=0.000). These results indicate that the internal environment contributes more to the changes in efficiency and relevance as a unit change in internal environment results in 0.750 and 0.739 changes in Efficiency and Relevance respectively. Therefore, we fail to reject the hypothesis at ά=0.05. The statistically significant positive relationship between internal environment and CBOs effectiveness, efficiency, relevance and financial viability suggests that a favourable internal environment influences all activities of an organization from planning to implementation. Table 3 also

indicates the value of Variance Inflation Factor (VIF) to be 1.000 indicating that there is no problem of multicollinearity between the variables tested as the value is lower than 3, which is the value above which the problem of multicollinearitys arises.

To further evaluate the impact of internal environment on performance of CBOs, aggregate mean scores of internal environment were regressed against aggregate mean scores of performance.  Relevant results of the analysis are presented in Table 4 and Table 5.

*Table 4: Results of Goodness-of-fit of the Regression of CBOs' Performance on Internal Environment*

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R square | Adjusted R Square | Std. Error of Estimate |
| 1 | .749 | .561 | .558 | .41379 |
| **a. Predictors:** (Constant), Internal Environment | | | | |
| **Dependent Variable**: Performance | | | | |

*Table 5: Significance of the Regression of CBOs' performance on Internal Environment*

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| 1 | | B | Std. Error | Beta | T | Sig. |
| | (Constant) | .442 | .205 | | 2.154 | .033 |
| | Internal environment | .750 | .052 | .749 | 14.343 | .000 |
| a. **Dependent Variable**: Performance | | | | | | |

When aggregate mean scores of performance were regressed against internal environment, the results produced an $R^2$ of 0.561 as shown in Table 4. Thus, 56.1% of the variation in Performance scores is explained by internal environment. The results further exhibit a statistically positive relationship between internal environment and performance ($\beta$=0.749, p-value=0.000. Therefore, we fail to reject the hypothesis at $\acute{\alpha}$=0.05.  The statistically significant positive relationship between internal environment and performance of CBOs is an indication that internal environment has to be conducive for an organization to succeed in achieving its objective.

Based on the results in Tables 4 and Table 5, a simple regression equation can be used to estimate performance of Community-based HIV and AIDS organization in Nairobi County as follows:

$Y=b_0 + b_1 (IE) + \varepsilon_1$

Where

Y= Performance of CBOs

IE= Internal environment

$b_0$ is a regression constant and  $b_1$ regression coefficient

Therefore,

Y = 0.442+ 0.749IE

Where

0.442=y-intercept; constant

0.749= a regression coefficient providing an estimate of the expected increase in performance of CBOs corresponding to an increase in internal environment

From the results presented in Table 5 and the model above, internal environment contributes significantly to the prediction of performance of CBOs. The regression coefficient of 0.442 under constant indicates the value of performance when internal environment is at zero. The regression coefficient of 0.749 implies that a unit increase in internal environment would lead to a 0.749 increase in Performance of CBOs.

## Discussion and Conclusion

The goal of this study was to examine the effect of internal environment on the performance of community-based HIV and AIDS organizations in Nairobi County, Kenya. The significant relationship established between internal environment and performance of CBOs indicate that the nature of an organization's internal environment in the form of existing structure, strategy, skills, staff, shared values as well as systems, has an impact on the performance of organizations as suggested in the literature (Tolbert& Hall, 2009; Adler & Kwon, 2002; Oliver, 1997; Denison, 1990). This implies that if CBOs are to achieve their objectives, they have to ensure that they have developed an appropriate internal environment.  Based on this, it can be concluded that a conducive internal environment is imperative for an organization to succeed in achieving its objective. That is, CBOs should have proper leadership, structure, budgeting and management systems, HR policies and well-trained staff with the right attitudes and a supportive organizational culture to achieve the desired level of performance.

## Implication to Theory and Practice

The findings of the study make several recommendations that have theoretical and practice implications. Theoretically, the findings of this study reinforce the view that internal environment plays a major role in influencing performance of community-based HIV and AIDS organizations. By linking internal environment to performance of CBOs, this study provides empirical support to resource-based view theory that evaluates performance based on all the resources that exist within the organization. To the practitioners, the positive effects of internal environment on performance implies that in order to enhance performance of such organizations, managers of such organizations and other organizations should carry out a thorough analysis of

the internal environment before embarking or pursuing activities leading to achievement of organizational goals.In addition, it is recommended that such organizations establish proper internal management structures, systems and policies as these enhance performance of organizations. Further, project selection and implementation by CBOs should be based on their ability to implement them efficiently. The findings also point out that government agencies involved in the implementation of HIV and AIDS programs should focus on building management capacity of CBOs so as to improve efficiency and performance. Increased levels of monitoring and evaluation are also recommended in order to continually build CBOs' capacity that will eventually enable them to be financially viable and relevant.

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