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**Responsive strategies adopted by non-profit organisations
in recessionary times to ensure their financial
sustainability.**

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Abstract

The impact of the global financial crisis, which has its origins in the United States, reverberated through the private sector and brought some country economies to their knees. This highlighted the interconnectedness of world economies. Big companies filed for bankruptcy while others were acquired in a bid to avoid total annihilation. Unemployment levels reached terrifying heights. While the world economy was unravelling and the legitimacy of governments was determined by their ability to alleviate the financial pressures their citizens were under; another group was feeling the pressure. However, the impact the financial crisis has had on group has not received nearly as much attention.

Although the non-profit sector may not feature highly on the economic scales and matrices; it is part a part of the global economic fabric. It receives funds from governments, corporates, foundations, philanthropists and individual citizens. The size of the donations they receive correlates to the size of the disposable income of their donors. It therefore follows that when the world economy unravelled; non-profit organisations saw a marked decline in the funds received.

This paper sets to establish not only how the South African non-profit sector responded to what became a funding crisis for them; but also to test their responsive strategies within the framework of the strategy process. An exploratory research method was used to investigate this problem, and the results showed on the one hand, a spirited sector that has taken the challenge on by adopting more commercial thinking to ensure their financial sustainability. On the other it was found that challenges with a key strategic partner prevailed as well as the challenge of accepting the incongruence of embracing commercial practices vis-à-vis holding deep social mission values.

Key Words

Non-profit organisations, recession, financial sustainability, strategy

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University; I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Patricia Hadebe

Date

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1. INTRODUCTION

1.1. Introduction and background

Non-profit organisations (NPOs) are significant players in the social and public spheres of South Africa. This statement is supported firstly by the number of organisations registered as NPOs with the Department of Social Development (DSD); which was 108, 291 as at 27 June 2013 with a further 737 applications still being processed.

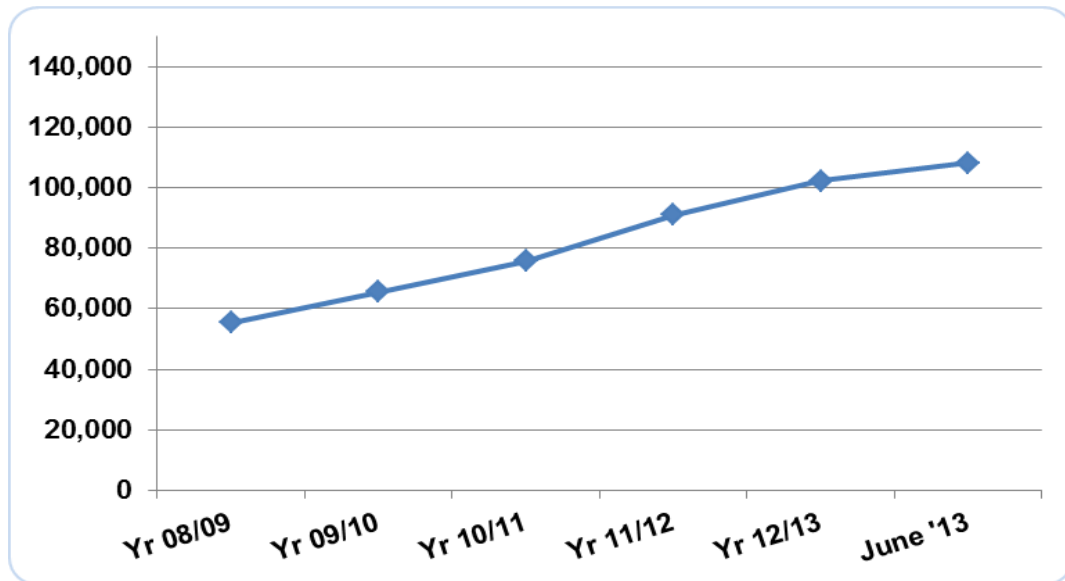
Secondly, according to its official website, DSD has two primary functions, and one of them is to ‘.....*partner with agents such as State-funded institutions, Non-Governmental Organisations (NGOs), Community-Based Organisations (CBOs) and Faith-Based Organisations (FBOs)*’ in executing its government mandate of providing social welfare services. All these organisations fall under the definition of NPOs as defined by the Non-Profit Organisation Act of 1997. By explicitly stating its cooperation with NPOs in its statement of core functions, DSD (and indeed, the State) is officially recognising NPOs as critical stakeholders and conduits through which it carries out its mandate.

Thirdly; the 2013/14 Annual Performance Plan of DSD shows that money granted to NPOs grew from R61.1m in the 2009/10 fiscal year to R70.3m in the 2012/13 fiscal year, with targets indicating that by 2015/16 this amount will have reached R132.2m – which will be an 88% increase in three years. The respective Annual Reports of DSD state that the number of registered NPOs grew from 65, 635 in the 2009/2010 fiscal year to 90, 967 at the end of the 2011/2012 fiscal year, an almost 40% increase in just three years.

While Salamon, (1994) attributes the global rise of what he terms the ‘Third Sector’ to amongst others the ‘*the long-simmering crisis of confidence in the capability of the state.*’ p.110, Stuart (2013) in her article on the challenges faced by the non-profit sector in South Africa, attributes the rise and

continued existence of the non-profit sector to the social inequalities brought on by a historically partial government which channelled resources to a minority group. These social inequalities continue to this day, resulting in the continued need for the NPOs to exist and to partner with government in meeting societal needs.

Graph 1 **Number of Registered NPOs**



Source: Based on DSD Annual Reports

The constant rise in the number of NPOs registering with DSD (as depicted in Graph 1) is not only as a result of the country's history; but is also reflective of the growing social hardships brought on by ills like HIV/AIDS afflictions, poverty, displacement due to natural disasters and the abandonment of children and the aged. Another contributor to the prevalence of NPOs which fall outside of the social sphere is the heightened conscientiousness to hold the state accountable to its citizen as evidenced by NPOs like Section 27, an advocacy NPO that challenged the state's failure to provide textbooks in Limpopo in 2012, ("Setting the record Straight", 2012) and OUTA an NPO that took various government representatives to court in a bid to stop the rolling out of the electronic tolling system in the Gauteng province. ("The Court Case", 2013)

Furthermore, unprecedented low employment levels brought on by the economy's inability to absorb the influx of young people entering the job market and massive retrenchments in the last four years driven by the 2008 global recession, have also added to the socioeconomic needs of citizens. ("Budget Review" 2012).

It was against a similar background that Etzioni, (1973) coined the term 'the third sector' when he recognised the advent and growth of organisations that provided a solution to how society serves and meets its socio-economic needs by filling the gap left by the public and private sectors.

As commendable a sector the third sector is; it is completely reliant on state grants and private donors to fund its activities. This is because NPOs by their very nature do not exist for the purposes of generating revenues and residual profits, but rather exist to meet the social needs of the most marginalised while operating outside the ambit of the state. Salamon, (1994). However, they do need money to be able to meet their social missions. Such money is used to meet similar operating expenses as those incurred by organisations operating in the private sector, as well as to roll out and maintain the social projects that are related to their missions. It therefore follows that in the absence or acute reduction of such financial contributions, NPOs will struggle to survive.

NPOs are now experiencing the harsh reality of fighting to survive in the face of slashed corporate responsibility budgets, belt-tightening by individual donors and a re-direction of funds by international donors and governments. Salamon, Geller & Spence, (2009). Compounding this dire financial situation for NPOs in South Africa, is that government's various vehicles like the National Lotteries Board (NLB), the National Development Agency (NDA) and DSD have not been geared up to meet the ever increasing demand for financial assistance from NPOs. ("Critical Perspectives on Sustainability". 2012). Ironically, it is during these times of high unemployment and joblessness that social welfare needs spike.

On a macro level, the 2008 global recession had a devastating effect on economies like Greece, Spain and Ireland, amongst others, which had to seek financial assistance from neighbouring countries just to stay afloat; and on global organisations like Chrysler, General Motors, Merrill Lynch, amongst others, which had to be acquired or file for bankruptcy protection in order to evade total annihilation. Not so fortunate were organisations like the Lehman Brothers bank which went out of business. The spill over effect has been an increase in retrenchments and the closure of many businesses as companies and economies subjected themselves to stringent cost-cutting measures. Unfortunately for NPOs this meant the slashing of funds previously channelled to them both by corporates and individuals who also have to get by on less.

Exacerbating the situation is the reduction of international donations from sources like governments, foundations and humanitarian organisations. For instance, the OECD, through its Secretary General, noted with regret that financial constraints in its member countries, especially in the Euro zone, have '*led to a second successive fall in total aid*'. ("Aid to poor countries slips" 2013). The most noted concern about this was that over and above the reduced funding, funds were being channelled away from poor African countries to middle income countries in the Far East. In April 2013, Britain announced that it would cut all direct aid (currently sitting at £19 million) to South Africa by 2015; citing as its main reason the fact that Britain has become South Africa's largest trade partner and that South Africa is a '*flourishing democracy*', which ostensibly should be able to continue flourishing without this aid. ("Britain to cut all aid". 2013).

In order to avert closing down, NPOs have turned to the only other source of income; and that is government. The crescendo of criticisms about government's inefficiency and lack of capacity in availing funds to NPOs and government's defence being that delays are caused by NPOs' failure to comply with regulations and processes governing the disbursement of funds; highlight a very real danger of NPOs closing their doors directly as result of lack of funds. ("Critical Perspectives on Sustainability". 2012).

Arguably, the continued existence of NPOs can be threatened by many factors, but the threat from financial crisis is paramount. In these times of curtailed funding to NPOs, it is imperative for NPOs to adapt to this already changed landscape by over-hauling their strategies and gearing them strongly towards sustained financial health.

1.2. Research Problem

In its 2012/13 State of Registered NPOs, DSD put the number of de-registered NPOs by the end of October 2012 at 36 428 NPOs and of these, 23 040 had been automatically deregistered due to non-compliance. While the reasons for the voluntary de-registration of the other 13 380 are unfortunately not stated in the report, it would not be improbable to attribute financial distress to their demise. (“State of South African Registered Non-Profit Organisations” 2013).

The closure of The Institute of Democracy in Africa (IDASA) in April 2013 due to its failure to *‘garner the financial support necessary to continue its work in a sustainable manner or pay its debts’*, sent shock waves in the non-profit sector and highlighted the threat to continued existence that hung over many NPOs in view of contracting funding. (“Statement on the Closing Down of Idasa.” 2013).

IDASA which was formed in 1987 and went on to become one of the most respected and legitimate civil institutions which advocated for democracy in the country, boasted such political heavyweights in its board like Rolf Meyer, Dr Alex Boraine and the late Professor Jakes Gerwel and Frederik Van Zyl Slabbert.

While it is difficult to put a figure on the number of NPOs which have closed doors due to financial difficulties; the closure of an organisation of IDASA’s size – citing financial constraints as the reason - calls for an assessment of

the plans that NPOs have put in place in order to ensure their own financial sustainability. The veracity of these plans should be premised on whether NPOs are using the strategy process to scan and understand the changes in the environments they operate in so that they can develop appropriate responsive strategies. Thus the issues to be addressed are those of the robustness of their strategy processes and relevance of the resultant outcomes (strategies) in the current operational context.

Companies in the private sector have the strategy process imbedded in their cultures and from the company's strategy, flows the business plans for all divisions. While the NPOs are in a different sector, the benefits rooted in this process, from understanding both the internal and external environments and the stakeholders in them, to the implementation imperatives and monitoring of the plans, make this process crucial. It is therefore incumbent to study financial sustainability within the context of the strategy process – even within the non-profit sector.

1.3. Research Objectives

This research paper aims firstly to assess the completeness of the process followed by NPOs when they formulate their responsive strategies; and will also seek to understand whether in each stage of the strategy process the thread of financial sustainability is incorporated and how it is perceived. The three stages of the strategy process, viz. strategy formulation, strategy implementation and strategy monitoring and evaluation will be the overarching flow from which financial sustainability will be researched.

The paper will also ascertain whether NPOs have come up with relevant approaches / plans to be implemented to ensure financial sustainability. This may reveal new thinking that would indicate adaptation to a new challenging environment.

The significance of linking an NPO's strategy process to its prospect for financial sustainability; is to pair the concepts of having a plan of where an organisation is going and the terrain of the journey; along with the paradigm of continuously prevailing irrespective of the challenges that may come up along the way and beyond.

1.4. Significance of Study

This study will ascertain whether NPOs strategy processes cover the three phases of strategy viz: formulating, implementing and monitoring and evaluating. There are acknowledgements and lamentations that NPOs have had to 'professionalise' in order to access funds. Stuart, (2013). There are also concessions by NPOs that they have been professionalising grudgingly as this is the only way they can get funds from donors. ("Critical Perspectives on Sustainability". 2012).

It is against this background that this study will assess the extent to which NPOs have embraced fully this well-established process of the private sector and highlight areas that may still need to be entrenched. This will provide guidance to government and other funders as to where they can assist the sector evolve to be on par with their international counterparts.

This study will also indicate the levels and depth of responsiveness to a changing external environment by South African NPOs. This will be of benefit to the non-profit sector as it will point out possible gaps in this crucial area or confirm commendable responsiveness of the sector.

1.5. Research Scope and Context

The scope of this study is limited to NPOs that operate in South Africa and are registered as NPOs with DSD. Excluded from this study are those NPOs who are fully funded and controlled by the state and those that receive subscription or membership fees as a source of income.

2. LITERATURE REVIEW

2.1. Overview

In this section the various variables inherent in the research topic will be analysed by reviewing literature on written on them. The analysis of NPOs will endeavour to define and highlight their key characteristics and give specific focus on how they are funded. Financial sustainability will be defined and a review of its important aspects like how organisations strategise around it will be presented. The link between global economic events and the funding challenges facing NPOs will be established. Finally, the strategy process will examine the three key phases and establish their relevance to the NPOs especially in the context of financial sustainability.

2.2. Non-Profit Organisations

2.2.1. Defining NPOs

It is perhaps best to begin by defining what qualifies an organisation to be classified as an NPO. In the South African context, the logical starting point of reference is the definition provided in the Non Profit Organisations Act of 1997 (The Act), which is:

'a trust, company or other association of persons established for a public purpose and the income and the property of which are not distributable to its members or office-bearers, except as reasonable compensation for services rendered'. s1(x).

This definition is the ultimate point of reference in the South African context as the purpose of The Act is to *'establish [es] an administrative and regulatory framework within which non-profit organisations can conduct their affairs'* (pre-amble to The Act). Therefore, any organisation wanting to be registered as an NPO has to comply with the provisions of The Act. The South African Department of Social Development (DSD) has the legislative mandate to administer The Act s1 (ix) through the

establishment of a directorate within its structure whose functions are listed in s5 of The Act.

This rather broad definition is in line with the one embraced by the System of National Accounts (SNA) of 1993 which also included the critical feature of NPOs not being permitted to be a source of any kind of financial gain for those who establish them.

The SNA of 1993 is an internationally agreed set of standards, definitions and accounting rules and classifications that was finalised under the auspices of the World Bank (WB), the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and the Commission of the European Communities (CEC). Its aim is to standardise economic analysis and policy making at macroeconomic level. SNA, (1993).

Statistics South Africa (Stats SA) also uses the classifications and definitions adopted by the SNA of 1993, when preparing their reports. Statistical Release P 0021 (2012); P9119.3 (2013) & Discussion document D0407.1(2013).

SNA (1993) categorises the different types of NPOs into those that are focussed on market production and those that engage in non-market production. A summary of the differentiating characteristics of each type are presented in Table 1 below.

Table 1

Types of non-profit institution by type of institutional sector

Institutional Sectors	Non-Profit Institutions	Description
Non-financial and financial corporations	Market NPIs serving business	These NPI's are created by associations of the businesses whose interest they are designed to promote. The NPIs are usually financed by contributions or subscriptions, which the SNA treats as payment for services rendered.
Non-financial and financial corporations	Market NPIs serving households	These NPI's sell their output at economically significant prices, particularly in the fields of education and health. The real objective of these NPIs is to provide educational, health and other services, and they use their incomes from contributions and endowments to reduce somewhat the fees they would otherwise have to charge.
Households	Non-market NPIs serving their own members	These NPIs are created by associations of persons or households to provide goods or, more often, services primarily for the benefit of the members themselves.
Non-profit institutions serving households	Non-market NPIs engaged in charitable purpose	These NPIs mainly provide non-market goods or services to households that are not members of the NPI. Their purposes are essentially philanthropic or charitable.
General Government	Non-market NPIs controlled and financed by government	These NPIs are properly constituted legal entities that exit separately from government and are engaged in research and development and the setting and maintenance of standards for the benefit of their institutional units.

Source: Stats SA (2013) p.5

This paper will contain itself with the fourth listed category of NPOs who are philanthropic in nature and are engaged in charitable activities. Organisations falling under the ambit of this category tend to be referred to by various similar names both in the literature and in public discourse. Even DSD on its website where it lays out its primary functions; refers to Non-Government Organisations (NGOs), Community Based Organisations (CBOs), Faith Based Organisations (FBOs) and State Funded Institutions (SFIs). Furthermore in the 2011- 2012 Annual Report of DSD, the Deputy Minister's report refers to Civil Society Organisations (CSOs) who are complying with The ACT. Also as can be seen from the categorisations in the table above, another name that is used when referring to these organisations is non-profit institutions (NPIs).

For the purposes of this paper all organisations who meet the definition as provided by The Act, and fall under fourth listed category in the table above, will henceforth be referred to as NPOs – as it includes the critical feature of these organisations which is the prohibition to distribute their income and assets even when an NPO closes down. The Act requires that the constitution of all NPOs applying for registration must *'provide that when the organisation is being wound up or dissolved, any asset remaining after all its liabilities have been met, must be transferred to another non-profit organisation having similar objectives.'* s12(2)o.

It is important to register the difference between the distribution of funds and the accumulation of funds. None of the definitions quoted prohibit an NPO from accumulating reserve funds to be used to further the social mission aims of the organisation.

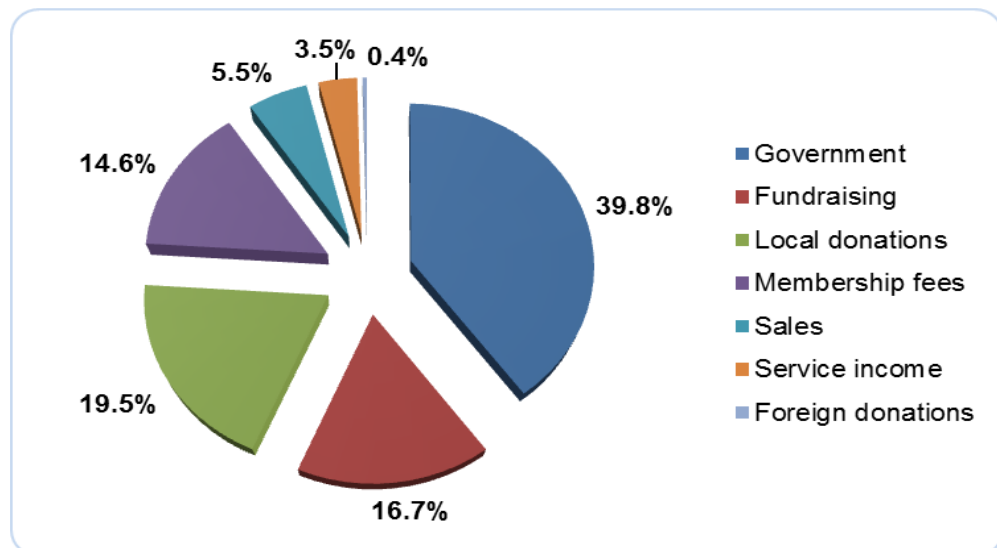
2.2.2. Characteristics of NPOs

In Taylor (2010), contributor O. Corry lists and reviews five common characteristics of organisations in the third sector as compiled by L.M Salamon and H.K Anheier in 1997. These shared characteristics are:

- they are organized – in the South African context this would mean they are regulated under the NPO Act. They are thus properly constituted entities with legal form whose activities are supported by internal structures.
- they are private - institutionally separate from government.
- they are non-profit-distributing – this aspect is central to the definition on NPOs as discussed in the previous section.
- they are self-governing - equipped to control their own activities without the state of private sector interference.
- they are voluntary – individuals form them out of their own free will and desire to organise around an area of interest.

It seems this list is short of one other universal characteristic of NPOs; and that is their considerable dependence of donations for their income. These donations come from individual, corporates, foundations and also grants from governments. According to DSD (2012) in Stats SA (2013), the distribution of the sources of income for NPOs was as follows:

Graph 2 NPOs' sources of income



Source: Stats SA (2013)

While the Coalition on Civil Society laments the unavailability of current and reliable statistics on funding to NPOs; they too agree that most of

organisations rely on a combination of diminishing international funding, corporate social investment, donations from individuals and a degree of income-generation, often via government contracts.’ “Critical Perspectives on Sustainability” (2012), p.22.

While government can be said to be morally and constitutionally bound to disperse monies to NPOs to assist them further not only their social goals but also those of government; donations and monies raised through fundraising activities differ fundamentally in that they are given voluntarily. Even though voluntary spend on non-profit is influenced by an individual’s strong alliance with an NPOs social goals it would be naïve not to acknowledge that this act is strongly driven by the availability and the size of the giver’s *‘discretionary earned income or assets.’* Raymond, (2010) p.17. Therefore in times when donors give less, NPOs have to look elsewhere to fill the gap left by diminished donations.

This high dependence on government, local donors and the communities from which NPOs fundraise; calls for the highest level of relationship management and stakeholder engagement. Since the financial nature of this relationship is unbalanced and could be open to manipulation, care should be taken for the independence and self – governing characteristic of NPOs not to be impaired.

2.3. Financial Sustainability

2.3.1. Introduction

While the focus of this paper is on financial sustainability, it is important to first have an understanding of the over-arching concept of sustainability.

Sustainability is defined by Bateh et al (2013) broadly as the *‘longevity and retaining of core principles or purposes, regardless of internal and external changes over time.’* (p.397). This definition implies enduring existence can be attained if an organisation is able to adapt to its surrounding environment.

Bell, Masaoka & Zimmerman (2010) assert that sustainability should not be seen as a target or a destination but rather it should be seen as an orientation. Moreover, they put forward that sustainability for NPOs is not either the aspect of financials or that of programmes, but rather the combination of both as they are interconnected.

Sustainability amongst NPOs is taken a step further by Aldaba, Antezana, Valderrma & Fowler (2000) who state that before NPOs can strategise around financial sustainability; they have to display ten (10) integral traits that point to their discernment of sustainability as a behavioural orientation, a way of being, a state of mind. Some of these traits are strategic thinking, advocacy skills, ability to relate to their environment, organisational management ability and being innovative. This precursor to financial sustainability by Adaba et al (2000) is significant as it spells out critical success factors that have to be present in an organisation for its financial sustainability initiatives to succeed.

A similar concept to sustainability but which is more commonly used in the private sector is that of a triple bottom line; which became widely popular and topical in the 1990's following a survey of international experts on what they perceived corporate social responsibility and sustainable development to entail. Elkington, (2004). The main thrust of the triple bottom line is get organisation to consider the entire spectrum of their sustainability which includes the economic (financial), environmental (green-issues) and social value (greater community) aspects. Elkington, (2004).

2.3.2. Dynamics of Financial Sustainability

Articles written on the financial sustainability of the no-profit sector point to the 2008 global financial crisis as the main trigger to the current pronounced threat to financial sustainability. Osborne, (2012), Unerman & O'Dwyer, (2010), Taylor et al, (2012), Gassman et al, (2012), Burtch, (2012) and Salamon et al, (2009). As the name implies, a threat to

financial sustainability means an organisation must channel efforts towards generating more financial resources to ensure its continued existence into the future.

The resultant effect of the 2008 financial crisis on NPOs was a considerable decline in donations received from individuals and corporates and foreign donors thus threatening their continued existence. In South Africa, this has been exacerbated by a perceived '*general lack of government support*' Stuart (2013). This is in spite of the figures presented by DSD in their 2013-14 Annual Performance Plan report, which show a 15% increase in the money it disbursed to NPOs between the 2009/10 and the 2012/13 fiscal years (transfers to NPOs increased from R61.1m to R70.3m). However, it is prudent to discount this reported increase as there was a parallel and significantly higher percentage increase in the number of registered NPOs in the same period (refer to Graph 1 under section 1.1), making the increase in transfers to NPOs miniscule.

Aldaba et al (2002) submit that there are other compounding factors to the threat of financial sustainability and these include exposure because of reliance on one funder and the isolation of the sector which before the financial crisis had no cause to bolster relationships with government, communities and a growing middle class. This brings to the fore the lamentations from the non-profit sector in South Africa about the challenges of poorly-capacitated and bureaucratic state departments and agencies. It is very likely that one of the contributing factors for the widening chasm between these two supposed compatriots; is a historical failure to form a relationship.

2.3.3. Strategies for financial sustainability

In times of economic crisis like now, it becomes imperative for NPOs operating under extreme financial constraints, to come up with new

innovative strategies to attract funds and not scoff at income generation ideas as compromising their social mission values.

Weerawardena, McDonald & Mort, (2010), Burtch, (2012), Raymond, (2010) and Aldaba et al, (2000) suggest several strategies that NPOs could implement to contribute towards financial sustainability. Their suggested strategies can be grouped under income generation, cost savings and relationship fostering and engagement (non-financial) strategies. These suggested strategies are similar and quite common in literature and include initiatives like engaging in commercial activities, increasing the use of volunteers; diversifying income sources, resource pooling and adopting new engagement practices with both private and corporate donors, forming stronger inter and intra sectorial alliances, and strengthening their lobbying voice.

In South Africa NPOs received the highest percentage of their income from the government. Stats SA (2013), but obtaining funding from government is not without challenges nor is it guaranteed as demonstrated by the following facts.

In the 2010/11 annual financial report of DSD, the Director General (DG) acknowledged that the global financial crisis had saw budget cuts which resulted in reduced funding to some NPOs. The DG appealed for realism and understanding as the Department tries to maintain a delicate balance between the need for social service delivery and the limited funds. In the following year's annual report, the reality of the limited funds is summed as follows: '*Government resources are not infinite.*' (p.7). This provides a compelling reason for NPOs in South Africa diversify their sources of income.

While government has plans to increase its subsidies to NPOs in the next three financial years, it is alarming that of the entire database of registered NPOs only 22 national NPOs were allocated funds in the 2010/11 fiscal year and this figures stood at just over 30 in 2011/12,

especially since on the other hand the number of registered NPOs is increasing at such a high rate.

NPOs in South Africa are very much aware of the need to move away from relying heavily on government as evidenced by the one of the resolutions from the 2012 National Summit of South African Non-profit Organisations, convened by the National and Provincial Departments of Social Development which was while government re-enforced its commitment to making requisite resources available to NPOs; the non-profit sector resolved to diversify its funding sources.

It is against this background that NPOs have to follow a financial sustainability strategy that is pillared on diversification of its sources of income. Alymkulova & Seipulnik, (2005). This can be realised by incorporating stronger earned-income activities and adopting fresher and innovative approaches to securing donations.

2.3.4. Managing the emergent paradoxes

For the longest serving workers in this sector, the push away from the traditional mind set of passively receiving funds and directing effort mainly towards the social mission of the organisation, to the active seeking and embracing of what could be seen as commercial practices, can be alienating to those in the sector whose value system is strongly aligned with mission values. NPO leaders now find themselves operating in a paradoxical environment where as strategic leaders, they have to embrace hybrid revenue strategies and commercial thinking, while staying true to the social values of the sector and managing employee and board resistance. Tripathi & Dixon (2008); Bell et al, (2010) and Dees et al, (2002).

The struggle for financial sustainability has forced NPOs to deal with another paradoxical and somewhat uncomfortable term in this sector;

and that is the concept of competition. In his article which looks at the merits of whether or not NPOs should be striving to avoid reporting deficits and instead be managing for profits, McIntosh, (2012) introduces the reality of competition as being a necessary consideration '*as non-profits [now] operate in more fiscally constrained environment where the competition for donor dollars increases.*' p.5. Dees et al, (2002) urges NPOs to embrace competitiveness and not to view it as the unpalatable domain of the for-profit sector only. Surely identifying and marketing itself on its competitive advantage is a valid and sound strategy towards financial sustainability, as that is what will set the NPO apart from others chasing a piece of the same donor rand.

2.4. Recession

2.4.1. Introduction and definitions

The terms 'global financial crisis' and 'recession' have been topical in the past few years in the media both the business and political discourse. Lately they have also come up in articles written specifically about the non-profit sector. Osborne, (2012), Unerman & O'Dwyer, (2010), Taylor et al, (2012), Gassman et al, (2012), Burtch, (2012) and Salamon et al, (2009). It is therefore important to briefly explore the constructs of these economic phenomena as their impact has been felt by the non-profit sector.

2.4.2. Constructs of the global financial crisis

As the name suggests the crisis is 'located or originated' in the financial sector of the economy.

It began in the United States and spread to the rest of the world. What triggered it was the drastic increase of prices in the housing market, outstripping inflation. As a result of the rapid increases in house values; homeowners used the excess funds (the difference between the market

value of their houses and what they owed the banks) to take out loans to spend on other household consumption like a second home, a car or a holiday. When the market eventually self-corrected and the inflation adjusted prices in the housing market emerged – homeowners could not keep up with the repayments on their debts; resulting in high defaults. Banks were essential sitting with loans that could not be realistically be serviced, so they had to write these off. Young, (2009).

2.4.3. Constructs of the recession

Recessions are economic periods characterised by decreasing output of production of goods (say manufacturing and mining) and services (for example a line-haul transport service) as demand for these declines and companies (big and small) going out of business or shutting down certain operational business units as cost containment measures. This result in rising unemployment and a general drop in the standard of living as the unfavourable economic effects roll over to other sectors of the economy as well. Wellings, (2012).

2.4.4. The impact on the non-profit sector

The above economic phenomena seem rather distant to the non-profit sector and technically irrelevant. However, they have impacted the non-profit sector where it matters most: their source of income. This is logical as NPOs are also economic actors who receive donations from other people's residual income. Raymond, (2010).

With reducing output caused by declining demand and increasing unemployment levels; the level of residual income from which donations can be made; is adversely impacted. Reducing donations receipts affect not only the financial viability of an NPO but its ability to continue to provide its services. This is supports the proposition put forward by Bell et al (2010) that an NPO's sustainability orientation is premised on both these subsets – jointly.

Leaders of NPOs are now faced with the daunting task of finding new sources of income and designing new engagement strategies to apply on existing donors to get them to continue giving money. Strategic thinking and direction are called for from the leader of NPOs, as successful strategies applied to one NPO will not necessarily be applicable to another. Raymond, (2010).

The main impact of operating under conditions of financial distress is that organisations close because of the challenge of sustaining operations with no cash inflows. While data and real examples of these exist for the private sector, it was not possible for the author to find such for the non-profit sector; save for the IDASA closure which was announced in the media by its former CEO. (“Statement on the Closing Down of Idasa.” 2013).

While DSD did release a report which amongst others indicated the number of voluntary de-registrations in the period up to October 2012, the reasons for those de-registrations were not included making it not feasible to assess and analyse the situation objectively within the context of the recession. (“State of South African Registered Non-Profit Organisations” 2013).

NPOs are not insulated from the impact of events in the global economic environment and as such need to take these into account when making an assessment of risks for their organisations. This should be an entrenched practice alongside strategic planning if these organisations are to continue not only to exist but grow and mature as well.

2.5. Strategy

2.5.1. Introduction

While the discipline of strategic planning and implementation has mostly been written about and articulated in the context of the private sector; it is an imperative process for NPOs as well because at its granular form, an organisation's strategy is its plan of 'how-to' steer it forward into the future. Thompson, Strickland & Gamble (2010) simplify it even further when they describe it as a '*commitment [document] to pursue a particular set of actions.....*' in order to achieve certain objectives. (p.6). The increasing number of source of studies done into the strategic planning practices of NPOs are acknowledged by Bryson (2013) and Weerawardena et al, (2010), which is a step in the right direction, however they both lament the lack of large-sample empirical studies which would test the actual impact and suitability of some of the widely applied strategy methodologies like Porter's 5 forces model.

With the number of registered NPOs increasing and the availability of income under pressure, it is clear that NPOs operate in a competitive landscape, and like their private sector peers, have to strive for sustainable competitive advantage in order to stand out from the crowd and attract more funding.

Hough, Thompson, Strickland & Gamble (2011) state that any organisation operating in a competitive environment and needing to understand thoroughly the external dynamics, need only apply concise concepts and analysis to seven given questions. Answers to these will questions (which would have been subjected to robust analysis and debate), can be used to draft a strategy that is geared specifically at the external environment. The questions, broken down into finer detail and thrashed out in an entire chapter, are so generic that they can be applied by an NPO as well.

In his predictions on the future of strategic planning within the public and non-profit sectors, Bryson, (2013), states that with time there will be enlightenment about which strategies work best when applied under what circumstances. This observation may at first glance seem redundant, as any strategy that is built on a deep and well-informed understanding of an organisation's internal and external dynamics will produce a credible strategy document. However, what Bryson is actually putting forward is that just as the private sector has various underlying strategic options or tactics for strategic goals, so too can the non-profit and public sectors develop various strategic tactics for differing circumstances, for e.g. the strategic goal could be 'to increase donor funds by 20%' and the available tactics to choose from would differ depending on which type of donor is targeted (foreign, local, a philanthropist, individual or corporate).

The sections below will briefly look at the three phases of any strategic process and highlight the critical elements of each. It is important to do this as each contains important steps that together determine the quality of the strategic document and the potential for successful implementation.

There are two other phases which occur before these three (Developing a Strategic Vision and Setting Objectives) Hough et al, (2011); however for the purposes of this paper we will contain ourselves to the last three phases as the thrust of the problem being investigated is how NPOs strategise for financial sustainability.

2.5.2. Strategy formulation

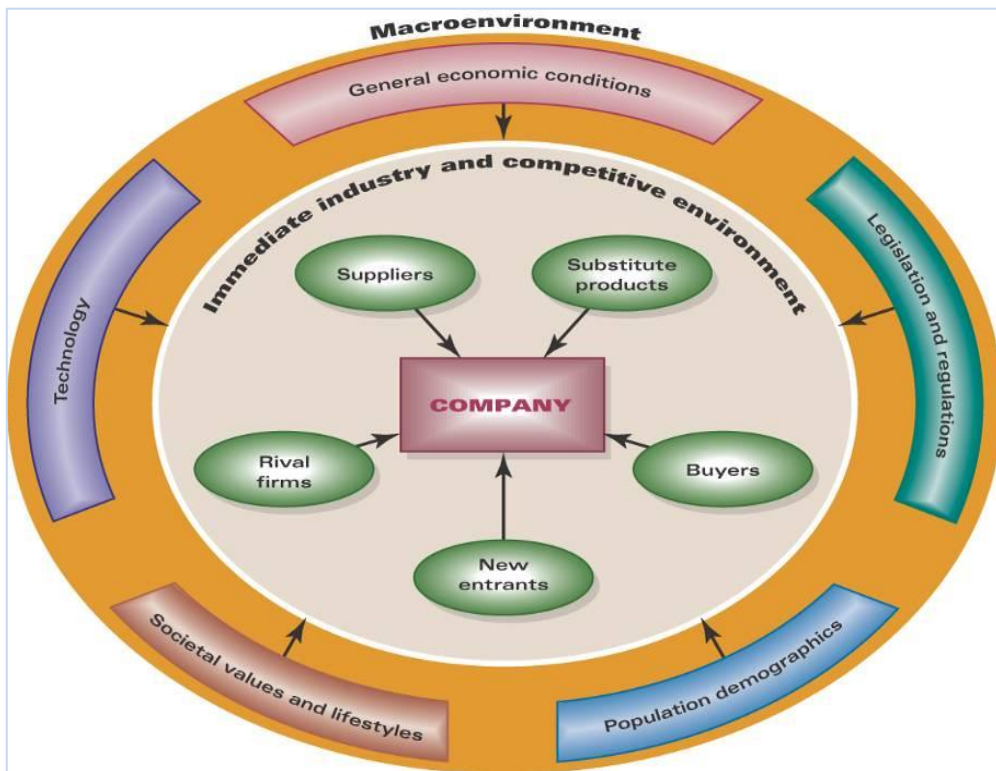
According to Hough et al, (2011) the formulation or crafting of a strategy involves '*answering a series of hows.*' p.39. However before the 'hows' can be answered, an important exercise which entails the identification of an organisation's threats and opportunities in its external environment on the one hand; and the honest assessment of its strength and

weaknesses in its internal environment on the other – should be conducted. Andrews, (1999).

This process which is widely referred to as the SWOT analysis; a term coined by Albert Humphrey while at the Stanford Research Institute; refers to the evaluation of the organisation's internal and external environments and *'provides the basis for crafting a strategy that capitalises on the company's resources, aims squarely at capturing the company's best opportunities and defends against the threats to its well-being.'* Hough et al, (2011) p.11. Underpinning the success of this process is the assumption that those who perform the SWOT analysis do so objectively, without over-estimating the organisations resources or downplaying the seriousness of external threats and the associated risks. Andrews, (1999).

Components of the external environment that need to be assessed for threats and opportunities are represented in the graph below. While this graphical presentation is based on a private organisation's perspective, it is applicable to NPOs as well and an open-minded and resourceful NPO leader can adapt it to his or her organisation. The following illustrates this: under suppliers an NPO could consider the volunteers who 'supply' it with an important form of cost savings, which is free labour. The next step would be to consider how then does the organisation influence this free labour to supply (and hopefully increase this supply) to it rather than to another organisation.

Graph 3 The components of a company's macro-environment



Source: Hough et al, (2011) p.57

The assessment of the organisation's internal environment is an appraisal of an organisations capabilities and shortcomings as determined by aspects that are within its control. These include past financial performance, resources capabilities, organisational structures, management styles and competitive advantages. Hough et al, (2011) and Aaker, (2001). Strategic goals that are not supported by a proper internal resource assessment have little chance of succeeding.

It is absolutely crucial for an organisation to thoroughly and honestly go through the SWOT analysis as part of its strategy formulation phase, as no organisation exists in a vacuum and *'the bedrock of any successful strategic plan is a warts-and-all consideration of capabilities and strengths, weaknesses and limitations.'* Mittenhall, (2002).

The important output of an objective external and internal environmental scanning process is that it provides a firm foundation for the setting of realistic and achievable strategic goals.

2.5.3. Strategy implementation

Andrews (1999) makes an interesting observation when he says that not even the best crafted strategy can survive poor implementation. It is therefore imperative for management to gear themselves for effective strategy implementation to avoid rendering all the work done during the formulation process a waste.

Hough et al, (2011) list eight (8) management activities that they propose are critical for the successful strategy implementation process. They also point out that supporting these activities should be clear and persuasive communication by management of the need for the adoption of the strategy. These are graphically represented below:

Graph 4 Components of strategy execution – Internal environment



Source: Hough et al, (2011) p. 249 (with modifications)

Andrews, (1999) on the other hand groups his critical pre-requisites under three activities; viz Organisation Structure and Relationships, Organisational Processes & Behaviour and Top Leadership. The composite aspects of these three requirements are similar to the eight proposed by Hough et al, (2011).

The link between the internal environment assessment phase under the strategy formulation process and the requirements of a successful strategy implementation, highlight the golden thread that runs through the strategy process and that is top management involvement and commitment to the process.

2.5.4. Strategy monitoring and evaluation

The last phase involves keeping tabs on the progress made towards achieving the objectives set out. This can be done using performance measurement tools, which can be manual or system-based. It is important to emphasise that tracking the progress is not just about keeping tabs but more importantly it is about helping management and those charged with providing oversight on the overall growth and sustainability of the organisation make informed decisions.

Drucker, in The Harvard Business Review (HBR) (1998) refers to '*sets of diagnostic tools*' that can be used to measure organisational performance. (p.13). These diagnostic tools examine the areas of financial, operational, people and organisational core competencies. Gimbert, Bisbe & Mendoza, (2010) provide an all-encompassing definition of these diagnostic tools which they refer to as performance measurement systems:

'Performance measurement systems are a concise set of (financial and/or non-financial) metrics that support the decision making process of an organisation, by gathering, processing and analysing quantified

information about its performance and presenting it in a form of a succinct overview.’ p.4.

The most widely used performance measurement system is the Balanced Score Card (BBS), because, according to Kaplan & Norton in the HBR (1998) it lets management evaluate the performance of an organisation on both financial and non-financial perspectives and does so in a simple and easy to discern manner. Of course the BBS is not the only performance measurement system available for monitoring and evaluating strategic progress. Indeed organisations can develop their own that best suit the idiosyncrasies of their operations and environments.

The important aspect of strategy monitoring and evaluation is that it is diagnostic (can point to red herrings or give an organisation a clean bill of health) and consolidates critical information for use by management in making quality decisions, that contribute to the organisation’s growth. Dees et al, (2001) also notes that the use of performance information systems is important for the non-profit sector as it promotes accountability and transparency to both internal and external stakeholders.

2.6. Literature Review Conclusion

The section on literature review presented salient characteristics of NPOs to put their nature and the premise they operate under in perspective. The focus then moved to the theoretical aspects of the variables at the core of the research problem, which is to establish whether NPOs apply the three phases in their strategy process when devising strategies that will see them being financially sustainable. The variables discussed were, financial sustainability, the global financial crisis and the recession and the strategy process. The literature review introduced not only the generic aspects of these variables but strove to also link their application to the non-profit environment.

3. RESEARCH PROPOSITIONS

This paper sets out to establish the responsiveness of NPOs to the shortage of funds brought on by the global recession. The importance of covering the three phases of the strategy process and the discussion on the component aspects of each stage were covered in the preceding section. It is from this strategy formulation process that strategies designed at positioning NPOs towards financial sustainability, in view of diminishing cash inflows, will emanate. Given the financial strain that NPOs are currently facing; processes and tactics applied towards ensuring financial sustainability, need to be thorough and viable. Thus this paper will test the following research propositions:

3.1. Research Proposition 1

NPOs embark on an annual strategy formulation process driven by management and endorsed by the board of directors.

3.2. Research Proposition 2

NPOs have a clear understanding of their external and internal environments and have aligned their internal environment accordingly.

3.3. Research Proposition 3

NPOs have come up with innovative ways to attract funds / generate own income and or contain costs in order to remain financially sustainable.

3.4. Research Proposition 4

Communication about financial sustainability is regular and truthful and is facilitated by the use of performance management systems.

4. RESEARCH METHODOLOGY

4.1. Research Philosophy

Since the objective of this study was to obtain an understanding of the reactive tactics and assessing the thoroughness of the process of constructing those tactics within a wider economic environment within which NPOs operate, this paper was premised on an interpretivism research philosophy.

Saunders & Lewis, (2012) define this philosophy as one which emphasises '*the necessity to understand differences between humans in their role as social actors*'. (p. 106). This definition points to a way of thinking that promotes an examination of the constructs of a phenomena and the interpretation of the behaviours those involved in it ('social actors'). However, underpinning this philosophy is the acceptance that the interpretation of these constructs is not absolute as there is always a certain level of subjectivity resulting in there being more than one definite truth. Bunniss & Kelly, (2010). This subjectivity cannot be completely eliminated as the researcher aims to understand '*the social world of the.....subjects from their point of view*' Saunders & Lewis, (2012) p. 107; thus both the researcher's and the subjects perceptions and the context within with their interaction occurs, have some bearing on the overall objectivity.

The strategies employed by the researcher in keeping this subjectivity in sight are capsuled in the various aspects of this chapter. As Merriam, (2009) notes; it should not be the researcher's intent to eliminate these subjectivities but rather to be aware of them and be continuously cognisant of how they may be influencing the collection and interpretation of data.

4.2. Research Method

Since the nature of the interpretivism philosophy lends itself to naturalistic methods of gathering data; a qualitative research method was applied for

this paper. In describing the nature of qualitative research and what sets it apart from a survey or an evaluation research method, Merriam, (2009) emphasise its essence of aiming to obtain an understanding of the experiences of those the research is based on, as opposed to assessing or predicting the impact of a phenomena on a particular group. Merriam; (2009) further mentions another important aspect of qualitative research which is how the subjects of the study process, interpret and give meaning to their own experiences.

Since the main purpose of this study is to discover the tactics adopted by NPOs towards their financial sustainability, and to understand not only how they arrive at the choices they made but also to understand how they perceive the current landscape, a qualitative method was thus deemed appropriate.

In distilling what qualitative research is, Cohen & Crabtree, (2006) mention two aspects of it that are universal irrespective of which qualitative approach a researcher chooses to employ; and these are its interpretive-ness (seeks to understand) and its naturalistic-ness (a social inquiry in a natural setting). Both these aspects were deemed applicable to this study as the researcher would be seeking insight from the interviews with the participants while being located in their world. This last aspect is particularly important as the fight for financial sustainability continues to be a current reality for many NPOs and the timing of the research allowed the researcher a '*connection to the real world*' of the NPOs. Kemmis, (1980) in Myers, (2000) (para.6).

4.3. Research Design

The research design which can be likened to a workflow plan of the process followed to gather, analyse and interpret the data will be presented in the following paragraphs. However, before launching into the mechanics of each aspect of the design it is important to briefly mention the key characteristic of the design process within a qualitative study.

Maxwell, (2013) aptly describes how research design in a qualitative approach cannot follow a prescriptive and sequential model because of the nature of the research which is *'flexible, evolving and emergent'*. (Merriam, 2009. p.18)

As such the adjustment of any one of the activities involved in the research from the literature review to the formulation of the research questions or propositions and the collection and analysis of data; have an influence on the other activities; thus necessitating adjustments to be made in tandem. Maxwell, (2013).

4.4. Population

Saunders & Lewis simply define a (research) population as *'the complete set of group members'*. (p.132). Denscombe (2010) extends this slight by adding that this complete set consists only of the category of the things being researched. The use of the word 'category' implies the existence of a common trait or traits within the group members.

The population group for this study was all the NPOs in South Africa which were still actively operating at the time this study was conducted.

4.5. Sample

A sample refers to the members of the population as defined above, who were selected to participate in the study. Saunders & Lewis (2012) list various reasons why researchers chose to work with a sample as opposed to basing their studies on the entire population. It is however their caution against the assumption that the quality of data collected from a sample is inferior to that collected from the whole population; that is most important.

4.5.1. Sampling Method

Since it was not practical to interview all the members of the population being studied (there are over 100, 000 NPOs registered with DSD) a

representative sample was selected. The selection of this sample was based on both purposive and convenience sampling; which are both subsets of non-probability sampling.

When employing non-probability sampling the researcher is not concerned with ensuring '*statistical representativeness*' (Mays & Pope 1995 (p.110); and since the purpose of this study was to gain an understanding of the experiences of NPOs, both the sampling methods were appropriate.

The elements that had to be present in a profile of an NPO for it to qualify for purposive sampling, were as follows:

- It had to be registered in accordance with the NPO Act (1997)
- It could not be dormant.
- It could not be charging membership or subscription fees for the services rendered – to exclude those NPOs who are set up not to solely meet a social or humanitarian need.
- It could not be receiving its income solely from government.
- There were to be no more than two selected NPOs who were involved in the same charitable activities – to ensure the diversity of the sample.

The status of an NPO's registration with DSD was not used as an exclusion factor. This is because involuntary deregistration from the register of NPOs by DSD, was because of non-compliance with regards to the submission of documents, a fact disputed by many of those who were deregistered and resulted in the suspension of the deregistration process. ("State of South African Registered Non-Profit Organisations" 2013).

Also only NPOs who had operations in Gauteng were included in the sample because of financial constraints. This convenience sampling

method has not jeopardised the quality of the final sample as some of the NPOs sampled have offices in other provinces in the country and their experiences in terms of financial sustainability applied to the organisation as a whole. Also as the data presentation chapter will show, there were strong similarities in the experiences and outlook between NPOs with a national footprint and those only operating in one province.

In one case an NPO who declined to part-take in the study was asked to refer the researcher to a similar NPO and that referred NPO is part of the sample. The profile of the participants and their organisations is shown in Table 2, in Chapter 5.

4.5.2. Sample Size

A total sample of nine (9) participants was interviewed from six (6) NPOs. This seemingly small sample should not give concern to the generalizability of the results as the emergence of new themes had stopped by the last interview and the data obtained from the participants was adequate for use in confirming the research propositions (data saturation). Marshall, (1996).

4.6. Data Collection

Data was collected through face to face interviews with all the participants, except for one participant who was out of town on business and the interview was conducted telephonically. All face to face interviews were conducted at the place of work of the participants. They lasted between 30 and 60 minutes and were recorded.

Participants were asked the same set of eighteen (18) open ended questions. The questions asked were finalised after being pilot tested with a financial manager of an NPO which did not form part of the final sample (as her organisation receives its income comes solely from government). Feedback from this pilot test was used to re-phrase

questions that were ambiguous or those that did not seem to provide answers relevant to the study. Some questions were consolidated as the original set of questions resulted in too many questions which would have made the interviews take too long.

The final questions were grouped under the three stages of the strategy process; viz: strategy formulation, implementation and monitoring. The questions addressed the issue of the completeness of the NPOs strategy formulation process; established the depth of their environmental scanning, drew out the awareness of staff about the severity of the situation by delving into the way management communicated and extracted examples of their planned and actual tactics to get in more money into the organisations.

The questions were grouped into the three areas of the strategy process and imbedded in them were aspects of the propositions. The questions were also open ended as the study is exploratory in nature and the researcher sought to get the participants to share their thoughts freely and also have an opportunity to explore answers if deeper insight was deemed necessary.

Before the start of each interview the researcher explained the purpose of the research and the process which the interview was going to follow. Before the interview commenced, participants were asked to sign two consent forms; one was for participating in the study and the other was for the interview to be recorded. Participants were given assurance about the confidentiality of the information they shared and also about the anonymity of both their identity and that of their organisations. Participants were also informed of their right to withdraw from the interview at any time.

The researcher also made brief notes during the interviews – noting in particular unexpected, divergent and profound answers. Notes were

also made of very close similarities or extreme dissimilarities in opinions between participants from different organisations.

There is some data that was also collected from the websites of Stats SA and DSD. This data was quantitative in nature and to illuminate the current landscape of the non-profit sector.

4.7. Data analysis and interpretation

The analysis of the data followed an inductive process. Saunders & Lewis (2012) describes the deductive approach to data analysis as that which draws out certain elements from the data and uses these to answer research questions or test the propositions formulated from the literature review.

The process began with the framing of four propositions flowing from the review of the literature. The interview questions which were grouped under strategy formulation, implementation and monitoring were designed to shed light into the propositions. Each proposition could be related to various questions across the three categories of questions. A table of all the questions was populated with the related proposition, key concepts and themes being sought from the question and the underlying broader meaning between the key concept, the proposition and the context of the research. Themes were then attached to these broader relational meanings which could then be grouped per proposition.

Immediately after the interviews, the researcher fleshed out her notes by linking common themes and highlighting contradictory (divergent) comments made by people in the same organisation by other participants from different organisations.

This was done by listening to the recordings and going through the notes made during the interviews. The fleshed out notes formed the basis of

the research findings in Chapter 5. The discussion of the results which is in Chapter 6, involved linking the findings with literature and the propositions; and highlighting any congruence or divergence amongst them. Chapter 6 also references back to the objectives of the research by demonstrating how these were met.

4.8. Research Limitations

The following research limitations were identified:

- The sample of participants (not the number of organisations) was smaller than what the researcher had intended at the planning stage. This was because it was not possible with all the organisations to get access to two individuals from the executive and middle management levels to participate.
- The people interviewed were from the executive and middle management levels of the organisations. It is therefore highly probable that although they represent disparate organisational profiles; their views would be similar because of their similar job levels at work.
- Also because of the homogeneous nature of the job levels of those sampled; it was not possible to verify and compare their views with those of employees at lower levels, as they were not interviewed.
- One participant was interviewed telephonically due to her unavailability. This represented a lost opportunity for the researcher to observe any telling body language and the environment she works in.
- In two organisations, both participants had to be interviewed jointly – due to their tight busy schedules. This set-up could easily encourage the uniformity of answers as it discourages the free expression of divergent opinions, especially when there is a reporting line between the participants.

- As a result of financial constraints, all the participants in the study were based in Gauteng. It would have been valuable to have been able to compare their experiences and interpretations with those of their counterparts in other provinces.
- The use of a qualitative research methodology and the exploratory intent of this paper, render the findings neither definitive nor prescriptive and with limited generalisability.

5. RESULTS

5.1. Introduction

This paper aimed to address the crucial link of the quality of the responsive strategies that are designed to ensure the financial sustainability of the NPOs with the completeness and vigour of their strategy processes. To this end, this section presents detailed results from the interviews, together with brief explanations where necessary. In depth discussions and interpretations of the results will be covered in the next chapter.

5.2. Profiles of the Participants

The participants in this study were drawn from 6 (six) NPOs – all of whom were registered with DSD when the interviews were conducted. During the planning phase, the researcher had envisaged interviewing two people per organisation in order to have a total of 12 (twelve) interviews. However, due to non-availability of some of the intended participants only 10 (ten) interviews were conducted. The profiles of the organisations and the job titles of the participants are shown in the table below. Since the participants and their organisations were assured of their anonymity, their identities have been coded.

The results are presented after the participants profiles and are presented under each research proposition, with subcategories where the findings needed to be broken down.

Table 2 Profiles of participants and their organisations					
NPO Code	Provincial Presence	Organisation's Purpose	Year established	Participants' Code	Participant Interviewed
A	Gauteng only	Cares for abandoned and orphaned babies. Also facilitates adoptions. (also faith based)	1994	P1	Head of Finance
B	Gauteng, KwaZulu-Natal, Eastern Cape, North West and the Western Cape	Provides extra tuition to high school learners from townships (Gr 10 – 12).	2003	P2	National Co-ordinator
				P3	Branch Co-ordinator
C	Gauteng only	Rescues, rehabilitates and re-homes abandoned dogs.	2011	P4	Founder
				P5	Fundraising / Marketing
D	Gauteng only but has two locations.	Provides care for people with intellectual disabilities.	1967	P6	CEO
				P7	Finance Manager
E	Gauteng only, but is part of a group that has other homes in other provinces.	Provides nursing care for the aged and physically frail (also faith based).	1961	P8	Centre Director
F	All 9 (nine) provinces	Provides educator training and literacy projects in schools.	1983	P9	Fundraising Manager

5.3. NPOs embark on an annual strategy formulation process

5.3.1. Existence of annual strategy formulation processes

Out of the six organisations, four do embark on annual strategy formulation process; the exceptions being Organisation A and C (although Participant 1 did indicate that her organisation had a budget planning session annually which required board approval). For the participants of the organisation where strategy setting is an annual event, the practice is so well entrenched that the participants were able to state not only the month these strategy setting sessions take place, but also link these to either their financial year end or the dates on which the final strategy document would have to be presented to their boards of directors for final sign off. Therefore there is a link to all the processes making timing crucial and the strategy setting is not an event floating on its own.

Participant 8 was the only one that added another process that links to their organisation's annual strategy setting process and that is the development of their 'risk profile'. This she said was so that the organisation can 'identify risks... other risks but specifically financial risks.'

Participants 4 & 5 reported that their organisation [C] was far behind in terms of setting up governance and oversight bodies. This is due to the fact that they have a small staff complement (5 – employees, with 2 involved in the running and managing of the organisation and the other three in the maintenance of the grounds, dog kennels and physical caring for the dogs). Organisation C was also the youngest in the sample – they have been in existence for almost three years. As such there is no board and only two people formed the management team. When the founder of this organisation was asked how then does she document the plans she has for her organisation; she replied:

'It's all in here.' pointing to her head. *'I just strategise in my head.'*

P1 stated that her organisation [A] does not hold strategy formulation processes; but have an annual budget process. She then explained that the finance department prepares departmental budgets based on what the departments need to operate and then these budgets are presented and get signed off by the Finance Committee (a sub-committee of the Board). These approved budgets inform how they approach potential funders and donors. There was no mention of the process the departments (finance included) go through beforehand, to establish how much money they need before finalising their budgets. However, the annual regularity of the process is linked to the financial year end (which is in March) as confirmed by the completion of these budget in time for the January board meeting where they have to be approved.

5.3.2. Involvement in the strategy session

Participants 2 & 3 from Organisation B indicated that in their organisation; everyone participates in the strategy formulation process. Participant 2 elucidated further by saying that even the learners who attend classes with them and their parents can attend and be involved in this process. Both participants used the word 'democratic' to attribute this unique aspect of their strategy setting process.

P2 '*...[name of organisation]..... is a democratic organisation; everyone has a say in the strategy.*'

However, they both acknowledged that this did not necessarily work out as intended in practice because of the costs and logistics that would be involved. Since Organisation B's strategy session takes place in Cape Town (CT) and the organisation has offices in 5 (five) of the provinces; the costs of transporting and accommodating everyone in CT are prohibitive. As such the invitation to all to participate in the strategy stands but in practice, for learners and parents only those who live in CT or those that can afford to bear the cost of going down to CT do so. Since the organisation only pays for the costs of transporting staff and the board members to the CT; these groups partake in the annual strategy setting session.

Participants 6, 7, 8 & 9 confirmed that for their strategy sessions the management team drafts it and the CEO (who is the only member of the management team who attends board meetings) presents it to the board for approval. The management teams for these organisations would involve the heads of departments like finance, operations, fund-raising & marketing.

Participant 8 was also the only one who, without prompting, specifically mentioned that their strategy formulation is *'an annual process; an ongoing process – they [the board] monitor us.'*

Participant 9 further explained that in her organisation they also have a stats department which was used to supply figures to track the programmes progress and also fed data into their monthly reports and quarterly operations committee meetings (the latter being a board sub-committee).

5.4. NPOs understanding of their environments

The responses that cover this proposition were gathered from the answers to various questions in the interviews. Therefore the concept of environmental scanning was not defined to them as there was an expectation that if an organisation regularly conducts strategy sessions, then the participants should be familiar with the concept.

5.4.1. Understanding and adapting to the external environment

In response to how the global financial crisis had affected their organisation strategic priorities, all participants' answers spoke about increased focus being channelled towards raising funds. So the global financial crisis seemed to have elevated financial viability as the key priority. Only Participant 9 mentioned that her organisation [F] had not been that impacted on by the global financial crisis as they ensure that there is enough money upfront for projects before rolling them out and they start approaching donors way before they run out of funds. She also mentioned that the strong relations they maintain with their donors and the fact that they secure funds for periods of

say four years, (that way they have enough time to raise the next tranche of money), as contributors to their financial resilience.

P9: *'We are a conservative organisation when it comes to thinking about the funding that we are going to get. We first raised the funds for the things we want to do.'*

Linking to this; it is worth mentioning that her organisation [F] and organisation [E] were the only ones who mentioned that they have a 'nest-egg' that is used as a buffer for when money is tight and both have been accumulating this nest egg over many years – way before the global financial crisis hit.

None of the Participants mentioned an abandonment or relegation of a prior strategic priority or a trade-off between financial viability and any other prior strategic priority. This is expected from participants 8 & 9 as their organisations [F & E] have reserve funds, but not from the other organisations. Although Participants 2 & 3 did mention the slower roll out of expansion plans due to financial constraints.

Another aspect relating to their external environment that was asked was around the financial assistance they received from government. The insight sought here was whether participants have recognised government (or its agencies) as a strategic external partner - irrespective of whether their experiences with or opinions of government have been negative.

It was notable how high the level of dissatisfaction there was with government especially, from the two organisations [D & E] who received the highest financial support from government in rand terms. However the participants from these organisations were the most versed about government processes including legislation affecting NPOs. From their responses it was also clear that they recognise the fact that they cannot survive financially without the government subsidies; which is why they so intimately know the processes, the people and the challenges of working with the various departments. Participant 6 & 7 summed it thus:

'Our relationships with our funders are very important.....but the political framework has affected us more negatively than the global economic

crisis.....because of constant changes in personnel [in the Department of Health].....and appointments are not based on competency.....we try and have a relationship with the department. It's a critical thing. It's in our plans.'

Participants 2 & 3 whose organisation has not been successful in receiving funding from government sounded dejected when answering this question.

Participant 3 had this to say about getting assistance from government:

'Getting through to government has not been easy for this organisation. We are still trying to get our foothold into the Department of Education.....so we really have not found any support from them; we really had to find our own way.we have tried with the Lotto.....and with the Department of Health because you know we work with kidsnothing came through. It's been a struggle.....to get access to those people you really have to sweat hey.'

However, in spite of this they reported that their organisation had had successes with local government (for the free use of community centres) and some progress in signing a memorandum of understanding which endorsed projects they rolled out in two provinces. So while they have experienced difficulties with national government in terms of funding, they have gone to other layers of government for partnerships.

Participant 1 from Organisation A, which received funds from a government agency last year, was rather neutral when mentioning this, considering that the amount received covered half of the annual running expenses.

'This past year we did get Lotto funding.....we got half our running expenses for the year.....it was a very nice help...thank you.'

Participants 4 & 5 did not even know that they could get funding from government – although they are a registered NPO and the founder had earlier indicated that she had worked in the non-profit sector before. While this may seem naïve, it made them think differently and boldly with regards to fund-raising as will be mentioned later on in this section.

Participant 9, said their organisation did not receive any funding from government – only received money for projects which government initiated with their assistance and once that project comes to an end they would receive any form of funding. Now considering that they have a been able to build a nest egg, it can be inferred that they have are able to attract sizeable donations.

Participants were also asked which groups have been identified in their strategies as competitors and as partners as this is also part of understanding the external environment.

Almost all the participants mentioned that they did not have any competitors. The responses were said with an air of virtue as demonstrated by the following:

P1: *'We don't compete. The game we play we don't compete; the more we can get people involved we can share our knowledge with..... So competitors we don't have.'*

And with a sense of righteousness as demonstrated by the following:

P2: (laughing) *'The aim is education, we don't necessarily have competitors. The education ethos, er where we come from, we can't really compete in education.....So if there is someone who is bettering or improving the pass rate, then we are all winning. So we don't work from that point of view; ever. We share everything.'*

Participant 7 however, did point out that in terms of 'getting a piece of the Corporate Social Investment pie' they faced stiff competition. He linked this to the kind of service they provide; i.e. caring for the severely disabled; and stated that because their residents would never improve and be economically productive, they were considered last when people donated money. So he viewed competition as the choice that the funder has to make in how to allocate the money – then his organisation would be chosen last as it would get money but the smallest piece.

Participant 3 acceded that she did not recall any competitors in their strategy document (and this was collaborated by her colleague, Participant 2) but she did mention that as an organisation they did compete for learners with the schools, teachers and other organisations providing the same services. Her understanding of the competitive environment was summed up as:

'The learners have a choice.'

Participant 9 was direct in saying their competitors were other NPOs in the sector. This is poignant as she recognised Participant 2 & 3's organisation as competitors and Participant 3 was looking at it from the choices that learners have – so they were looking at the same coin but from different sides.

With regards to the question of whether there are any groups that have been identified as partners – the participants mentioned funders, sponsors, other NPOs, local shops that donate, volunteers, local schools etc. but surprisingly only Participants 6 & 7 mentioned government (Department of Health) as well.

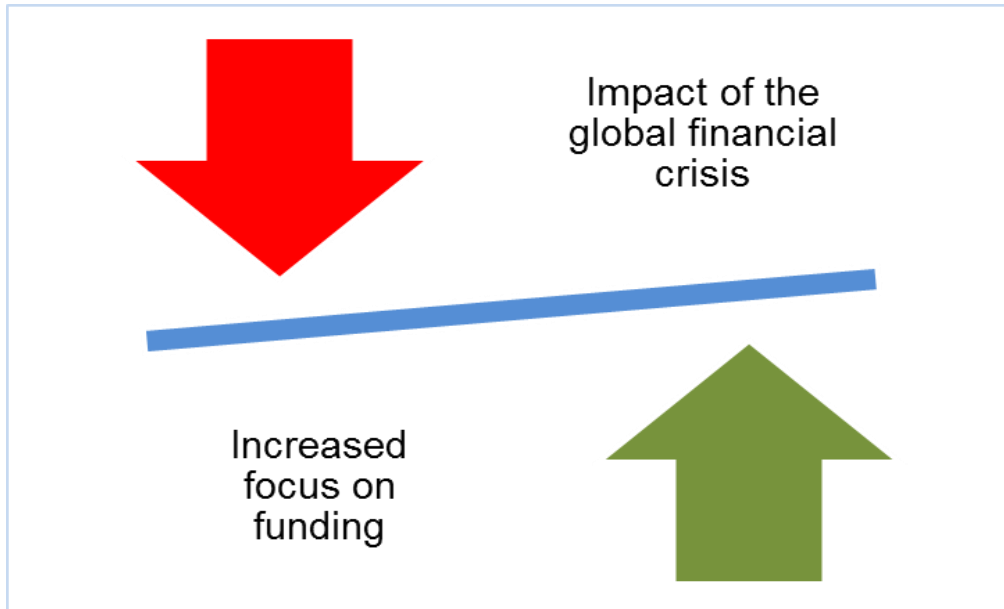
The final question relating to the external environment was about those external issues that threaten the continued existence of the organisations. The responses all spoke of funds (or lack thereof) which is similar to the response to the question about changes to strategic priorities brought on by the global recession.

Participant 8 also mentioned another threat and that was potential changes in the legislation that governs the qualifying criteria for residents receiving state subsidies. This would affect the income their organisation receives from the state. Participants 6 & 7 also mentioned the 'political framework, the withdrawal of their registration as an NPO (for whatever reason) and negative external perceptions of the organisation.

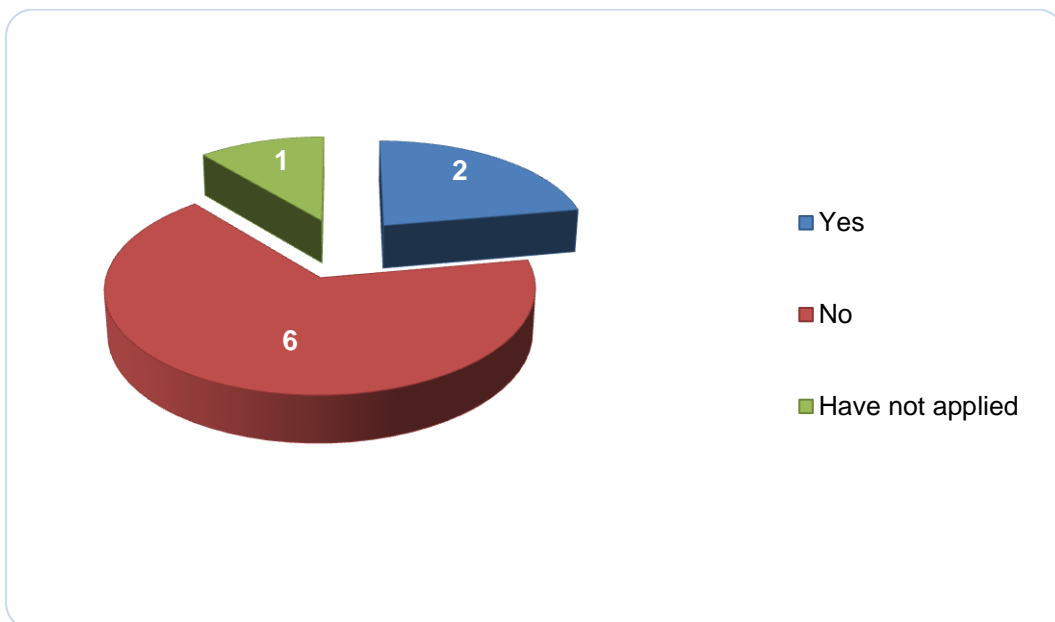
Participant 9 also mentioned legislative changes which were being mooted as these would impact on one of their income streams, and also labour conflicts in the sector posed a threat as they prevent her organisation from accessing schools. She also mentioned project longevity meaning that if they only roll-out short term projects, it is difficult to find people to run them as there is no job security.

So in summary the responses regarding the participants' understanding of their external environments can be summarised as follows:

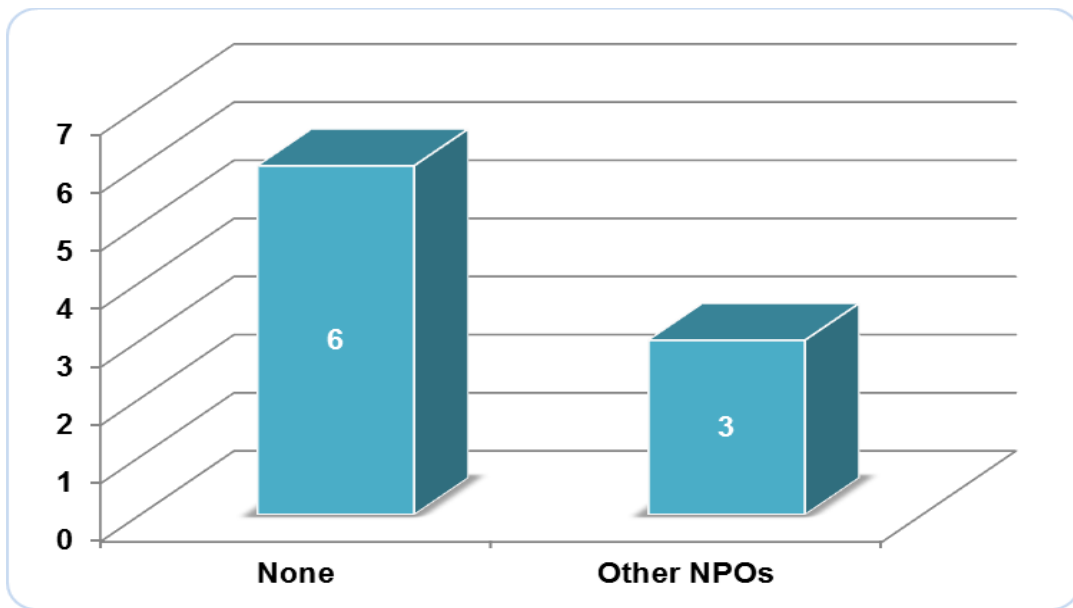
Graph 5 Impact of global financial crisis



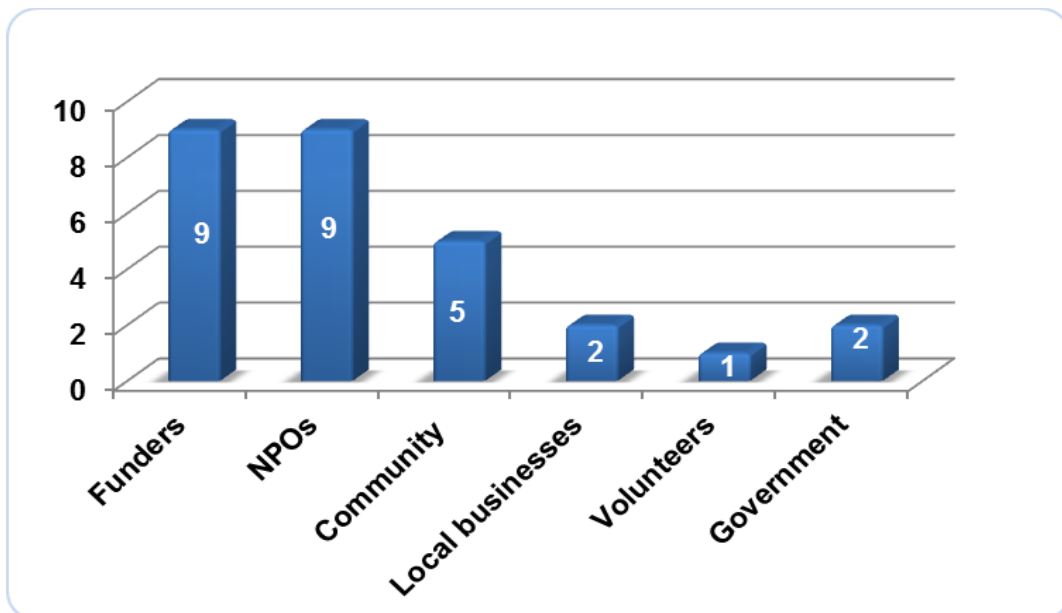
Graph 6 Government financial assistance



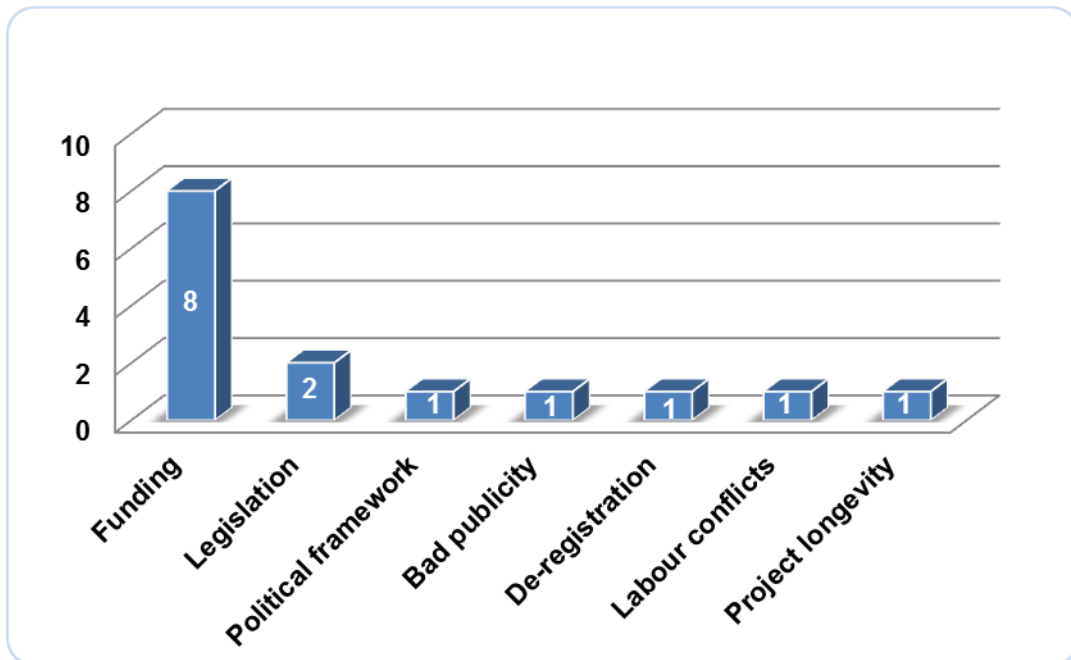
Graph7 Identification of competitors



Graph 8 Identification of partners



Graph 9 External threats to continued existence



5.4.2. Understanding and adapting to the internal environment

In response to the question of which internal factors posed a threat to the organisation's continued existence; all nine Participants agreed on one particular threat and that was the attraction and retention of skilled people – *'experts in the field of education'* as Participant 9 put it. . The reason given for this being such a prominent threat was the inability of the non-profit sector to pay competitive salaries that a skilled person could get in the private sector. Participant 4 and 5 attributed this threat (the retention part) also to a misconception from people who do not have a realistic appreciation of the not-so-heartening part of working for an NPO. They elaborated on this by saying:

P4: 'It's about being real. It's not cute puppies all the time. There are sick puppies; there are puppies that die, that's the reality.'

P5: 'They think it's cool 'cause they love animals and they want to get involved and when they see that it's not just playing with puppies – it's actually hard work, then they see that there are good days and bad days, and there's sad days and happy days, and then all of a sudden they are like oh it's not so

cool it's not so.....yes animals come first before money, before your hair that's just been washed and the dog vomits on it,so the perception of volunteers and people who come to work for charity thinking oh I work for a charity it's so nice, and then when they realise it isn't so they wander off.'

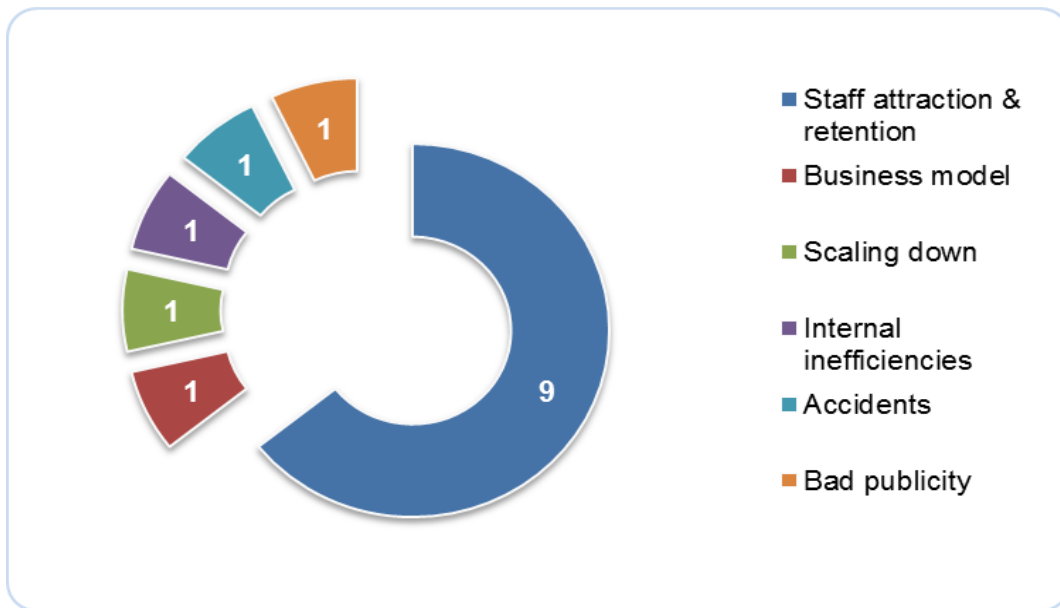
Participant 3 also referred to the failure of a branch co-ordinator to stick to the business model that all branches have to follow. The impact of this shows when the learners perform badly in their final exams, and this compromises the aims and credibility of the organisation entirely. Still in the same organisation, Participant 4 also pointed out that as their organisation was growing it has become important to be able to manage and adapt internal processes so that they fit it with the growth of the organisation. This was seen as crucial for ensuring that efficiencies and time management get built in.

Participant 1 stated that if they do not take in new babies they cannot operate as their registration with DSD is for caring for the children from birth to age 3 (three). At some point during 2013 they did go a few months without taking in any new-born babies due to financial constraints but this is a double edged sword as that meant the organisation could not get funds from government for that section of the children's home as they was a reduction of beneficiaries .

Participant 6 noted that for her organisation accidents that could result in one of their residents under their care getting harmed was a serious internal threat. She also mentioned the possibility of a disgruntled staff member making false accusations about what takes place in the organisation as a potential internal threat.

Below is a graphical summary of the internal threats as identified by the participants and the number of participants who mention each threat.

Graph 10 Internal threats



Still in the area of internal environment understanding and adaptations, participants were asked what systems/approaches have been modified in their organisations in order for them to better support strategy implementation. The insight sought from this question was to gauge how the NPOs have made changes internally in support of their strategies.

Participant 1 spoke a lot about the organisation's increase use of social networks and blogs, their web page and international volunteers as advertising, marketing and donation tools.

Participants 2 & 3 both spoke of how the organisation has changed their communication practice as a means of cost reduction and also to save time. There is an organisation that prides itself on being democratic but with the growth of this organisation, the time taken to communicate and reach consensus became longer and longer, prompting a streamlining of the process:

'When the organisation was small for instances we could have Skype meetings.....now there's 30 of us and things are made democratically and at the last meeting we have had to re-work how we do things. When you have

30 people voting on critical issues.....just before you think you have agreement got clarity on something then someone else comes with another point view. It was becoming a drain.....we were spending 2 hours on Skype-ing meeting on one issue.'

This led to them setting up a referring body; where each district has a representative who feeds the district's viewpoint at the national committee meeting. In this way everybody still has a say but the number of participants are limited at each stage.

Participants 4 & 5 acknowledged that their systems were changing all the time as they themselves were still learning (again it is mentioning again that their organisation was the smallest in terms of employees and also the youngest). Exacerbating the problems they were having with systematising operations, was the constant stream of volunteers who each did things their way and when a new one comes along s/he also implements their own process.

Participant 6 dealt with modifications in another section of the interview, but these are presented here. Her organisation's main modification was on their structure (organogram) to create career paths for the staff and to encourage their younger staff to stay in the organisation.

P6: 'As part of the strategy, we are currently doing a re-organisation of management. I am trying to reduce the core management team and develop a few layers underneath so that there is a little bit more opportunities and people see some sort of a pathway, because it's fairly limited in an NGO, and we need to create.....because we need to keep young people with us and this is very important in our strategy that they will be able to.....and we do ask God for His intervention..... that they will see a future at [organisations name] and that they will be able to continue the work, the missions and the ethos of [organisation name]. That was a big part of our strategy at the moment.'

For Participant 9's organisation, changes and modifications to processes are a constant practice, and are therefore not necessarily brought on or triggered by the strategy. In explaining this she said:

'We constantly review ...or revise, refine the way we do things. Whether it's the actual project implementation, the structuring of staff, even the capturing of all of the information because what we need out of it needs to be different; adding to the things that we want to ask the schools.....that is literally constantly reviewed. Also as you get in new donors with new requests and the requests might be something that can be applied across all the projects. So nothing has stayed static.'

In summary, each organisation made those changes which addressed the most pressing strategic focus for them, with the exception of Organisation C who is still in the process of having systems in place and Organisation E who, because of time constraints was not asked this question.

5.5. NPOs reactions towards financial sustainability

All participants had a number of either income generation or cost containment initiatives that they had rolled out. There was a general realisation that they had to gear up and spread their income sources and as Participant 4 put it:

'It has got to be run as a business. And I think this is where most NPOs fall down – they rely on people to give them money, when times are tough, there is no money.'

Participants 4 & 5 had a different way of thinking about funds – they strongly believe that they should *'help ourselves first before we ask from others'*. P5. To this end the founder bought a huge plot of land from which they operate and have already secured a tenant who runs a business that is related to the welfare of dogs. Therefore dog lovers who come to this privately owned business are also made aware of the NPO just next door. They are currently looking at opening a crafts market on the premises, and to open a section of their property on

weekends for parents to bring their children and play with the animals. They are also considering giving the public something different to do for Mandela day – for e.g. corporates who would ‘own’ part of the kennels and employees would come in to spruce it up on the day and this could be run as an inter- or intra- company competition. They also mentioned that they realised that they would have to consider setting up an umbrella company which would look only at income generation for the NPO as taking care of the dogs and generating money were both crucial.

Participant 4 & 5 summed it up like this: *‘We want to take welfare to new heights. We have to modernise [as a sector] and let go of the God/Hero syndrome.’*

Participant 8 had this to say as a precursor to how they think about staying financially sustainable:

‘We try to look at it at all angles.....this place will never and was never meant to be a place that can function on the boarding fees, because our main objective is to provide this service to poor people and immediately this says to you poor people can’t pay.’

This then means they have to find ways to supplement their income continuously.

The initiatives (that are already in place) are summarised in Table 3 below and a discussion on some of these follows.

Table 3 Income Generation Initiatives

Organisation A	Organisation B	Organisation C	Organisation D	Organisation E	Organisation F
Intensified use of social media	Approach international donors	Intensified use of social media	International donors	International donors	Focus on corporate Donors
International donors – registered fundraisers	Changed pitch with domestic corporates	Partner with local press	Emergency Appeal	Debit order system	Focus on international donors
Part of Woolworths MySchool programme	Piloting own private establishment	Part of Woolworths MyPlanet programme	Owens 2 nd hand shop	Use of social media	Request donations through own website.
Through newsletter	Through newsletter	Request for donations through own website	Donations through SMS subscription.	Through newsletter	
Featured on industry websites	Part of the MySchool programme	Receive a portion of subscription fees to a magazine.	Featured on industry websites	Featured on industry websites	
Request donations through own website.	Request donations through own website.	Featured in industry sites	Request donations through own website	Request donations through own website	
Tap into extensive international volunteer database	Part of Woolworths MySchool programme	Renting out a portion of their premises			
Farming activities	Getting funders to commit to longer funding terms	Currently constructing a shop on premises.			

Table 4 Cost Saving Initiatives

Organisation A	Organisation B	Organisation C	Organisation D	Organisation E	Organisation F
Use of volunteers and students (for practical's)	Negotiate for operational use of community centres at no cost.	Revert to cheaper (but still healthy) food options for dogs	Only do basic maintenance	Negotiate to receive professional services for residents at reduced fee	Travel by car instead of flying.
	Scout for donors who can donate say office equipment.	No salaries for two senior employees.	Approach businesses for in-kind donations (gave example of a car received).	Use volunteers from say Mandela Day to do maintenance work.	
	Use graduates and former learners to do their learner-ships.	'Repair before replace'		Negotiate to keep annual increases with contractors low.	
	Revise growth targets (slowed down expansion plans)			'Repair before replace'	
	Use of Skype to hold meetings.			Make own compost for the gardens	
	Looking at securing salary first before hiring a FT fundraiser			Link benefits of savings to increases with staff.	
				Buy hard & software at low prices through NGO Pulse	

5.5.1. Income Generation

While all the participants mentioned that their organisations used their own website to ask for donations; it is worth mentioning that Organisation C (P 4 & 5) currently has an interesting promotion going on where members of the public are urged to buy a brick (at R50) which will be used to construct a dog shelter, with the promise to put their names on the 'Wall of Honour'. Organisation A has also added an interesting angle onto their website where they have an 'Adopt-a-Cot' link on their website – so members of a public contribute towards the care of a particular baby occupying a particular cot, and receive regular updates about that particular baby.

The use of websites does not only end with a donations link on it; but there are also featured joint promotions with private organisations where members are urged to support the private company and a portion of the sale, subscription goes to the NPO.

The use of social media was mentioned by more than one participant. While those that use social media and other communication platforms to put their organisation out there, Organisation C also uses Instagram to tell the story of the progress of the dogs through pictures.

Participant 5 believed strongly in using social media and other electronic platforms to raise money, increase awareness and tell positive stories:

'The only way you survive as a shelter, besides finance, is awareness. So the more aware people are the more finance you'll get. So my whole goal is to try and always keep us in the public eye.'

One of our rules for Facebook, Twitter, Instagram etc. we never ever put on negative stories, because people already know that there is so much negativity in the world....they know there are starving kids in Ethiopia, there's terribly abused dogs in South Africa and Mongolia. So people already know that and they don't have to see that every day because it

doesn't make you feel nice. So what we do is concentrate on the positivity.'

She then went on to give an example of a dog that came into their shelter looking terrible and while it has improved it was still not deemed appropriate to show to their followers/friends on social media. Only when the dog looks healthy will she post 'before and after' photos of her on social media.

She said: 'doing it this way makes people feel nice and when they feel nice they stay longer on your Facebook page.'

The strong leaning towards approaching corporate and international donors was driven by the high success rate experienced and the efficiency in dealing with their applications. This is in sharp contrast to how participants described their experiences with getting funding from our government. When explaining why approaching government or its agencies, is not the chosen and preferred route; Participant 9 said:

'You have no interface with lotteries.....I cannot sit in front of a person and put my proposal in front of that person and say come and have a look. That is how they operate so you have no way to even gauge if they are appreciating what you are doing; seeing what you are doing....it's literally a paper..... the application form is so structured that you cannot get the essence of the project across.'

'it's difficult to find the right channels to get that money.....much easier to go to corporate and talk directly to somebody that needs to spend the money and that is looking for ways that will make impact to spending the money.'

It is interesting to note how Organisation B, pitched to local corporate for money, as related by Participant 2:

'We had to re-focus on South African corporates. So initially most of the money was coming from outside the country and with the recession that came less and less..... We had to revise the internal strategy in terms

of fundraising and go begging with a begging cap to local corporates, because South African education is a local problem and talk to them from the point of view that we are essentially raising a workforce for South Africa so they are investing in the future workforce. And we have seen a change to the point where by the end of last year, most of our money was coming from local corporates.'

Not one participant mentioned having or working on a strategy to get more money from government.

5.5.2. Cost Savings

The total list of cost savings initiatives is shorter than that of revenue generation and the reason for this was succinctly given by Participant 1:

'We have to do income generation because our costs are fairly fixedexpenses are expenses for children.... food, petrol, electricity, those kind of things you can't.....you can cut down a little bit but you can't cut down a hang of a lot when looking after children.'

It came out strongly from most participants that there is a consciousness in their organisations about spending and consuming mindfully. Some of the participants spoke of how their organisations had to suspend some of the programmes they run directly as a result of not having funds and also as a way to conserve the little that they had. For an example, Participant 1 related how her organisation had taken the agonising decision to stop taking in new babies for a period of 6 (six) months, not because their nursery was full but because there was no money available to run the nursery. Participant 3 related how her branch had to limit the number of learners taken in due to space constraints. Alternative plans implemented by this organisation to increase the number of learners reached had to be abandoned as they involved costs – a double edged sword indeed.

Participants 6 & 7 brought another aspect to the issue of cost savings and that was that there are aspects of the services provided that cannot be cut because that would work against their organisation's stated aim.

P7: 'We believe that there is a good efficiency within operations in terms of costs. We pay more than the minimum wage and we do not try and cut costs to the detriment of the staff that work here and the residents. We have various therapies where we believe make a considerable difference to the quality of life of the residents and to their progress as individuals.'

All participants displayed a prevalent and heightened consciousness about their organisations' plans towards pulling more funds in for them to continue to exist and incurring costs only for the absolutely necessary things. Participants 6 and 8 from different organisations used the same words to explain this: *'we repair before we replace.'*

For Participant 9, cost savings is already part of their constant reviewing of what they are doing why they are doing it and their built-in measures that evaluate their progress. These measures are used not only to monitor performance and costs but are used to account to donors *'who are now more and more discerning in what they want to see in a project.'*

5.6. Communication about financial sustainability

It was necessary to establish level of awareness throughout the organisation about financial sustainability and to ascertain whether the organisations had some sort of performance tracking system which was used to track progress on strategy implementation and also to communicate accurate information to management, the board and to the employees.

In order to explore this area, questions were asked practices in downward and upward communication.

5.6.1. Downward communication

All participants indicated that there are regular meetings which staff attend; with the exception of Participant 4 who found that her small number of staff (who are quiet junior and semi-skilled) did not really show an interest in what her vision for the place is. The responses from Participants 2 & 3 demonstrated the notable extent of the democracy that prevailed in their organisation. Members of each district sit in on the district meetings and thus have direct input into the feedback that their District Co-ordinator, who sits in the National Committee, takes back to the National Committee. Likewise it is from these district meetings that employees are taken through discussion points from the National Committee. Furthermore, after every board meeting, a general report is made available to any staff member who wants to view it and staff have full access to the minutes of the board.

Participant 6 also stated that over and above the monthly meetings, she also sends out memos and a staff newsletter as communication tools. The memos especially work well if something needs to be communicated to staff in between the scheduled monthly meetings.

Participant 8's organisation goes even further by having forums for residents and for family members of the residents as well.

Participant 9 mentioned that because their trainers are based throughout the country and in some cases in remote areas where even Skype is not viable, they have a bi-annual meeting at their head office, led by the National Director where all non-head office staff can have feedback from the National Director.

Participants were asked whether when communicating with the employees, there was use of language that included phrases like 'threat to survival', and 'we need to tighten our belts' or 'survival'. It emerged that where this was done it was done so explicitly but with assurances that management was working towards averting such a possibility and

where it wasn't done or done but indirectly, it was because management did not want to scare the staff.

The quotes below illustrate the different approaches:

P6: *'Staff had read about it in the newspaper and they were very distressed; and I immediately called general meetingsand I spoke to each group and had about 5 different groups, we allocated time. It was like two whole days of talking, engaging they could ask questions and I was able to answer and re-assure.....yes 'cause that's where we were at – it was critical.'*

P4: *'No, I don't. Because for me, that's my problem. I'd rather have positivity than negativity here.'*

P1: *'Yes. Obviously we don't do it in a harsh way, because we don't want to frighten people. You know we have people that have salaries, and they need to be able to know that they can feed their families and whatever else. So if you frighten people by saying sorry you might not get money this month – that's not a nice thing to do. So we do do it gently.'*

5.6.2. Upward communication

All participants, with the exception of Participants 4 & 5, confirmed that their organisations had properly constituted boards of directors, who met quarterly. It is in these board meetings that the head of the organisations would report back to the board members about the progress made on the agreed strategic plans.

Participants 1 & 9 also mentioned the existence of board sub-committees in their organisations who focused on finance and operations respectively. The heads of the organisations attend at least a monthly meeting and this is how they get feedback on the progress made or issues that arise operationally and also the heads of

department submit reports to the heads of the organisations that in turn uses these to compile their own reports to the board.

The importance of staying in contact with the operations was best articulated by Participant 8 who said:

'I've got daily meetings with the senior management in the mornings. 9 o'clock you won't find me at anything else.'

5.6.3. Performance tracking

Participants were asked about the organisational performance tracking tools/system. This was aimed at assessing the quality and accuracy of information communicated to the board (internal communication) and also to establish the existence of a single and transparent source of information. It is important for this information to be accurate as it can also be used to communicate with current and potential funders (external communication).

With the exception of Participant 9, who stated that in her organisation they do not have an evaluation system wherein they capture senior managers' key performance areas (KPA) and targets for each and these are checked bi-annually. These then form part of the departmental KPA's which form the basis of the CEO's report to the board. Also this organisation has a stats department which tracks project performance data and then this data is used by management for monthly and quarterly reports. In turn the CEO uses these reports to prepare his report to the board.

While the other Participants did not expressly state something similar, it was clear that the meetings that are held monthly or weekly serve as a basis for signalling areas of concern, opportunities for changing the course of action and recording everything else that is on course. So, the reporting of accurate information and the availability thereof, was not

compromised by the non-use of some system-based performance tracking tools.

6. DISCUSSION OF RESULTS

6.1. Introduction

The magnitude of the impact of the 2008 global financial crisis and the subsequent recession are well documented from the private sector's perspective and also in terms of the resultant unemployment faced by people across the world. These economic phenomena have also shaken country economies (like those of Greece, Portugal and Ireland) charting their impact on the political sphere as well. Since the non-profit sector does not exist in a vacuum or in a different planet, it is not surprising therefore that this sector has also been impacted; as counter-intuitive as it may sound, NPOs are also '*economic actors*'. Raymond, 2010 (p.17).

South African NPOs have seen a decline in their sources of income especially from corporates and individual donors who all have reduced their allocated spend on donations. Such a situation poses a crisis in the industry (with some commentators referring to this as a funding crisis) and also poses a real threat to the continued existence of NPOs. We do not have to look further than IDASA, see evidence of this. (Statement of closing down of Idasa.2013).

While academic literature does have some writings on this (from an international perspective) most of it concentrates at the solutions part of this threat. This paper takes it one step back; by assessing the strategic planning process followed by NPOs as a basis for assessing the existence, relevance and effectiveness of responsive tactics applied the apply. Hence the structure of the literature review and research proposals chapters incorporated not only financial sustainability initiatives but also the constructs of the strategy process.

This chapter which will entail discussing and explaining the results will also be under the headings of the research propositions in chapter 3.

6.2. NPOs embark on an annual strategy formulation process

6.2.1. The role players

Hough et al, (2011) stress that in terms of good corporate governance both management and the board of an entity have separate responsibilities that they must carry out with regard to strategic planning. Management responsibility lies with the crafting and implementation of the strategy while the board's responsibility is to exercise '*strong oversight*' over the entire strategy management process. (p.48).

Evidence from the data points to an overwhelming adherence to this as all but one organisation, have properly constituted boards whose members are not part of the executive team, and with some organisations these boards also have board sub-committees. Furthermore these boards sit no less than four times a year, which enables them to periodically review strategy progress based on the feedback from the head of the organisation.

In one case, the members of the board were said to be part of the strategy formulation process. This practice raises concerns as it means board members monitor and exercise oversight into strategy that they themselves were involving in setting. It can be argued that such a set-up could impair the objectivity of the board members and delay the adoption of corrective actions.

Another peculiarity with this organisation was that not only do board members partake in the strategy formulation process, but all employees are also invited as well as the organisation's beneficiaries. While no literature was explored that dealt with the merits and demerits of restricting the number of participants in one strategy session, the glaring impracticalities of effectively running a productive session cannot be overlooked.

Other than that one example of hybrid involvement of the board in the strategy process, data from the interviews showed that the management

team develop the strategy and the board serves to sign-off or adopt it after the head of the organisation has presented it to them.

The existence of boards of directors in the non-profit sector could be as a result of two reasons. Firstly it could be due to the non-profit sector embracing business practices and welcoming the professionalisation of the industry. Secondly, it could be the influence of the Non Profit Act of 1997 requires NPOs who want to register to lodge a constitution together with their application for registration forms. The constitution is required to spell out, amongst others the *'organisational structures and mechanism for the NPOs governance.'* s12(2)h. While the Act does not specifically use the phrase 'board of directors' (it only refers to office bearers), the wording of s12(2)h lays the foundation for the separation of the management and governance structures. Whatever the reason, this constitutes the strengthening of the sector's governance structures and embedding professional aspects. Whether discontent around the issue of the professionalisation of the sector; as referred to by Stuart (2013), will eventually disappear cannot be established from this.

There was only one organisation that reported not to have a board.

6.2.2. The frequency of strategy formulation

Another element of the strategy formulation process that was elicited from the interviews was the frequency and regularity of the strategy formulation process. This was aimed at establishing how often this process was undertaken in light of the competitive and threatening environment of funds shortages.

It was found that all the organisations, save for one, held annual strategy formulation processes. This is encouraging as it reflects an industry that is periodically taking stock of its environment and given the sustainability pressure that the lack of funds is exerting on the industry. Therefore we can surmise that the practice of periodically answering the 'hows' and

devising actions to be pursued towards the attainment of set objectives, is not uncommon. Thompson et al, (2010) and Hough et al, (2011).

The one organisation that did not embark on an annual strategy session, which is also the youngest organisation, was also the organisation that did not have a properly constituted board and had the smallest management team. This seems to point to a correlation between the proper constitution of management structures and the practice of setting an annual strategy.

The proposition that NPOs embark on annual strategy formulation process driven by management and endorsed by the board; has been tested and proved to be true instances with slight convolution of the principles of good corporate governance.

6.3. NPOs have a clear understanding of their environment

The salient features that were covered in the literature regarding the scanning of the external and internal environment are embodied in the elements of a SWOT analysis. This concept which was succinctly defined by Hough et al, (2011) as involving the identification of an organisation's threats and opportunities in order to design an appropriate course of action premised on the strengths of its resources. Andrews (1999) put a caveat to this; and that was this process will be rendered futile if it is not carried out with the requisite objectivity.

6.3.1. Understanding and adapting to the external environment

The results from the study showed that participants were quite well versed on the elements in the external environment that impacted on their organisations. The elements of the external environment that were explored in the interviews were: the impact of global financial crisis, government's role, the identification of competitors and partners. Participants were also asked to share any other external threats could manifest in their environments.

There was general consensus that the global financial crisis had resulted in a change in their strategic priorities and had elevated financial sustainability to the top of the list of their strategic priorities. This aspect falls under the 'General Economic Conditions' component of the macro-environment in Graph 3 (section 2.5.2 of this document). It was however not clear whether this change in focus had led to other strategic priorities being abandoned. One participant actually stated that no change in their organisation's strategic priorities had taken place, as they still focused strategically on providing the services – there was now just the additional focus of accessing more funding. This supports the assertion by Bell et al (2010) that both financial and programmatic sustainability cannot be separated, as together they ensure organisational sustainability.

Another insight from this was the confirmation of various authors that the heightened urgency for financial sustainability amongst NPOs was brought to the fore by the global financial crisis. Osborne, (2012); Unerman & O'Dwyer, (2010); Taylor et al, (2012); Gassman et al, (2012); Burtch, (2012) and Salamon, et al (2009).

A second element of the external environment that was incorporated in the interviews was the issue of funding from government. The Coalition for on Civil Society, in the Critical Perspective on Sustainability document, point out that the reduction of donor foreign donor funds has resulted in many NPOs looking to government to fill the deficit. Building on this aspect of government's role, Aldaba, et al (2002) posits that one of the factors that compounded the threat of financial sustainability was the existence of a sector that had in the past not fully nurtured relationships with stakeholders, government included) and now stood isolated from these stakeholders.

Data gathered from the interviews generally highlighted a broken down relationship. Respondents displayed despondency, hopelessness and a pronounced level of frustration with government's slowness in releasing funds and thus putting serious pressure on their cash reserves. Some

were looking elsewhere for funding; i.e. instead of government, as they found that it was too risky to rely on government. The inferences made by those participants who have had extensive interactions with government; (and these receive a substantial amount of money from the state) pointed to a relationship that has been decidedly deteriorating over the years. It was outside the scope of this study to compare and contrast this relationship over an extended period – and as such it is difficult to comment on whether the non-profit sector had isolated itself and failed to build a relationship with government before the financial crisis as posited by Aldaba, (2002) or whether it is government who has failed to reach out to the non-profit sector.

The identification of competitors and partners is necessary in strategy formulation as it opens up options for collaborations and better positioning especially in a competitive environment. McIntosh (2012) makes a case for the concept of competition to be embraced as these organisations now operate in a financially strained environment which induces competition for scarce funds. Dees (2012) cautions NPOs from categorising competition as a concept that only belongs in the private sector.

Surprisingly; the data pointed overwhelmingly, but not entirely, to the rejection and dismissal of the notion of competition in the sector, with interviewees referring instead to an environment where there is sharing of information, knowledge and resources and where ‘new entrants’ are welcome as everyone in the sector works towards greater good. This line of thought is based on the aspect of the provision of services, and from the perspective of increasing social needs, it is correct and appropriate.

However, competition for funds is currently very much a reality for all NPOs, whether these funds come from the government, corporates, individuals or foreign donors. The failure of this important aspect of strategy to emerge and be captured in the strategy documents of the participating organisations is alarming. By extension, this failure means

that the opportunity to openly incorporate an organisations competitive advantage into its fundraising pitch is lost. Only one respondent mentioned that as an organisation they had strategically identified other NPOs who offer the same services as competitors. One other interviewee, who spoke of competitors in the industry, conceded though that this aspect was not mentioned on the organisations strategy documents. A participant raised an interesting link between competing for funds and the nature of the services that an organisation provides. He indicated that if the service an NPO provides does not appeal to funders; it was very difficult to get that funder to allocate money to that organisation. While it was not established by this study; such a situation could push an organisation to be reliant a smaller base of sympathetic funders.

The paradox of viewing other NPOs as competitors while holding deep social values about one's work is a paradox that has to be surmounted ideologically and practically. Competitors for funds exist in the sector locally and across borders in other developing countries.

When it came to partner identification, the evidence supported the strong existence of the aspect of sharing of knowledge among organisations in this sector and the broadness with which the net is cast when it comes to collaboration. Two surprise partners that were mentioned were the volunteers and one participant mentioned government. The inclusion of government in particular in the category of partners is significant as it points to the recognition of government as a strategic partner – irrespective of the status of the current relationship, making a significant step towards a more collaborative relationship.

Finally, participants were asked to identify external threats to their continued existence and funding shortages topped the list, pointing to the importance of recognising that when it comes to accessing funds, NPOs are operating in a competitive space. Other than funding, the results showed a spread of valid threats like changes in legislation that could impact on their operations and de-registration by DSD (a currently

contentious issue –“The State of the NPO Register”). What was concerning though was that other than funding, no other threat was mentioned by more than two organisation and the threats that were mentioned are applicable to all other organisations.

6.3.2. Understanding and adapting the internal environment

The literature highlighted the need for an organisation’s internal environment to be truthfully assessed and geared towards the successful implementation of the strategy. Andrews, (1999); Hough et al, (2011); Mittenthal (2002) and Aaker (2001). The required conditions that management should ensure are in place, internally, to best support the roll out of the strategy are depicted in graph 4 (section 2.5.3).

Data from the research was collected from the perspective of the respondents’ awareness of internal threats and also from the changes that had been made to the organisation’s systems / process so that these best support the roll out of the strategy.

The evidence indicated a strong convergence towards one internal threat against strategy implementation and that is staff attraction and retention. This threat compromises one of the conditions listed by Hough et al, (2011) that has to be present to support strategy implementation and that is ‘building a capable organisation’ which is ‘*a top priority in strategy execution.*’ p.251.

Most of participants cited the sector’s inability to match the salaries and employee benefits to those that are paid by the private sector; as the main driver for this. Still on this area; it emerged from the interviews that there was a commitment to provide quality services and as such organisations strove to hire qualified and highly skilled people – the participants were a case in point. So this threat becomes two-pronged: on the one hand it’s driven by an overall shortage of funds to pay competitive salaries and on the other it is driven by the difficulty to attract

and keep skilled people who not only would want to be compensated fairly; but who come at a premium.

It was surprising that there was convergence on only one internal threat and the others were mentioned individually by each participant. While this should not be construed to indicate any shortcomings on the vigour of the assessment of the organisations' internal environment; it is still disconcerting that factors that are could apply to any organisation like a rigid culture or non-compliance to regulations were not mentioned.

Data collected on the internal changes that organisations had put in place to enable the internal environment to better support the strategy showed a very responsive sector. Participants gave examples that showed a drive towards efficiently run organisations, like the streamlining of national and provincial meetings and holding these meetings on 'Skype' to save costs, the use of WhatsApp to communicate operational issues thus saving time, and a current restructuring to create career paths as a way to retain staff.

The proposition that NPOs have a clear understanding of their external and internal environments and have aligned their internal environment accordingly, has been tested and shows that these organisations are well versed on their environments and are individually adapting internally to facilitate operational efficiencies which is key towards supporting strategy implementation. There is strong evidence for the need to surmount inherent paradoxes of working in the sector.

6.4. NPOs have come up with innovative plans to be financially sustainable

The need for NPOs to have diversified sources of income is a means towards financial sustainability and mitigates against the exposure to one funder. Weerawardena, McDonald & Mort, (2010), Burtch (2012), Raymond (2010) and Aldaba et al (2000) all documented several

strategies that NPOs could implement to contribute towards financial sustainability.

Results from the study showed that NPOs have embraced the challenge of diversifying their income sources and have come up with some creative initiatives (refer Tables 3 & 4 – section 5.5). There was also strong evidence that NPOs have incorporated social media platforms into their revenue generation strategies and do not just use it to communicate.

Another interesting outcome was that while most are shifting their focus towards international donors, none of the respondents listed any initiative aimed at increasing funds from government, not even some sort of collaborative effort. This is not surprising when one considers the state of the relationship between NPOs and government as discussed in the previous section. There was increased partnering with local corporates which was used to channel donations via a platform sponsored by the corporate and receiving a portion of the monies raised. NPOs also displayed a heightened sense of conserving whatever resources they have and are very economical in how they spend money.

Aldaba et al (2002) suggested that one of the factors that compounded the issue of financial sustainability was the reliance on one source of funding. The evidence from the interviews showed that not one organisation received its income from one donor – they all had diversified sources of income namely: individual and corporate donors, foreign donors, government, own fundraising activities and commercial income generating activities.

The most important theme to come out of this was how commercially oriented NPOs are when it comes to revenue generation and cost saving. So in this aspect they have embraced the paradox of operating with social values while applying commercial or business principles, while when it comes to the concept of intra-sector competition there is still resistance.

The proposition that NPOs have come up with innovative income generation initiatives to attract funds / generate own income and or contain costs in order to remain financially sustainable, has been tested and found to be true. This is very encouraging as it demonstrates realism within the sector and a fighting spirit for survival. It also contributes towards changing perceptions of a passively receiving sector to a self-sustaining one.

6.5. Communication about financial sustainability is regular and truthful

The significance of communication in organisations cannot be underestimated. Hough et al, (2011) ascribed clear and persuasive communication as a rider to the successful implementation of a strategy. Therefore, in order for staff to know not only about the true status of financial position of their organisation, management has to communicate this truthfully and consistently. This will facilitate the pursuance of financial sustainability initiatives by employees and thus enable the implementation of the strategy.

In the interviews data to test this proposition was collected under the communication of the strategy to employees, communication to employees around the gravity of the shortage of funds and the resultant threat to financial sustainability, communication back to the board on the progress being made on the strategy implementation. Participants were also asked to share performance monitoring systems used to track progress on the achievement of organisational objectives.

Evidence from the interviews confirmed that by and large management use a variety of platforms and methods to communicate with employees. There were also strong indications that these communication channels were not just used to communicate the strategy; but were part of the existing platforms for continuous communication about many other issues of interest in the organisation. Participants cited staff newsletters, regular departmental meetings, special meetings where the head of the

organisation addressed staff and e-mails. This shows a strong culture of downward communication.

Meetings were shown to work well in terms of enabling upward and cross-communication, between management and employees and between the head of the organisation and employees. Another aspect of communication was how the board was fed progress reports on the progress on strategy implementation. This is important in enabling the board to provide oversight on the strategy process and to approve deviations from the adopted strategy should there be environmental changes. All the organisations that had properly constituted boards, confirmed that the head of their organisations was the point of contact with the board – and his/her reports (based on departmental progress reports) were the formal reports submitted at the quarterly board meetings.

It seems the existence of formal governance and management structures fosters the formalisation of processes; like the streamlining of communication channels.

The candour with which management communicated the severity of the threat to financial sustainability, as a result of the strain on funds, was found to vary from organisation to organisation. On the one extreme, management called special meetings where just this issue was discussed and employees could ask questions and on another extreme; and on the other extreme the organisation's head did not believe it was right for her to share this information with staff as it was her problem. Coincidentally this was also the youngest organisation which also had no board of directors. In the middle was management who did inform the staff but was gentle and not so direct.

The use of performance monitoring systems, like the Balanced Score Card, was not so wide spread with only one participant's organisation having implemented an internally designed system. This lack of performance monitoring systems did not seem to compromise the culture of reporting and communication nor did it seem to compromise the

quality of the information communicated throughout the organisation. The practice of preparing for staff meetings and board meetings helps keep the 'target in sight' and is diagnostic enough for it to work for these organisations and sufficient enough to make information easily available. Another factor which promotes the availability of accurate and reliable information was found to be the periodic reports that these organisations have to prepare and submit to government and other funders. So, whether an organisation has a formal performance monitoring system or not, did not seem to compromise the availability of information nor prevent the boards from providing proper oversight.

The proposition that communication is regular and truthful and is facilitated by performance management tools was found to be true for organisations that had properly constructed board and management structures. Interestingly, it was found that while the use of performance monitoring tools that are so prevalent in the private sector was not widespread, this did not in any way compromise the culture of communication nor the availability of accurate information. It can be posited that NPOs are not as complex as a multi-national company for which the use of a system that distils all key performance areas of the company onto a page, is necessary.

7. CONCLUSION

7.1. Introduction

This chapter will highlight the main findings of the research which are drawn from the previous two chapters. There will also be a section containing recommendations to the stakeholders (management and boards of NPOs). Lastly, suggestions about areas of future research related to the field of this paper will be outlined.

7.2. Summary of main findings

7.2.1. The governance aspect

The study found that NPOs have properly constituted boards with board subcommittees as well. The constitution of these boards satisfies the minimum recommendations of the King Commission on Corporate Governance. As an illustration to this point, the boards meet four times a year, are involved with either the actual strategy formulation or the ratification thereof and are not part of the management team (non-executive). While it fell outside the scope of this paper to assess the role of the boards and the quality of their compositions, the intention of establishing leadership involvement and oversight with the organisations' strategy processes was achieved. The existence of proper management and governance structures also correlated with regular communication in the organisation and the proper documenting of what is happening within the organisation.

7.2.2. Views on the concept of competition

The dismissal of the concept of competition while the environment within which NPOs operate has decidedly become competitive; was striking. The prevailing convention of organisations in the non-profit sector not competing as they all work towards the same object of greater good,

seemed to block the reality of the situation. NPOs viewed competition from one angle – that of providing a social service to the most vulnerable members of society and not from the very pertinent and real angle of competing for diminished donor funds. The rejection of what is considered to be a concept or practice that is not applicable to the non-profit sector points to the challenge of operating in a paradoxical environment, where the one's internal value system has to co-exist with unpalatable realities of being an inextricable part of the greater world.

7.2.3. Embracing commercialism

The study found that NPOs approach revenue generation and cost savings with a commercial mind set. While the sector is still heavily reliant on donor funds, it is not stuck in being a receiving sector, but instead exerts a lot of effort into exploring sources of income and the saving of costs that embrace commercial thinking. The paradox of thinking and acting commercially while holding social values; has been surmounted in this aspect.

7.2.4. Relationship with government

The study confirmed the acrimonious relationship that is written about in the media between government departments and the NPOs. This is in spite of the two working towards the same social goals. Some NPOs were found to be so despondent about the prospects of improvement in their engagement with government departments that they are casting their eyes elsewhere for funds. It is imperative for both government and NPOs to find a modus vivendi as they are strategic partners with converging goals.

7.2.5. Performance monitoring systems

The use of performance monitoring systems was not so entrenched and wide-spread. While there was strong evidence of constant, internal and external communication, there does not seem to be a strong drive towards integrating a performance monitoring system into communications channels. The study established that the absence of such a system did not have negative impact on the quality of decisions taken by management, as NPOs used other methods to record and track their performance.

7.3. Recommendations to the stakeholders in the non-profit sector

- The non-profit sector needs to lobby government as one unified voice, as that will give it more muscle. A strong lobbying body, that holds its own members accountable, will not have any cause to be compromised by the fact that its members are funded by the very same government as these NPOs are an essential conduit through which government carries out its social and constitutional mandate.
- Business schools can assist NPOs solve business problems by incorporating these organisations into their course work; for e.g. as a business case competition, as an assignment for students in their senior executive programs who then have to present the solutions to the NPOs.
- NPOs should not reject outright the concept of competition as embracing it will not change the essence or 'purity' of the intent of the sector; but rather will be gearing each NPO towards improved fundraising. Maybe instead of using a private sector terminology like competitive advantage, NPOs could adopt (and relate better to) a descriptive hypernym like advantageous positioning for fundraising purposes.

- It would not be a bad idea at all for senior employees in the non-profit sector to be seconded to the very same government they engage with and vice-versa. This would give both parties an opportunity to walk in the other's shoes and may even contribute towards resolving some of the problems they experience.
- There still exist an opportunity for the sector to elevate commercial thinking onto the industry level and negotiate some of the individual initiatives mentioned as one industry voice, for e.g. below cost prices for say office equipment, rental etc. Another opportunity lies in focusing on non-monetary plans, which would include political lobbying (as an industry) for higher budget allocations and a more conducive environment for accessing government funds.
- Yet another long-term opportunity is deliberate engagement with the growing middle class in the country. Not only would this be a way to influence the future re-channelling of some of their discretionary income to NPOs, but it is also a way to cultivate strong associations with the off-springs of the current middle class who will likely grow up to be in similar income brackets or even higher. This raises another long-term strategy, and that is the cultivation of a culture of giving and entrench awareness about NPOs into the consciousness of the younger generation. This can be done in association with the Department of Education.

7.4. Recommendations for future research

The following four areas of future research are recommended:

- A study that compares and contrasts approaches to financial sustainability employed by 'new-kid-on-the-block' NPOs (i.e. those that were formed in the midst of the recession or soon after and are thriving) and the old-guard.

- A study that compares and contrasts the leadership styles of the ‘new-kid-on-the-block’ NPOs i.e. those that were formed in the midst of the recession or soon after and are thriving) and the old-guard?
- A study that explores the impediments towards stronger collaboration and lobbying in the non-profit sector.
- Research into the challenges that strategy facilitators have picked up when they facilitate strategy sessions with NPOs. This study would focus on things like what ‘business strategic processes’ are not applicable to the non-profit sector, what flaws with the process continuously manifest in these sessions.

7.5. Conclusion

Aldaba et al, (2002) shared attributes that need to be present in an organisation to support its quest for financial sustainability. It can said that the organisations who participated in this study display most of these attributes – like innovation, strategic thinking, established organisational structures and the ability to relate to the external environment. Also by virtue of the fact that these organisations are ‘still standing’ one can say that it is not pre-mature to refer to them as financially sustaining as at the very least they have gone through the stabilisation phase after the global financial crisis and are now implementing their turn-around plans.

Interview Process

Before

- Explain the interview purpose and process.
- Emphasise that interview cannot continue if participant has been coerced and that there is no form of incentive. Participation has to be completely voluntary.
- After participant expresses understanding of the process and willingness to participate, ask them to sign the consent sheet and also give them the information sheet.
- Thereafter ask if participant agrees to the recording of the interview, if they do, request them to sign the consent sheet as well. Then begin the interview.
- If participant refuses to be recorded, thank them and close the interview.

Background of participant and company

1. What is your role in the organisation and how many employees report to you?
2. Briefly describe your organisation's purpose (reason for existing) and its size (operations).
3. What are your organisation's sources of income? Please rank them.

Strategy Formulation Stage

1. When does your organisation embark on a strategy formulation process?
2. Who participate in the strategy formulation process of your organisation?
3. In what ways did the global financial crisis affect/change your organisation's strategic priorities?
4. In light of the financial crisis, would you say your strategic response has been on cost saving or income generation and why?
5. In what ways has government (through its various agencies and vehicles) come on board to assist your organisation with financial support?
6. Which groups have been identified and defined in your strategy as (give examples)?
 - 6.1. Competitors
 - 6.2. Partners
7. What internal issue(s) have been identified in the strategy as posing a threat to the continued existence of your organisation?

8. What external issue(s) have been identified in the strategy as posing a threat to the continued existence of your organisation?

Strategy Implementation

1. Who communicates the strategy to the rest of the organisation and what channels/platforms do they use?
2. When the last 2 - 3 strategies were communicated to staff, was there emphasis on 'survival', 'threats to continued existence', 'tightening of belts'?
3. Which aspects of your organisation's social mission activities have had to be abandoned or reduced as a direct result of the strain on financial resources?
4. What systems / approaches have been modified in order for them to better support the implementation of the strategy (e.g. structure, alliances, communication, donor approach, fund raising / commercially earned revenues, etc.)?
5. What in your opinion are the most pertinent challenges to the effective implementation of your organisation's strategy?
6. How have social networks (Facebook, LinkedIn, Twitter, YouTube, NGO Pulse) and other media been incorporated into your income generation strategies?

Strategy M & E

1. How is feedback on the progress of the strategy implementation communicated back to the CEO and the Board?
2. How is progress on the strategy communicated to the rest of the organisation?
3. How is feedback from employees solicited?
4. What performance tracking tools/systems are used?

After

- Afford the participant an opportunity to ask questions about the process.
- Thank the participant and stop recording.
- Close the interview.
- Note non-verbal state of participant (nervous, calm, negative) and other general impressions. Make a note of these.

Research Topic:

Responsive strategies adopted by NPO's in recessionary times to ensure their financial sustainability.

Dear research participant:

I am currently conducting a research study with the aim of exploring how NPO's have adapted their strategies in light of the recent financial crisis which has put pressure on most sources of income.

You are kindly requested to answer a set of semi-structured questions by the researcher. The researcher will ask you questions in relation to the topic and you are required to provide more detailed answers to the questions. The researcher may also ask clarity-seeking questions to get more information. The interview process is expected to take no longer than 60 minutes.

Your answers will be tape recorded with your permission.

Your rights as a participant, including the right to withdraw at any time without penalty, are ensured. You can also ask for a break at any stage.

Your anonymity is guaranteed and your confidential information cannot be disclosed.

For any concerns you may have, please do not hesitate to contact either the researcher or the supervisor, and our details are provided below.

If you have any questions at all, please ask them now.

If you would like to participate in the research, please sign the attached consent form.

Sincerely,

Researcher

Patricia Hadebe

071 850 8452

kayisehadebe@yahoo.com

Supervisor

Dr Mandla Adonisi

083 294 0316 / 071 903 5607

adonisim@gibs.co.za

Participant Interview Consent Form

Appendix C

Research Topic:

Responsive strategies adopted by NPO's in recessionary times to ensure their financial sustainability.

Researcher: Patricia Hadebe
Researcher's contact details: 071 850 8452
kayisehadebe@yahoo.com
Student No: 13402472

Dear research participant

If you agree to be interviewed, please sign the consent below.

Consent:

I agree to participate in the above research project. I have read the Participant Information Sheet. I understand what my role will be in this research, and all my questions have been answered to my satisfaction.

I am satisfied with the instructions I have been given so far and I may request further information at any stage of the research project.

I understand that I am free to withdraw from the research interview at any time, for any reason and without prejudice.

I understand that I have the right not to be tape recorded if I so wish.

I have been informed that anonymity will be used in the research report (an alias will be used to ensure confidentiality).

I am free to ask any questions at any time before, during and after the study.

I have been provided with a copy of this form and the Participant Information Sheet.

I have not been coerced nor induced in any way to participate in this study.

I agree to participate in the research project.

Name of participant (print) **Signed** _____
Date

Tape Recording Consent Form: Individual Interviews Appendix D

Dear research participant

If you agree to be audio tape recorded, please sign the consent below.

Consent:

I agree to participate in the above research project. I have read the Participant Information Sheet and signed the participant consent form, which are attached here to this form. I understand what my role will be in this research, and all my questions have been answered to my satisfaction.

I am satisfied with the instructions I have been given so far and I may request further information at any stage of the research project.

I have been informed that anonymity will be used in research report (an alias will be used to ensure confidentiality).

I am free to ask any questions at any time before, during and after the interview.

I agree to be audio tape recorded by the researcher.

I have not been coerced nor induced in any way to be tape recorded.

I understand that I am free to ask the researcher to stop the tape recording of the interviews at any time, for any reason and without prejudice.

I agree to participate in the research project.

_____	_____	_____
Name of participant (print)	Signed	Date

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