



Assessing strategic management as a sustainability requirement for a non-profit organisation

BKN Hlatshwayo

 **orcid.org 0000-0002-2527-9891**

Mini-dissertation submitted in partial fulfilment of the requirements for the degree *Master of Business Administration* at the North-West University

Supervisor:

Prof RA Lotriet

Graduation May 2018

Student number: 26877287

DECLARATION

I, Balindile Hlatshwayo declare herewith that the mini-dissertation entitled, "Assessing strategic management as a sustainability requirement for a non-profit organisation" which I herewith submit to the North-West University, Potchefstroom Campus, in partial compliance with the requirements set for the Master of Business Administration degree, is my own work. I declare that the mini-dissertation has been language-edited in accordance with the requirements and has not been submitted to any other university.

I understand and accept that the copies that are submitted for examination become the property of the University.

Signature of student:  _____

Date: 20 November 2017

Balindile Hlatshwayo (26877287)

DEDICATION

This work is dedicated to my husband Thokozani, my two amazing sons (Uyapha and Wenzokuhle), my mother, Ntando and Bandile for their support and understanding during my absence to make this a reality. My late father, had declared at my tender age that I will achieve enormously academically, I also dedicate this work to him and to my late brother who was brutally killed during the time of my dissertation submission (may their souls rest in eternal peace and rise in eternal glory). This is all for you.

ABSTRACT

The non-profit sector is constantly becoming competitive. The constraints in the non-profit sector propels the industry to become tactical in its administration. Strategic management has become a necessity for non-profit organisations' survival. This study aims to investigate strategic management as a sustainable requirement for a non-profit organisation's success. The study explores the strategic management process as an approach leading to future sustainability of a non-profit organisation. The study deliberates on alternative sources of income and other strategies such as strategic alliances, as contributors towards non-profit organisations' sustainability. The qualitative research method was applied to collect and analyse data. The participants interviewed were members of the organisation, beneficiaries, mentors and funders. The research findings indicated that strategic management is necessary in the non-profit sector. The approach leads to sustainability and creates competitive advantage in the eyes of funders and constituencies. Furthermore, the findings also indicated that the non-profit organisation should diversify its income sources in order to remain sustainable. Post research findings and analysis recommendations on how the non-profit organisation can remain sustainable and provide lasting solutions to its community and customers are presented. As recommendations, the study presents strategies that can be employed by the non-profit organisation. The strategies include research development, marketing and succession planning, among other things.

Key terms: strategy, strategy planning, strategic management process, sustainability, non-profit

ACKNOWLEDGEMENTS

This journey was not travelled by myself alone, a number of amazing individuals made the it remarkable and endurable. It is with great admiration to acknowledge the people who were instrumental in supporting me and contributed to this study:

- Primarily, all honour, splendour and praises go to the Ancient of Days, who made it all possible through Christ the Lord.
- To my husband, who selflessly allowed me to pursue my dreams and supported me throughout the journey.
- To my sons, Uyapha and Wenzokuhle your being, love and support made me push through the boundaries.
- To all my family members, thank you for your love and support. You believed in me and your encouraging words kept me going.
- To my supervisor, Prof. Ronnie Lotriet, you are the most amazing supervisor! The spirit of excellence you exude and your guidance helped me enormously.
- To Amos/Kgaphamadi Community Organisation, thank you for allowing me to use your organisation as the case study.
- To the language editor Dr Florence Mapudzi, thank you for editing my work diligently.
- Team Winners, you the best group one could ever have while doing MBA. Through highs and lows, we remained intact. The team spirit and the spirit of altruism made the journey worthwhile.
- To my friends and the prayer group, your support and prayers kept me buoyant.

Table of contents

DECLARATION	II
DEDICATION	III
ABSTRACT	IV
ACKNOWLEDGEMENTS	V
TABLE OF CONTENTS.....	VI
LIST OF ABBREVIATIONS	XI
LIST OF FIGURES.....	XII
LIST OF TABLES	XIII
CHAPTER 1: NATURE AND SCOPE OF THE STUDY	1
1.1 Introduction	1
1.2 Background	2
1.3 Problem statement	5
1.4 Research objectives	6
1.4.1 Primary objective	6
1.4.2 Secondary objectives.....	7
1.5 Scope and limitations of the study.....	7
1.6 Research design and methodology	8
1.6.1 Literature review	8
1.6.2 Empirical study	8
1.7 Significance of the study	8
1.8 Layout of the study.....	9
1.9 Summary	10

CHAPTER 2: LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Non-profit organisation concepts	11
2.3 A global perspective of the non-profit sector.....	15
2.3.1 History of the non-profit sector	15
2.4 South African non-profit organisation sector perspective	16
2.4.1 History of South African non-profit organisation sector	16
2.4.2 Key legislation for South African non-profit organisation	19
2.4.3 Non-profit organisational structure	23
2.4.4 Good governance and King IV in the South African non-profit sector.....	28
2.5 Key challenges faced by the South African non-profit organisation	30
2.5.1 Funding in the South African non-profit sector	34
2.6 Key Success Factors of non-profit organisations.....	35
2.7 The non-profit market positioning.....	38
2.7.1 Strategic alliances: an emerging NPO phenomenon.....	38
2.8 Situational analysis of the South African Arts and Culture sector	42
2.9 An overview of the strategic management process.....	42
2.9.1 Strategy.....	42
2.9.2 Strategic management.....	44
2.9.3 Strategic management and the non-profit sector	47
2.10 Sustainability of a non-profit organisation	54
2.9.4 Sustainability models for a non-profit organisation	55
2.11 Strategy management in Amos/Kgaphamadi Community Organisation	57

2.11.1	A brief overview of Amos/Kgaphamadi	57
2.11.2	Strategy in Amos/Kgaphamadi Community Organisation.....	58
2.11.3	Strategic management process followed by Amos/Kgaphamadi.....	58
2.12	Summary	63
CHAPTER 3: EMPIRICAL INVESTIGATION		64
3.1	Introduction	64
3.2	Research design and method.....	64
3.2.1	Research philosophy	64
3.2.2	Research approach	64
3.2.3	Research strategy	65
3.2.4	Target Population	66
3.2.5	Sample	66
3.2.6	Data collection.....	67
3.2.7	Data analysis.....	68
3.2.8	Trustworthiness of the qualitative inquiry	69
3.2.9	Ethical considerations.....	70
3.2.10	Limitations of the study	71
3.3	Research findings and analysis	71
3.3.1	Demographics profile.....	71
3.3.2	Organisational vision	74
3.3.3	Organisation's mission.....	74
3.3.4	Organisational objectives.....	76
3.3.5	Strategic planning.....	78

3.3.6	Implementation, monitoring and evaluation of strategic plans	80
3.3.7	Funding	81
3.3.8	Marketing strategy and market research	86
3.3.9	Market development	86
3.3.10	Market research.....	87
3.3.11	Sustainability, growth and competitive advantage.....	88
3.3.12	Competitive advantage	89
3.3.13	Unique selling proposition.....	89
3.3.14	Management culture	91
3.3.15	Governance.....	92
3.3.16	Organisational success.....	93
3.3.17	Communication plan	94
3.3.18	Strategic alliances	96
3.3.19	Beneficiary development	97
3.3.20	The organisation’s biggest challenges	98
3.3.21	Sustainability propositions	99
3.4	Summary	101
CHAPTER 4: CONCLUSION AND RECOMMENDATIONS		102
4.1	Introduction	102
4.2	Main research findings.....	102
4.2.1	Sustainability a strategic management resultant framework.....	104
4.3	Study evaluation	105
4.4	Contribution of the study	106

4.5	Recommendations.....	107
4.6	Recommendations for further research areas.....	110
4.7	Conclusion.....	110
5.	LIST OF REFERENCES	112
6.	APPENDICES	122
6.1	Appendix 1: Non-profit organisation registration checklist	122
6.2	Appendix: Questionnaire	124
6.3	Appendix 3: Language editing certificate	129

List of Abbreviations

Acronym	Full description
AKCO	Amos/Kgaphamadi Community Organisation
CEO	Chief Executive Officer
DSD	Department of Social Development
EPWP	Expanded Public Works Programme
IDT	Independent Development Trust
KSF	Key success factor
NDA	National Development Agency
NGO	Non-government organisation
NLB	National Lottery Board
NPO	Non-profit Organisation
SARS	South African Revenue Services
STATS SA	Statistics South Africa

List of figures

FIGURE 2.1: CHARACTERISTICS OF A NON-PROFIT ORGANISATION.....	13
FIGURE 2.2: TYPES OF REGISTERED NPOs IN FY2015/16.....	17
FIGURE 2.3: REGISTERED NON-PROFIT ORGANISATION BY SECTOR.....	18
FIGURE 2.4: TRADITIONAL NON-PROFIT ORGANISATION STRUCTURE	24
FIGURE 2.5: SUMMARY OF CHALLENGES AS PRESENTED BY LITERATURE.....	33
FIGURE 2.6: KEY SUCCESS FACTORS OF A NON-PROFIT ORGANISATION	36
FIGURE 2.7: NON-PROFIT ORGANISATION BEST PRACTICES.....	37
FIGURE 2.8: IDENTIFYING THE ORGANISATION’S STRATEGY	43
FIGURE 2.9: STRATEGIC MANAGEMENT PROCESS	48
FIGURE 2.10: STRATEGIC PLANNING PROCESS	51
FIGURE 2.11: TEN BASIC TASKS OF THE STRATEGY EXECUTION PROCESS	52
FIGURE 2.12: AMOS/KGAPHAMADI COMMUNITY ORGANISATIONAL STRUCTURE	61
FIGURE 3.1: TRUSTWORTHINESS COMPONENTS IN QUALITATIVE RESEARCH	69
FIGURE 3.2: PARTICIPANTS’ GENDER	71
FIGURE 3.3: HIGHEST QUALIFICATION VERSUS ORGANISATIONAL ROLE	72
FIGURE 3.4: NUMBER OF YEARS IN THE ORGANISATION	73
FIGURE 4.1: STRATEGIC MANAGEMENT – SUSTAINABILITY FRAMEWORK	104

List of Tables

TABLE 2.1: FINANCIAL REPORT OUTLINE	19
TABLE 2.2: REQUIREMENTS OF THE NON-PROFIT ORGANISATIONS ACT (ACT 71 OF 1997)	21
TABLE 2.3: AMOS/KGAPHAMADI COMMUNITY ORGANISATION OBJECTIVES 2016-2020	60
TABLE 2.4: AMOS/KGAPHAMADI COMMUNITY ORGANISATION SWOT ANALYSIS	62
TABLE 3.1: UNIT OF ANALYSIS	66

CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1.1 Introduction

The non-profit organisation (NPO) sector has become competitively prevalent in South Africa than it was in the early 1990s (Stuart, 2013). In the past, international funders donated immensely to the South African non-profit organisation sector and this created an environment where NPOs operated without transparency and accountability (Wyngaard, 2014). With the new political and economic climate, most international funders retracted funding, as they believed that South Africa is now in a better position to solve its own social problems (Wyngaard, 2014; Hendricks, 2012; Abrahams, 2012). As a result, this left the South African government committing to creating an encouraging environment for the non-profit organisations to operate through making funds available and setting-up support structures for the non-profit organisation sector. However, when new regulations were introduced in 2002, NPOs were left to compete for funding and employ new funding models (Department of Social Development, 2012; Hendricks, 2012; Abrahams, 2012) (Wyngaard, 2014). This posed a challenge for NPOs, which had depended on government grants and donations as their only source of income.

In addition to the funding problem, there are many other challenges faced by the non-profit organisation sector. A problem facing many South African non-profit organisations currently is the lack of strategic management for the sustainability of the non-profit organisations. Strategic management is the organisation's ability to remain sustainable, regardless of the rules that govern the non-profit organisation sector, the demands by the non-profit organisation donors and the market (Hendricks, 2012). Moreover, getting support from government institutions and agencies mandated to assist in the non-profit organisation sector development is a challenge (Department of Social Development, 2012).

In view of the above, this study aims to investigate how a South African non-profit organisation can become sustainable and competitive through adhering to the strategic management process. Amos/Kgaphamadi Community Organisation (AKCO) is a non-profit organisation based in Kwa-Mhlanga, Mpumalanga Province. The organisation is used as a case study to highlight the challenges faced by NPOs in their efforts to achieve

sustainability. Furthermore, the study aims to investigate how stakeholder involvement can improve the non-profit organisation strategic direction.

1.2 Background

Non-profit organisations are prevalent players in the South African social and public sphere (Department of Social Development, 2016; National Development Agency, 2013; Stats SA, 2012). NPOs significantly contribute to the socio-political and economic development of the country. Non-profit organisations often play an intermediary role within the society and they provide certain goods and services where other markets have failed, or where the government falls short (Department of Social Development, 2016). According to the Department of Social Development (2016:10), these services and activities vary from “providing direct services to poor individuals and communities, advocacy, research and policy analysis, to support work such as capacity building, technical assistance and funding to communities”.

The non-profit organisations work hand in hand with the government and the private sector, in order to meet the social needs of communities (Department of Social Development, 2016; National Development Agency, 2013). However, the South African non-profit organisation sector faces a number of challenges. Amongst the challenges is the fact that the agencies and institutions mandated to assist the non-profit organisation sector are not working in parallel. South Africa faces the challenges of developing relevant institutions, formulating and implementing relevant policies to support the non-profit organisation sector (National Development Agency, 2013). The existing institutions and agencies are unable to solve the current challenges in the non-profit organisation sector, even with all the legislations and codes of good practices in place. This has led to deregistration of a number of non-profit organisations (National Development Agency, 2013; Wicks, 2015).

According to the Department of Social Development (DSD), more than half of the 140 513 South African non-profit organisations registered with the Department of Social Development are in breach of the key legislation that regulates non-profit organisations (Wicks, 2015). NPOs registered on the DSD’s database should submit annual financial reports to ensure transparency, and failing to do so will compel these organisations’ removal from the DSD system. The Department of Social Development requirement left

thousands of NPOs deregistered in 2012, because they failed to comply with the new regulations (Wicks, 2015; Department of Social Development, 2016).

Subsequent, to deregistration of thousands of NPOs due to non-compliance with the NPO Act (Act No.71 of 1997) in 2012, the DSD spent R2.5m on awareness and educational campaigns. The campaigns intended to help NPOs to improve their compliance (Wicks, 2015). However, some organisations still struggled with meeting the new requirements. Many of them suffered deregistration and getting back to the system thereafter becomes a challenge. Not only do these organisations suffer deregistration, they also lost donor funding as they failed to produce strategic financial reports as required by the DSD (Wicks, 2015; Department of Social Development, 2016).

In July 2015, about 62% of the registered NPOs were non-compliant with the requirements of the NPO Act (Department of Social Development, 2016). Due to the non-profit organisations' high rate of non-compliance, the Department of Social Development placed a moratorium on NPOs deregistration. In the process, all NPOs deregistered in 2012 were re-registered. The effort envisioned to encourage compliance by non-profit organisations and to adopt a developmental approach in order to address the compliance issues (Wicks, 2015). Despite the efforts by DSD to get all the NPO registered or re-registered, this did not address the issue at hand, which required the organisations to craft formal strategies, adhere and control them in order to remain compliant and competitive, as the industry is growing bigger (Wicks, 2015; Department of Social Development, 2016).

It is evident and inevitable to note that philanthropists who, in most cases, know less about business strategies, establish most non-profit organisations and they operate their organisations without formal strategies. The market has become strict and very competitive that those who do not comply are removed from the system (Department of Social Development, 2012). Furthermore, the competitive environment for funding forces non-profit organisations to think strategically in order to remain competitive and sustainable (Rehor *et al.*, 2010:146; Ehlers & Lazenby, 2013:386). The donors are increasingly insisting on business plans as evidence of financial sustainability (Nedbank, 2016; Wicks, 2015). The South African government established a number of agencies and institutions to help non-profit organisations to develop their administration and

strategic management skills. These organisations, *inter alia* include the National Development Agency (NDA), the Department of Social Development, the Skills Education Training Authorities (SETA), the Independent Development Trust (IDT) and the National Lottery Board (NLB).

As the non-profit sector is growing and transitioning, it is essential for its managers to be entrepreneurial, particularly in identifying the direction and the force of changes under way, in order to respond with timely adjustment in strategy (Thompson *et al.*, 2014:39). Crafting strategies would enable the non-profit organisations to proactively search for innovative opportunities and improve existing ways of doing things. Furthermore, this would enable a clearly defined and well-communicated organisational purpose and the establishment of realistic goals and objectives aligned with the mission. Moreover, it would create a unique differentiation that sets organisations apart from their competitors (Kotler & Armstrong, 2014:260-265).

Many non-profit organisations struggle to craft and execute strategies. According to Coldorin (2011), poor strategic management could lead to the inefficient use of resources and ineffective service delivery. Concurrently, this might probably lead to organisational or even sector destabilisation. This has been evident in the huge numbers of deregistration of non-profit organisations due to non-compliance (Department of Social Development, 2012). To help reduce the complexity of strategic management, organisations are encouraged to adopt formal strategy formation processes.

According to Thompson *et al.* (2014:39), good strategic planning enables an organisation to address a number of issues such as customer satisfaction, outcompeting rivals, responding to the ever-changing market conditions, managing each business function, developing the needed capabilities and achieving strategic and financial objectives. Reynolds (2010:34) also noted that strategic planning is a process that assists managers of organisations to diagnose favourable outcomes and formulate potential plans to achieve the organisation's objectives. It is these reasons why non-profit organisations should adopt formal strategic processes, unless they set themselves up for failure. In order to encourage strategic management in the NPO sector, the DSD compiled The Code of Good Practice for South African Non-profit Organisations, which clearly outlines

the best practices (Department of Social Development, 2001). Moreover, practitioners have been equipped to assist NPOs with their strategic management. Cheerful

1.3 Problem statement

The problems faced by non-profit organisations today include operating in a business-like approach. Sponsors nowadays require transparency, accountability and proper governance (Nedbank, 2015; Department of Social Development, 2016; National Development Agency, 2013). This emergent focus on good governance has caused a scrutiny on how non-profit organisations operate, as well as how they are regulated. Good governance is progressively becoming necessary for the development, legitimacy and sustainability of non-profit organisations in any country (Department of Social Development, 2016; The Institute of Directors in Southern Africa, 2016).

The approach used by non-profit organisations to address the social problems has become inadequate. Many non-profit organisations tend to offer intervention strategies, rather than providing solutions to the social problems. For example, a non-profit organisation would provide a feeding scheme, rather than sustainable solutions to hunger (Davis, 2017). On the other hand, beneficiaries of skills providing NPOs are not voluntarily exiting the system to start their own enterprises or look for work elsewhere, but they continue to be dependent on the stipends provided by the organisations. This approach is not sustainable and as a result, donors have become hugely dissatisfied with this intervention model. Donors still have the money and the drive for philanthropy. However, with donor intelligence, the donors are gradually refusing to pay for activities that do not solve problems and those that are lacking proper governance (Davids, 2017; Wicks, 2015).

The challenges faced by the non-profit organisations have propelled non-profit organisations to develop strategic plans. However, there is a struggle in employing strategy management aspects in the non-profit organisation sector. If strategic plans are in place, implementing the set strategies and the control thereof remains a challenge, as many of these organisations are founded and managed by philanthropists rather than business-oriented people. Mentorship and support from institutions such as DSD, NDA and SETA becomes essential in order to address these problems (National Development Agency, 2013).

The challenge then remains how philanthropists can become business savvy, while benevolent at the same time. This can be possible through changing the existing patterns and identifying new funding sources, such as self-generating revenues. Ressel (2011) suggests that “non-profit organisations should start introducing income-generation projects in order to generate enough cash to supplement donor funding and become financially sustainable”. For example, an organisation providing skills training in arts and craft can sell its products to the market and use the revenues received to further grow the project.

The study objective was to probe and develop understanding of how the non-profit organisation has tackled the various challenges, developed self-sustainability and adopted strategic management aspects. The challenges faced by the non-profit organisation evoke certain pertinent research questions that are listed as follow:

- How can strategic management process be effectively and efficiently utilised by a non-profit organisation?
- What are the possible strategies available to employ in order to remain sustainable and competitive?
- How to effectively engage stakeholders?
- How to contribute towards making recipients more marketable and/or entrepreneurial after skills transfer, providing lasting solutions rather than interventions?
- How to socialise strategic issues through open innovation platforms?

1.4 Research objectives

The following primary and secondary objectives were formulated for this study, in order to address the questions and the research problem mentioned above.

1.4.1 Primary objective

The primary objective of the study is to evaluate the strategic management process as an enabling approach leading to the sustainability of a non-profit organisation.

1.4.2 Secondary objectives

The secondary objectives of the study intended to assess the completeness of the process followed by the non-profit organisation when formulating reactive strategies. The secondary objectives are:

- To do a situational analysis of the non-profit organisation sector
- To analyse the current market of the non-profit organisation sector
- To identify how to effectively gain market exposure
- To identify approaches that the non-profit organisation can employ in order to become self-sustainable
- To suggest ways in which beneficiaries could become marketable and/or entrepreneurial after receiving skills training and ultimately exit the stipend system.

1.5 Scope and limitations of the study

Amos/Kgaphamadi Community Organisation was established in January 1995, but became formally registered as a non-profit organisation in December 1998. Amos/Kgaphamadi is headquartered in Kwaggafontein and other sites of operations are situated in Phola, Mandela, Sun City, Kameelrivier and Mountain View in Mpumalanga Province. Amos/Kgaphamadi helps by ensuring the betterment and enrichment of the people living in disadvantaged communities through sustainable job creation, skills training and entrepreneurial skills. Amos/Kgaphamadi's main funder is the Independent Development Trust – Expanded Public Works Programme (EPWP).

The changes in the non-profit organisation environment have driven Amos/Kgaphamadi to strive to adapt to the ever-changing world. The organisation is in transition of merely existing to making robust strides to ensure its sustainability. Not only is the organisation intending to be self-sustainable; but it also intends to assist its beneficiaries in becoming marketable and/or entrepreneurial after receiving skills training from the organisation.

This study is limited to the Amos/Kgaphamadi non-profit organisation and some of its stakeholders, thus, the sample size may produce biased results. Therefore, the findings from this study cannot be generalised over every non-profit organisation in South Africa. Nonetheless, the limitations do not compromise the quality of the study, since they are insignificant as the study aims to gain a deeper understanding of challenges experienced by non-profit organisations in adopting strategic management processes.

1.6 Research design and methodology

The research methodology for this study is segmented into two parts that comprises of the literature review and empirical study.

1.6.1 Literature review

The theoretical framework of the strategic management in non-profit organisations was conducted by means of an extensive search for published research findings on related topics. Literature review in strategic management, its concepts and its relationship with the non-profit organisation sector, were reviewed in detail in chapter two.

1.6.2 Empirical study

The qualitative research method was used for the study. A case study approach was employed as it aims to understand what is happening in each critical case, in order to allow logical generalisations. Non-probability sampling, as explained by Welman *et al.* (2011:67), suggests that in some instances, certain members may have no chance at all of being included in the sample. This is true in this research study, as only a handful number of beneficiaries from different sites, the leadership of the organisation and external stakeholders were interviewed. The research methodology for the study is discussed in depth in chapter 3.

1.7 Significance of the study

The non-profit sector globally is transitioning. In order to adapt to the ever-changing environment in the new millennium, the non-profit organisation should develop itself. There are many business savvy people entering the sector and the sector is becoming more competitive.

There is a compelling need for this study to investigate the actual practices pertaining to the strategic management process employed by the non-profit organisations. The study intends to assist management ascertain whether the non-profit organisation's strategy processes cover planning, implementation, evaluation and control.

Furthermore, the study will indicate the levels and depth of responsiveness to change and the organisational culture. The study will provide insight on stakeholder involvement and impact of external environment in the non-profit organisation sector. The non-profit

organisation managers and leaders should be able to identify possible gaps and commendable sustainability responsive strategies in the sector. These combined should provide insights into how non-profit organisations can provide lasting solutions to societal problems while remaining sustainable.

1.8 Layout of the study

This study is outlined in four chapters as follows:

Chapter 1: Nature and scope of the study

This chapter provides the introduction, background to the study and the problem statement. The purpose of the study, research questions to be answered through this study and the research methodology are clearly outlined in this section.

Chapter 2: Literature Review

Chapter 2 provides literature review on previous studies relevant to the strategic management in non-profit organisations in general and specifically, to the South African context. This chapter provides an overview of the key theories of strategic management process and sustainability models that can be adopted. The chapter also unpacks the challenges affecting the implementation of strategic management processes by non-profit organisations and provides a review of measures necessary to address the identified challenges. The overview of the organisation in question is discussed.

Chapter 3: Empirical Investigation

Chapter 3 focuses on the research design and methodology. The method used for sampling, data collection and analysis in this study is specified. Key ethical considerations of this study are outlined. Presentation of research findings of the study and limitations of the study are discussed. Moreover, interpretation and analysis of the findings of the study will be presented.

Chapter 4: Conclusion and Recommendations

This chapter summarises the major findings of the study and provides recommendations to the NPO management. The chapter concludes by answering the research questions and demonstrate the extent to which the research objectives were met.

1.9 Summary

This chapter introduced the study and a brief background on the South African non-profit organisation sector and the importance of strategic management. It further provides insights into the current challenges faced by the non-profit organisation sector. The purpose of the study, the research questions to be answered through this study and the research methodology, are clearly outlined in this chapter. The scope and limitations of the study are discussed and these are circumscribed to Amos/Kgaphamadi Community Organisation. Furthermore, the layout of the entire study is provided.

The next chapter discusses the literature review on processes and functions of strategic management and an overview of the non-profit organisation sector.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The previous chapter discussed the study background, aim and objectives. This chapter reviews and discusses the relevant theories and concepts surrounding the research problem. This section provides an overview on the non-profit organisation sector, both in South Africa and globally. The main objective of study is to assess strategic management for a non-profit organisation. Based on the available literature, strategic management and its process is further assessed in order to extrapolate what is the current landscape of the non-profit organisation sector. Moreover, insights into the challenges faced by the non-profit organisation and the key success factors are highlighted. Based on past investigations, sustainability in the sector is reviewed, as well as the role of strategic management in the non-profit organisations' sustainability and competitive/institutional advantage.

Non-profit organisations exist to service societal needs that the government and the profit-making business cannot meet. However, with the increasing number of non-profit organisations, various stakeholders have sought after transparency and accountability. These have compelled even the most informal NPOs to document and formalise their activities (Wicks, 2015). As a result, the new non-profit organisation landscape poses a number of challenges that NPOs have to overcome in order to succeed. Importantly, the need to remain sustainable has propelled the necessity for the non-profit organisation sector to be strategic, whether in its day-to-day running of the organisation, or in its pursuit for potential donors, amongst other things. Strategic management as a requirement leading to non-profit organisation understanding its vision, mission and its direction, is further discussed (Ressel, 2013).

2.2 Non-profit organisation concepts

There is no universally agreed-upon definition of a non-governmental organisation (NGO) or a non-profit organisation (Worth, 2014:21; NGOsources, 2014). Although the term NGO and NPO may be used interchangeably, they are not the same. These organisations exist in all parts of the world. An organisation considered a non-profit organisation in one country may not qualify as an NPO in another country, as legal definitions, legalised activities, monitoring and oversight vary from country to country.

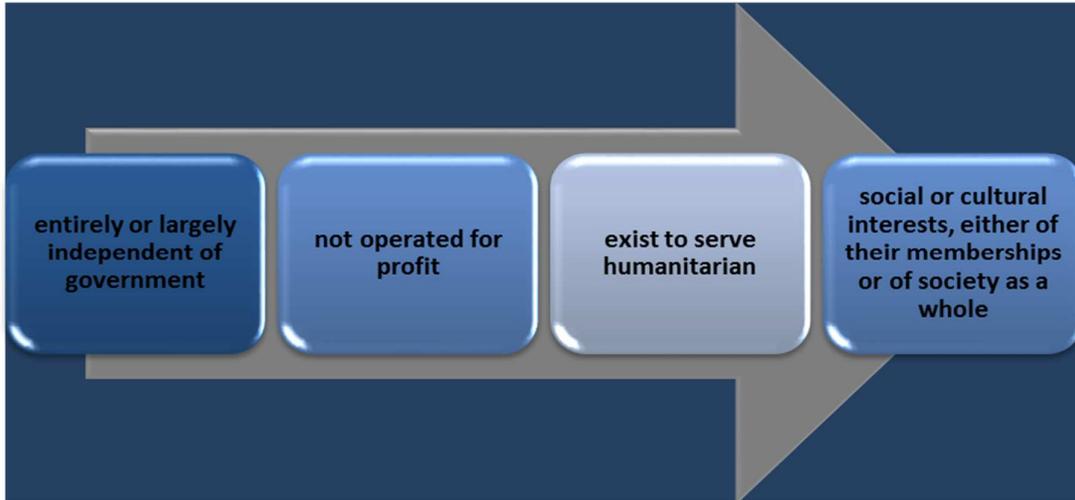
There is a grey area between a non-governmental organisation and a non-profit organisation.

- Non-governmental organisations are independent of government vision; they are not part of a government entity or operated through government programs.
- Non-profit organisations may both form part of a government entity and operate through a government program or non-governmental organisation (NGOSource, 2014; WANGO, 2010).

The non-profit organisation may be classified either as public sector or as voluntary sector organisations (WANGO, 2010; NGOsources, 2014; Worth, 2012:22). Public sector organisations consist of national economic activities that are within the jurisdiction of a central government and they include nationalised industries and other public firms. Non-profit organisations are characterised by their orientation in relation to the accomplishment of social objectives that is part of their mission statement (La Piana, 2017; Twersky *et al.*, 2013). The state or government, through favourable tax treatments or public funds (WANGO, 2010; Anheier, 2014; NGOsources, 2014), often actively supports non-profit organisations. Contrary to the for-profit business, NPOs cannot distribute surplus revenues as profits or dividends to their members. However, they can reinvest profits into the organisation to ensure mission accomplishment (Worth, 2012:22; Department of Social Development, 2017; La Piana, 2014).

The World Bank refers to non-profit organisations and community-based organisations as non-governmental organisations (World Bank, 2016). According to the World Bank, non-profit organisations have the following characteristics:

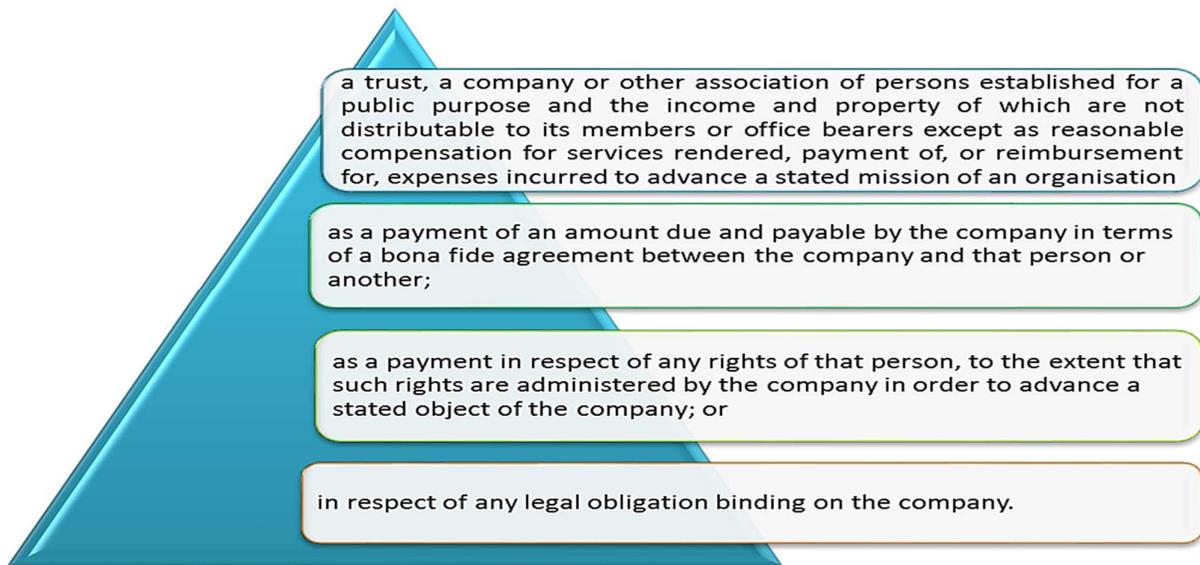
Figure 2.1: characteristics of a non-profit organisation



Source: (World Bank, 2016)

The South African definition of an NPO is defined by Section 1 of the NPO Act of 1997, as shown in the figure below.

Figure 2.2: South African definition of non-profit organisation



Source: (Department of Social Development, 2017; Stats SA, 2017)

There are three types of registered non-profit organisations in South Africa. A registered non-profit organisation can either be:

- a voluntary association

- non-profit company incorporates in terms of the Company Act
- a charitable trust

The non-profit organisation sector varies from faith and community-based organisations (CBOs), charities (welfare), to traditional organisations such as social and sports clubs and a host of other development and social forms of organisations working tirelessly on the social fabric of society. According to DSD (2016), the collective description of these types of organisation is commonly referred to as civil society organisation (CSO), non-governmental organisation, community-based organisation and faith-based organisations (FBO).

The non-profit organisation sector is also usually referred to as the third sector subsequent to the private and government sectors (Department of Social Development, 2016; Stats SA, 2017). The Department of Social Development defines the third sector as organisations that are neither public nor private sector. The third sector includes voluntary and community organisations (both registered charities and other organisations such as associations, self-help groups and community groups), social enterprises, mutuals and co-operatives and these are generally independent of government (National Audit Organisation, 2010).

Civil Society Organisations is a collective term used to describe all types of non-profit organisations. Civil societies encompass organisations such as registered charities, development non-governmental organisations, community-based organisation, women's organisations, faith-based organisations, professional associations, trade unions, self-help groups, social movements, business associations, coalitions and advocacy groups (Department of Social Development, 2016).

This study focuses on the community-based organisation perspective of the non-profit organisation. Community-based organisations are non-profit agencies formed by communities, primarily to address local needs. Many CBOs receive funding from a variety of sources such as grants, donations, fees and fundraising. However, the government remains the primary source of funding for most agencies (ICNL, 2012)

2.3 A global perspective of the non-profit sector

2.3.1 History of the non-profit sector

Non-profit organisations began in the middle of the 18th century, based on volunteer work and private donations supported. These organisations were commonly founded by churches, religious organisations and with the intention to establish educational institutions (Lewis, 2017). For example, the Roman Catholic Church was predominant in volunteer work and educational involvement in the 18th century. The non-profit organisations functioned with minute governmental regulations or sanctions. The 20th century gave rise to federal and state governments becoming involved in the establishment and regulation of non-profit organisations. The Wilson-Gorman Tariff Act of 1894 was one of the first federal laws to provide tax-exempt status to non-profit organisations (Hall, 2011; Lewis, 2017). Although the existence of charitable, educational and religious organisations date back to the 18th century, the unified and coherent sector dates back to the 1950s (Hall, 2011:487). The non-profit sector is the most rapidly growing sector in the world (Anheier, 2014).

Non-profit organisations have become an important part of community-building and empowerment strategies around the globe. Policy-makers and rural-urban planners around the world use non-profit organisations for local development and regeneration (Anheier, 2014). These range from community development organisations in Los Angeles or Milan, to organisations, poverty-stricken communities in Ethiopia or Macedonia, to local councils in Johannesburg, where local non-profit groups sit next to political leaders and business owners.

The non-profit sector plays a significant role in societies all over the world, as their common purpose frames the social, political and economic environment (Lewis, 2017; Ludovic, 2016). According to Ludovic (2016), the non-profit sector is considered the world's eighth-largest economy, which is worth over \$1 trillion a year worldwide. McArthur (2013:60) states that the non-profit sector employs approximately 19 million paid workers and immeasurable volunteers around the globe. Ludovic (2016) alludes that NPOs spend approximately \$15 billion in development aid every year.

On the national level, non-profit organisations provide disaster relief and social services; encourage self-help and self-governance. Additionally, NPOs heightened a robust international civil society through creating informal but important normative regimes that are influencing international institutions in their decision-making. This greater involvement of non-profit organisations has elevated the need to justify their activities and existence all over the world (Anheier, 2014).

Non-profit organisations have a particular interest in meeting standards on accountability and transparency, in view of the responsibilities towards not only the cause that they serve, but also the stakeholders of various types, as well as donors and sponsors (possibly comprising corporations and governments), intended program beneficiaries, staff and the public (Department of Social Development, 2012).

Non-profit organisation stakeholders include clients, donors and other resource providers, experts or regulators, staff, partners or allies, constituents, policy influence targets, members, the general public and the media (Shorts, 2015). Several for-profit entities are primarily concerned with shareholders, customers and employees. On the contrary, non-profit organisations must engage with a far wider range of stakeholders who seek different relationships and connections with the non-profit organisations. Stakeholders may be able to contribute to a non-profit organisation by leading or supporting publicity and marketing campaigns (Hawthorne, 2017).

2.4 South African non-profit organisation sector perspective

2.4.1 History of South African non-profit organisation sector

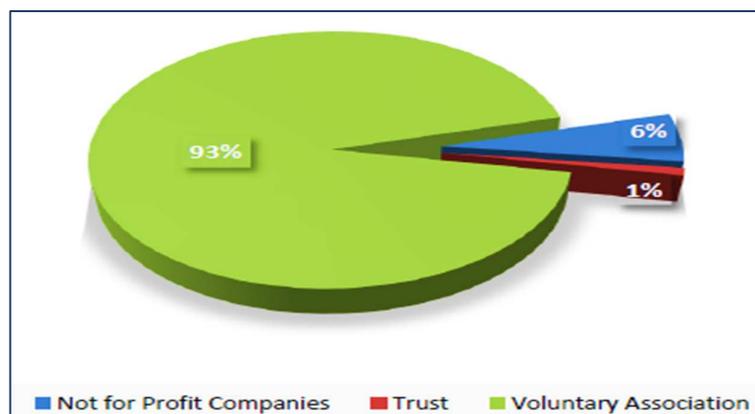
The South African non-profit organisation sector dates back over centuries (National Development Agency, 2011). The non-profit organisation sector in South Africa is affected by the global trends and consequently; the sector has also faced a specific national background in the form of apartheid and has been intensely shaped by the latter. The evolution therefrom has led to the complexity and diversity of the non-profit organisation sector. The South African NPO sector includes everything from socio-political and economic spectrum of the society, i.e. the racially exclusive cultural and welfare organisations, religious organisations and even to the networks of community organisations that are reflective of the African society (National Development Agency,

2011). To name a few, the Centre for Communications Impact (CCI) “is a non-profit organisation that aims to improve the health and well-being of all South Africans”. Ikamva Youth “equips learners from disadvantaged communities with the knowledge, skills, networks and resources to access tertiary education and/or employment opportunities once they matriculate”. Ethembeni HIV, AIDS & TB Ministry is a church social outreach programme meant to help those infected or affected by HIV/AIDS.

To apply for registration, non-profit organisations complete a prescribed application form and submit the form to the Department of Social Development, together with the founding document. The founding document includes a constitution for a volunteer association, memorandum and articles of association with the company’s registration letter for a not-for-profit company, and deeds of trust with the trustees’ authorisation letter for a trust. In order to be compliant, the founding document of the organisation must meet the requirements of Section 12 of the NPO Act (Department of Social Development, 2016) (refer to appendix 1)

Registered non-profit organisations are grouped and informed based on their mission and objectives (Wyngaard, 2012; Department of Social Development, 2016). Figure 2.6 depicts the types of NPOs and their fraction. The voluntary association is the most preferred legal entity as it is fairly quick, inexpensive and easy. It comprises approximately 93% of the non-profit sector. The Non-profit company is the second largest, with 6% share in the non-profit sector with Non-profit Trust at 1% (Department of Social Development, 2016).

Figure 2.3: Types of registered NPOs in FY2015/16

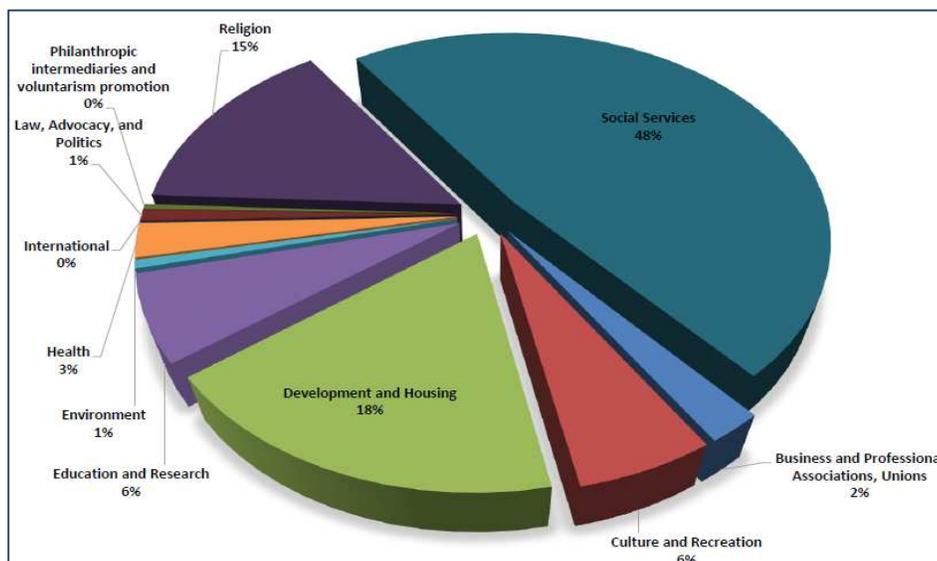


Source: (Department of Social Development, 2016)

There has been a significant increase in the non-profit organisation registration. Since the inception of the NPO Act, the total number of registered organisations was 153 677 by the end of March 2016. This is a significant growth rate of about 12.6% from the previous financial year. Gauteng Province has the most number of registered NPOs at 31.5%, followed by Kwa-Zulu Natal with 19%, Limpopo and Western Cape with 10% each.

Social services is the prominent sector with 48%, followed by development and housing sector with 18 %. Respectively, the religion sector at 15%, education and research sector at 6% and the international organisations at 0.1% (Department of Social Development, 2016).

Figure 2.4: Registered non-profit organisation by sector



Source: (Department of Social Development, 2016)

NPOs are valued at R60bn and have the potential to implement real and lasting solutions to the social problems that many communities face (Davids, 2017). During the 2007 fiscal year, the total income of the non-profit organisations was approximately R12, 5 billion. The South African government contributed in the form of subsidies and other forms of grants. Subsequently, the private sector contributed through its corporate social investment programmes. Other forms of funding sources were from investments, membership fees and sales for services and goods and other forms of philanthropic mergers and partnerships giving (Davids, 2017).

A vast number of organisations choose to register as a non-profit organisation. These organisations are accountable to a public office that holds information of registered non-profit organisations in custodian to members of the public to access. NPOs must submit their financial reports annually (Department of Social Development, 2016). The guidelines of the annual reports are outlined on a three-page form that each non-profit organisation must fill in. Table 2.1 depicts the requirement outline of the financial report.

Table 2.1: Financial report outline

Section A	Basic details about the organisation.
Section B	The organisation's major achievements over the year.
Section C	List of important meetings held by the organisation during the year, and details of any changes to the constitution.

Source: (Department of Social Development, 2016)

In addition to the above-mentioned, a copy of annual financial statements, which include a balance sheet and an income and expenditure report, should be attached. The Department of Social Development received 30 681 annual reports from the organisations and 97.2% (29 830) were processed within the required two months turnaround time by end of financial year 2015/16. On average, the Department received approximately 122 reports per day. Most of the annual reports come from Gauteng (31%), Limpopo (15%), Kwa-Zulu Natal (14.8%) and Mpumalanga (10%), with the Northern Cape submitting the minimum annual reports (1.8%) (Department of Social Development, 2016).

2.4.2 Key legislation for South African non-profit organisation

The non-profit sector has profoundly influenced the development, shape and nature of the current South African democratic society. South Africa is a highly unequal society with large disparities of income and wealth (World Bank, 2014; Stats SA, 2011). In the quest to address these disparities non-profit organisations embody an important mechanism for encouraging philanthropy and stimulating equity and executing empowerment programmes. Non-profit organisations are regulated by different policies and legislation from country to country (National Development Agency, 2011).

In recognising this important role of the non-profit sector, the South African government legislated the Non-profit Organisations Act (71 of 1997), as part of the legal framework to create an enabling environment for the non-profit sector. This legislation was conceived as part of the project to transmute the society (Department of Social Development, 2017). The NPO Act mandates the DSD to build an administrative and regulatory framework that would enable non-profit organisations to conduct their affairs by providing a voluntary registration facility. The Department of Social Development is the administrator of the Non-profit Organisations Act of 1997 (Act 71 of 1997) that provides a registration facility for organisations to register as non-profit organisations, as part of the legal framework to regulate the non-profit sector. Legal framework is defined as the powers and limitations that ascend from legislation and interpretation of laws, which impel or restrain individual or organisational activities. South Africa's current legal framework on non-profit organisations is rooted in the fundamental human rights culture of the South African Constitution (Department of Social Development, 2017). The basic compliance criteria as stated by the Act are listed in Table 2.2.

Table 2.2: Requirements of the Non-profit Organisations Act (Act 71 of 1997)

The founding document or constitution of an NPO must comply with a number of requirements in order for it to be registered.

These 'mandatory requirements' are as follows: Unless the laws in terms of which a non-profit organisation is established or incorporated make provision for the matters in this sub-section, the constitution of a non-profit organisation that intends to register must -

state the organisation's name;

state the organisation's main and ancillary objectives;

state that the organisation's income and property are not distributable to its members or office-bearers, except as reasonable compensation for services rendered;

make provision for the organisation to be a body corporate and have an identity and existence distinct from its members or office-bearers;

make provision for the organisation's continued existence notwithstanding changes in the composition of its membership or office-bearers;

ensure that the members or office-bearers have no rights in the property or other assets of the organisation solely by virtue of their being members or office-bearers;

specify the powers of the organisation;

specify the organisational structures and mechanisms for its governance;

set out the rules for convening and conducting meetings, including quorums required for and the minutes to be kept of those meetings;

determine the manner in which decisions are to be made;

provide that the organisation's financial transactions must be conducted by means of a banking account;

determine a date for the end of the organisation's financial year;

set out a procedure for changing the constitution;

set out a procedure by which the organisation may be wound up or dissolved;

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."

Essentially, the Act's 'mandatory' registration requirements include clauses, which:

- characterise non-profit organisations, (whether they are set up as a Voluntary Association, Trust or Section 21) and distinguish them from for-profit organisations, (Section 12 (2)(b, c, f & o));
- clarify the legal status of NPOs and provide that the NPO is a body corporate, which means it has a legal personality distinct from its members, (Section 12 (2)(d, e));
- always appear in the founding documents of NPOs because they are essential for the basic functioning of an organisation, notably, Section 12(2) (a), (g-n). The founding document/constitution of an NPO may provide for other matters relevant to the conduct of its affairs, some of which are listed in Section 12(3).

Source: (Department of Social Development, 2011)

There is a necessity to encourage self-regulation within the non-profit organisation sector, to advance the accountability and transparency levels. It is therefore significant to strike a balance between the mandatory regulatory provisions and the self-regulation requirements, in order to preserve the soundness and integrity of the non-profit sector. (Department of Social Development, 2012; OECD, 2015). The regulatory framework aspires to promote good governance, transparency and accountability within the non-profit sector, without placing tedious requirements on organisations (Department of Social Development, 2012).

The Code of Good Practices is defined as a set of rules delineating the responsibilities of, or appropriate practices for an individual, party or organisation (Department of Social Development, 2001; Inyathelo, 2011). The rules include principles, values, standards, or rules of behaviour that guide decisions, procedures and systems, which governs an organisation in its contribution towards the stakeholders (Department of Social Development, 2001).

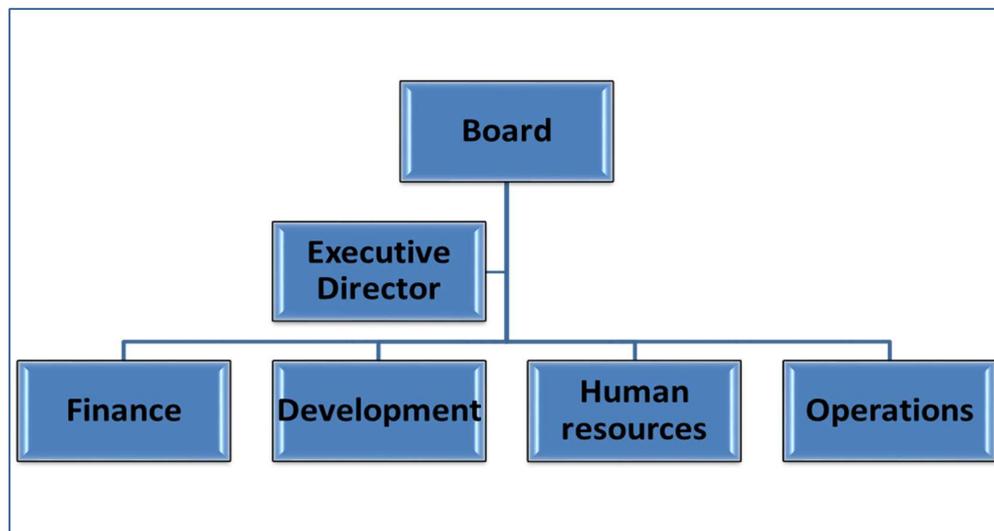
The Code of Good Practices was developed in line with the requirements of the Non-profit Organisations Act of 1997. The Code of Good Practice defines what constitutes good practice in leading and managing the non-profit organisations of all sizes and through all sectors (Department of Social Development, 2001; Inyathelo, 2011). The primary focus of the Code is governance, administration, fundraising and donor community. Though comprehensive, the Code does not provide detailed standards of conduct. It leaves the responsibility for effective and efficient management and administration of their organisations, as well as the upkeep of discipline to the office bearers of NPOs according to their constitutions (Department of Social Development, 2001).

2.4.3 Non-profit organisational structure

According to Domanski (2011) being successful in strategy requires 1% vision and 99% alignment. In this context, it is essential that the leadership and personnel alike formulate the strategy jointly and this includes all levels of management. This translates into improved ownership and more effective implementation (Dowanski, 2011).

The Business Dictionary (2017) defines the structure as a “hierarchical arrangement of lines of authority, communications, rights and duties of an organization”. The structure governs how the roles, power and responsibilities are allocated, controlled and coordinated. It further indicates how information flows between the different levels of management. An organisational structure is influenced by the organisation's objectives and strategy. The key is to first craft a sound strategy, thereafter formulating an organisational structure (Business Dictionary, 2017; William & Chandler, 2011). An organisational structure that supports strategic direction is critical for successful strategy implementation. The challenge thereafter is to identify the correct organisational structure, leading to successful strategy implementation. It is then important to understand how the structure would assist implementation to achieve organisational objectives (Domanski, 2011). The organisational structure below depicts the typical non-profit organisation structure.

Figure 2.5: Traditional non-profit organisation structure



Source: (William & Chandler, 2011)

Non-profit organisations are typically structured around functional design. Functionally designed structures may be efficient due to their specialisation element. This is due to their ability to narrow down jobs that are easy to learn and recognised when recruiting new staff. Functional designs may be cumbersome in tackling internal issues and responding to external changes (William & Chandler, 2011). Typically, the function of each category is explained below:

- *Board*: the board function is voluntary and without remuneration. The board is responsible for governance of the NPO, policy formulation and should meet regularly. Failure to meet regularly and make timeous decisions could render the organisation impotent or dysfunctional.
- *Executive Director*: is answerable to the board, is responsible to ensure that the strategies set by the board are filtered down the non-profit organisation and are implemented, and administers the affairs of the organisation.
- *Finance officer*: is responsible for bookkeeping and financial reporting of the NPO.
- *Development*: this function seeks development opportunities for a non-profit organisation. In some instances it might be responsible for fundraising and marketing aspects of the non-profit organisation.
- *Human resource*: is responsible for recruitments and well-being of the people employed by the organisation
- *Operations*: this function is responsible to oversee the day-to-day operations of the NPO and ensure that there is smooth operation within the organisation.

According to Olsen, Slater and Hult (2010) organisational structure is a critical strategy implementation dimension that consists of three structural dimensions, namely

- *Formalisation*: the degree to which decisions and working relationships are governed by rules and procedures;
- *Centralisation*: whether decisions are made by top management or middle and lower management; and
- *Specialisation*: how tasks and activities are divided in the organisation.

Olsen, Slater and Hult (2010) suggest that there is strong evidence to link organisational structure to performance. It is thus important that the structural dimension compliment organisational strategy, in order to maximise performance and meet strategic objectives.

According to Global Genes (2010) NPOs are rarely produced by single-minded individuals and in order to increase success possibilities; NPOs must be supported by a variety of other people. Recruiting Board of Directors with a variety of talent and background is essential as it brings unique abilities and perspective (Global Genes, 2015; Taylor, 2010:143). In order for strategic management to work in the context of a non-profit organization, the NPO must account to more people than it would be in the case of

average for-profit organization (Dowanski, 2011). In executing the strategy, right capacity is needed and the structure should support the strategy realisation (Maboya, 2017).

Non-profit organisations board often volunteer or associated with minimum compensation. The diverse nature of non-profit organisations generates the need for a diverse matrix of skills, experience and perceptions in individual board members. However, non-profit organisation boards are not always clear about how they can contribute to the organisation's growth and direction. Waal *et al.* (2011) suggest that non-profit organisation leaders must learn to efficiently navigate and build consensus between the organisation's multiple and diverse stakeholders. The NPO structure is often made of a volunteer workforce which is not dependent on the organisation for income and may choose to leave the organisation at any time. These volunteers provide a critical human resource to the non-profit organisation. With the significant challenge in retaining staff, non-profit organisation leaders need to place a precedence on attracting and retaining volunteers and staff members (Waal *et al.*, 2011).

The board of a non-profit organisation is responsible for governance. However, it needs management support in order to effectively carry out this mandate (Department of Social Development, 2011; Verschuere & Beddeleem, 2013:42). It is essential for the board to assess the environment in order to ensure that the organisation remains responsive to environmental changes (Worth, 2014:95). The board should ensure that the organisation is well-resourced and proper management of resources; it must appoint and support the CEO (Worth, 2014:95; Department of Social Development, 2009:9-13). The chief executive officer is responsible for the management of a non-profit organisation (Verschuere & Beddeleem, 2013:42). This differentiation of responsibilities is often a challenge for most non-profit organisations, as these roles are distinctive and yet overlapping (Department of Social Development, 2010:9). Board members often find themselves meddling with management responsibilities, while neglecting their own (Carver, 2011). The inability of the board to carry out its responsibilities affects the reputation of the organisation, deteriorating quality of services rendered by the organisation, as well as difficulty in attracting effective staff and board members (Carver, 2011).

It is imperative for the board to exercise good judgment to ensure that the organisation does not commit to projects that are more demanding and that they are not capable of delivering (Carver, 2011; Wolf, 2012). Likewise, management needs to develop a risk management strategy for approval by the board. Wolf (2012) suggests that the responsibility of managing risk and legal compliance is for management. On the contrary, the Department of Social Development (2009:12) maintains that this responsibility belongs to the board, even though it can delegate it to a finance committee.

The board has to determine and monitor the implementation of the programmes and services of the organisation, to ensure that they are successfully achieved and remain aligned with the mission of the organisation (Department of Social Development, 2009:9-13). According to Wolf (2012), management has to report to the board on performance and implement the necessary actions to address under-performance. The board also needs to ensure that the control measures and procedures are established (Department of Social Development, 2009:12; Wolf, 2012). These measures include a fundraising and marketing strategy, human resources and finance policies, financial planning, budgeting, risk management policies and annual reports submitted to the relevant departments. Management has to appoint and develop staff and volunteers to execute their duties effectively.

The challenge of the skills-shortage as outlined above, is very evident in non-profit organisations in South Africa. Various skills development initiatives need to be undertaken by non-profit organisations in partnership with donors, in order to address this challenge (Austin *et al.*, 2011:259, 269). These should not only be limited to upskilling of junior employees, but should also be directed at improving leadership and management. Interventions such as succession planning should be undertaken by non-profit organisations to ensure continuity in instances when managers resign (Austin *et al.*, 2011:259).

It is also notable that funders or donors may also have their own ideas on how the organisation should be led, and how their funds should be used in order to support the mission. This propels the need for strategic alignment between the NPO and funders' expectations (Hatch & Cunliffe, 2013). The ability to provide leadership in diverse stakeholder groups is essential for non-profit executives and board members. Donors are

becoming more refined and more empowered in their altruism. There are many competitors for donor generosity and non-profit leaders should be able to articulate the impact of donations to the organisation's mission (Carver; 2011).

Olson, Slater and Hult (2011) highlight the importance of managers in defining the key activities for their organisation and developing systems that promote these activities. According to Olsen, Slater and Hult (2011), effective strategy implementation can prove to be difficult and it is thus important that there is appropriate co-ordination throughout the organisation. According to Carver (2011) and Hatch & Cunliffe (2013), for organisations' operations to be efficient and effective, the correct organisational structure should be adopted. Dowanski (2011) suggests that for successful strategy implementation, it requires the support and co-operation of all internal stakeholders.

Organisations that want to survive and grow must develop core competencies in areas such as managerial leadership, development of human resources, board governance, adequate financial controls and planning and budgeting processes (Dowanski, 2011). This is as true in the non-profit organisation, as it is in any other sector. The structure should be formulated based on good governance.

2.4.4 Good governance and King IV in the South African non-profit sector

The Reconstruction and Development Programme (RDP) White Paper acknowledges the importance of the non-profit sector. The RDP articulates that the non-profit sector has an important role in the democratisation of the society. Conversely, NPOs must adopt transparent processes and function in a manner that responds with accountability and democracy, to the communities that they serve. This demands good governance from the non-profit sector (Department of Social Development, 2012).

According to Verschuere and Beddeleem (2013:42), governance remains ambiguous in the context of non-profit organisations, even with its significance. There is limited academic literature on this matter (Verschuere & Beddeleem, 2013:42). The members of the governing body of an organisation define governance as the establishment of policies, and continuous monitoring of their proper implementation. Governance provides balance to the powers of the members with accountability and their primary duty of improving the opulence and viability of the organisation (Department of Social Development, 2012).

Verschuere and Beddeleem (2013:42) describe governance as a system that involves the board's responsibility for the performance of the organisation, as well as providing direction to the organisation. The previously mentioned depicts a relationship between governance and performance of the organisation and that entails the implementation of corporate social initiatives.

Subsequently, non-profit organisations are under persistent pressure to demonstrate their legitimacy to their stakeholders, so that they can be trusted to achieve the set goals and mission (Verschuere & Beddeleem, 2013:37). NPOs are expected to be transparent and accountable and as a result, this puts more pressure on management and the governing body (Verschuere & Beddeleem, 2013:37). Consequently, good governance in the non-profit organisation sector is becoming more important and it is a critical determining factor of performance (Verschuere & Beddeleem, 2013:37, 42). With the aforementioned, non-profit organisations are expected to be good corporate citizens, just like other firms (Goldkind & Pardasani, 2012:261).

Nwaneri (2012:6) accentuates that proper governance for most non-profit organisations remains inadequate despite its significance. Wyngaard (2013:6) further echoes that the compliance of non-profit organisations with various regulatory requirements remains a challenge in South Africa. As a result, more than 35 000 non-profit organisations were found to be non-compliant in the database of the Department of Social Development and faced the risk of being de-registered in the period between October 2012 and January 2013 (Wyngaard, 2013:6). The Department of Social Development identifies a number of characteristics that determine ineffective governance in an organisation. These include the passivity of the board, chronic financial challenges, low attendance or poor participation at board meetings and inappropriate meddling of the board in operational matters.

According to King IV, good corporate governance contributes to the success and credibility of an NPO. Good governance assists NPOs to achieve better results and access funding, grants and loans. King IV states that the NPO governing body should ethically and effectively lead, manage ethics effectively and ensure that the organisation is a responsible corporate citizen. Organisational performance and reporting are crucial (The Institute of Directors in Southern Africa, 2016). Transparency through reports and

other disclosures should enable stakeholders to make an informed assessment of the NPO performance and ability create value in a sustainable manner. Governing structures and delegations should be aligned with the organisation's strategy. A thorough recruitment of skilled people across all organisational levels is also essential. The governing body of a matured and an effective NPO does not get involved in running daily operations. Adequate and effective control across all functional areas should be governed and applied in conjunction with the relevant legislations and regulations. Good stakeholder relationships will yield trust, good reputation and legitimacy with all the NPO's stakeholders (Department of Social Development, 2001; The Institute of Directors in Southern Africa, 2016).

2.5 Key challenges faced by the South African non-profit organisation

Most often, NPOs pronounce their biggest challenge to be the lack of funds (Cowell, 2011; Hull & Lio, 2015; Davids, 2017). However, various research publications reveal that about R60 billion is invested annually in the sector. This is an indication that plenty of funding is available. According to Hull and Lio (2015), non-profit organisations in social development are established merely to run out of funds after a few years, leaving those supported and employed by the organisation faced with drastic consequences.

A worldwide phenomenon is that NPOs fail even after a promising start due to financial instability. The National Arts and Culture department alludes to the same sentiments, stating that the prevalent constraints and challenges in the department are that of funding dependency and self-sufficiency (Mapadimeng, 2010). Sound management is therefore an important requirement, as it plays a very important role in the success or failure of the organisations. Hull and Lio (2015) alluded that NPOs are enormously risk averse and may be disadvantaged on learning capacity and risk-taking predisposition. This as a result, could be caused by the lack of finances to invest in skills development and due to the financial constraints placed by donors. Some donors place a disclaimer that the funds given to the non-profit organisation can only be used for certain projects and nothing else. For example, an NPO which pursues a far less financial risky means for product marketing such as social media marketing in order to remain competitive within the sector of operation.

Davids (2017) suggests that the greatest obstacle that NPOs face is their approach to the social problems that they seek to address. According to Davids (2017), NPOs tend to offer interventions rather than solutions for social problems. For example, they offer a feeding scheme, rather than sustainable solutions to hunger. This interventionist approach is not only a trend in the South African non-profit sector but it is an international trend. The foundation on which many non-profit organisations are built is flawed and simplistic, focused on a symptom rather than the causal problems and organised to administer a narrowly tailored programme, rather than generate sustainable major change. Recently, the growth of donor dissatisfaction with the intervention model has deemed this approach unsustainable. According to Davids (2017), research shows that donors still have the money and the drive for philanthropy. However, with donor intelligence (a non-profit application of Business Intelligence), donors are increasingly refusing to pay for activities that do not solve problems. As a result, solutions thinking is now a dominant theme in the NPO sector (Davids, 2017).

The challenge facing the non-profit sector is to recruit committed board members who fit both the organisational profile and mandate. Non-profit organisations need board members who are able to add strategic value to the organisation through their sectorial expertise and advisory capacity (Department of Social Development, 2017). Success or failure of any organisation predominantly depends on strategic decision-making. Having fit board members and managers is essential for any organisation. This is important for non-profit organisations, in as much as they are for for-profit organisations. The board of members often have other commitments instead of attending training, governance and financial skills training required by the NPO. Attracting the required skills is also problematic, as many qualified people prefer working for the public or private sector. This is mainly due to a number of uncertainties in the non-profit sector (Davids, 2017). It is notable that the specific sectors that non-profit organisations operate in do not offer support to the NPOs as expected.

The prevailing competitiveness and decrease in donor support have propelled the requisite for good governance. Globally and in South Africa, the need for accountability, transparency, value addition, legitimacy and overall credibility of non-profit organisations from governments, funders and taxpayers, has been on the rise (McCabe et al., 2010; National Development Agency, 2011). Good governance has emerged as a tool to ensure

that non-profit organisations' interventions are effective, sustainable, efficient and positively perceived by all fundamental stakeholders. With the positive outcomes that good governance brings on the other hand, good governance has threatened many smaller and often more grassroots organisations. This is as a result that smaller organisations are often the least well-resourced, with regards to budget, staff and capacity (National Development Agency, 2011).

The strategic management purpose is to ensure that things do not occur haphazardly, but according to defined long-term goals set in advance (Rehor *et al.*, 2014). There is also an NPO struggle in sharing and sustaining their missions (Department of Social Development, 2017). Typically, funds used to sustain a non-profit organisation come from faithful donors and supporters who believe in the mission the organisation represents. Failing to communicate the organisation's mission might lead to the organisation never garnering the support needed to thrive. Again, failure to align themselves with the initial goals and mission poses the risk of losing the primary donors (Blalack, 2016).

Another challenge faced by NPOs who are selling products or services is that of differentiation or competitive advantage. Competitive advantage is what makes an organisation better than the competition in the customers' minds. This is what makes the organisation stand-out from the rest and using its brand recognition to energise and mobilise their supporters. Also, understanding the market that the non-profit organisation operates in and linking its strategies to meet the market needs is a challenge. The general view from the public is that civil society groups have come to be less active and visible (National Development Agency, 2013). The assumptions are that this is due to government and the corporate sectors' negligence in supporting the non-profit sector, both financially and in kind. Moreover, gaining market exposure and market confidence has been a challenge for the non-profit organisations.

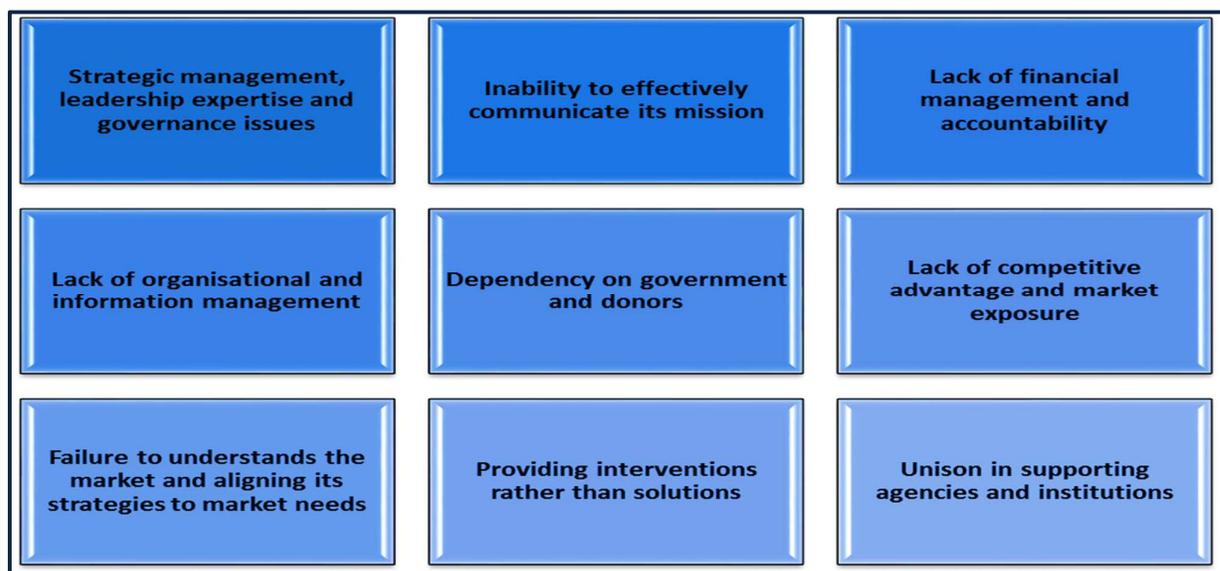
Additionally, the infrastructure element is the most common challenge in the South African non-profit sector. NPOs struggle to utilise their resources to build a solid infrastructure. This is due to the mismanagement of resources, often led by the lack of good governance (National Development Agency, 2016). Subsequently, overcoming public scepticism and distinctively proving that the organisation would deliver what they promote and not misuse

funds is a challenge. Having a continuity plan on how the organisation will grow, make positive impact and effect change, are other challenges.

McCabe *et al.* (2010) state that the challenges in the arts and culture sector are seldom external as they are mostly self-sufficient, but they are internal. Challenges in the arts and culture sector, *inter alia*, include access to good quality suitable venues at a reasonable cost and the maintenance of buildings used as a resource, not only for the NPO, but also for wider public benefit, also attracting and retaining members poses a challenge. “The absence of systematic research makes it difficult to examine challenges within and between types of groups or identify possible differences between rural and urban or wealthy and deprived areas engagement in arts activities, although it is likely that differences do exist” (McCabe *et al.*, 2010).

Above all the challenges afore-mentioned, it is notable that these organisations seek mentoring and coaching. Though the Code of Good Practice is available to help with strategic management, it cannot efficiently achieve its purpose without the community development practitioners raising awareness at the workshops they conduct for NPOs (Department of Social Development, 2001; Inyathelo, 2012). Succinctly, the most prevalent challenges faced by the South African non-profit sector as discerned from available literature are as follows:

Figure 2.6: Summary of challenges as presented by literature



Source: (Own compilation)

2.5.1 Funding in the South African non-profit sector

Funding has been the most prevalent challenge in the South African non-profit sector. According to Seabe (2012:1), the majority of South African non-profit organisations are predominantly dependent on government agencies funding. The government remains an important funding partner for the South African non-profit organisations. However, the government strictly finances specific programmes in accordance with the national priorities and government norms (Department of Social Development, 2011). Benjamin-Liebert & Liebert (2011) mentioned that the government agencies that were appointed to contribute towards the non-profit sector sustainability are not able to cope with the high demand made by NPOs on their funds. There has been a significant increase in funding allocated to the social development sector over the years. However, this has been in conjunction with the growth in the number of non-profit organisations. As a result, there has been a hefty competition in the non-profit sector. The key element in the competition therefrom is that of funding (Glennie, 2012:1; Department of Social Development, 2011; National Development Agency, 2011). The tendency towards a donor-dependent or state-dependent operation model leads to a high degree of funding uncertainty and lack of sustainability (Ludovic, 2016).

With the afore-mentioned challenges within the government sector to fund the non-profit sector, there has been a call to the private sector and other donors to assist. According to Department of Social Development (2017), a donor is “an individual or institution who agrees to voluntarily provide resources, more often or not money, in response to various appeals presented by an NPO, in support of their programmes, projects and operational cost”. Wiggill (2011:227) suggests that communicating strategically and building strong relationships is explicitly important in the case of funders, because durable relationships may probably result in frequent and increased contributions. Organisations that build formidable relations with stakeholders by projecting a well-managed organisation image unflinchingly tend to get an accolade from external evaluators (Domanski, 2011). For example, Distell Arts and Culture Foundation contributing towards a cultural development program.

Crowdfunding has been an emerging way of raising funds in the non-profit sector. Hanart and Manat (2015) suggest that crowdfunding opens a door for people to “invest in a project because they have a passion for the mission and goals of the non-profit

organisation and/or the people involved". However, this method cannot be used to replace other means of sourcing funds, but can be used short-term in order to create hype.

In order for non-profit organisations to raise funds, gain access to policy processes and recruit support from partners or funders, they rely on their brand, name recognition, differentiation within markets and affiliations with successful campaigns or popular causes enable. Any occurrence that causes a loss of legitimacy can lead to the unexpected death of the organisation. As a result, leaders invest their efforts in trying to maintain and enhance the legitimacy of their organisations. The inability to fundraise or mobilise partners in the non-profit organisation would impede strategic objectives realisation. Legitimacy is often driven by historical performance and by various interactions with peer groups (Lecy, 2012). As a result, funding alone is inadequate, however, other success factors should be considered.

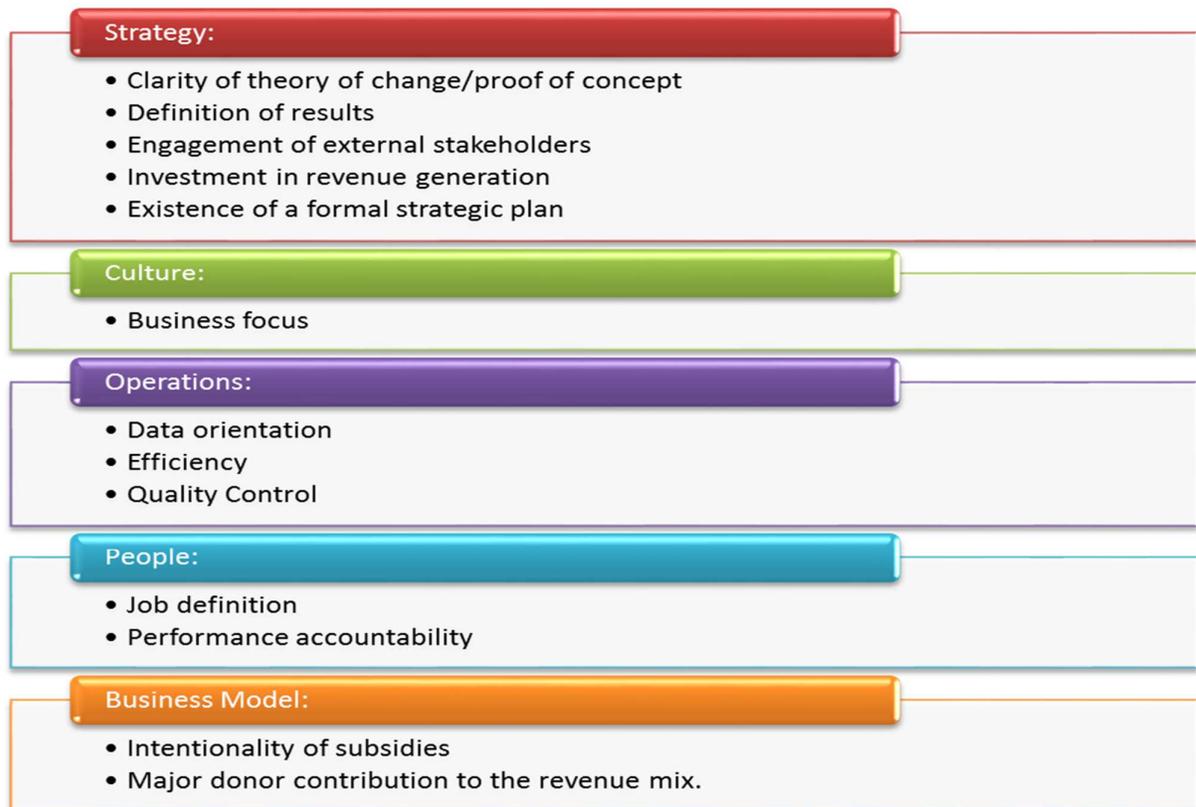
2.6 Key Success Factors of non-profit organisations

According to Hendricks (2012), key success factors (KSF) are the minimum entry necessities of an individual market and are elements that are considered important by customers. KSFs are considerations that the organisation has to make in order to be successful. This is subsequent to the visions and mission statements, considering the customers and competition survival. Customer considerations include identifying who the customers are and their needs. The competitor analysis looks at the competition drivers, intensity of the competition and ways to achieve strategic advantage. For existing organisations, it is important to identify what has been the strengths of the organisation that have contributed to its success, as well as weaknesses that have to be addressed to remain competitive and achieve a strategic advantage within the market it operates (Hendricks, 2012).

Maseko (2012) states that key success factors are the essential elements that enable a company to sustain a long-term competitive advantage. Investigating the company's KSFs assist to understand the nature of the company and its operations, which are organisations' best practices. Moreover, KSFs define resilient activities that an organisation must pursue in order to achieve its mission and are critical in achieving the organisation's mission (Meibodi & Monavvarian, 2010). KSFs must be managed

constantly as they are of paramount importance in strategy execution (Meibodi & Monavvarian, 2010). According to Schaffer (2015), the KSFs of a non-profit organisation are as mentioned below:

Figure 2.7: Key Success Factors of a non-profit organisation



Source: (Schaffer, 2015)

Schaffer (2015) mentioned that strategy with certain important characteristics in the non-profit organisation sector is strongly associated with organisational success. These characteristics, *inter alia*, include a clear theory of change for the organization's work, proof of concept related to this theory, clearly defined results and a plan for investment in revenue-generation. Schaffer (2015) further suggests that formal planning processes that engage external stakeholders are also associated with NPOs' success. Successful NPOs incline to certain cultural characteristics, which are mission and business focus, and possibly tolerant to change.

Johnson (2016) states that a well-defined mission statement would assist the non-profit organisation in meeting set goals successfully. He further, states that having a three-year

plan is essential. For example, include new activities that contribute to the mission, such as expanding committees, newsletter or website and setting increased goals for raising funds. Making a profit is critical for organisational success, even though it may not be re-distributed to the members (Johnson, 2016; Coetze, 2013; Worth, 2014:299; Abrahams, 2012). However, generating income would help the NPO maintain its fiscal competence. Moreover, paperwork administration is essential, whether for tax purposes or compliance purposes, amongst other things (Johnson, 2016; National Development Agency, 2012; Department of Social Development, 2017). Regularly communicating success with the donors, sponsors, current and potential volunteers, as well as the public, in order to ensure future success, is also important. Thorough screening and recruitment process as a qualification of a person and the ability to work hard should not be judged by the fact that they volunteered (Johnson, 2016). Brewster (2014) suggests that the KSFs to the non-profit sector are:

- to solve current problems and not remain stuck in the past.
- to provide a lasting difference or solutions
- an ability to adapt. NPO staff should have the time and skill to look and plan-ahead, build new relationships and innovate new programs.
- strategic leadership as the key to achieving relevance and lasting impact is strong.

It is notable to state that the above literature suggests the common best practices believed to lead to organisational success are:

Figure 2.8: Non-profit organisation best practices



Source: (Own compilation)

The best practices in the non-profit sector have led to a different market positioning of the sector. New fundraising models, strategic alliances and new ways of leadership amongst other things have emerged.

2.7 The non-profit market positioning

Newmarch (2011:33) alludes that non-profit organisation funding from firms and government declined between 2003 to 2011 period. On the contrary, self-generated income has steadily increased. However, the extent to which it has increased is minimal. For example, a non-profit organisation may generate revenues from services rendered and through product sales. Agricultural groups grow crops and livestock; sewing groups produce clothing; arts and culture groups render their various craft. While the primary aim is to help previously unskilled or unemployed people gain self-support, income self-generating NPOs can benefit through marketing the products at a fee or commission, or charging for the use of equipment and facilities (Singh, 2014:404). According to Singh (2014:399), 10% of African funding comes from self-generated income while in South Africa, this amounts to 25%. With the current landscape in the market, improvement in maximising self-generated income would be worthwhile for the non-profit organisations. As a result, this would enable NPOs to continue with their work without extreme dependency on external sources of income (Newmarch, 2011:33).

The current economic climate has encouraged many conversations and predictions on non-profit sector mergers and partnerships. A number of stakeholders, particularly funders, are suggesting that non-profit organisations should work more closely in partnerships. Partnerships in the non-profit sector could reduce costs. On the other hand, outsourcing functions can be another option. Other NPOs are merging funds towards bookkeeper or human resource functions employment. However, the yields combination of efforts is still unclear. Non-profit staff and board may be reluctant to let go of the identity of a non-profit organisation and therefore not consider merger as an option, as it may be unclear what shape the combination of efforts would take (Hawthorne, 2017).

2.7.1 Strategic alliances: an emerging NPO phenomenon

It is notable that non-profit organisations worldwide are increasingly expected to operate like for-profit organisations and increase effectiveness (Goldkind & Pardasani, 2012:260). Subsequently, in order to deliver their services effectively and efficiently, they need to be

creative about identifying opportunities to fund their activities (La Piana, 2010:33). Donors frequently criticise the increasing emergent of NPOs, stating that there are too many non-profit organisations and some are too small and lack the capacity to operate efficiently (La Piana, 2010:33). NPOs' collaborations and mergers can provide a solution to the identified challenge of high competition over limited resources (Goldkind & Pardasani, 2012:264). Worth (2012:204) concurs with La Piana (2010), stating that these measures can be beneficial to non-profit organisations, their beneficiaries and the society. Beneficiary involvement is a critical issue in strategic alliances.

A beneficiary is anyone who receives some form of value from the organisation, in terms of the values of the shared enterprise (Department of Social Development, 2012). Non-profit organisations are turning to different sources for advice, so that they can become effective. Other non-profit organisations have turned to experts who can share knowledge, research and experience about what works and what does not work. However, most often, NPOs and funders ignore the constituents who matter most, yet these are the intended beneficiaries of their work, i.e. students in low-performing schools, trainees in workforce development programs, or crafters. Circumventing the beneficiary as a source of information and experience, most non-profit organisations deprive themselves of insights into how to do things better. These may be uniquely grounded insights into daily experiences of the people whom the programs are created for (Twersky *et al.*, 2013). Therefore, profiling and engaging with beneficiaries is important to stakeholders.

Circumventing beneficiaries may be driven by the fact that NPOs do not really trust the beneficiaries' views or possibly, NPOs are fearful of what the beneficiaries might say. On the other hand, non-profit organisations might not possess the expertise to solicit beneficiary feedback routinely in a way that is reliable, rigorous and inform decision-making. Perhaps, incentives are not aligned to sufficiently value the insights gathered. Nonetheless, with the afore-mentioned, it is essential to understand if the work done by the non-profit organisation does yield the intended beneficiary results (Twersky *et. al*, 2013). Beneficiaries in this study are stipend recipients of the non-profit organisation in question.

Most recently, crowdsourcing is another method used to generate ideas and even guide decisions made on future endeavours or funding (Twersky *et al.*, 2013; Oberst, 2011). Oberst (2011) defines crowdsourcing as a method to harness skills and enthusiasm of those outside an organisation and those who are prepared to volunteer their time through contributing content, skills and solving problems. Crowdsourcing can be done for either free or for a fee. For example, a non-profit organisation looking to improve its services can ask Facebook fans and Twitter followers on how they think the NPO can become better. This creates a sense of inclusion in the process and wants to answer, and through this, the organisation has a solution to its problem (Oberst, 2011). Experts, crowds and collaborations can produce valuable insights (Twersky *et. al*, 2013).

Collaborations in the non-profit sector are often the most preferred form of partnership (La Piana, 2010:28). The collaboration concept is often used in association with mergers and partnerships (Goldkind & Pardasani, 2012:261). Collaborations are often informal and do not alter organisations' corporate, legal and governance structures. Collaboration can be done amongst NPOs, with businesses and/or the government. Collaborations allow organisations that work together to collectively pool resources or infrastructure and knowledge, which can be shared among the partner organisations (Goldkind & Pardasani, 2012:261). Zhang (2013) alluded that an inter-organisational cooperation is an efficient way for firms to acquire knowledge. Hallikas *et al.* (2010) coincide that this process helps organisations to remain competitive and renew themselves. As a result, these organisations are able to leverage on resources such as skills, financial resources, managerial and programmatic elements (Worth, 2012:205). Consequently, it helps the organisations to increase efficiency, reduce overhead costs, increase buying power and easily obtain funding (Worth, 2012:205-209). However, La Piana (2010:28) argues that while merging non-profit organisations appears to be useful, it does not directly reduce costs, but a complex process that can result in additional costs being incurred by the merging organisations. Merging can thus be used as a strategy to be implemented in order to reduce cost, but is not a strategic end on its own (La Piana, 2010:31).

Collaborations and mergers do result in some benefits for non-profit organisations. For example, when NPOs in beadwork are faced with large orders and time constraints, they share the workload to create economies of scale. La Piana (2017) stated that collaborative strategies are able to expand organisational reach, deliver programs that

are more effective, create administrative efficiencies and advance the non-profit organisation's mission. La Piana (2017) further alludes that collaboration can lead to non-profit organisation sustainability initiative and increase their impact. However, certain challenges may impede the ability of the organisations to reap these benefits (Goldkind & Pardasani, 2012:261). If the organisations collaborate without a clear vision of their collaboration, or perhaps when increasing revenues is the only reason. Failure to do so may result in NPOs realising that the effort is not worthwhile.

Volunteers, staff and leaders of the organisations can perceive collaboration alike as being disruptive to the existing culture in the organisation. Moreover, it can also threaten egos, brand identity and autonomy (Goldkind & Pardasani, 2012:259; Worth, 2012:208-209). Furthermore, the relationship may fail when one organisation does not deliver on the agreed actions (Weinstein *et al.*, 2011:7). The formal relationships development between the organisations may also prove costly because of additional costs such as legal and accounting fees (La Piana, 2010:28; Worth, 2012:209). Worth (2012:209) further suggests that mergers can be risky and could result in the merging organisations incurring each other's liabilities. Nevertheless, the benefits of collaboration outweigh the costs (Weinstein *et al.*, 2011:7; Worth, 2012:210). It is therefore important that clear communication channels should be adopted and merging organisations should be realistic about their strengths and liabilities, prior to reaching an agreement to merge (Goldkind & Pardasani, 2012:261).

Worth (2012:210) suggests that collaborations are successful when undertaken to advance the mission of the organisations, than solely for financial reasons. The board and CEOs of the collaborating organisations should be committed to the process and the process should be built on trust among these organisations (La Piana, 2010:33; Worth, 2012:210). Moreover, collaborations should have a compatible mission, constituency, structure and geographic environment (Worth, 2012:210). It is also important to note that the need that motivates organisations to collaborate should be narrowly defined and time-bound (La Piana, 2010:33).

It is however notable to state that without sustained partnerships with other organisations such as businesses, other NPOs, government funders, etc., an NPO might not only fail to remain relevant within its domain, but may also lack the basic financial, intellectual,

physical and human resources it requires to carry out its set goals and objectives (Rathi *et al.*, 2014).

2.8 Situational analysis of the South African Arts and Culture sector

South Africa has a very colourful, diverse and vibrant craft sector. One of the strengths of the country's crafts is its uniqueness. South African made craft is recognisable anywhere in the world. The craft in South Africa is extensively inspired by geographic and traditional landscape. The South African crafts sector is largely informal, uncoordinated and its potential is not fully maximised (Department of Arts and Culture, 2017).

Craft producers are prone to many marketing-related challenges in South Africa and they have difficulties in accessing the market. Moreover, the crafters do not understand the market needs and as a result, they are unable to formulate appropriate and competitive product and marketing strategies (Makhitha & Bresler, 2011). Additionally, product design, distribution and organisation management is lacking (Makhitha & Bresler, 2011; Department of Arts and Culture, 2017).

2.9 An overview of the strategic management process

2.9.1 Strategy

A strategy describes how things are going to be done (Whitehead, 2012). It attempts to broadly answer the question, "How do we get there from here?". A good strategy takes into account the existing barriers and resources (people, money, power, materials, etc.). A good strategy is aligned with the overall vision, mission and objectives of the organisation. Strategies suggest paths to take in order to succeed, through determining how to realise the organisation's vision and objectives through the detailed world of action (Toolbox, 2017).

A strategy is critically important for any organisation (Maseko, 2012; Thompson *et al.*, 2014:7; Ehlers & Lazenby, 2010:393). It has the ability to transform the organisation. It is then important to note that strategy development is no longer a one-man show (for leaders, specialists or consultants). However, it is imperative to involve a wide range of people from corporate to business heads and functional units (Whitehead, 2012). This

would ensure that people in the organisation contribute towards strategic thinking and are aligned with the organisational strategy.

Figure 2.9: Identifying the organisation's strategy



Source: (Thompson *et al.*, 2013:7)

The above figure depicts what to look for in an organisational strategy. Thompson *et al.* (2013:12-13) further coined a three test to determine if the strategy has a potential of being a winning strategy. The three tests consist of the following:

- *The fit test:* evaluates how well the strategy fits with the organisation's situation. This entails fit with both internal and external aspects, maintaining close and effective alignment even when these changes.
- *The competitive advantage test:* states that the strategy should help the organisation achieve a sustainable competitive advantage. Standing out and outperforming rivals leads to more durability.

- *The performance test:* the good strategy should produce good organisation performance results. That is good competitive strength and market standing, profitability and financial strength.

2.9.2 Strategic management

In abstract terms, literature suggests that the rise of the strategic management concept is influenced by the increase in competition, innovation and customer-orientation. A company's strategy is the "game plan" that management has, for positioning the company in its chosen market in order to compete successfully, satisfying its customers and realising good performance (Thompson *et al.*, 2014).

The non-profit sector has started to use the principles of strategic management largely due to the prevalent view that success or failure of an organisation depends mainly on strategic decision-making. Strategic management in an organisation ensures that things do not occur erratically, but according to the set goals directed by the organisation's visions (Řehoř, 2014; Maseko, 2012; Department of Social Development, 2011). Ehlers and Lazenby (2011:386) concurs that strategic management is important and relevant to all types of organisations. This includes non-profit organisations, as they constitute an important sector of any country's economy and account for five percent (5%) of jobs created worldwide (Ehlers & Lazenby, 2011:386).

With uncertainties and the ever-changing environment, organisational leaders must be agile to change their objectives and activities when conditions change the internal or external environments. Thus, a process to monitor, review and continuously provide feedback to organisational leaders regarding these elements is needed (Řehoř, 2014, Maseko, 2012; Department of Social Development, 2011). The strategic management of the organisation is both a systematic and a thought process of specific elements of an organisation such as stakeholders, organisational goals and the outlining between effectiveness and efficiency (Řehoř, 2014). Strategy must be viewed as a process, rather than a set of independent and unrelated tasks. Strategy does not begin and end with crafting a plan, but encompasses full execution and evaluation of that plan (Thompson *et al.*, 2014). Strategic management is a constant complex process of managerial activities. This process determines the company's targets and a strategic course to reach the set targets, through contributing to the realisation and fulfilment thereof. Strategic

management in a non-profit organisation is characterised by diverse purposes and expectations from government or funders and the receivers of services do not necessarily contribute to the process (Řehoř, 2014).

Strategic management is commonly defined as a future-oriented process that enables organisations to make informed decisions, in order to position itself for future success (Gates, 2010). Erwin (2013:48) defines strategic management as the continuous planning, monitoring, analysis and assessment of all the requirements needed by an organisation to meet its goals and objectives. The traditional view of strategic management utilises a linear approach that scans the environment (internally and externally), formulates and implements the strategy. Therefrom, it evaluates the organisation's progress towards the set strategy. The pace of change in recent times dictates that the formulation and implementation phases of the strategy are more closely integrated. This is done to ensure that as changes occur and implementation problems arise, the strategy is then re-visited on a continuous basis (Thompson *et al.*, 2012).

Rehor *et al.* (2014) posits that strategic management is characterised by the increase in competition, innovation and customer-centricity. As a result, management aims to find and realise a strategy that would represent a competitive advantage. Similarly, non-profit organisations have started using strategic management principles (Rehor *et al.*, 2014; Ehlers & Lazenby, 2010:386). Rehor *et al.* (2014) further suggests that strategic management activities are focused on reducing organisation's weaknesses and taking advantage of strengths. These activities should in time anticipate future problems and possible opportunities.

According to Thompson *et al.* (2013:4), managers in all types of organisations (for or non-profit, family business) ask themselves three central questions in order to take the organisation forward.

- "What is our present situation?"
- Where do we want to go from here?"
- How are we going to get there?"

These three questions prompt the management to do internal analysis and evaluation of the specific industry. Moreover, management seeks to determine the vision of the

organisation's future direction. As a result, this challenges the management to craft and execute a strategy capable of moving the organisation into the envisioned direction (Thompson *et al.*, 2013:4-5), strategy as an effort or deliberate action to outperform the organisation's rivals. Maboya (2017) alludes that strategy is not about making profits in short-term. However, it should be what the organisation needs to do in order to be sustainable in the long-term.

Ehlers and Lazenby (2010:3) define strategic management as the process where all organisational functions and resources are assimilated and synchronized in order to execute formulated strategies. The process is further aligned with the environment, in order to achieve long-term goals and gain competitive advantage, concurrently adding value to stakeholders. Ehlers and Lazenby (2010:3) suggest that the important term in strategic management is "competitive advantage", which is described as the ability to meet customer needs more effectively (Thompson *et al.*, 2013:7) and the edge that an organisation has over the others (Ehlers & Lazenby, 2010:7). Thompson *et al.* further states that if the organisation's competitive edge holds promise for being sustainable, rather than being short-lived, the better for both the strategy and organisation's future profitability. It is notable that in the current business environment with modern technology and management process, organisations' competitive advantage is at most temporary (Thompson *et al.*, 2013:7-9; Ehlers & Lazenby, 2010:3).

What makes the competitive advantage sustainable, as suggested by Thompson *et al.* (2013:7-9), are the key elements that give buyers a lasting reason to prefer the organisation's product or services over those of competitors. Thompson *et al.* (2013:9) further allude that a key to a successful strategy crafting, with one or more elements that act as magnets to draw customers and/or those providing funding and elements that produce lasting competitive advantage over rivals. This is why competitive advantage matters for non-profit organisations, as it is for-profit making firms (Brenner, 2011). Non-profit organisations compete with one another for resources i.e. donors, sponsors, clients and customers, staff, volunteers and almost everything needed to succeed. Brenner (2011) further indicates that competitive advantage allows an organisation to set itself apart from other organisations. On the contrary, Ehlers and Lazenby (2010:388) state that other concepts such as competitive advantage cannot be used across all organisations. Alternatively, "institutional advantage" can be used in a non-profit

organisation, when organisations are performing their tasks more effectively and efficiently, than their competitors.

2.9.3 Strategic management and the non-profit sector

As the non-profit sector grows, so does the need for strategic management to address the public demand for accountability (Erwin, 2013:48). Strategic management is necessary for the non-profit organisation, as it is for the profit sector. However, Polonsky and Grau (2011:197) express further concern regarding more global effects of the non-profit organisation. It is unclear whether the practices of non-profit organisations operating in a business-like manner improve societal outcomes or impact. Nonetheless, non-profit organisations are increasingly adopting the business model of strategic management, with various approaches adapted from the for-profit sector (Polonsky & Grau 2011:199).

According to Domanski (2011) strategic management is critically important for the growing non-profit sector. There is a visible lack of literature attempting to characterise and recapitulate existing theories and research findings on strategic management in the non-profit sector (Domanski, 2011). Domanski (2011) then suggests that strategic management is also important for researchers who study management and develop new theories as it is for managers. According to Domanski (2011) strategic management in the non-profit organisations can lead to the strengths amplification and help NPOs grasp environmental opportunities. Strategic management can remedy most weaknesses and challenges faced by the organisations on a daily basis. Moreover, strategic management can be used as a tool to mount an adequate and effective response to major threats from the environment. Non-profit organisations may then be more credible for their stakeholder who should directly strengthen their financial and human resource base, leading to improved sustainability (Domanski, 2011).

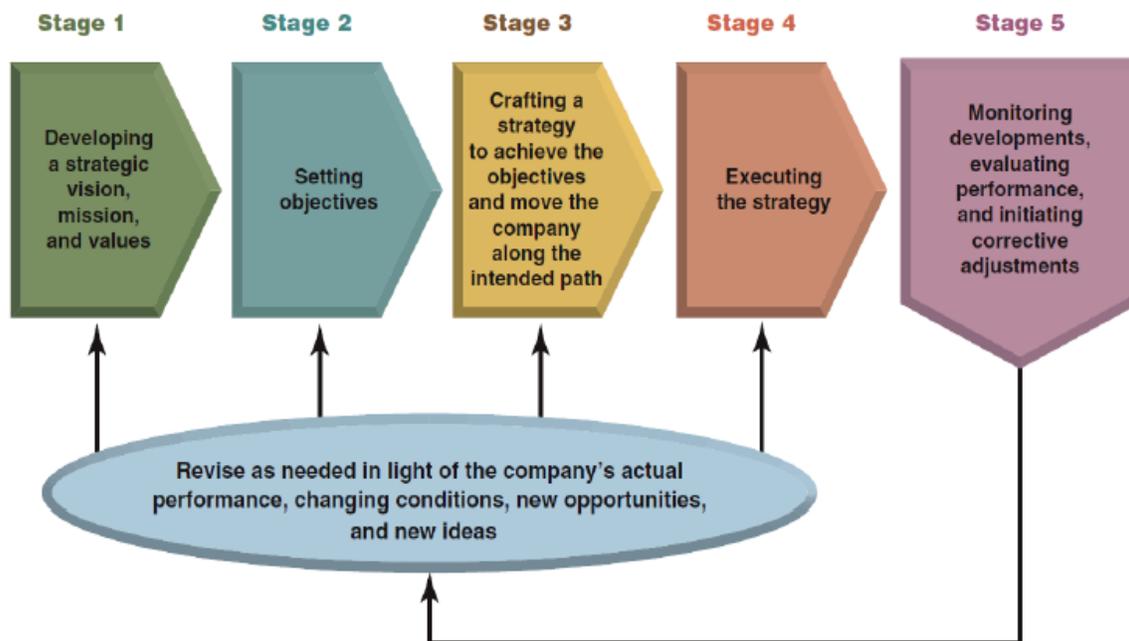
Anheier (2014:259) alludes that strategic management is a process that helps organisations develop and determine long-term vision, direction, programs and performance. Anheier (2014:59) further mentions that strategic management is forward looking and examines the organisation in the context of the larger field for developing strategies of action, based on understanding the organisation's position. Strategic management endeavours to antedate the likely conditions in the external environment in the medium to long-term. Furthermore, strategic management seeks to ascertain the

major changes necessary for the organisation to pursue its mission effectively in the future (Anheier, 2014: 337-343).

2.9.3.1 The strategic management process

The strategic management process encompasses an understanding of the organisation's strategic intent and purpose, strategic analysis, strategy development, strategy implementation and future perspectives. According to Louw and Venter (2011) strategic management process is a combination of the commitments, decisions and actions essential for an organisation to achieve strategic competitiveness and earn above-average returns. Louw and Venter (2011) further allude that strategic management process encompasses more than the management of the strategic decision-making process. Coldrin (2011) argues that strategic management refers to the management processes that define the organisation's goals for value creation and distribution, and design the way the organisation will be composed, structured and coordinated while in pursuit of its goals, value creation and distribution. Thompson *et al.* (2013) coined the five major stages of strategic management process. These are further discussed below.

Figure 2.10: Strategic management process



Source: (NWU, 2017)

2.9.3.2 The strategic foundations

- **Vision**

A vision statement pronounces the organisation's desired future state. It describes "where we are going" as an organisation, as suggested by Thompson *et al.* (2013:28). Some organisations adopt societal vision statements, articulating the desired influence of their work on their targeted constituency. This form of vision statement answers the question "What is the impact of our work?". A strategic plan cannot succeed, except it is derived from a clear vision of what the organisation will look like in the future. The vision is encapsulated in a written description of the organisation's desired future state, i.e. the budget size, client base, staffing levels and program areas and other parameters.

Communicating the strategic vision is crucially important to all levels of management and employees. Employees cannot be expected to unite behind managerial efforts of moving the organization forward, unless they understand the rationale and the benefits of the charted strategic course. Failure to reach a mutual understanding on the course could lead to resistance (Thompson *et al.*, 2013:29-30).

- **Mission**

The mission statement defines the current state of an organisation; that is "who we are" and "why we are here" (Thompson *et al.*, 2013:33). Managers in non-profit organisations have realised that a well-stated mission may be enormously advantageous. Hence, nowadays, the top management contributes enormously towards formulating a mission statement (Domanski, 2011). Domanski (2011) further suggests that the involvement of a broad spectrum of stakeholders in developing a mission statement is positively correlated with performance and the process. Further, strategic management should not be top-down, but informal and creative across a possibly broad range of participating stakeholders (Domanski, 2011).

Smith (2010) argues that since mission and values are the core of the organisation, stakeholders will be really part of their development. In addition, "those stakeholders whose degree of knowledge and consensus on the mission is limited will find difficulties to implement activities". However, knowledge of the mission is extended to all stakeholders. The organisation's mission can conflict with the donors' interests, which may provoke actions which are not aligned with the mission.

2.9.3.3 Setting objectives

Setting objectives entails converting the vision and the mission into specific performance targets, as suggested by Thompson *et al.* (2013:36). Setting objectives is beneficial as they emphasise efforts and align actions throughout the organisation. Furthermore, objectives serve as standards to track performance as well as progress and provide motivation and inspire employees. Objectives are in two forms: financial and strategic objectives. A balanced scorecard can be used to improve strategic performance and fosters better financial performance (Thompson *et al.*, 2013: 36-37).

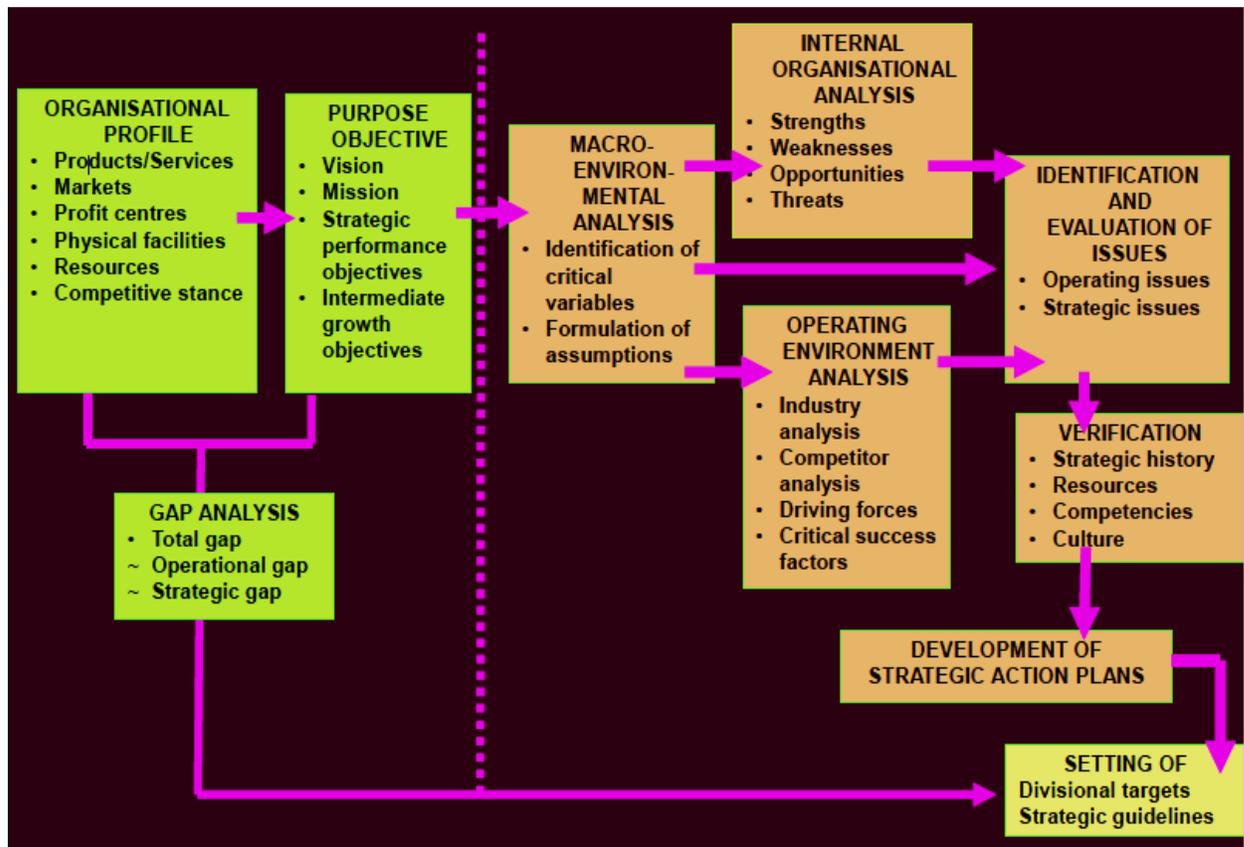
2.9.3.4 Crafting a strategy

Taylor (2010:151) states that strategic management is understanding and transposing to reality thereof, is important for non-profit organisations due to intense and fierce competition as a result of globalisation. Organisations must thus be properly managed in order to compete effectively for resources and require strategic formulation in order to gain competitive advantage. Crafting a strategy entails addressing a number of “how’s”, as suggested by Thompson *et al.* (2013:39).

- How to grow our business?
- How to please our customers?
- How to outcompete our rivals?
- How to respond to ever-changing market conditions?
- How to manage each business function?
- How to develop the needed capabilities?
- How to achieve strategic and financial objectives?

Crafting a strategy involves choosing among the various strategic alternatives, searching for new opportunities and/or doing existing things better or in a new way. Strategy crafting involves management at all organisational levels (Thompson *et al.*, 2013:39). Developing a strategic vision and mission, setting objectives and crafting a strategy combined results to a strategic plan. A strategic plan includes a commitment to allocate resources to the plan and further provides a time frame for achieving the set goals. Thompson *et al.* (2013:39) maps strategic planning process as depicted below.

Figure 2.11: Strategic planning process



Source: (NWU, 2017)

Strategic planning is only useful when it supports strategic thinking and leads to strategic management (NWU, 2017). Strategy is then a formal way of critically considering how the company will achieve its goals. Masaoka (2011) argues that many non-profit organisations have strategic plans that they cannot implement. Masaoka (2011) further states that most strategic plans are developed solely to entice funders, while exorbitant fees are paid to consultants to develop strategic plans that will never materialise. Often these neglect financial viability.

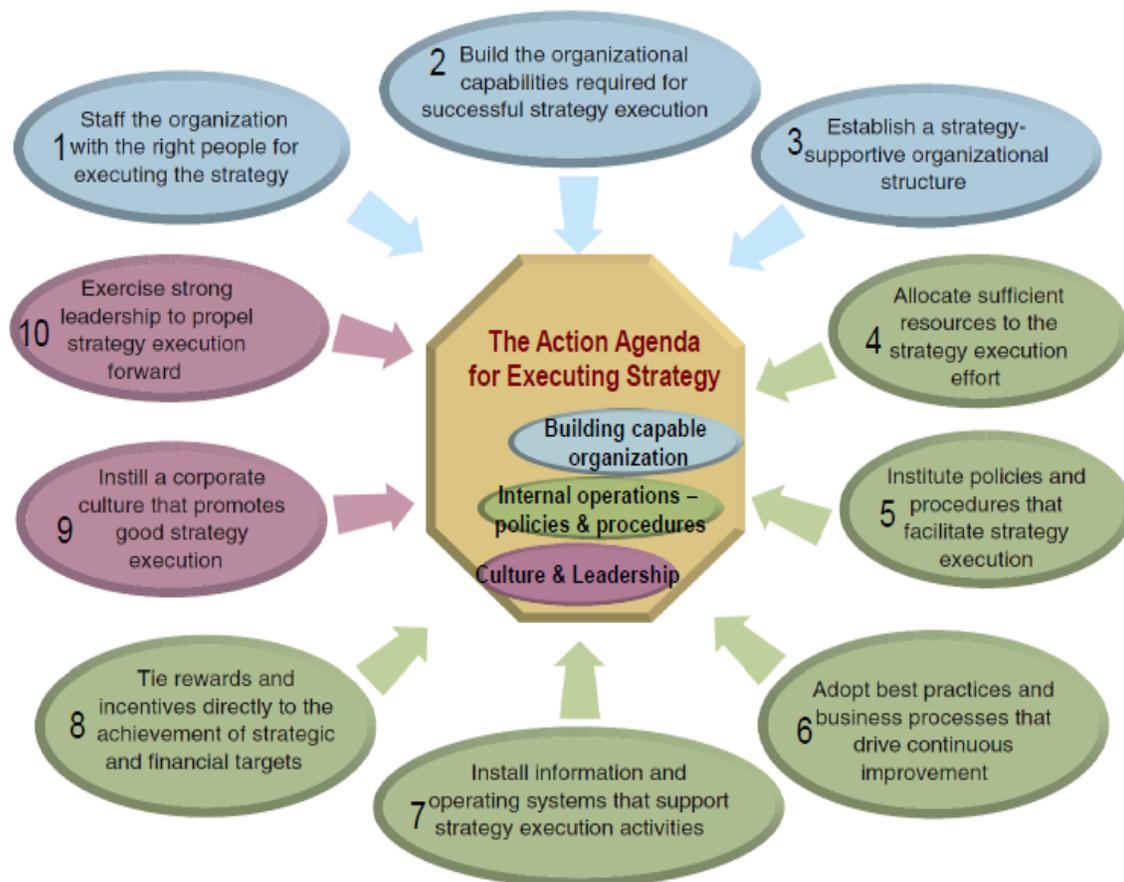
Domanski (2011) suggests that strategic planning can serve as a management tool for capacity building of non-profit organisations. Also, by helping organisations develop strategic thinking and acclimatise to environmental changes. Strategic planning takes time and costs extra human capital and monetary resources that small non-profit organisations do not have (Mara *et al.*, 2014; Hu, 2014). Hence, it is worthwhile to examine the application of strategic management planning to non-profit organisations and

evaluate the benefits and challenges that strategic planning can bring to small non-profits (Hu, 2014).

2.9.3.5 Executing the strategy

Strategy execution is the most demanding and time consuming of the strategic management process (Hu, 2014; Domanski, 2011; Mara *et al.*, 2014). It involves assessing what the organisation has to do in order to achieve the set financial and strategic performance. Managers must evaluate what needs to be done in their area of performance. There are ten basic tasks of the strategy execution process, as suggested by NWU. (2017); these are depicted in Figure below.

Figure 2.12: Ten basic tasks of the strategy execution process



Source: (NWU, 2017)

It is important to have the correct capabilities when executing the strategy. A skills audit is then necessary. If the organisation lacks this, it has to attract the necessary skills or develop internal skills through training and skills transfer (Thompson *et al.*, 2013:359-

369). Moreover, the organisational structure is critical to the strategy execution process (Thompson *et al.*, 2013:369-380). Organisations should also have systems of learning to evolve strategy implementation in the ever-changing markets to meet organisational goals. Abrahams (2012) states that there is a need to professionalise the work of advancement in the non-profit sector, so that practitioners can position their respective organisations for investment and become more skilled at tapping into new sources of funding and maintaining revenue flows. In order to mobilise resources, NPOs need to build their capacity first, as donors are willing to fund these organisations.

Monitoring developments, evaluating performance and initiating corrective adjustments
This component of strategic management process is a decider of whether to continue or to change the chosen strategic plan (vision and mission, objectives, strategy and/or execution methods). Nonetheless, the organisation's strategy should be revised when necessary and over time, in order to align with internal and external factors (Thompson *et al.*, 2013:45). The stakeholders are more stringent and have high expectations for non-profit organisations to demonstrate their effectiveness, accountability and transparency, they require non-profit organisations to adopt effective measures to evaluate their performance (Verschuere & Beddeleem, 2013:35).

Evaluation of an organisation's strategy can prove to be useful in many ways. Monitoring and evaluation can assist both the non-profit organisations, as well as donors in identifying at an early stage, any challenges that might hinder the achievement of the set goals and objectives (Allison & Kaye, 2011). Identifying challenges at an early stage of strategy execution would enable these parties to develop mechanisms to address these challenges before they get out of hand. Moreover, it could also help non-profit organisations to assess their progress towards realising their mission, evaluate environmental conditions, determine their strategic direction and stimulate learning capabilities (Allison & Kaye, 2011). The non-profit organisations could use the information gathered through monitoring and evaluation to develop reports for various stakeholders.

According to Sabert and Graham (2014:52) non-profit organisations should measure their effectiveness using inputs, outputs, outcomes and impact. Following this approach would enable them to account to all stakeholders. Measuring the effectiveness of non-profit organisations therefore requires these organisations to undertake a number of other

processes. They have to clarify goals and objectives in advance, identify indicators, align the indicators with the set goals, agree on valid and reliable data collection methods and agree on a period to collect and analyse such data (Sabert & Graham, 2014:52).

2.10 Sustainability of a non-profit organisation

Steinman (2010:31) suggests that non-profit organisations need to use methods that would ensure long-term sustainability. This includes financial sustainability, as well as the sustainability of the programmes and services offered. Scholtz (2011) and Davids (2012) agree that non-profit organisations offer interventions rather than solutions. Furthermore, an organisation can rather implement sustainability strategies such as growing their own food or building up financial reserves that would in the end support the project (Scholtz, 2011; Davids, 2012). Sustainability strategies should be innovative, while simple enough to be incorporated into the organisations' overall purpose, mission, and strategy.

Sustainability is important for the long-term existence of an organisation, whether non-profit or for-profit. In addition, as donor requirements become more stringent and donor funding constrained, organisations must plan on how they are going to continue their work. Sustainability planning therefore becomes important and this involves the actions taken by an organisation to maximise its survival chances and perhaps even to thrive, despite future uncertainties. The National Development Agency (2011) mentions that indicators of sustainability include how long the organisation has been in existence, registration and accreditation, the use of networks and funding diversification.

There are multiple strategies that an organisation can use, in order to increase sustainability concurrently and this includes diversifying its funds and networks (Ehlers & Lazenby, 2013:336). Currently, there is a high dependence on individual and corporate donors, which propels the non-profit organisations' need for empowerment in diversifying funding mechanisms. This is predominantly the case for newer organisations which are often self-funded and are therefore very vulnerable. The funds could potentially collaborate with newer organisations in order to capacitate them towards becoming more sustainable (National Development Agency, 2011).

There is also a need for broader networks that could be used for sharing ideas and training information. These activities may contribute to the potential of organisational

sustainability (National Development Agency, 2011). Abrahams (2012) concurs that for the non-profit sector to develop and become more sustainable, it requires adequate human and financial resources to be elevated and maintained and this requires a skilled force of advancement practitioners. “Advancement”, according to Abrahams (2012), entails integration in an organisation such as communication, marketing, public liaison, external relations, governance and fundraising so that they work collectively to attract and maintain support.

2.9.4 Sustainability models for a non-profit organisation

According to Coetze (2013), sustainability encompasses how enterprises improve their strategic position, generate the income and profits required in order to increase social impact and reduce financial risk. Applying business ideas, strategic management processes, generating income and profit margins tend to aggravate a reaction amongst many non-profit organisations.

Non-profit organisations cannot separate themselves from sustainability. Though non-profit organisations are not formed with the intent to make profits, it is true that they do generate income and some do yield profits out of their services. Moreover, in the new system, the South African government treats NPOs in the same way as the for-profit business when competing for tenders or projects. The government rounds a tender and both the NPO and the for-profit organisation have to meet the set requirements, prior to receiving the tender.

According to Hendricks (2012) and Coetze (2013), the biggest challenge thus faced by NPOs is that of sustainability. Nowadays, non-profit organisations are looking at new models such as hybridity to generate own revenues and reduce donor dependency. On the other hand, donors are increasingly expecting non-profit organisations to have sustainability strategies in place (Coetze, 2013). With the slow economic recovery, most non-profit organisations are experiencing the unprecedented challenges in funding and donations pursuit, retaining high quality staff, effectively providing services and attracting qualified volunteers (Mosley *et al.*, 2012). According to Mara *et al.* (2010), community-based, small non-profit organisations are the most vulnerable to the repetitively changing political, economic, financial and demographic environment.

The challenge of limited access to funding (Abrahams, 2012) has further forced non-profit organisations to explore alternative ways to diversify their sources of funding (Worth, 2012:299) and generate their own income (Jaskyte, 2015:1922; Trialogue, 2014:47). The income-generating initiatives often entail selling the non-profit organisations' goods and services to firms and governments (Triologue, 2014:47; Worth, 2012:299). According to Trialogue (2014:39), some non-profit organisations in South Africa have started their own income-generating initiatives. These initiatives only contributed approximately 8% of the non-profit organisations' total income in 2012. This has contributed to the rising growth of hybrid organisations.

Commercialised non-profit activities have a substantial and positive impact on non-profit's self-sufficiency. However, such activities attract costs. Non-profit organisations must register as a Public Benefit Organisation and be aware of the fact that income related to the organisation's core activity is exempt from income tax under certain provisions of the South African income tax Act. The PBO is then liable to pay income tax at a rate of 28% on any other business income received, other than the types mentioned in the provisions of the South African income tax Act. It is notable that South African Revenue Services (SARS) however allows tax relief on the PBO's first R200 000 of the business income, or business income that is equal to 5% of the PBO's gross receipt (Department of Social Development, 2012)

While commercialising non-profit activities might influence a non-profit organisation's ability to manage the uncertainty of funding (Worth, 2014:299 & Abrahams, 2012), the right combination needs to be understood (Abrahams, 2012). This is essential to provide informed recommendations about the potential for adopting revenue diversification as a sustainability strategy (Hendricks, 2012). Hendricks (2012) highlights the importance of NPOs addressing social needs and interest in a way that would be self-sustaining over the long haul, or risk its long-term sustainability without it achieving its mission.

a) The Enterprise Scheme Model

Dowanski (2011) mentions an enterprise scheme model that Bryson, Gibbons and Shaye coined in 2001; that it could be used in strategic planning processes for non-profit organisations. The model places emphasis on coherence across its components and on the importance of self-sustaining dynamic feedback. This Enterprise Scheme Model

addresses the following fundamental elements required when formulating a sustainable strategy (Hendricks, 2012):

- Understanding the social needs of stakeholders and their interest;
- Pursue meaningful mission and fulfilling mandates;
- Building and drawing on core distinctive competencies;
- Pursing competitive and collaborative advantages;
- Employing coherent and effective strategy and operations;
- Producing desirable results and securing needed resources; and
- Cultivating legitimacy and support.

b) The hybridity model

In order to be sustainable, non-profit organisations have adopted hybridity. Hybridity has also emerged because of non-profit's search for new sources of revenue to fund their core mission, for example, by creating for-profit subsidiaries to generate revenue for the parent organisation (Smith, 2010). Ehlers and Lazenby (2010:394) refer to this as strategic piggybacking. Though it may be good for the non-profit organisation, if not managed with great care, it can face challenges. For example, it can lose money in the short-term, it can lose focus on its primary mission and some donors may withdraw funds when the organisation starts generating its own income.

2.11 Strategy management in Amos/Kgaphamadi Community Organisation

2.11.1 A brief overview of Amos/Kgaphamadi

Amos/Kgaphamadi Community Organisation is located at Ezakheni-Mpumalanga. AKCO is a non-profit organisation that provides the betterment and enrichment of the people living in disadvantaged communities through sustainable job creation, skills and entrepreneurial training. Since its inception in 1995, the organisation has helped over 600 beneficiaries to learn valuable skills and income generating revenue streams, in order to improve their lives (AKCO, 2016). Amos/Kgaphamadi Community Organisation offers employment opportunities to the unemployed. The organisation is involved in the following activities:

- Arts and culture
- Vegetable garden
- Infrastructure rehabilitation

In order to carry out the vision and ensure the organisation's success and sustainability, Amos/Kgaphamadi Community Organisation developed a five-year strategic plan in 2015. The aim was to set out the strategic objectives and direction of the organisation. Strategically, the organisation endeavours to contribute meaningfully towards economic development by creating sustainable job opportunities. The organisation aims at penetrating a bigger market, strategically positioning its brand, while continuously improving quality (AKCO, 2015).

2.11.2 Strategy in Amos/Kgaphamadi Community Organisation

Masaoka (2011) describes a strategy as a formal way of critically considering how the organisation would achieve its goals. However, many non-profit organisations have strategic plans that they cannot implement. Thompson *et al.* (2013:12-13) suggest that the strategy has to fit the three tests to determine its potential of being a winning strategy. AKCO strategy is developed with the afore-mentioned in mind.

Strategic planning allows the non-profit entity to use its human and financial resources more effectively. It enables expenditures to be prioritised, based on judgments about the impact they would have on improving service quality. Most recently, non-profit organisations are asked to provide a strategic plan to large potential donors. These, amongst other things, are the reasons why AKCO developed a strategic plan. Moreover, the need to be sustainable, income self-generating and/or perhaps becoming a hybrid organisation in the future also compelled the organisation to adopt strategic management. Erwin (2013:48) defines strategic management as the continuous planning, monitoring, analysis and assessment of all the necessities of an organisation to meet its goals and objectives.

2.11.3 Strategic management process followed by Amos/Kgaphamadi

Thompson *et al.* (2013) define strategic management process as a process that includes understanding the organisation's strategic intent and purpose, strategic analysis, strategy development, strategy implementation and future perspectives. This is the process that ensures that the vision and the mission set by the organisation are achieved, while taking into cognisance the critical issues in the current and future environment. This is evident in the AKCO strategic plan. The question that remains in the organisation's adoption of the strategic management process then becomes: how thorough did the organisation

follow the plan and how SMART (specific, measurable, achievable and realistic) are the set objectives. AKCO does not have a written strategic management process.

2.11.4.1 Strategy Planning

Strategy planning is defined as a process of developing a strategic vision and mission, setting objectives and crafting a strategy combined results. It includes committing resources to the formulated plan and providing a period for achieving the set goals (Thompson *et al.*; 2013:39). The afore-mentioned may be conceivable on paper. The challenge faced by the non-profit organisation is the involvement of external stakeholders and the dependency on donors, in realising the strategic plan. Moreover, strategic planning requires all affected parties to form part of the planning. Getting all board members under one roof is often a challenge.

2.11.4.2 Vision Statement

The vision of AKCO is to provide the unemployed community members with skills and entrepreneurial training, empowerment; production and marketing skills, while creating sustainable job opportunities (AKCO, 2015). It is paramount for the organisational vision to be clear and memorable for both those in the organisation and those outside the organisation. AKCO's vision is too long and abstruse.

2.11.4.3 Mission Statement

The mission statement of AKCO is to create lasting solutions to poverty and social injustice through enhancing the quality of life of the historically disadvantaged (AKCO, 2015)

2.11.4.4 Value Statement

Amos/Kgaphamadi's value statement is shown below

2.11.4.5 Setting objectives

Thompson *et al.* (2013:39) mention that crafting a strategy entails addressing the following "how's".

- How to grow our business?
- How to please our customers?
- How to outcompete our rivals?

- How to respond to the ever-changing market conditions?
- How to manage each business function?
- How to develop the needed capabilities?
- How to achieve strategic and financial objectives?

AKCO strategic plan does answer the above-mentioned how's to a certain extent. It is therefore necessary for the organisation to review these on an annual basis, as suggested by Whitehead (2012), in order to ensure that it is still following the set objective. Below are the objectives set by AKCO. These are to some extent aligned with the vision and the mission of the organisation. It is also notable that they are overlapping for an organisation in an arts and culture industry. The organisation is also involved in basic food security and healthcare. As good as it may sound, diversification can deter institutional advantage. It is then important to set specific, measurable, attainable, realistic and timeous (SMART) objectives. The objectives depicted below does not meet the requirements of SMART objectives, as they cannot be measured and there are no timeframes attached.

Table 2.3: Amos/Kgaphamadi Community Organisation objectives 2016-2020

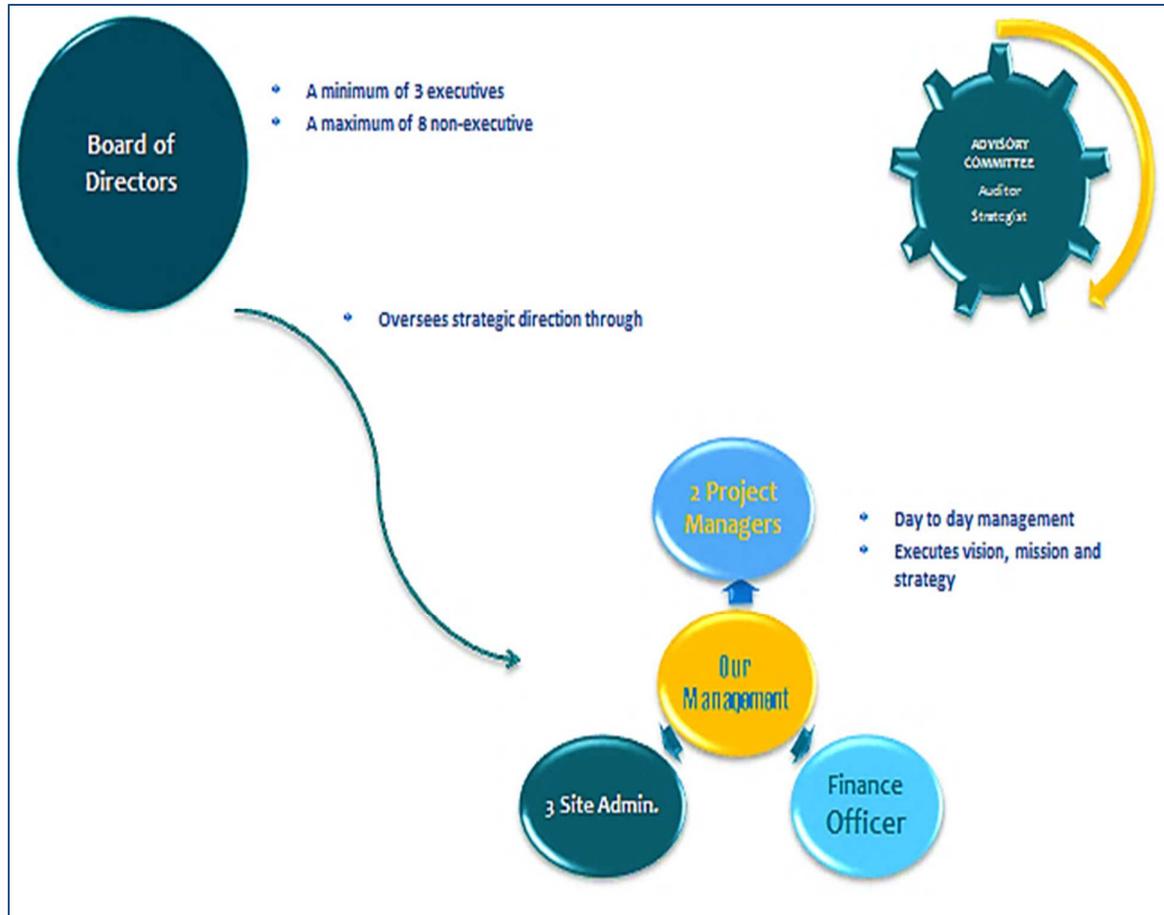
Create conducive and safe operating infrastructure
Working towards making a visible difference in communities
To create sustainable job opportunities and develop critical skills in our communities
To promote and preserve our cultural heritage
To ensure access to basic needs and food security
To build long lasting partnerships with suppliers and stakeholders
To penetrate a larger market spectrum and create competitive advantage
To offer quality products and services
To have streamlined processes
To have a proper and well communicated marketing strategy
In the long run Amos/Kgaphamadi Community Organisation will further engage in Corporate Social Responsibility, by taking care of the elderly through establishing a drop-in centre. Furthermore, we would establish an information-centre open to the community members who seek advise

Source: (AKCO, 2015)

2.11.4.6 Strategic organisational structure

A strategy should first be formulated before setting up an organisational structure. An organisational structure should support the strategy. Strategy crafting involves management at all organisational levels (Thompson *et al.*; 2013:39). AKCO's strategy suggests that there should be a marketing, PR and/or donor relations personnel. However, due to financial constraints the structure is narrowed down to key functions.

Figure 2.13: Amos/Kgaphamadi Community Organisational structure



Source: (AKCO, 2015)

There organisation members find themselves functioning in cross-functional roles due to limited staff capacity. This leads to cumbersome responsibilities (William & Chandler, 2011). Moreover, contravening the principles of good governance as the board members might find themselves being involved in the day-to-day running of the organisation.

Table 2.4: Amos/Kgaphamadi Community Organisation SWOT Analysis

Strengths	Weakness
Strong management team Good financial management of the project NPO constitution in place and is being implemented All beneficiaries receive a monthly stipend Skills transfer and training Good reputation Interactive website	Office not well equipped Inadequate marketing of the NPO's products and services Inadequate admin systems No proper working infrastructure Insufficient working tools Water supply interruptions
Opportunities	Threats
Diversifying product offerings High contribution drive to unemployment and poverty alleviation programme e-marketing Producing high-quality product Strengthening the value chain Gaining competitive advantage Investing in employee training	Withdrawal of government grants by the Department Staff getting jobs elsewhere and losing skills Decrease in market demand Competitor lowering their prices New product offering by competitors Reliance on government grant

Source: (AKCO, 2017)

2.11.4.7 Executing and monitoring the strategy

This is the most critical stage, as it enables competitive/comparative advantage when properly executed. On the other hand, it determines whether the set strategies are achieved and/or yielding the intended results. If these are not achieved the organisation can revise the strategy. Thompson *et al.* (2013:45) states that this is a decider component to decipher whether to continue or to change the chosen strategic plan. The challenge in the non-profit organisation is to review this overtime. If revision is done, it is not done so formally. Often, the challenge in executing the organisational strategy is caused by over-reliance to external funding or donations.

2.12 Summary

This chapter provided a literature review on the non-profit sector, both globally and in South Africa. Literature review indicates that the non-profit sector is the most growing sector around the world. The sector is faced by a number of changes, thus, remaining sustainable, *inter alia*, is a key issue. This emanates from a change in traditional ways of funding and the change in external environment from country to country.

The non-profit organisation can no longer function haphazardly, as, it is required to have a clear strategic direction to remain sustainable and competitive, while competing for funding. This chapter provided how strategic management can be employed by the non-profit organisation to remain sustainable, while having a comparative advantage. This was shown through investigating the five stages of the strategic management process. Brief details on strategy, strategy formulation, execution and monitoring were discussed.

Additionally, the strategic management process followed by AKCO was investigated. The theoretical investigation indicated that though the non-profit organisation follows the strategy management process, it is somewhat not adequately used. There are some gaps that may pose challenges to the organisation achieving its set goal and perhaps impeding its future sustainability. Not all stages are observed or rigorously followed. Inadequate involvement of key people in the development of the strategy may have a negative domino effect in strategy execution. Moreover, external stakeholders may have their own expectations not aligned with the set strategies.

The next chapter discusses the empirical investigation for the study. The research methodology, findings and discussed are discussed in details.

CHAPTER 3: EMPIRICAL INVESTIGATION

3.1 Introduction

This chapter discusses the empirical investigation on strategic management as a sustainability requirement in non-profit organisations. The research methodology, findings and analysis are presented. The rationale of adopting the chosen methodology is discussed. (Lapan *et al.*, 2012:70) suggests that it is important to outline the research methodology employed as this describes how the researcher selected participants, collected and analysed the data in order to reach conclusions.

The empirical research findings show that organisations cannot efficiently succeed when they work in silos. All the bodies connected to the organisation should be involved in specific phases of the strategic management process to ensure that everyone is aligned and is chatting the same course.

3.2 Research design and method

3.2.1 Research philosophy

As suggested by Ponterotto (2013:21) and Welman *et al.* (2011:188), the interpretivism approach is descriptive in nature and seeks to understand people's views on their situations and experiences. The interpretivism approach was best fit for the study as it aims to collect rich data as understood by the research participants. With interpretivism, the researcher was able to explore the non-profit organisation's strategic management approach, successes and challenges. Through the lenses of interpretivism, the researcher was able to understand how each participant perceives the organisational culture and the social world.

3.2.2 Research approach

Research approach can either be qualitative, quantitative or both. The qualitative method was used for this study. Qualitative method is a collection of interpretative techniques that seek to describe, decode, translate and otherwise come to terms with meaning of certain more or less naturally occurring phenomena in the social world (Bryman *et al.*, 2014:43). Qualitative research assists researchers to approach, analyse and explain management phenomena, both at social and organisational level. Qualitative research further assists

in understanding the current practices and in formulating concepts, models and tools in practice (Bryman *et al.*, 2014:223).

Qualitative research was appropriate for the study as it enabled the researcher to gain rich data and descriptive data. The data that could be explained or quoted by the researcher as opposed to recording numbers. The researcher intended to understand strategic management as necessity that leads to non-profit organisation's sustainability and how organisational members and external stakeholders make meaning of strategic management aspects that contributes to organisation's sustainability.

3.2.3 Research strategy

A case study approach was used for the study, as it aims to understand what is happening in each critical case so that logical generalisations can be made (Welman *et al.*, 2013:25). Case study research is described as a qualitative in-depth inquiry about an individual, family, group or organisation. The exploratory case study method was used as it is appropriate to explain causal links in real-life intervention that are too complex for either the survey or experimental strategies (Welman *et al.*, 2013:8).

Non-probability sampling as explained by Welman *et al.* (2013:25) suggests that in some instances certain members may have no chance at all of being included in the sample. This is true in this research study as only the active people in the executive committee, management, beneficiaries and external stakeholders were interviewed.

Purposive sampling is used in extraordinary situations where the sampling is done with a particular purpose in mind (Saunders & Bezzina, 2015). This was a preferred approach as it enabled the researcher to use own judgement to select cases that were best fit to respond to the research questions and to meet the intended objectives. Moreover, purposive sampling is idealistic when working with very small samples such as in case study research and when selecting cases that are particularly informative (Saunders & Bezzina, 2015). The sample was designed to provide an information-rich case study that explored the research question and augmented the theoretical insights (Saunders & Bezzina, 2015). Face-to-face interviews were conducted, data were recorded and content analysis was employed. Ethical considerations were observed (Babbie, 2011). The

participants' consent was requested prior to doing the interviews and the data were treated with confidentiality.

3.2.4 Target Population

The target population is the complete set of group members (Saunders & Lewis, 2012:132) and the category of things researched (Denscombe, 2010). The target population for this study included all the members that form part of the organisation i.e. the board, management, beneficiaries and the external stakeholders.

The unit of analysis comprises of the non-profit organisation and the leadership (board and management) of the organisation, beneficiaries and external stakeholders. The unit of analysis selected is best in addressing the objectives of the study as they operate at different levels within the organisation.

3.2.5 Sample

A non-probability purposive sampling method was used in order to help answer the research question(s) and to meet the research objectives (Saunders & Bezzina, 2015). Purposive sampling is when the sample is selected based on the participants' knowledge about the study. The purposive sampling method was selected based on its qualities in terms of its relevance and ability to lead to obtain qualitative data required by this study. Even though probability sampling provides each individual with an equal chance to be selected from the population, it would have not been ideal for the study. The participants were selected based on the purpose of the study (Acharya *et al.*, 2015:330-333). Purposive sampling is ideal for case study research and in selecting informative cases, as was intended in this case study, as explained below:

Table 3.1: Units of analysis

Unit of analysis	Functional expertise
Board and management	more informed with strategic issues
Beneficiaries	more informed with operational issues
External stakeholders	more informed on how the external environment impacts the internal sustainability issues.

Source: (Own compilation)

The non-probability purposive sampling was used in selecting 21 participants, however, only 19 participants were interviewed. Each category of the unit analysis was interviewed. The non-probability purposive sampling was appropriate for the study as the researcher was able to select cases that were best fit to answer the research question. i.e. some board members are not active in the organisation, selecting them would not be ideal in obtaining rich data (Saunders & Lewis, 2012:132).

3.2.6 Data collection

The nature of data collected is best informative when collected using a qualitative method (Bryman *et al.*, 2014:223). In order to get the full nuance of the research data, open-ended questions are best than constricted questions of quantitative research (Welman *et al.*, 2011:174). This allows participants to express their opinions and feelings in their own words without being influenced by the researcher.

Data was collected mostly in the Nguni dialect, as most of the beneficiaries preferred the interview to be conducted in their mother tongue. The data were then translated into English during transcription. . It is notable to state that saturation was reached when interviewing beneficiaries. Data saturation is defined as a degree where enough information to replicate the study is reached and where further coding is no longer feasible (Fusch & Ness, 2015).

Face-to-face interviews were conducted and data were recorded during the interviews. This method is ideal for case study research as it allows the researcher to gain rich, personalised information (Tracy, 2012). Data were collected through the use of semi-structured interview guide. A semi-structured interview is a method that uses open-ended questions and allows for discussion. This was done with intent to ensure that there is a structured frame followed in the interviews (Welman *et al.*, 2011:166).

The semi-structured interview allows additional questions to be asked where necessary, in order to gain clarity on responses given. The semi-structured interview also varies on how the order of the questions is asked, depending on the way the interview develops (Welman *et al.*, 2011:166). Moreover, semi-structured questions allow themes outside the framed structure to occur. Semi-structured interviews offer a versatile way of collecting data and can be used with all age groups (Welman *et al.*, 2011:165-167). Due to the

level of literacy of some of the participants in this study formulation and terminology used were modified to fit the educational background of the respondents (Welman *et al.*, 2011:166). Semi-structured interview approach assisted to address the blind spots that were not pre-empted before the interview. The interviews took approximately 15 to 40 minutes. (Bryman *et al.*, 2014).

The pilot interviews were conducted with the knowledgeable people (board and external stakeholders) prior to the actual interviews. This was done in order to test the efficiency of the research instrument. The interview guide consisted of two sections (see appendix 6.2). The first section provided the demographic information of the participants. The second section consisted of research questions which were semi-structured based on the following sub-sections:

- Organisational inputs
- Organisational structure, processes and management
- Organisational culture and strategic foundations
- Organisational outputs
- Sustainability

3.2.7 Data analysis

A basic principle of qualitative research suggests that data analysis should be conducted concurrently with data collection (Maxwell, 2013). This allows the gradual focus of interviews and observations and helps the researcher to decide on how to investigate emerging conclusions.

The collected data were translated and transcribed by the researcher, as most interviews were conducted in vernacular. The researcher employed thematic analysis based on keywords extracted from the data collected (Maxwell, 2013). Categories were derived from existing theory, inductively generated during the research. Moreover, connecting strategies in data analysis is enhanced by reference to the existing literature and using this to raise questions about whether the researcher's findings are consistent with or different from extant research.

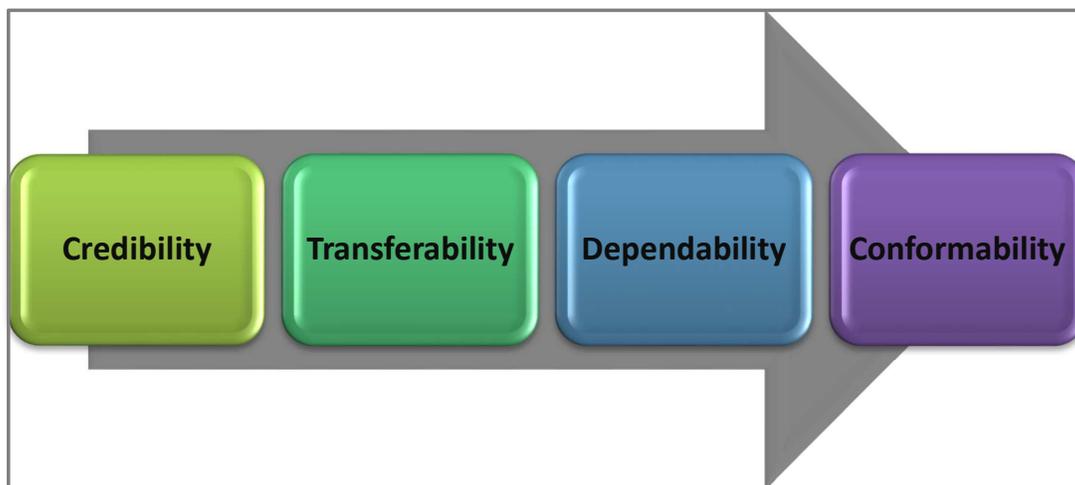
Qualitative content analysis is useful in analysing data collected through semi-structured interviews (Elo *et al.*, 2014:1). Content analysis is high in validity as it allows the researcher

to consider the frequency of terms used by the participants to develop codes. Information obtained from participants can be interpreted in the context in which it was provided (Mayring, 2014:39). Content analysis is used to categorise verbal data, for purposes of classification, summarising and tabulation. The construction of analysis was formed by coding text from various sources in order to ensure reliability and validity. After classification, summarising and tabulation, the deductive approach is used to analyse data to draw out certain elements from the data and uses these to answer the research questions or to test propositions formulated from the literature review (Maxwell, 2013). Data saturation was observed to determine data similarities and the relevance of new codes. Data were then cleaned to ensure validity and avoid redundancy (Schreier, 2014).

3.2.8 Trustworthiness of the qualitative inquiry

The aim of trustworthiness in qualitative research is to support the argument that the research findings are worthwhile (Morse, 2015:1212). There are four elements in qualitative research, which require attention and these are:

Figure 14.1: Trustworthiness components in qualitative research



Source: (Morse, 2015:1212-1215)

- *Credibility*: refers to the degree at which the measuring device fully covers the scope of the research subject and measuring what it intended to measure (Heffner, 2017). Triangulation was done in order to ensure the credibility of the study. Triangulation was done through interviewing three groups of participants, views

from the different categories provided data credibility and dependability. Triangulation is defined as an approach that uses two or more methods to study the same phenomenon. Contradictory evidence was sought after, scrutinised, and accounted for in the analysis to ensure that researcher bias does not interfere with of the data collected. The researcher's supervisor reviewed the work to validate the study and the study objectives therefrom (Hair *et al.*, 2014).

- *Transferability*: is the ability to apply the research results to other subjects and other contexts. This creates an environment of generalisation. The results of this particular study may be generalised, however, certain elements pertaining to the case study in inquiry (Anney, 2014:278).
- *Dependability*: often referred to as reliability in quantitative research, is the replicability of the research findings (Anney, 2014:278). It is the consistency of the results. With the similarities in the responses found in this study, it can be said without doubt that the study is replicable. Another researcher can be able to follow the decision trail employed by the researcher of this study.
- *Conformability*: indicates the degree of biasness of the findings, the neutrality of data collected, rather than the researcher's. The research findings of this study are based on the participants' responses, not any biasness or personal motivations of the researcher (Anney, 2014:278). The researcher used an audit trail to ensure that biasness does not skew the interpretation of what the research participants said to fit a certain narrative.

3.2.9 Ethical considerations

Consent to conduct and record the interview was requested from all participants prior to conducting the interviews. The purpose of the study was explained to the participants before the interviews were conducted. The researcher highlighted that the participation was voluntary and that the respondents were free to withdraw from the interview at any time, without any repercussions (Welman *et al.*, 2013:181; Babbie, 2011).

In addition, the researcher assured the participants that the information would be treated as confidential and anonymity was assured. None of the responses given would be traced

back to a particular individual. For ethical considerations, participants' identities are kept confidential. The feedback of the research would be made available to the leadership (board and management) of the organisation and this was explained to the participants.

3.2.10 Limitations of the study

It is notable that there might have been some response biasness due to the nature of the sector. As the non-profit organisation is highly dependent on funders, it was anticipated that some responses would be bias as the organisation might be sceptical on how their organisation will be viewed by external stakeholders if they respond a certain way.

3.3 Research findings and analysis

This section presents research findings and analysis. Each theme deduced from theoretical and empirical study is discussed.

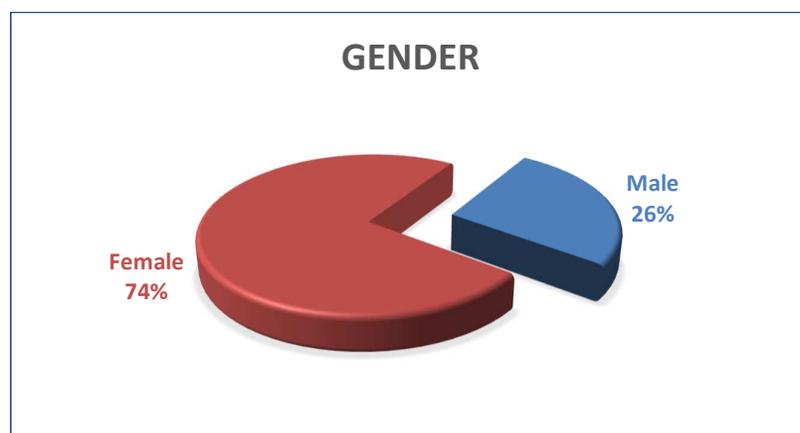
3.3.1 Demographics profile

The demographic profile provides a socio-demographic profile of the respondents who participated in the study.

- **Gender**

The participants were female dominant (74%) and male at a relatively low 26%. It is noteworthy to state that the organisation is somehow bridging the gap identified in the NPO strategy, that even with a high number of females in the province; the males are still dominating the employment sector.

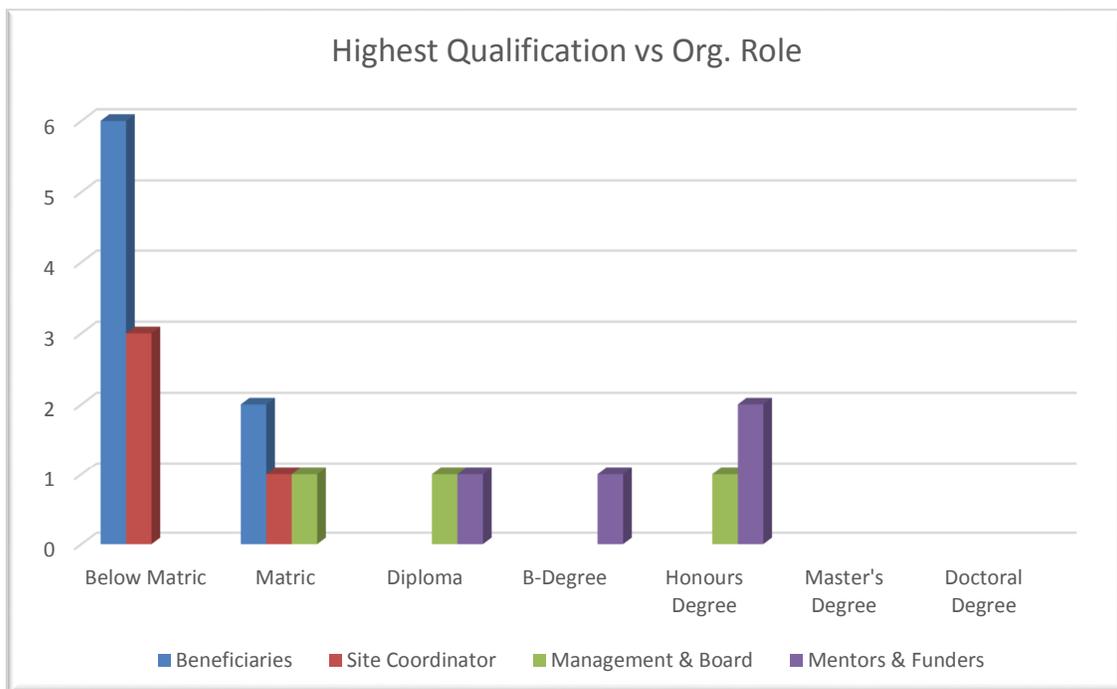
Figure 15: Participants' gender



- **Qualifications and organisational role of participants**

Most of the beneficiary respondents had a matric qualification and below, with management and the board holding qualifications above the matric level. Site-coordinators are beneficiaries who are a point of contact and responsible for particular site. The Site Manager is responsible for the management of all sites, while the Project Manager is responsible for project management. Organisational mentors are specialists in the field, who assist the organisation with growth. Some mentors are prospective funders who want to develop the organisation prior to financial investment. It is noteworthy to state that the organisational mentors/coaches held a post-graduate qualification. This is commendable, as these may be the best advisers of specialisation.

Figure 16: Highest qualification versus organisational role



The board and management possess different skills and qualifications as shown in the figure above. Taylor (2010:143) suggests that recruiting board with diversified skills and backgrounds is essential for the non-profit organisation as it brings unique abilities and perspective. This is more imperative for a non-profit sector in the new millennium as more business savvy people are entering the sector.

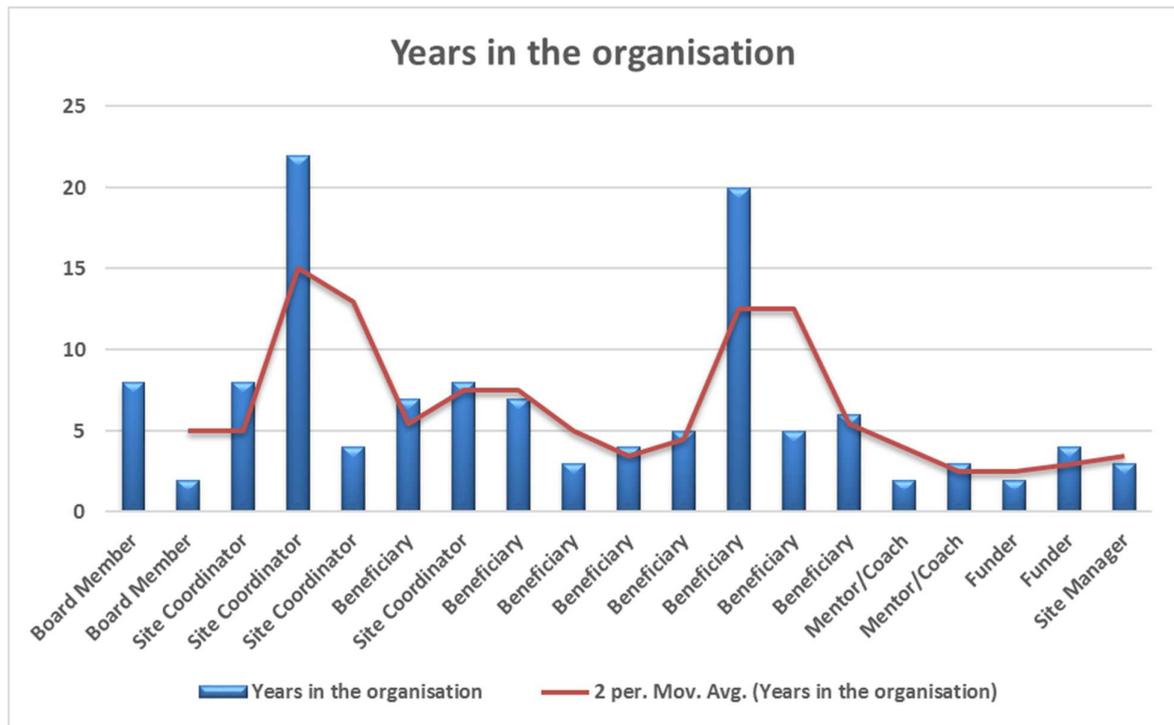
- **Age**

The average participants' age is 47 years. The youngest participant, an organisational administrator was 21 years old. The youngest participant in the beneficiaries' category was 32 years and so was the youngest participant from the mentors and funders. Most of the beneficiaries are above the youth age (35 years).

- **Number of years in the organisation**

Most beneficiaries, site coordinators, management and board have been part of the organisation for more than five years while external stakeholders have less than five years. Some beneficiaries have been part of the organisation for more than two decades. This defeats the organisation's objective to build beneficiary self-sufficiency. Thompson *et al.* (2013:36) emphasised the importance of aligning the objectives of the organisation with its mission and vision as this results to specific performance.

Figure 17: Number of years in the organisation



According to National Development Agency (2011) non-profit organisations struggles to retain its staff and board members. It is notable that the staff and board members in Amos/Kgaphamadi have been with the organisation for more than five years, the organisation has been able to retain its staff. The National Development Agency (2011)

suggests that qualified human capital in the non-profit sector moves to the public and private sector due to minimum incentives in the non-profit sector. However, Amos/Kgaphamadi has been able to retain board and management with post-Matric qualifications.

3.3.2 Organisational vision

According to Thompson *et al.* (2013:28) the vision states the organisation's desired future state and communicating the vision throughout the organisation is critical. Amos/Kgaphamadi's vision is to create sustainable employment, provide skills, entrepreneurial training and marketing. However, during the implementation, this does not come out clearly. However, research finding indicates that the vision, mission and objectives of the organisation are not clearly defined, communicated nor understood within the organisation. This becomes an obstacle in strategic planning (Thompson *et al.*, 2011:356). Moreover, failure to reach mutual understanding on organisational quest might lead to resistance. If people within the organisation are not well-informed of the organisation vision they become misaligned and are not able to effectively contribute towards the course (Thompson *et al.*, 2013:29-30). Dowanski (2011) then suggests that communication of the course should not be top-down but should involve all stakeholders. Failure to do so negatively affects performance (Dowanski, 2011) and creates difficulties in implementation (Smith, 2010).

When the participants were asked whether *"they know the organisation's vision?"* Participant 8, 9, 12, 13 & 14 were certain to point that they *"do not know the vision of the organisation"*.

As suggested by Thompson *et al.* (2013:29-30) the abstruse vision may be the reason why some beneficiaries were not clear on the organisation's vision. Even with the beneficiaries involved in the day-to-day execution of the vision and mission, they were doing things tactlessly; not knowing their origin.

3.3.3 Organisation's mission

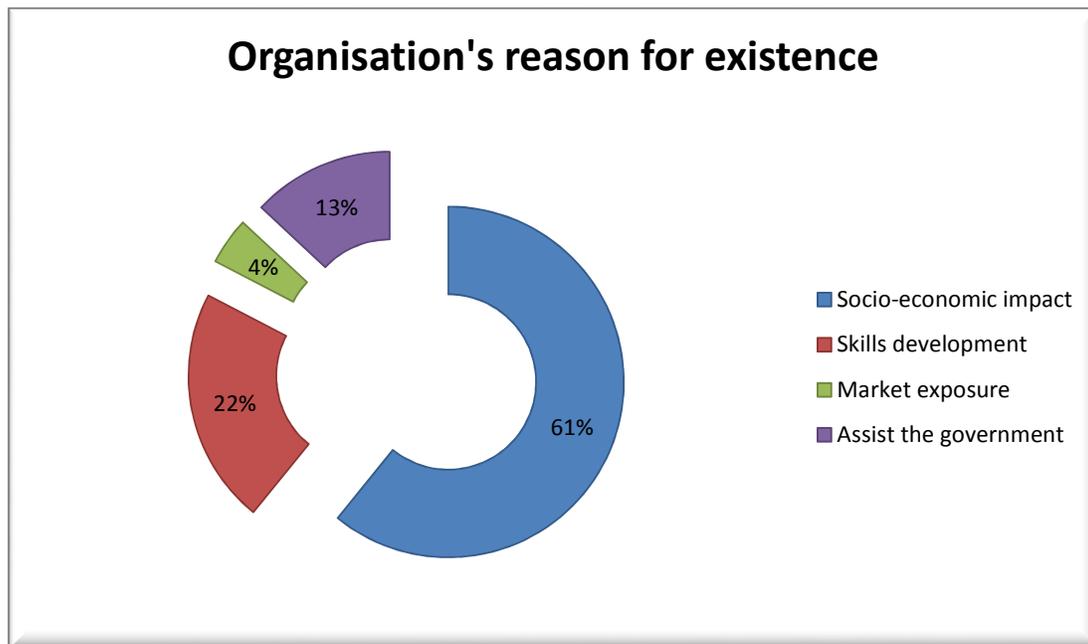
Notably, in all the questions asked, this was one question that none of the participants hesitated answering. Ressel (2011), the National Development Agency (2013) and the Department of Social Development (2012), suggest that non-profit organisations exist to

serve societal needs that the government and the private sector cannot meet. The findings show that the non-profit sector exists to bridge the gap and the tripartite needs to work hand in hand to close the gap.

The state of being of the organisation is understood throughout the organisation. Domanski (2011) suggests that a well-stated mission is valuable for a non-profit organisation and top management investing more time in mission formulation has been an emergent trend in the non-profit sector. Further, involving all stakeholders is essential in mission statement formulation.

Participants gave different responses of why the organisation exists. As qualitative research can be triangulated using different methods, data count was employed and the responses were grouped into four themes. The four most mentioned reasons for organisation's existence are depicted in the following figure.

Figure 3.5 Organisation's reason for existence/mission



Most participants believes that the organisation exist to contribute positively to the socio-economic state of the community. Secondly, the organisation exist to provide skills development consequently assisting the government to bridge the socio-economic gap. Only a minute percentage of participants mentioned that the organisation exist to create

market exposure of its beneficiaries. The empirical research findings provides evidence that non-profit organisation exists to meet socio-economic needs (Department of Social Development, 2016; AKCO, 2015). Moreover, the non-profit organisation's objective to provide skills while creating market access for its beneficiaries is supported by the research findings.

Participant 1 to 15 agreed that “the organisation has contributed to poverty alleviation. Participant 16 “Skills development and market creation.”

Participant 17 “For the reason, it was established. They have a good vision and mission. They just need some assistance as far as their strategy and operational plans for them to be sustainable.”

Participant 18 “In Nkangala District, there are no many community development organisations. NPOs are there to assist us as government to reach the disadvantaged. Organisations like AKCO are community agents, they get to know people who need assistance and they help us reach those communities. We as the government might be aware that there is poverty in Kwa-Mhlanga, but we do not know where exactly, NPOs are able to direct us to the exact areas that need assistance. People have put their kids in universities with the stipends that they receive; some have built houses, others are part of stokvels that tend to improve their lives. During the times of drought, the whole community benefited from the JOJO tank in Amos/Kgaphamadi. 600 households are benefiting through the existence of the organisation.”

Participant 19 “We help poverty alleviation and bridge the gap that the government intends to close.”

3.3.4 Organisational objectives

The organisation had good intentions for its beneficiaries such a skills development and self-dependency (see section 2). However, the research finding shows that its objectives for its beneficiaries are not clearly communicated. Most beneficiaries indicated that the organisation intended to provide them with a comfortable living and independency. However, the beneficiaries were not clear on how exactly the organisation intended to create beneficiary self-sufficiency.

There is no historic data for any beneficiary who had become self-sustainable, started their own business or found a permanent job, except for the word of mouth. Moreover, some beneficiaries have been part of the organisation for more than a decade is an indication that the organisation's objectives are not achieved. A review of whether the set objectives are SMART objectives is essential. The objectives should be measurable and timeous amongst other things. The lack of historical data on beneficiary progress might deter the organisation in evaluating and measuring its performance and achievements.

The organisational leadership acknowledged that with the skills development and all the empowerment endeavours taken by the organisation, there was still a struggle to help beneficiaries become self-sufficient and ultimately, start their own businesses outside the organisation.

Participant 10 plainly stated that ... *"I do not have an idea of what the organisation intended for its beneficiaries"*. *The same participant also stated that"I do not know much because I am old"*. She also alluded that*"I am content with everything as the organisation helped me build a home and nothing else mattered"*.

Participant 10 was 76 years old and her response was a true indication that the world is seen differently by different age groups. The interpretivism approach is able to deduce information based on the participant's own view of the phenomenon (Ponterotto, 2013:21). The 76-year-old participant stated that she content because she has built a house through her involvement with the organisation and anything else did not matter. The younger generation might not necessary share the same views, as they might have a need to develop themselves further.

Participant 8 stated, *"the organisational objective is to develop skills"*. He further suggested, *"the organisation should broaden the training scope and not focus mainly on craft"*.

The two responses indicates that the beneficiaries in the organisation have different needs and perceives the organisation differently. The organisation has to ensure that everyone within the organisation is aligned with the vision, mission and objectives.

Domanski (2011) suggests that strategy success is dependant 99% on alignment and 1% on vision. The vision might be well formulated; however, if people and systems are not aligned the organisational strategy will not succeed.

3.3.5 Strategic planning

Strategic planning comes as a result of vision, mission, objectives and strategy formulation (Thompson *et al.* 2013:39). Participants in leadership were clear that the organisation's vision, mission and objectives informed their decisions. All these aspects should be well-crafted, communicated and aligned. The process includes understanding the organisational reason for being, internal and external environment analysis, resources and time-frames allocation to achieve set goals. Below are some of the responses given by the participants on aspects influencing decision-making:

Participant 1 mentioned... "As we are in the craft space, our decisions are informed by the work we do and also the intention to gain market exposure of the work done by our crafters. We also cease any opportunity available, as long as they are aligned with our mission."

Participant 2 & 3 stated that "The organisation's direction is informed by its need to help the community."

Participant 15 alluded that ... "The reason for existence is what informs the decisions that the organisation take. The decisions are based on where the organisation wants to see itself. The organisation has been able to achieve their set objectives."

Participants 16 & 18 mentioned ... "Their reason for existence informs the direction that the organisation takes."

Participant 19 indicated that "Our stakeholders are considered when making decisions. Our goals to serve them influence decision-making. Importantly, serving the community is what drives us, not leading a luxurious life but to serve. Hearing feedback from the community and them thanking the organisation on the good work it does keep us going."

Although the leadership, the funders and the mentors were clear on what informs the organisation's decisions, the beneficiaries did not have a clear understanding. This gap

may be because it is only the board and the management who are involved in planning sessions, with the help of the mentors, wherever necessary. This discovery depicts that there is a gap in the degree of transparency within the organisation. According to Thompson *et al.* (2013:12-13) a winning strategy pass the three tests (see section 2). The fit test evaluates the appropriateness and alignment of the strategy with both the internal and the external aspects. If certain aspects are overlooked, this could lead to skewed strategy formulation that does not serve the interests of all stakeholders. Whitehead (2012) echoes the same stating that it is imperative to involve a wide variety of people in strategy development to ensure that people within the organisation contributes to strategic planning and are aligned with the set strategy. Some beneficiaries did not even know the long-term goals of the organisation. Those who claimed to know gave superficially responses such as “they want us to progress” or “they want us to grow”.

Participant 19 indicated that “Leadership is involved in decision-making. We sometimes invite people who are skilled in our strategic planning to come and assist the organisation with strategic planning. Though they do not come cheap.”

Participant 18 stated that “We are there to advise where there are strategic issues. If they need any support, we are available to advice. With the functional relationship we have with them, we are able to advise on the direction or decisions they take as an organisation.”

Inversely, Participant 1 mentioned that ... “Most often, decisions are made by the chairperson and operational manager.”

Ehlers and Lazenby (2010:393) mention that strategy development is not a one-man show. The empirical research findings presented above indicates that the organisation does involve other stakeholders in strategy development. Sometimes consultants are employed to assist in strategic planning but they come at a price. Masaoka (2011) criticised the use of consultants by the non-profit organisation in strategy formulation due to lack of strategy implementation whilst exorbitant costs are paid to consultants. Crowdsourcing as suggested by Twersky *et al.* (2013) can be employed at no fee.

3.3.6 Implementation, monitoring and evaluation of strategic plans

The participants mentioned that implementation plans were discussed and tasks were assigned in meetings. Through meetings and site visits, the non-profit organisation monitored if goals were executed as planned and if they were achieved. Evaluation of the results and the impact of the implemented plans were evaluated through feedback received in annual closing events.

Participant 1 “We sometimes struggle with beneficiaries not doing what is expected of them. We then closely monitor those who are not performing as they should.”

Participant 2 “Miscommunication is the main challenge. The filtering down of information gets missing in the process. There are no proper communication skills and often, there is one person addressing the meeting and no proper engagement from the rest of the team. Often, some people are not clear of what is being communicated and we do not have the tools to address miscommunication.”

Participant 6 “infrastructure is a challenge; we do not have a proper working place. Also, we struggle with the material. We try putting aside money to buy material so that we may continue working even when the organisation is on break.”

Participant 16 “it is a fact that beneficiaries have to make own choices and not that everyone wants to start their own businesses, some beneficiaries are comfortable with production. The entire value chain needs to be aligned.”

Participant 17 “in planning, they then are dependent on funders and donors. They are there to say come help us and do not have any income streams to source funds necessary to address their plans.”

Participant 15 and 19 “most are based on funding and we can only use funds as per funders requirements. For anything else, we have to seek donations.”

Thompson *et al.* (2013) regard strategy execution as time consuming and suggest that there are ten basics tasks in execution process. Amongst other things, establishing a strategy-supportive structure is essential. Participant 2 stated that in strategy execution

meeting there is only one person facilitating the meeting and no proper team engagement. This leads to miscommunication and this negatively affect strategy support, as people are not appropriately aligned. Strong leadership and right organisational culture is key in strategy execution (Thompson *et al.*, 2013). Above the internal issues hindering strategy execution, funding was mentioned as a main hindrance. This supports the National Development Agency's statement (2012) that non-profit organisations struggle to execute set strategies due to funding constraints.

In order to evaluate whether plans are executed or not, the organisation did that through meetings and through compiling a portfolio of evidence. Evaluation and monitoring of strategy can assist the organisation to identify obstacles to achieve goals and objectives at an early stage. Further, mechanism to curb challenges can be developed timely. This is confirmed by the respondent given below.

Participant 1 stated that "We often take pictures of the before and after to ensure that we execute as planned". He also mentioned that ... "sometimes we struggle with beneficiaries not doing what is expected of them. We then closely monitor those who are not performing as they should"

However, at the same time it is notable that the organisation does not have proper evaluation and monitoring procedures. The organisation intends to have beneficiaries start their own businesses and there are no proper evaluations done in order to confirm if this set objective is achieved as intended. The empirical research findings indicate that the organisation did not have proper control measures in place to measure and ensure that plans were executed as intended.

Participant 19 mentioned that "we do not have control measures as such, but we do review in our meetings. Setting timelines for each task helps us monitor and control if plans are done as expected".

3.3.7 Funding

According to the research findings, the South African funding environment has not evolved much in the two decades that Amos/Kgaphamadi has been in existence. The

non-profit organisations still struggle to get funds (National Development Agency, 2013; Ressel, 2011).

Participant 1 mentions that as the non-profit organisation" we are barely recognised and do not get the needed support as non-profit organisations".

Participant 18 states that ..." there is a struggle in getting funds due to politics in the departments, people are driven by personal gains when adjudicating".

This is further concurred by *Participant 16*, whose role was a mentor in Amos/Kgaphamadi. However, the participant worked for a government-funding department.

Participants 16 mentioned that "due to politics and silo mentality between the various government departments; non-profit organisations were sometimes overlooked because of lack of information sharing. Some officials tended to hoard information of the non-profit organisations that they assisted because they felt that they were exclusively liable for the particular non-profit organisation's growth. This kind of act prevents other prospect funders to know of organisations that are doing good and those that seek assistance."

Participants 17 mentions that ..." information on funding available is not easily accessible to NPOs. There should be more roadshows to reach more people". Participant 17 further denoted that "the sector requires a number of documents which most non-profit organisations are unable to complete. This has opened a door for chancers to assist NPOs with paperwork and the assistance comes at a cost that eats away from the funding received."

According to the National Development Agency (2013) there has been misalignment within the government departments as the support system for the non-profit organisations. This is supported by the responses presented above. Moreover, *Participant 16* and *Participant 17* remarked that the sector required insurmountable number of documents which may be overwhelming for the non-profit organisations, especially as most NPOs are run by philanthropists who may necessary not be as literate.

3.3.7.1 Funders' requirements

The funders and mentor mentioned that funding was awarded based on viable strategies employed by the organisation. Moreover, the accuracy and good skill in filling documents are fundamental. Funders stated that they considered the viability of business plans and organisational capabilities before granting funds. It is therefore pivotal for management to have management skills and good financial standing, before funders can consider them.

Participant 18 mentioned that "from the EPWP Non-state sector. They applied & we fund the beneficiaries through monthly stipend. We checked the feasibility of their business plan and we did site visit. We also take into consideration their capabilities before granting funds. They submit monthly reports in order to remain in our payroll."

As suggested by Wicks (2015) and the Department of Social Development (2016), crafting strategies and financial reporting has become a crucial requirement for funders in the non-profit sector. The ability to meet the funders' requirements creates a competitive advantage.

3.3.7.2 Funding strategy and needs analysis

Participant 1 and Participant 19 stated that through meetings that took place, they were able to identify all the necessary issues that needed to be funded. That is how they were able to determine what needed to be funded and when. The organisational leadership acknowledged that they did not have a proper funding strategy. However, based on organisational needs, the organisation puts in proposals and apply for funding. This was done at any time of the year. Funding to pay stipends was sought after on an annual basis.

Participant 1 and 19 stated that "...There hasn't been any changes, we are still using the same system. We send in proposal or we apply for funding based on adverts"

The organisation's leaders mentioned that their fundraising approach had not changed. The organisation still used the same approach since inception, i.e. writing funding proposals for various government departments. This may be a contributing factor to the

funding challenges that the organisation faces, income diversification strategies are visibly becoming necessary in the non-profit sector (Worth, 2012:299) In order to progress and remain sustainable in the ever-changing world, it is necessary to continuously review plans and strategies as suggested by (Hendricks, 2012).

3.3.7.3 Fundraising

Funds are raised through applications of advertised requests. *Participant 18* stated that the organisation also sent proposals to various organisations, in order to raise funds. The Department of Public Works was the main funder since the inception of the organisation. On the other hand, the organisation hosted events and invited different stakeholders and was thus able to raise funds that way.

The empirical study revealed that there was not much that the organisation did to generate funding through the use of any technology. Crowdfunding, as suggested by Hanart and Manat (2015), is not employed by the organisation, yet the strategy is often used to generate growth ideas.

3.3.7.4 Other sources of income

Besides funding and donations received, the organisation also generated income through sales of its products. However, the participants were certain that the income generated through sales was not sufficient and there were no proper measures and policies in place to govern these. The organisation was very dependent on funding.

Dauids (2017) suggests that there are a number of income sources that NPOs can employ, which include investments and membership fees, amongst other things. The empirical findings indicate that there were a number of alternatives that Amos/Kgaphamadi could have employed, which the organisation had not explored. On the other hand, those streams that were pursued, such as selling products, were not necessarily regarded as the other source of income as they did not yield sufficient income. The project manager and the organisation's administrator patently said: "*we do not have other income sources*".

3.3.7.5 Funding transparency

The beneficiaries of the organisation had little knowledge of how funding was sourced. Some of them knew that it is sought after. This trivial knowledge of how funding is sourced and received by the organisation somehow contributes to the beneficiary expectation that the organisation is able to increase the number of working days from fourteen days to the whole month. Also, the request from some beneficiaries to have stipends increased. The beneficiaries however mentioned that the organisation did inform them when there was lack of funds.

The stakeholders that were eligible to access the organisation's financial records were aware of the funding position of the organisation. The Institute of Directors in Southern Africa (2016) and Department of Social Development (2001) regard funding transparency to stakeholders as good governance. Funding transparency to stakeholders has a positive impact when funders are assessing the organisation's performance. Moreover, this enables funders to create value in a sustainable manner.

The lack of funding was the biggest challenge mentioned by the participants. Most of the challenges stated by the participants were somewhat linked to the lack of funds.

3.3.7.6 Financial management and transparency

The organisation had an appointed bookkeeper who was responsible for monthly financial records and the payments of stipends. The organisation appointed an auditor who did annual audits and produced annual financial statements. Both the leadership and external stakeholders alluded that finances were effectively managed.

Participant 18 stated that "as the funders, one of our requirements is that the organisation should have a good financial management skills and Amos/Kgaphamadi has done great. We at all times check their bank statements to ensure financial viability. Also, they have a comprehensive implementation plan that shows their financial plan, their finances are in place".

The organisation made its financial statements available to stakeholders, however, on a limited basis.

Participant 19 mentioned that" Financial statements are confidential; we treat them as such. We do make them available when requested by external parties such as funders".

3.3.8 Marketing strategy and market research

It is essential to understand both the client and funder expectations, in order to appropriately market and position the organisation. One of the five-year objectives of the organisation was to have a "well-communicated marketing strategy" (AKCO, 2015). The research finding indicates that not much has been done in this regard. This was due to lack of funds and limited resources. Moreover, as suggested by Makhitha & Bresler (2011) the full potential of the arts and craft market is not fully maximised, as the sector is relatively informal. The plans in place to develop a marketing strategy will be a best-fit mechanism to understand the market needs and fully maximise the market potential.

3.3.9 Market development

Almost all of the participants alluded that the organisation marketed itself through "social media, organisation's website, different departments' databases, word-of-mouth events and exhibitions".

Notably, Participant 7 stated that even though.... "we market our products on exhibitions and other events, the market is constricted and there is too many of us".

Participant 9 stated that.... "it is the site coordinators who do exhibition, we do not all go. They take our work with them".

Participant 17 stated that ..." through negotiations with the external stakeholders, the organisation markets its people and through word of mouth. This is basically done by the chairperson. The beneficiaries aren't doing much"

The above responses give an indication that not all beneficiaries get to acquire the practical skill of selling in the market, as well as to acquire the skill of engaging clients of different calibre.

Participant 13 on the other hand, mentioned that “there is no market”. She further explained that “people come and buy the beadwork at my home, as we are well-known in the community that we are involved in beadwork”.

Participant 6 concurs, “we struggle with the market to sell. We make all these products to keep them.

The informal set-up of the arts and craft possess a serious challenge for organisational growth in producing and selling the craft products. There is a compelling need for the non-profit organisation to formulate proper strategies to develop the commercial part of its activities.

3.3.10 Market research

In order to understand the market and respond to the ever-changing market, it is essential to do market research (Thompson *et al.*, 2013). AKCO intended to penetrate a wider market scope (AKCO, 2015). The strategy document gives an indication of market research done by the organisation. However, this is not an in-depth market research.

Participant 19 indicated that... “the organisation does conduct market research, however; not in a formal way, but we do solicit information from our stakeholders on what we can do better and on what opportunities are available and we should tap into”

Organisational mentors (*Participant 14 & Participant 15*) concur that the organisation did its groundwork, even though it might not have been formal.

Participant 15 further explained that “the organisation does an environmental scan and does seek outside assistance on growth strategies, which can only be done through gathering information”

Participant 1 on the contrary, indicated that “Honestly speaking, we do not do such. I do not even know if there is someone with that idea within the organisation”.

This response suggests that due to the informal gathering of market information, some members in the organisation may not be aware of the actions undertaken.

3.3.11 Sustainability, growth and competitive advantage

A number of sub-themes emerged on how the participants perceived contributing aspects towards organisational sustainability, growth and competitive advantage.

Participant 1: "We encourage mostly the youth to do arts and craft, even though we have the elderly but our main focus is the youth"

Participant 2: "By creating more partnerships"

Participant 3: "through our work ethic"

Participant 7: "by creating a market for us"

Participant 9: "they keep seeking for funding"

Participant 11: "doing the right things and meet customer needs"

Participant 13: "the number of beneficiaries has increased. The organisation has grown as we now have a proper infrastructure at our site"

Participant 15: "the board has the vision to grow. To remain competitive AKCO has worked hard in ceasing the opportunities. They have increased the stakeholder participation, which has helped the organisation grow"

Participant 16: "through skills transfer and development"

Participant 19: "we try to broaden our scope and tap into new sectors. We are currently tapping into knitting and sewing. We want to train artisans and bridge the scarce skills gap"

The empirical study indicates that there are number of things, which have contributed to growth, competitive advantage and sustainability of the non-profit organisation. The participants mentioned that strategic alliances, skills transfer and development, work

ethic, customer satisfaction, seeking for funding and chatting the course have made the organisation succeed.

3.3.12 Competitive advantage

The empirical study indicates how inconsequential or overlooked the term “competition” is, in the non-profit sector. Both the external and the internal stakeholders of Amos/Kgaphamadi stated that “they do not have competition”. Even with the existence of other NPOs, they are not bothered as an organisation.

Participant 1 (laughing)” We are the best in the area. The existence of other organisations does not have an impact on us”.

The competition in the non-profit sector has become rife and NPOs are competing for resources such as donors, customers, staff, volunteers, among other things (Brenner, 2011). Some participants stated that the long-standing existence of the organisation made it on top and competition is trivial. This may not necessarily be factual when considering Brenner’s statement. People with good skills may be employed by the other non-profit organisations. In that way, the organisation may forfeit the “opportunity cost”.

None of the participants who were aware of the existing competition were aware of the organisational strengths and weaknesses, versus those of the competition. Though some of them alluded that Amos/Kgaphamadi had been in the sector for long, had a huge number of beneficiaries and covered a wide scope of activities, the knowledge thereof was shallow. It was therefore necessary for the organisation to have an in-depth knowledge of its competitors, in order to appropriately employ strategic management in reducing its weaknesses and take advantage of its strengths (Kotler & Armstrong, 2014:260-265). Moreover, Rehor *et al* (2010:146) and Ehlers and Lazenby (2013:386), agree that knowing one’s competitors forces the non-profit organisation management to think strategically and contribute to sustainability.

3.3.13 Unique selling proposition

What made the Amos/Kgaphamadi the best, as compared to its counterparts from the external/internal stakeholder’s point of view, are the following:

External stakeholder perspective

Participant 15 mentioned "AKCO is the best in the area"

Participant 16 stated "They do what they promise to do. Results are visible"

Participant 17 alluded "Their good financial management skill, operations management and the fact that they have been in the business for two decades. They have proven themselves"

Participant 18 mentioned that ... "more youth and female beneficiaries. As the country is sensitive to youth and women empowerment, AKCO is doing very well in that area. Also, they have a large geographical span. They reach many disadvantaged communities. They not only depend on stipends, but they also do skills transfer. Beneficiaries are able to apply for jobs and not always depend on stipends."

Internal perspective

Participant 1 mentioned "We ensure that we stay abreast of any new developments in the market and that we excel in current trends"

Participant 19 stated "our way of operation & stakeholder involvement. Doing what we say we will do, sticking to plans and building on our previous success"

According to both members of the organisation and the external stakeholders, Amos/Kgaphamadi was the best non-profit organisation in the area as a non-profit organisation, in terms of its contribution to poverty alleviation. This is due to Amos/Kgaphamadi's ability to execute intended plans and their skill in craft. The stakeholders also agreed that the operations management made the organisation distinctive. External participants further added that good financial management and the number of years the organisation had been in the sector gave the organisation an upper hand. Also, responding to the needs of the National Development Plan and stakeholder engagement made the organisation prosperous. It is notable to state that the aforementioned were influenced by strategic management process.

3.3.14 Management culture

All of the participants concurred that the organisational leadership was skilled and managed the organisation effectively. Below is a presentation of what some of them said:

Participant 17 stated that “the board is not that strong. The chairperson is the strongest and mostly the one who makes most decisions.”

Participant 19 mentioned that “the board has done well in taking the organisation forward and has technical skills. All the board needs are to acquire strategic management skills”.

Participant 16’s response was “they are knowledgeable and are good in report writing. We just coach them on exploring the market”.

Participant 15 (organisational mentor) concurred that “The leadership is skilled and knowledgeable to a certain extent. However, training is necessary in order for them to be more skilled in their respective roles.”

All of the beneficiaries agreed that the organisational leadership is skilled, knowledgeable and managed the organisation well. This finding coincides with the theory that suggests that for an organisation to be successful it should be core competencies in areas such as board governance and managerial leadership (Dowanski, 2011).

Participant 14 added that “We learn from them”.

Participant 18 stated that “effective and well-capacitated board is one of our requirements as funders”

The leadership agreed that they did overlap, as far as roles were concerned. Department of Social Development (2010:9) suggests that the non-profit organisation should safeguard against responsibilities overlap as this might meddle with organisational progress and can contribute adversely in attracting new skills.

Participant 1 mentioned that “due to limited skills and some inactive board members we try to close the gap and we acquire the skill at the same time”. *Participant 19* stated that “some beneficiaries preferred voicing their concerns with the chairperson and not with the site manager or site coordinators. By so doing, management found itself dealing with operational issues.”

Participant 19 further stated that ...”*Attracting and retaining the right skill is a challenge in the non-profit sector. This has been confirmed by the participants. “The organisation has found it difficult recruiting the board with right skills as people expect to be compensated. Management is retained through good incentives and through skills development.”*

Participants 3 mentioned that “*It is only this year that the board has been reviewed and now has some new faces”*

The above has affected the board’s serving term. The organisation has had the same board for more than ten years. Austin *et al.* (2011:269) suggests that having a succession plan in plan is essential for organisational leadership changes. This might eliminate the need to retain the same board members for unprecedented periods, which contravenes with code of good practices.

3.3.15 Governance

Eligible stakeholders such as the funders are previewed to organisational documents (such as financial statements), which are not made available to other people. This is based on the stakeholder requirement and, the organisation guards itself against other people stealing its intellectual property. Participants stated that the organisation emphasised good governance in meetings. Though there are no written rules, everyone knew what is expected of them.

Participant 19 elaborated that “*though we cannot override the fact that sometimes policies are overlooked, we remind each other that we are answerable to our stakeholders and we should be sensitive of that.*”

The leadership does ensure transparency through informing the beneficiaries and its stakeholders on the decisions made. This is done through meetings, reports to stakeholders and also, by inviting stakeholders to organisational events.

Participant 19 stated that... "We invite our stakeholders to our events so they may hear straight from the beneficiaries' mouth on how the organisation has impacted their lives. So that they do not only read it from reports submitted to them."

Participant 5 mentioned that "The management is transparent. They inform us when they have funding challenges."

The research findings show that the organisation did have policies that it observed, even though some of the policies were written and others were not.

Participant 1 indicated that with unwritten rules "everyone knows what is expected of them and the act accordingly".

Amos/Kgaphamadi had been able to prevent deregistration of NPOs through its ability to keep key legislation that regulates the non-profit sector, which is the submission of financial reports.

3.3.16 Organisational success

The number of achieved goals measures organisational success. It is notable to state that Amos/Kgaphamadi had been doing well, as far as achieving the organisational objectives is concerned.

Participant 2 mentioned that "The organisation has performed brilliantly over the years. It has helped the community with alleviating unemployment and skills development. The organisation has been able to bring people with different skills and knowledge together"

Participant 1 indicated that as an organisation they "are not afraid to go outside the norm and that has caused us to succeed".

Participant 14 also mentioned, “we have evolved as an organisation, we just started cleaning the street and through engagements with the leadership, we are now doing beadwork”.

Most of the participants mentioned that the organisation had done well in contributing to socio-economic development. The participants agree that the organisation has helped curb the unemployment and poverty rate within the community.

Participant 18 even stated, “through the reports they received from the organisation, some beneficiaries had been able to put their children through school”.

Participant 4 also mentioned, “since the organisation was located in a tribal area, it did well for the tribal community”.

Participant 8 mentioned, “the organisation has created a market for us to sell”.

Participant 10 stated, “I have gone internationally through the help of the organisation”... “I also went to Bloemfontein and sold the craftwork made by the beneficiaries in the organisation. Have you ever been in parliament? ... (She asks in anticipation) You see the paintings there; I have done some of the work in parliament”.

Participants 8 and 10 indicated that the organisation created a market for them. On the other hand, market access has been listed as one of the organisation’s challenges. This depicts that even though there was a challenge of accessing the market, the organisation was trying hard to penetrate the market. However, a proper marketing plan is deemed essential, as not all beneficiaries have the same understanding of the market and not all have an equal chance of displaying their work in the market.

3.3.17 Communication plan

Abrahams (2012) suggests that integration of communication, marketing, stakeholder relations, *inter alia*, works well in attracting and maintaining support, further leading to sustainability. Participant 1’s response encompasses all the afore-mentioned. Through the

annual events that the organisation hosted, it was able to market its products, liaise with its stakeholders and raise funds.

Participant 1 “We involve our stakeholders in every direction we take. We invite them to events so they may participate and know what we are doing. Within the organisation, we do site visits and conduct workshops in order to filter down communication. These are often done twice yearly”

Participant 2 “we do send emails and follow-ups on communication sent”

Participant 3 “through meetings and emails”

Participant 8 “they do communicate important issues”

Participant 11 “through meetings”

Participant 15 “the organisation does communicate with site coordinators to filter down information and also through site visits. With external stakeholders’ emails resent and one on ones. The leadership of the organisation takes its stakeholders very seriously and makes sure that it engages them in their events”

However, the unequivocal communication within the organisation was not as vibrant. The beneficiaries’ responses, particularly those who started their own businesses, showed inconsistencies. One participant indicated that because of her age, when certain things are communicated, they are not clearly understood by her, because she is illiterate. This might apply to some beneficiaries as well. On the other hand, communication in this regard may not be clearly filtrated, as other beneficiaries are young and literate. It is notable to state that in sidelining the beneficiaries, the organisation may deprive itself from getting insights of the day-to-day experiences of the very people whom the programs are created for (Twersky *et al.*, 2013).

Participant 1: “We do site meetings. However, it gets political.” “We do not do any follow-ups. We only assist those who come back and ask for assistance.”

Participant 2: “We normally hold meetings.” ... “The organisation does not do much except to assist those who seek assistance.”

Participant 3: “through meetings” ... “through mentoring and coaching”

Participant 4: “the organisation does ask from time to time, how we are doing as the beneficiaries. It is not often they that ask for our advice.” ... “Those who have started their own businesses are still part of the organisation.”

Participant 10: “they do come. However, we are older; we do not grasp certain things. The literate people are more understanding” ... “no knowledge”

Participant 17: “in meetings” ... “I do not know of anyone that the organisation has helped to be self-sustainable in business”

Participant 19: “in events, especially on year-end functions where we ensure that we and our funders hear first-hand feedback from beneficiaries” ... “Most beneficiaries are still part of the organisation, though they may do some business on their own. We assist where necessary, as requested”.

3.3.18 Strategic alliances

Collaborations undertaken by Amos/Kgaphamadi may not necessarily be driven by the need for the organisation to create economies-of-scale, as suggested by (La Piana, 2017). However, the findings depict that the strategic alliances that the organisation engaged with were informed by the need to reach a larger market, to gain skills and for knowledge sharing. The organisation collaborated with Isimilo Craft in order to gain more orders. On the other hand, the organisation collaborated with the traditional authority in order to ensure that the organisational activities did not contravene with the traditional authority’s vision for the community.

Participant 1 mentioned that ... “We ourselves have not outsourced work with any NPOs as we have enough capacity. We have however done skills sharing with other NPOs and we do receive orders through other NPOs”

Participant 2 alluded that “We have worked with the local municipality and the traditional council. We always inform them of any event we host and they also do the same”.

Participant 8 said something profound from the beneficiary’s point of view... “Isimilo does take samples and get clients for us. We also get the training in craft... “We maintain the relationship through meeting deadlines and good quality product”.

Participant 16 mentioned that they help the organisation gain market exposure and to be marketable. She further indicated that “We do not just help organisations though. They have to first apply for funding through us. If we are unable to fund the non-profit organisation through whatever reasons, we then assist them where necessary.”

Participant 18 stated that as funders, they were not involved in the strategic planning of the organisations that they funded. However, with the relationship that Amos/Kgaphamadi had created and maintained, the organisation sought guidance with strategic issues. She then added: “we do not inform, but we advise where necessary”

Through strategic alliances, the organisation had been able to generate more orders, getting skills and gaining market exposure, as explained by *Participant 8*.

3.3.19 Beneficiary development

Research analysis showed some anomalies on the knowledge that the beneficiaries had about the business. As much as some had an idea that the organisation intended to help beneficiaries start their own businesses, other beneficiaries were not aware of any of their counterparts who had started their own businesses, either through the skills acquired from the organisation, or through the assistance received from the organisation.

Participant 3 alluded that “the organisation helped me start my own business and I have received coaching from the organisation. However, I am still part of the organisation”.

Participants 1 and 19 stated that “the beneficiaries who started their own businesses had not necessarily left the organisation; they were still dependent on the organisation”... “The organisation does not make follow-ups on those who started their businesses elsewhere, but does assist whenever the beneficiaries asked for help”.

The primary funder, *Participant 18*, on the contrary, stated that it was not a primary concern to them if beneficiaries started their own businesses.” *We are interested in the social side of things, on how the community as a whole benefit*”. Hearing this, a follow-up question was asked by the researcher.

Researcher: asked, “as a funder, do you not take the organisation’s growth and sustainability into cognisance?”

Participant 18: responded, “we do... (Silence)...actually, when the programme started, the idea was that an NPO should be in a programme for a certain number of years and then they must step up into the enterprise sector. I think there is another sector within our organisation that deals with enterprises. A portion of the organisation may move to the enterprise zone in order to be sustainable. ... So ultimately, we want these organisations to be sustainable as we fund them for only nine months”

The above response somewhat indicates that the silos are not only among various organisations, but also within individual organisations. The enterprise section of the primary funder should have somehow been involved with the NPO, considering the number of years that they have been involved with the organisation.

3.3.20 The organisation’s biggest challenges

People perceive challenges differently. Certain participants stated that they did not have any challenges as an organisation. This may have been caused by a number of elements, i.e. age, gender, educational background, upbringing, internal organisation politics, site location, *inter alia*.

The biggest challenge mentioned was the scarcity of infrastructure. This includes workshop, office and water and sanitation infrastructure. National Development Agency (2016) echoed that the South African non-profit organisations struggle with funding, further adding that this is due to the mismanagement of resources (National Development Agency, 2016). The participants in this study revealed that their infrastructure struggle is because of lack of funding. The second most mentioned challenge was the lack of production material.

Participant 17 mentioned that ... “they are struggling with the infrastructure, which is the reason that we wanted to assist them. The challenge is that the grants have strict requirements and funds can only be used for what it is intended for, and nothing else”.

Participant 19 indicated that... “No, funding is a challenge. There are delays from funders in that regard”.

3.3.21 Sustainability propositions

The non-profit sector cannot divorce itself from sustainability in this era and its sustainability is not only dependent on donor funding, but also on a number of aspects (Ehlers & Lazenby, 2010:386). The empirical study responses reveal that there are number of elements that contributed to organisational sustainability or longevity. As suggested by the participants Amos/Kgaphamadi amongst other things should employ the following:

- market penetration
- beneficiary development
- skills diversification
- creating alternative income streams
- strategic alliances
- employ different strategies

*Participant 1: "gaining new markets will assist the organisation gain market exposure."
... "I will suggest that the organisation should work hand in hand with the private sector"*

Participant 3: "to invest in income generating opportunities."

Participant 6: "we need the organisation to help us coming up with a business plan in order to become independent."

Participant 8: "if the organisation can broaden the training scope and not focus mainly on craft. Also, buying all the necessary material and equipment."

Participant 15: "having a marketing plan is essential in order to get a market to sell the products."

Participant 16: "using social media more robustly. Have business cards available at all times, especially in exhibitions. Group crafters according to their skills, diversify skills development. Develop and mentor those who want to start their own businesses."

Participant 17: "even though the organisation is receiving grants, it must be run business-like. The organisation cannot forever be dependent on grants. They should have more training; the organisation should be a training ground for the unemployed. They should be skilled and be assisted with the markets and from there, the organisation should have a good profit sharing model in order to be sustainable. They should also forge good relationships with the local municipality, they should participate in IDP processes, be involved in LED programmes, so that they are taken good care off."

Participant 18: "Our funding is for nine months and the organisation should make a plan to sustain itself, the rest of the unfunded months. More young people should be recruited to the board."

Participant 19: "involve the community more in order to effectively address their needs."

Social media was the most mentioned method of selling the product. However, with the organisation having an internet website none mentioned this inexpensive way to reach a wider market. Nonetheless, the sustainability suggestions given by the participants to the non-profit organisation coincides with those provided by the literature review (see section). Moreover, these concur with the best practices in the non-profit sector. Schaffer (2015) alluded that the above-mentioned characteristics contribute towards organisational success.

3.4 Summary

This chapter provided insight on the research methodology used in the study. The study was done through conducting semi-structured interviews with nineteen participants who were either members of the organisation or external stakeholders. The recorded interviews were transcribed and further analysed thematically.

This chapter presented the research findings, which revealed both internal and external stakeholder's perceptions of what non-profit organisations could do to improve their sustainability. Further, this section links strategic management aspect with sustainability.

Research findings showed that the organisation's vision, mission and objectives were not clearly stated. The research findings also indicated that the leadership of the organisation planned and discussed the objectives before they were pursued. This was normally done in consultation with its stakeholders. There were discrepancies on some of the information shared and known by the beneficiaries. There was congruence in information known by the external stakeholders. The research findings indicated that strategic management as a process is implemented by non-profit organisation, whether consciously or subconsciously. Numerous elements that affect non-profit organisations' sustainability were explored and discussed.

The next chapter concludes with main findings and recommendations. The chapter evaluates whether the study objectives were met and suggests the areas necessary for future research.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Introduction

The previous chapter discussed the research methodology approach used in the study. Further, the empirical findings were presented and analysed. This chapter summarises the main research findings of the study, an evaluation based on the literature review (Chapter 2) and analysis of strategic management as a sustainability requirement for a non-profit organisation (Chapter 3). A framework that synergise the theoretical views and the empirical findings is formulated and discussed.

The recommendations to the leadership (board and management) of Amos/Kgaphamadi Community Organisation are presented in this section. These are based on the research findings and analysis, Chapters 1, 2 and 3. An evaluation of whether the study yielded intended results is conducted and future research areas are proposed. The contribution of the study to existing literature and its implication to management is discussed.

4.2 Main research findings

The findings of the study indicated that Amos/Kgaphamadi employed strategic management aspects. However, the process is not structured or even vigorously followed. Nonetheless, the organisation endeavoured to fulfil its course and achieving its objectives. The last stages of strategic management process (i.e. execution, monitoring, evaluation and control) were considered the ones that were lacking in the organisation. Both the organisational leadership and funders believed that proper strategic management would make the organisation stronger and more competitive. The funders of the organisation allude that those who were tactical, financial management well-informed and skilful in carrying their organisation, stood a better chance of receiving funding.

Funding emerged to be the biggest challenge in the non-profit sector. In order for an organisation to continue to thrive and fulfil its mission, it is essential to explore alternatives sources of income. The organisation is primarily dependant on government to source funding. When funds were received, the organisation utilised them according to the prescripts of the funders and donors. The organisation further accounted to the relevant stakeholders by producing financial records prepared by its auditor.

The organisation recruited crafters and designers who at the end of fourteen days received a stipend. However, gaining market access had been the organisation's biggest challenge. Nonetheless, the organisation assisted beneficiaries to access new markets and gain skills. There was no formal market research or product need analysis conducted by the organisation. The existence of competition was overlooked by the non-profit organisation.

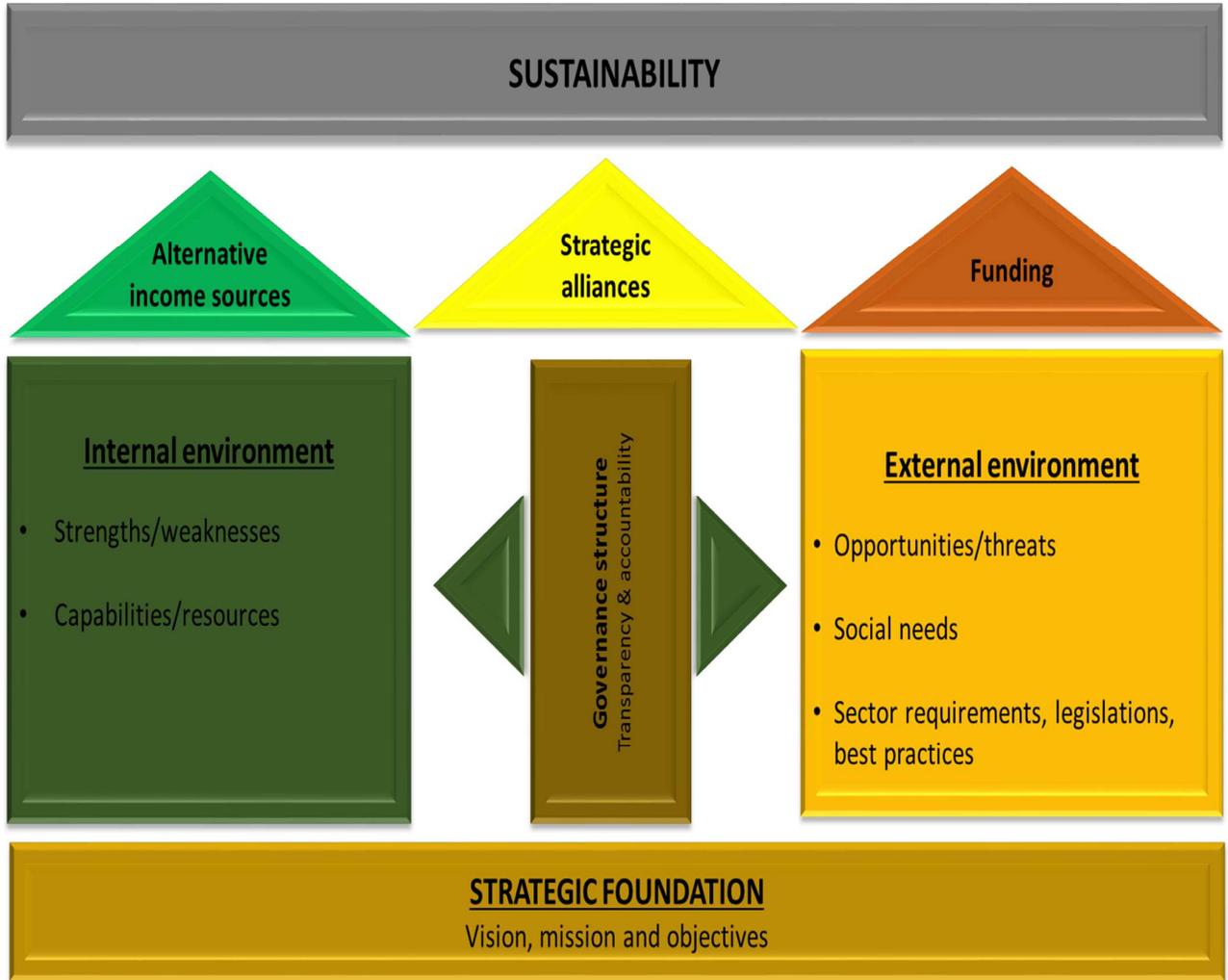
The organisation does generate other income through selling some of its arts product. There is however, no policy in place governing this. In the same way, the beneficiaries did not have a clear understanding of how this worked. This is regarded as a hybrid model in the non-profit sector. It is however not fully utilised to the best advantage of the organisation.

The organisation intended to assist the beneficiaries to start their own businesses and/or cooperatives. However, there was no succession plan or set strategies on how to effectively implement this. In addition, the organisation does not have time-frames attached to this regard. Most of the beneficiaries were not aware of this organisational intent. This is elicited by the lack of a proper communication plan.

Notwithstanding, the organisation performed well in strategic alliance and relentlessly engaging its stakeholders. Through stakeholder involvement, the organisation had been able to confront some of its challenges. For example, through workshops and training, the organisation improved its management skills, the beneficiaries gained craft skills and the organisation was in a process of building a workshop centre.

4.2.1 Sustainability a strategic management resultant framework

Figure 4.18: Strategic management – sustainability framework



Source: (Own compilation)

Gates (2010) defines strategic management as a future-oriented process that enables organisations to make informed decisions, in order to position itself for future success. This is evident in the research finding and literature. The framework above illustrates that strategic foundation is required as the basic element to shape the organisational intended destination. Noteworthy, the internal and external environment informs the organisation of the situational analysis. The organisation can make a well-informed decision based on its strengths, capabilities and resources. The non-profit governance structure should be formulated based on the pursued strategic direction. Good governance entails that the

organisation is answerable to all involved stakeholders. The organisation should ensure transparency and accountability at all times.

The decision that will inform a non-profit organisation strategic direction should be based on its ability to meet the societal needs. The sector regulations and best practices cannot be overlooked as these inform the funders if the organisation is worth funding. Studying and understanding both the internal and external factors could help the organisation identify market gaps that the organisation is capable to bridge. This could further influence the organisational hybridity strategies, which leads to diversified sources of income, and liberate the organisation from funding-dependency. As the non-profit organisation understands and acknowledges its weaknesses it may employ strategic alliances to supplement its weaknesses. Adopting the afore-mentioned may possibly lead to organisational sustainability as the organisation will respond to societal needs based on organisational capabilities while employing various strategies that contributes to organisational sustainability.

Importantly, strategic management is the continuous planning, monitoring, analysis and assessment of all the requirements needed by an organisation to meet its goals and objectives (Erwin, 2013). The non-profit organisation should continue reviewing its plans to ensure that they are still relevant and are best fit to achieve organisational goal.

4.3 Study evaluation

This section evaluates whether the approach used in realising the primary and secondary objectives of the study were successful.

The primary objective of the study (see section 1) was to evaluate the strategic management process as an approach leading to the sustainability of a non-profit organisation. The empirical study indicated that strategic management does contribute to non-profit organisation's sustainability. Moreover, the empirical study also revealed that non-profit organisations that adopt strategic management as a process become more favourable in the eyes of the funders. Evidently, the NPO funding organisation stated that as funders they award funding based on certain strategic management aspects met by the non-profit organisation (see section 3).

The secondary objectives of the study (see section 1) intended to assess the completeness of the process followed by the non-profit when formulating reactive strategies. The secondary objectives are:

- To do a situational analysis of the non-profit sector
- To analyse the current market of the non-profit sector
- To identify how to effectively gain market exposure
- To identify approaches that the non-profit organisation can employ in order to become self-sustainable
- To suggest ways in which beneficiaries could become marketable and/or entrepreneurial after receiving skills training and ultimately exit the stipend system.

Secondary objectives were achieved; the situational analysis provided insights into the organisation's internal and external environment. The challenges faced by the organisation in accessing the market were explored and the diagnoses of the possible methods to penetrate the market were probed. The funding landscape and its pros and cons were investigated. The study provided insights into how the non-profit organisation could reinforce its funding strategy and create other sources of income. Issues surrounding beneficiaries were discovered, this leads to the identification of long-lasting solutions.

4.4 Contribution of the study

The study findings indicates that the non-profit sector has evolved and there is an emergent need for the non-profit sector to employ strategic management in order to become sustainable. The funders' award funding to those organisation who employ strategic management aspects. Over and above donor funding the empirical findings show that in order for a non-profit organisation to create other sources of income, it should set proper formal strategies. Strategic foundations demonstrate to be crucial for appropriate strategic plans to be realised.

The research findings suggests that the non-profit organisation should employ strategic management in order to succeed in its course and further remain sustainable. Moreover, it is necessary for the non-profit organisation to build strategic alliances in its quest to meet societal needs. As the thirds sector, the non-profit organisation is accountable to a variety of stakeholders. The research findings illustrates that good governance is a

requirement for the non-profit organisation and this aspect should not be overlooked as it may deter progress within the organisation and organisational credibility might be shaken.

The leadership of the non-profit organisation are primary constituencies to carry out good governance within the organisation. Moreover, the non-profit organisation leadership should ensure that proper strategic management processes are employed in order ensure alignment between the organisation goals, processes and stakeholders. The non-profit organisation as a sector should not divorce itself from the market it serves. The study findings show that there is a need for a non-profit organisation to study and understand the market, which it operates.

4.5 Recommendations

Based on the case study findings, the following recommendations are given to Amos/Kgaphamadi. These may be adopted as buildings blocks towards constructing the organisational strategy:

Strategic management: as suggested by Whitehead (2012), strategic management is not a one man's show. Amos/Kgaphamadi should consider involving their stakeholders when setting strategies. This is fundamental in the non-profit organisation, as it receives funds from external funders. The organisation needs to have proper systems in place to monitor strategy implementation and also control tools when implementation is done. A proper process that the organisation should follow must be documented. Control measures should be made available for every strategy implemented. For example, performance and balance score-cards.

Market research and development: Proper need analysis should be conducted in order for the organisation to effectively respond to the market needs and to avoid idling stock. Beneficiaries with good sales skills may be utilised for monthly pop-in stores which would assist the organisation to gain more customers, market itself and generate revenues as pop-ups would target days where people are getting paid. The organisation's head office is next to the illustrious Moloto road, while the Maputo Corridor is not far off. The organisation should install billboard to attract tourists travelling on these routes and take advantage of its Ndebele craft.

To have a big *market exposure*, the organisation should effectively use social media. Having a dedicated person to social media administration is essential. In order to gain international market, an *international strategy* is required. Understanding the landscape on which the organisation would want to sell is imperative. The organisation must identify a prospective market from which it would gain credibility and once established, they can penetrate more markets. Having an international market personnel is essential, so that no novice should be given this task, least they scare potential clients off. The marketing personnel may be utilised for this role.

An online and hardcopy catalogues should be developed in order to entice the market. It is a great marketing tool to generate more sales from both the existing and prospective customers.

In a nutshell, a proper *marketing plan* should be developed and robustly implemented. A marketing plan may be used as a roadmap to assist the organisation to reach a broader market efficiently. Further, it would help the organisation better position itself and to use the necessary distribution method for each market segment.

Group purchasing: rather than allowing beneficiaries to source materials themselves, the organisation should adopt group buys, whereby the organisation would do its purchases in bulk and generate income that it would use to further grow its market and its organisation.

Organisational structure: marketing personnel may be added to the organisational structure. This would ensure that the organisation is able to market itself in order to attract more funding. Also, it would assist in gaining new customers for its craft and vegetable produce. The organisation should have policies in place, to ensure good governance within the organisation and that its board is reviewed, as stipulated by the Department of Social Development.

Beneficiary succession plan: the organisation should have a plan that channels beneficiaries into becoming entrepreneurial. A time frame should be given to beneficiaries to learn the skills, start their own businesses and/or cooperatives and be removed from the organisational stipend list. The beneficiaries who have been removed from the stipend

list should be coached and assisted into forming sustainable businesses. They may always be brought in when there is a need for extra human capital. Those who do not seek to start their own businesses should be developed into becoming product specialist and form part of the production team.

Income generating models: the non-profit organisation should launch a profit-making segment that would support the organisation monetarily. This section would cater for production material, seeds for the vegetable garden, among other things. The head-office should have a shop on-site in order to maximise sales opportunities for those visiting the office and the shop may be managed by the profit-making segment.

Fundraising model: the organisation must develop a fundraising model. Occasionally, the organisation must raise funds through the use of its website. A donor button must be incorporated to its website. As a start, a buy-a-brick at a small fee should be done in order to generate funds for all the sites that do not have proper infrastructure.

Governance and policy development: policies that govern the organisation should be clearly spelled out. The un-written policies should be written and all policies should be easily accessible at all the working sites.

Strategic alliances: Amos/Kgaphamadi should consider collaborations with organisations that specialise in modern art and craft, in order to synergise skills and be capacitated to respond to the current market needs. As the organisation intends to enter the international market, forming alliances with international organisation in arts and craft would strategically position the organisation.

Knowledge management or communication plan: those who are doing well in their own businesses should share their success stories, in order to encourage the young ones. Beneficiaries should be kept abreast of any developments and opportunities available in and outside the organisation. There should be standard reporting within the organisation, in order to ensure that all sites are at parity with the head office.

4.6 Recommendations for further research areas

In conducting this study, some observations resonated and elicited a need for future research. The future research areas desired post this study are as follow:

- A study that probes the efficacy of government departments' role in the non-profit sector.
- A research study on non-profit organisations' methods to provide long-lasting solutions to societal needs versus interventions.
- Investigation on sustainable income-generating models in non-profit organisations.
- Assessment of strategic alliances' impact on non-profit organisations' success and efficacy.

4.7 Conclusion

The non-profit sector exists to meet societal needs that the government and the private sector cannot meet. This study portrayed that the non-profit sector cannot be able to bridge the gap on its own, as it is non-profit seeking. In that view, the tripartite needs to work together in order to bridge the social gap. This impels the break of silos and proper strategies that are directed at providing long-lasting solutions within the non-profit sector.

The situation at hand requires the non-profit organisation to move from the mundane and espouse formal approaches. Strategic management proved to be a necessary approach needed in the non-profit sector, in order to assist the organisation to remain sustainable and competitive. However, sustainability is also borne from funders, as they are able to assess organisations' performance and further create sustainable value contribution to the organisation.

Infrastructure is one of the biggest challenges; the non-profit sector is mainly dependent on funding or donations to address the infrastructure problem. However, this dependency syndrome remains a challenge as funders have strict restrictions on how and on what the funds should be used for. This calls for NPOs to have other sources of income, where they are able to generate income that is not circumscribed to specific use.

A well-structured organisational structure is necessary to ensure that the non-profit organisation fulfils its course. The organisational structure should ensure good governance and be skilful in such a way that it is able to steer the organisation forward to the intended future.

The non-profit sector is endowed with great potential and great opportunities. A needs analysis is imperative in order for the non-profit organisation to understand the community or market which it serves. Vigorously employing strategic management could lead to organisational sustainability.

5. LIST OF REFERENCES

Acharya, A.S., Prakash, A., Saxena, P. & Nigam, A. 2013. Sampling: Why and how of it. *Indian Journal of Medical Specialties*, 4(2):330-333.

Allison, M. & Kaye, J. 2011. Strategic planning for nonprofit organizations: A practical guide and workbook. John Wiley & Sons.

Anheier, H.K. 2014. Nonprofit Organizations: Theory, management, policy. Routledge: London.

Anney, V. N. 2014. Ensuring the quality of the findings of qualitative research: Looking at trustworthiness criteria. *Journal of Emerging Trends in Educational Research and Policy Studies*, 5(2):272-281.

Austin, M.J., Regan, K., Samples, M.W., Schwartz, S.L. & Carnochan, S. 2011. Building Managerial and Organizational Capacity in Nonprofit Human Service Organizations Through a Leadership Development Program. *Administration in Social Work*, 35(3):258-281. DOI:10.1080/03643107.2011.575339.

Bezzina, F. & Saunders, M.N. 2015. The pervasiveness and implications of statistical misconceptions among academics with a special interest in business research methods. *Leading Issues in Business and Management Research*, 2(2)127.

Blalack, H.M. 2016. The Financial Stability of Nonprofit Organizations. Fayetteville, AR: University of Arkansas. (Dissertation – Honours).

Brewster, R. 2014. Four Key Indicators of Nonprofit Success. <http://pndblog.typepad.com/pndblog/2014/09/-four-key-indicators-of-nonprofit-success.html> Date of access: 18 Jul. 2017.

Bryman, A., Bell, E., Hirschsohn, P., Dos Santos, A., Du Toit, J., Masenge, A., Van Aardt, I., & Wagner, C. 2014. Research methodology: Business and management contexts. Cape Town: Oxford University Press.

- Carver, J. 2011. Boards that make a difference: A new design for leadership in nonprofit and public organizations. John Wiley & Sons.
- Coetze, J. 2013. Income generation models for nonprofit organizations. <http://www.marcuscoetze.co.za/presentation-income-generation-models-6March2013.pdf> Date of access: 29 Jul. 2017.
- Cowell, F. 2011. Measuring inequality. New York. Oxford University Press.
- Dauids, L. 2017. Donors want nonprofit sector to develop solutions. Business Day. <https://www.businesslive.co.za/bd/opinion/2017-02-09-donors-want-nonprofit-sector-to-develop-solutions/> Date of access: 5 Jul. 2016.
- Domański, J. 2010. Strategic group analysis of Poland's nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 39(6):1113-1124.
- Dowanski, J. 2011. The analysis and synthesis of strategic management research in the third sector from early 2000 through to mid-2009. *Foundations of Management*, 3 (2).
- Erwin, C.O. 2013. Classifying and comparing fundraising performance for nonprofit hospitals. *Journal of Health & Human Services Administration*. 36(1):24-60.
- Freeman, R.E., Harrison, J.S., Wicks, A.C., Parmar, B.L. & De Colle, S. 2010. *Stakeholder theory: The state of the art*. Cambridge: Oxford University Press.
- Fusch, P.I. & Ness, L.R. 2015. Are we there yet? Data saturation in qualitative research. *The Qualitative Report*, 20(9):1408.
- Glennie, J. 2012. NGOs need a third way: collaboration. <http://www.theguardian.com/global-development/povertymatters/2012/mar/13/ngos-needthird-way-collaboration> Date of access: 19 Jun. 2017.
- Goldkind, L. & Pardasani, M. 2012. More than the sum of its parts: An innovative organizational collaboration model. *Administration in Social Work*, 36(3):258-279.

Habib, M.M., Pathik, B.B. & Maryam, H. 2014. Research methodology-contemporary practices: guidelines for academic researchers. Cambridge: Scholars Publishing.

Hall, P.D. 2010. Nonprofit Leadership and Management. 4th ed. New York: John Wiley & Sons Publishers.

Hatch, M.J. & Cunliffe, A.L. 2013. Organization theory: modern, symbolic and postmodern perspectives. United Kingdom: Oxford university press.

Hawthorne, M. 2017. Role of Non-profit Stakeholders.

<http://smallbusiness.chron.com/role-nonprofit-stakeholders-32096.html> Date of access: 3 Jul. 2017.

Hendricks, M. 2012. Long-term sustainability for non-profit organisations. Pretoria: UNISA. (Dissertation – MBA).

Hu, Q., Kapucu, N. & O'Byrne, L. 2014. Strategic planning for community-based small nonprofit organizations: Implementation, benefits, and challenges. *Journal of Applied Management and Entrepreneurship*, 19(1):83.

Inyathelo. 2012. The independent code of governance for non-profit organisations in South Africa. <http://www.ngopulse.org/sites/default/files/npo-code-web-version.pdf> Date of access: 7 Oct. 2017.

Jansen, L.A., Appelbaum, P.S., Klein, W.M., Weinstein, N.D., Cook, W., Fogel, J.S. & Sulmasy, D.P. 2011. Unrealistic optimism in early-phase oncology trials. *National Center for Biotechnology Information*, 33(1):1.

Jaskyte, K. 2015. Board of directors and innovation in nonprofit organizations model: Preliminary evidence from nonprofit organizations in developing countries. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 26(5):1920-1943.

Lecy, J.D., Schmitz, H.P. & Swedlund, H. 2012. Non-governmental and not-for-profit organizational effectiveness: A modern synthesis. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 23(2):434-457.

- Lewis, J. 2017. Nonprofit Organizations. <http://www.socialeconomynetwork.org/nonprofit-organizations/> Date of access: 19 Jul. 2017.
- Lotriet, R. 2017. Strategic Management. Potchefstroom: NWU, Potchefstroom Campus. (Presentation slides PBSC 812 PEC).
- Louw, L. & Venter, P. 2011. Strategic management: developing sustainability in Southern Africa. *Management Today*, 29(2):10-20.
- Ludovic, R. 2016. Financial sustainability and business income generating in the non-profit sector. Cape Town: UCT. (Dissertation – Master in Social Policy and Management).
- Maboya, M. 2017. Exploring the funding challenges and financial sustainability trends of selected non-profit organisations in South Africa. Pretoria: UP (Dissertation - MBA).
- Mara, D., Lane, J., Scott, B. & Trouba, D. 2010. Sanitation and health. *Public Library of Science Medicine*, 7(11):1-5.
- Masaoka, J. 2011. Strategic planning failure and alternatives. Magazine of non-profit organisations. <http://www.blueavocado.org/content/strategic-planning-failures-and-alternatives> Date of access: 11 Nov. 2016.
- Maseko, B. 2012. Identifying key success factors of strategic planning in retail branches of a South African bank. Potchefstroom: NWU. (Dissertation – MBA).
- Maxwell, J.A. 2013. Qualitative research design: An interactive approach, edited by C. Bowman. United Kingdom: UK. <https://books.google.co.za/books?hl=en&lr=&id=xAHCOmtAZd0C&oi=fnd&pg=PR5&dq=A+Maxwell++Qualitative+research+design>: Date of access: 13 Oct. 2017.
- McCabe, A., Phillimore, J. & Mayblin, L. 2010. 'Below the radar' activities and organisations in the third sector: a summary review of the literature. *Third Sector Research Centre*, 29(1):3-22.

Meibodi, L. & Monavvarian, A. 2010. Recognizing critical success factors (CSF) to achieve the strategic goals of SAIPA Press. *Business Strategy Series*, 11(2):124-133.

Mosley, J.E., Maronick, M.P. & Katz, H. 2012. How organizational characteristics affect the adaptive tactics used by human service nonprofit managers confronting financial uncertainty. *Nonprofit Management and Leadership*, 22(3):281-303.

National Audit Office. 2010. What are third sector organisations and their benefits for commissioners. <https://www.nao.org.uk/successful-commissioning/introduction/what-are-civil-society-organisations-and-their-benefits-for-commissioners/> Date of access: 3 Jul. 2017.

Nedbank. 2015. Financial sustainability and compliance with increasing governance and regulatory requirements are important. <https://www.nedbankprivatewealth.com/south-africa/non-profit-organisations> Date of access: 25 Feb. 2016.

Newmarch, J. 2011. Marketing is the key to non-profit sustainability. Trialogue. <http://trialogue.co.za/marketing-is-the-key-to-non-profit-sustainability/> Date of access 19 Mar. 2017.

NGOSource. 2014. What is an NGO?. <http://www.ngosource.org/what-is-an-ngo> Date of access: 15 Jul. 2017

Oberst, L. 2011. How nonprofits can use crowdsourcing to work smarter and save money. Socialbrite. <http://www.socialbrite.org/2011/06/29/how-nonprofits-use-crowdsourcing-save-money/> Date of access: 18 Jul. 2017

Patel, B.S., Booker, L.D., Ramos, H.M. & Bart, C. 2015. Mission statements and performance in non-profit organisations. *Corporate Governance*, 15(5):759-774.

Polonsky, M. & Grau, S.L. 2011. Assessing the social impact of charitable organizations—four alternative approaches. *International journal of nonprofit and voluntary sector marketing*, 16(2):195-211.

Pynnönen, M., Ritala, P. & Hallikas, J. 2011. The new meaning of customer value: a systemic perspective. *Journal of Business Strategy*, 32(1):51-57.

Rathi, D., M. Given, L. & Forcier, E. 2014. Interorganisational partnerships and knowledge sharing: the perspective of non-profit organisations (NPOs). *Journal of Knowledge Management*, 18(5):867-885.

Řehoř, P., Holátová, D., & Doležalová, V. 2014. Strategic Management Methods in Non-profit Making Organization. *International Journal of Social, Behavioral, Educational, Economic, Business and Industrial Engineering*, 8(9):3048.

Ressel, A. 2011. Non-profit Organisations Feel the Pinch as Funding Criteria Tighten. <http://www.ngopulse.org/article/nonprofit-organisations-feel-pinch-funding-criteria-tighten> Date of access: 10 Feb. 2016.

Sabert, B. & Graham, W.A. 2014. Performance and control of international non-profit organizations. *The Journal of New Business Ideas & Trends*, 12(2):50.

Schaffer, S. 2015. Success Factor Analysis Pilot Project Report. Public Interest Management Group. file:///C:/Users/hlatshbk/Downloads/PIMG_Success_Factor_Analysis_Pilot_Report_2015a.pdf Date of access: 18 Jul. 2017.

Scholtz, L.M. 2011. Impact of social entrepreneurs' education and business skills training on the success of non-profit organisations. Nelson Mandela Metropolitan: NMMU (Dissertation - Mcom).

Schreier, M., 2014. Qualitative content analysis. *The SAGE handbook of qualitative data analysis*, (1):170-183.

Seabe, D. 2012. The Socio-Economic Role of NGOs in South Africa: Specific focus on Funder Conditions and Voluntary Failure. https://www.google.co.za/?gws_rd=ssl#q=%22are+mainly+dependent+on+donated+funds+from+government+agencies%2C+business+and+other+donor%22 Date of access: 19 Jun. 2017.

Shorts, W. 2015. The Importance of Strategic Management in Nonprofits. Philadelphia: EU (Thesis - PhD).

Slater, S.F., Hult, G.T.M. & Olson, E.M. 2010. Factors influencing the relative importance of marketing strategy creativity and marketing strategy implementation effectiveness. *Industrial Marketing Management*, 39(4):551-559.

Smith, A. 2014. Financial Resources Management Tasks. In: Engelbrecht, L. (ed). *Management and Supervision of Social Workers*. Andover: Cengage.

Smith, E.E. 2011. Perceptions regarding the use of strategy execution tools and processes in the contemporary workplace. *Journal of Contemporary Management*, 1(8): 473-497).

South Africa. 1997. Non-Profit Organisation Act of 1997.

South Africa. Department of Social Development. 2001. Codes of Good Practice for

South Africa. Department of Social Development. 2009. *Developing Good Governance Practices within the South African NPO Sector: Benchmark Study Report*. Pretoria.

South Africa. Department of Social Development. *State of South African registered non-profit organisations issued in terms of the non-profit organisations act 71 of 1997*. 2016. Pretoria.

South Africa. Department of Social Development. 2016. Pretoria.

South Africa. National Development Agency. 2013. *Funding Constraints and Challenges Faced by Civil Society in South Africa*. Johannesburg.

South Africa. Statistics South Africa. 2015. Statistics of the non-profit sector

South Africa. Department of Social Development. 2012. Pretoria.

Stuart, L. 2013. The South African non-profit sector: Struggling to survive, needing to thrive. *Polity*, 3 Apr. <http://www.polity.org.za/article/the-south-african-non-profit-sector-struggling-to-survive-needing-to-thrive> Date of access: 25 Feb 2016.

Taylor, R. 2010. Third Sector Research. Springer. New York: NY

The Institute of Directors in Southern Africa. 2016. King IV Report on Corporate Governance for South Africa.

<http://www.iodsa.co.za/search/all.asp?bst=++King+IV+Report+on+Corporate+Governance+for+Sout> Date of access: 10 Mar. 2017.

Thompson, A., Peteraf, M., Gamble, J. & Strickland, A. 2012. *Crafting and Executing Strategy: Concepts and Cases*. New York, NY: McGraw-Hill/Irwin.

Thompson, J., Scott, J.M. & Martin, F. 2014. *Strategic Management: awareness and change*. 7th ed. Hampshire: Cengage Learning EMEA.

Tracy, S.J. 2012. *Qualitative research methods: Collecting evidence, crafting analysis, communicating impact*, edited by S Levy. United Kingdom, UK: John Wiley & Sons.

<https://books.google.co.za/books?hl=en&lr=&id=KAZBiMCS6uwC&oi=fnd&pg=PT14&dq=Qualitative+research+methods:+Collecting+evidence,+crafting+analysis,+communicating+impact.&ots=ldCXJDTUXw&sig=lbbf48ygV1UfBoZ8lkGI4A0qhLs#v=onepage&q=Qualitative%20research%20methods%3A%20Collecting%20evidence%2C%20crafting%20analysis%2C%20communicating%20impact.&f=false> Date of access: 13 Jul. 2016

Triologue. 2014. Sustainability Review. <http://trialogue.co.za/?s=2014> Date of access: 23 Jul. 2017

Tully, M.P. 2014. Articulating Questions, Generating Hypotheses, and Choosing Study Designs. *The Canadian journal of hospital pharmacy*, 67(1):31.

Twersky, F.; Buchanan, P. & Threlfall, V. 2013. Listening to Those Who Matter Most, the Beneficiaries. *Stanford Social Innovation Review*. 11(2):40-45.

Verschuere, B. & Beddeleem, E. 2013. Organisational governance features, innovation and performance in non-profit organisations: existing evidence and future research directions. *Studies in Public and Non-Profit Governance*, 1(1):33-55.

Waal, A.; Goedegebuure, R.; & Geradts, P. 2011. The impact of performance management on the results of a non-profit organization. *International Journal of Productivity and Performance Management*, 60 (8):778-796.

Welman, C., Kruger, F. & Mitchell, B. 2011. *Research Methodology*. 3rd ed. Oxford University Press: South Africa.

Whitehead, J.O. 2012. Strategy- What you need to know.

<https://books.google.co.za/books?id=s6odm1EKDGM&printsec=frontcover&dq=need+for+strategy&hl=en&sa=X&ved=0ahUKEwjI26K17pfVAhVKF8AKHVBABZoQ6AEIKDAB#v=onepage&q=need%20for%20strategy&f=false> Date of access: 20 Jul. 2017

Wicks, J. 2015. Minister gives NPOs time to comply with Act. *News24*. 20 Jul.

<https://www.news24.com/SouthAfrica/News/Minister-gives-NPOs-time-to-comply-with-Act-20150720> Date of access: 13 Mar. 2016.

Wiggill, M.N. 2011. Strategic communication management in the non-profit sector: a simplified model. *Journal of Public Affairs*, 11(4):226-235.

Wolf, T. 2012. Managing a nonprofit organization: Updated twenty-first-century edition, edited by E. Paradelo. New York, NY: Simon & Schuster.

https://books.google.co.za/books?hl=en&lr=&id=2r0dtLo3RCwC&oi=fnd&pg=PR9&dq=Managing+a+nonprofit+organization:+Updated+twenty-first-century+edition&ots=ToEb-5E1x&sig=0oxCP0_KyHg7jAGkIPj1BENhaw#v=onepage&q=Managing%20a%20nonprofit%20organization%3A%20Updated%20twenty-first-century%20edition&f=false

Date of access: 23 Jun. 2017.

World Bank. 2016. The Role of Non-Profit Organizations in Development: the Experience of the World Bank.

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/E>

[XTPCENG/0,,contentMDK:20507529~menuPK:1278313~pagePK:148956~piPK:216618~theSitePK:410306,00.html](#) Date of access: 15 Jul. 2017.

Worth, K. 2014. The Irish Drama of Europe from Yeats to Beckett. London: Short Run Press.

Wyngaard R.G. 2014. The South African NPO Crisis- time to join hands.
www.nonprofitlawyer.co.za Date of Access: 24 Feb. 2016.

Zhang, Y. 2013. Decentralized interactions in networks. Pennsylvania: PSU (Dissertation – PhD).

6. APPENDICES

6.1 Appendix 1: Non-profit organisation registration checklist

CHECKLIST FOR REQUIRED CLAUSES IN A CONSTITUTION FOR AN ORGANISATION APPLYING FOR NPO REGISTRATION.

PLEASE TAKE NOTE

The same requirements are applicable for the DEEDS OF TRUST of a NONPROFIT TRUST and the MEMORANDUM AND ARTICLES OF ASSOCIATION of a NONPROFIT COMPANY

Section 12 (2) of the NONPROFIT ORGANISATIONS ACT 71 OF 1997 REQUIRES THE FOLLOWING PROVISIONS IN THE CONSTITUTION OF AN ORGANISATION THAT APPLIES FOR NPO REGISTRATION.

State the Name of the Organisation;
State the organisation's main and ancillary objectives;
Make provision for the organisation's income and property are not distributable to its members or office-bearers, except as reasonable compensation for services rendered;
Make provision for the organisation to be a body corporate and have an identity and existence distinct from its members or office-bearers;
Make provision for the organisation's continued existence notwithstanding changes in the composition of its membership or office-bearers;
Ensure that the members or office-bearers have no rights in the property or other assets of the organisation solely by virtue of their being members or office-bearers;
Specify the powers of the organisation;
Specify the organisational structures and mechanisms for its governance;
Set out the rules for convening and conducting meetings, including quorums required for and the minutes to be kept of those meetings;
Determine the manner in which decisions are to be made;
Provide that the organisation's financial transactions must be conducted by means of a banking account;
Determine a date for the end of the organisation's financial year;
Set out a procedure for changing the constitution;
Set out a procedure by which the organisation may be wound up or dissolved; and

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 Nonprofit Organisations having similar objectives.
Specify qualifications for and admission to membership of the organisation;
Determine the circumstances in which a member will no longer be entitled to the benefits of membership;
Provide for termination of membership;
Provide for appeals against loss of the benefits of membership or against termination of membership and specify the procedure for those appeals and determine the body to which those appeals may be made;
Provide for membership fees and matters determining membership fees and other payments by members;
Provide that members or office-bearers do not become liable for any of the obligations and liabilities of the organisation solely by virtue of their status as members or office-bearers of the organisation;
Provide for the appointment of office-bearers and define their respective functions;
Set out a procedure for nominating, electing or appointing office-bearers;
Determine the circumstances and manner in which office-bearers may be removed from office and provide for appeals against such removal and specify procedures for those appeals and determine a body to which those appeals can be made;
Provide that its office-bearers are not personally liable for any loss suffered by any person as a result of an act or omission which occurs in good faith while the office-bearer is performing functions for or on behalf of the organisation;
Provide for making investments;
Determine the purposes for which the funds of the organisation may be used; and
Provide for acquiring and controlling assets

6.2 Appendix: Questionnaire

BIOGRAPHICAL INFORMATION:

The following information is needed to enable meaningful data analysis. We appreciate your help in providing this important information. The information gathered during this project will at all times remain confidential and anonymity will be maintained. Participation is voluntary and refusal to participate in this study will involve no penalty. Each participant is free to withdraw consent and discontinue participation at any given moment in time. The outcome and recommendations of the study will be shared with the non-profit organisation.

Mark the applicable block with a cross (X). Complete all questions.

Age:								
Gender:		1. Male			2. Female			
Race:		1. Black	2. White	3. Coloured	4. Indian	5. Other specify.....		
Highest Qualification:		1. Below Matric	2. Matric	3. Diploma	4. Degree	5. Master's	6. PhD	7. Other specify...
Position in the non-profit organisation:		Beneficiary						
		Former Beneficiary						
		Staff Member						
		Management						
		Board Member: specify role.....						
		Specify special skills brought to the NPO						
		Donor/Funder						
How many years have you been involved with the organisation?		Mentor/Coach						

INTERVIEW QUESTIONS:

Organisational inputs
Do you have any knowledge of how does the organisation source funding? Explain
Do you have any knowledge of how does the organisation do its bookkeeping and how effective has the organisation managed its finances in the past five years?
How does the NPO market/promote itself?
How does the organisation ensure sustainability, growth and competitive advantage?
Are you aware of your competitors and of your weaknesses and strengths as compared to them? How do competitors affect the existence of the organisation?
Organisational structure, processes and management
How skilled and knowledgeable is the Board, Management and staff in fulfil its responsibilities?
Organisational culture and strategic foundations
Are you aware of the organisation's vision, mission and objectives
How has the NPO performed/succeeded based on the vision, mission, objectives, etc.?
Who participates in the strategic planning and/or decision-making organisation?
How successful has the non-profit organisation been in the past three years?
How does the organisation ensure proper and emphatic communication of strategic plans within and outside the organisation?
Has the NPO worked with other NPOs, municipalities or other external parties for any reason? Did the partnership/alliance yield the intended results?
How does the organisation build and maintain relationships with the external parties?
What mentoring or coaching assistance/programme does the organisation receive and/or offer?
How is feedback from beneficiaries solicited?
Organisational outputs
What is the NPO intended goal for beneficiaries?
How does the organisation ensure that beneficiaries are well-equipped and ready to start their own businesses
How does the organisation follow-up on beneficiaries that have started their own businesses or that have left the organisation?
How does the organisation ensure that they have socio-economic impact?
What products does the organisation produce and/or sell?
Why are these products produced and/or sold? (Are these based on a need analysis?)
Which markets does the organisation promote and sell its products?

How does the organisation ensure visibility and market exposure?
Does the NPO have a unique value proposition and what makes the NPO unique over its competitors?
Is the current infrastructure well developed to meet the NPO needs? If not; what are the reasons?
Sustainability
Why does the organisation exist and why does its existence matters?
What assistance from external stakeholders does the organisation receive to ensure sustainability? (NDA, SETA, NLT, etc.)
What are the long-term plans to safeguard the organisation's longevity?
How dependent is the organisation on external funders/donors?
What other sources of income does the organisation have other than donations and/or funding?
What are the organisations biggest challenges and why? How are these addressed?
What suggestions do you have to take this NPO forward in a sustainable way that has a socio-economic impact?

BOARD AND MANAGEMENT QUESTIONNAIRE

Organisational inputs
How does the organisation source funding? Does the organisation perform a resource need analysis and how?
How has funding channels evolved through the years that the organisation has been in existence?
How does the dynamic South African non-profit funding environment affect the non-profit fundraising patterns?
How does the organisation do its bookkeeping and how often is bookkeeping done?
How effective has the organisation managed its finances in the past five years?
Does the organisation make its financial records available to external stakeholders, who are the stakeholders and why are these eligible to access the organisation's financial records?
How do you market the NPO and generate brand capital? Does the organisation have a marketing strategy in place?
How does the organisation ensure sustainability, growth and competitive advantage?
Does the organisation occasionally gather and analyse information about market and other external factors which affect the organisation?
Are you aware of your competitors and of your weaknesses and strengths as compared to them? How do competitors affect the existence of the organisation?
Organisational structure, processes and management

How skilled and knowledgeable is the Board, Management and staff in fulfil its responsibilities?
How does the organisation ensure that members of the organisation understand and are committed to the organization's mission, bylaws, policies, programs, and their roles and responsibilities as members?
How does the NPO ensure that proper skills are attracted and retained; and that its Board and Management are well-resourced?
How does the NPO ensure the set structure is formulated in accordance with good governance (e.g. diversity)
What rules and obligations govern and/or are observed by the organisation and what impact does these have in the organisation? (e.g. personnel policy, King V)
How effective is the Board and how often is it reviewed?
How does the organisation ensure that there is no overlap of responsibilities between the Board and Management?
Organisational culture and strategic foundations
What informs the direction that you take as an organisation? Why? (vision, mission, SMART objectives, etc.)
How has the NPO performed/succeeded based on the vision, mission, objectives, etc.?
Who participates in the strategic planning and/or decision-making organisation?
How successful has the non-profit organisation been in the past three years?
How does the organisation ensure proper and emphatic communication of strategic plans within and outside the organisation?
Has the NPO worked with other NPOs, municipalities or other external parties for any reason? Did the partnership/alliance yield the intended results?
How does the organisation build and maintain relationships with the external parties?
What mentoring or coaching assistance/programme does the organisation receive and/or offer?
How is feedback from beneficiaries solicited?
Organisational outputs
What is the NPO intended goal for beneficiaries?
How does the organisation ensure that beneficiaries are well-equipped and ready to start their own businesses
How does the organisation follow-up on beneficiaries that have started their own businesses or that have left the organisation?
How does the organisation ensure that they have socio-economic impact?
What products does the organisation produce and/or sell?

Why are these products produced and/or sold? (Are these based on a need analysis?)
Which markets does the organisation promote and sell its products?
How does the organisation ensure visibility and market exposure?
Does the NPO have a unique value proposition and what makes the NPO unique over its competitors?
Is the current infrastructure well developed to meet the NPO needs? If not; what are the reasons?
How does the organisation ensure strategy alignment and implementation?
What are the pertinent challenges towards the effective implementation of the organisation strategy?
How does the organisation ensure that your day-to-day activities are aligned to the organisation's vision?
How does the organisation monitor, evaluate and control strategy implementation? (<i>measures employed</i>)
Sustainability
Why does the organisation exist and why does its existence matters?
What assistance from external stakeholders does the organisation receive to ensure sustainability? (NDA, SETA, NLT, etc.)
What are the long-term plans to safeguard the organisation's longevity?
How efficient are the government bodies in assisting the organisation meet its desired goals?
How dependent is the organisation on external funders/donors?
What other sources of income does the organisation have other than donations and/or funding?
What are the organisations biggest challenges and why? How are these addressed?
What suggestions do you have to take this NPO forward in a sustainable way that has a socio-economic impact?

6.3 Appendix 3: Language editing certificate

PROOF OF EDITING CERTIFICATE

TO WHOM IT MAY CONCERN

Re: LANGUAGE EDITING

I, THE UNDERSIGNED, hereby confirm that I have edited the thesis titled **ASSESSING STRATEGIC MANAGEMENT AS A SUSTAINABILITY REQUIREMENT FOR A NON-PROFIT ORGANISATION**, by **Balindile Hlatshwayo**, for the degree of **Master of Business Administration**.

Regards

H. Mapudzi



Hatikanganwi Mapudzi

Associate Member

Membership number: MAP002

Membership year: March 2017 to February 2018

078 086 5605

083 527 1804

fmapudzi@yahoo.co.uk

www.editors.org.za

PhD (Communications), M. A (Journalism & Media Studies), PGDip (Media Management), B.Soc. Scie. (Hons) (Communications), B. Applied Communications Management.