

## Business Sustainability Challenges Experienced by Philanthropic Non-Governmental Organisations: The case of the Capricorn District Municipality, South Africa

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### Abstract

*This article unpacks the sustainability challenges faced by the philanthropic NGOs in the Capricorn District Municipality of South Africa. The study employed a qualitative approach using an interpretative paradigm. Many NGOs are hamstrung by lack of resources, lack of visionary leadership, poor remuneration, greed and selfishness, competition for funding, lack of income generation and fundraising skills, education and financial illiteracy, wrong establishment motives, lack of passion for the sector and self-enrichment. The article recommends that the NGOs should appoint skilled Project Managers and governors who can provide clear directions, application forms for funding should use simple and understandable language so as to accommodate less privileged groups, there is need to diversify the funding sources and the creation of mutual partnerships. The NPO Directorate together with the Department of Social Development should assist in screening NGOs before establishment to ascertain the motive and scope of work; NGOs should be assisted with the training of Management and Board members as well as supported financially and with bookkeeping and the services of auditors. This article posits a typology of successful philanthropic NGOs as NGOs which allow stakeholders to participate in the formulation of their vision and mission; are able to plan and to mobilise resources; attract and retain skilled workforce; and have the ability to remunerate them. As such, for NGOs to thrive, there must have adequate human and material resources including financial and management skills; dedicated leadership; visionary management and leadership; and be able to pay decent remuneration.*

**Keywords:** Non Governmental Organisation, Sustainability, Not for profit, philanthropy

### 1. Introduction

It is for decades now, that the Non-Governmental Organisations (NGOs) have been playing a very significant and successful role, facilitating basic human development as measured by the United Nations Human Development Index (HDI) (UNDP, 2000). In the past two decades, the NGOs "have contributed to international and national discourse on issues of global scope, such as poverty, gender equality, peace, environmentally sustainable development and human rights" (Schepper, 2000). According to Benton and Monroy (2004) NGOs are also the key component of civil society; they play an important role in increasing the awareness of, and demand for, reproductive health products and services, especially through social marketing initiatives. NGOs are "the preferred channel for service provision in deliberate substitution for the state" (Edwards and Hulme, 1995:6). Even the International Monetary Fund (IMF) regards NGOs as development partners to assist in the fight against poverty (Leite 2001). Because of their role, there is no doubt that the world we live in has changed dramatically, and for the better.

Regrettably, the sustainability of the work started by these significant role players in development is now under serious threat. The biggest development challenge that South Africans face currently is that each year countless number of NGOs in the country gets registered and within a short period closes their doors or dramatically scale-down their operations due to rapid reduction in their traditional funding source. When faced with these challenges, many NGOs cease operations, while others struggle to re-engineer themselves to produce services for which either clients or donors are willing to pay.

The NGO sector globally has been witnessing a serious decrease in grants and other funding from international and local donors. The decrease in funding has forced some of the NGOs to downscale their operations or has completely

shortened the lifespan of some of the NGOs (Viravaidya and Hayssen, 2001). The Southern African NGO Network (SANGONeT) which is an association of Non-Governmental Organisation founded in 1987 concurs, by stating that "traditional funding sources for NGOs are drying up and grants are being reduced due to various factors." According to SANGONeT's NGO News and Views of 12 January 2011 "lack of funding and donors' tendency to channel funds through government departments by way of bilateral or multilateral arrangements, are some of the factors contributing to the decrease in donor funding in South Africa".

Viravaidya and Hayssen, (2001) argue that most NGOs are trapped in a state of dependence on uncertain and unsustainable sources of funding and have to be freed from this state in order to succeed in achieving their goals and objectives. Predominantly these NGOs are and some which have faded away were dedicated to service provision in the fields such as drug abuse, home-based care for people living with HIV/AIDS and early childhood development. Most of them are or were smaller, more informal and have access to fewer human, financial or other resources (DSD, 2009).

In South Africa, the majority of the philanthropic or humanitarian NGOs' business roles are mainly focusing on programmes such as relief projects aimed at the alleviation of starvation and poverty, HIV Aids Prevention projects if not projects on the Care and Support of the HIV Aids infected and affected individuals. The fact of the matter is that most of these services rendered by the NGOs predominantly address needs of communities that are in the townships, informal settlements and rural areas to complement government. According to the Non-Profit Organisations (NPOs) Act of 1997 (Act 71 of 1997) the Non-Governmental Organisations and Community Based Organisations (CBOs) are collectively known as Non-Profit Organisations (NPOs) and are registered with the Non-Profit Directorate. The NPO registration status is a funding requirement for most donors.

The aim of this article was to unpack business sustainability challenges faced by the philanthropic NGOs within the Capricorn District Municipality in South Africa.

## **2. Literature Review**

### **2.1 What are Non-Governmental Organisations?**

Willet (2002) states that the history of the NGOs can be traced back to 1945 following the establishment of the United Nations Organisations which gave consultative roles to organisations which were not categorised as government. Fernando and Heston (1987) in Amutabi (2006:59) argue that "although the term NGO was first used in 1949 by the United Nations, voluntarism and philanthropic organisations similar to NGOs go back to at least the middle of the nineteenth century." Drabek (1987) cited in Amutabi, (2006:) states that "although the history of NGOs goes back to the 1940s, it is largely since the 1980s that they began receiving a high profile as development role players offering an alternative development approach to poverty alleviation and long sustainability development to poor communities in developing countries."

There is a combination of forces, paradoxes and ambiguities related to the origin and reasons for the establishment of NGOs. The birth and growth of Non-Governmental Organisations (NGOs) can be attributed to the democratisation, economic liberalisation processes and technological transformation experienced over the past two decades (Nelson, 2007). According to Habib and Taylor (1999 cited in de Beer and Swanepoel 2012:6) liberalisation of South Africa's government policy during the apartheid government of P.W. Botha allowed the NGO sector to emerge and to grow in the field of advocacy and socio-economic development, while at the same time making fundraising, especially from foreign donors very difficult.

Lekorwe and Mpabanga (2007) state that a clear definition of the term NGO remains contested. It is broad and ambiguous as it covers a range of organisations within civil society, from political action groups to sports clubs. The African Development Bank (ADB) describes NGOs as visible formally constituted urban-based bodies that seek to provide goods and services to certain categories of people or to advocate certain policies (ADB, 2005). According to Liebenberg in De Beer and Swanepoel (2004:109) NGOs are "autonomous, privately set up, non-profit making institutions that support, manage or facilitate development action." Lekorwe and Mpabanga (2007:4-5) state that "with the increasing demands on the state by the citizens, the state can no longer be the sole provider of goods and services."

Non-Profit Organisations (NPOs) are also known as voluntary organisations or grassroots support organisations (Lewis, 2006). Harries (1996) quoted by Amutabi (2006) states that the term NGO has also been used to represent the useful partners of governments and development agencies who are able to deliver certain types of programmes more efficiently than others because of their capacities of reaching the poor, or for mobilising people at grassroots and for encouraging participation and for their ability to do things cheaply/modestly.

A criterion to identify an NGO according to Schiavo-Campo and Sundaram (2001) is support for development.

According to Fowler (1988) two distinctive characteristics to identify an NGO is, first, the relationship that it has with the intended beneficiaries. This is a relationship which is based upon the principles of voluntarism rather than control, where beneficiaries are actively involved in the design and management of programmes of action. The second distinctive characteristic of an NGO is the task-oriented approach that permits the NGO to achieve organisational development which encourages change and diversity above control and uniformity. These two characteristics distinguish NGOs from the government.

Stephenson (2003) maintains that for organisations to be classified as not-profit, they should meet the following criteria: autonomy, volunteer services, and political. The implication is that an organisation must be autonomous or independent of direct governmental control. Secondly, the organisation should render services voluntarily and should not be driven by profit. Thirdly, the organisation has no political ties nor does it have intentions to attain political powers.

According to John Hopkins University study conducted in the 1990s there were approximately 90 000 civil society organisations identified in South Africa (USAID, 2009:118). In 2002, the National Centre for Policy Analysis (2002) estimated that over 25 000 NGOs rendered services all over the world. In 2007/08 there were 49 826 registered NGOs in South Africa. During 2009/10 the number grew to 65 633 and in 2010/11 it was 75 175 formally registered NGOs in South Africa. At the end of March 2012 the total number of registered organisations was 85 248 and Limpopo province had 1 887 formally registered NPOs (DSD, 2012). Although there was growth on the registration of NPOs in the country, a significant number also got deregistered in 2012. During this period, 10 274 registered NPOs got de-registered in the country. Of the deregistered NPOS, 99% was due to non-compliance and the other 1% was due to dissolution and voluntary de-registration. In Limpopo province alone, 969 NPOs got de-registered during this period (DSD, 2012).

## 2.2 *The role of NGOs*

Asmoah (2003) argues that NGOs play a significant role in social development processes in the world while Petras and Veltmeyer (2001) critically contest that NGOs are in the service of new imperialists and are pushing the neoliberal agenda. According to Manji and O'Coill (2002) the NGOs can play a role in supporting an emancipatory agenda in Africa if they can disengage from their paternalistic role in development. USAID (2006) argues that from the beginning of transformation NGOs have been playing a huge role in building civil society and democracy. They have filled the gap left by the previous government in areas of education, law, nutrition health and security (de Beer and Swanepoel, 2012). According to Bebbington (2004) NGOs exist as alternatives. In being "not governmental" they constitute vehicles for people to participate in development and social change in ways that would not be possible through government programmes. In being "not governmental" they constitute a "space" in which it is possible to think about development and social change in ways that would not be likely through government programmes (Bebbington, 2004).

According to Desai (2005) "the prevalence of weak states and declining markets in Africa has led to the proliferation of NGOs as the only alternative to promote grassroots development." NGOs are seen as possible alternatives to government in addressing the needs of communities which are not reached by official development programmes.

Desai (2005) further argues that the NGOs' roles range from counselling, support service, awareness raising, advocacy, legal aid and microfinance. Nelson (2007: 2) regards the activities of NGOs to include advocacy, analysis and raising awareness, brokerage, conflict resolution, capacity building, delivery of service, evaluation and monitoring. According to the Carnegie Commission on the Prevention of Deadly Conflict, cited by Nelson (2007:2) "Non-Governmental Organisations at their best provide a vast array of human services unmatched by either government or the market, and they are self-designated advocates for action on virtually all matters of public concern." Ricigliano (2003:459) states that NGOs "facilitate the development of new and creative ideas, provide a trusted but informal channel of communication, and expand networks of contacts, especially to groups or individuals that governments may be precluded from meeting with because of political or legal concerns." The sprouting of NGOs on a philanthropic platform has theoretical basis.

## 2.3 *Duncan's three models behind giving*

Duncan (2004) uses three models to explain the reason behind giving. The models are known as public goods model, private consumption model and the impact philanthropy model. With the public goods model, philanthropist's giving is motivated by what their gifts accomplish. Contrary to the public goods model, the private consumption model states that donors are motivated by how giving makes them feel. The impact philanthropy models state that donors give motivated by their desire to personally 'make a difference' (Duncan 2004).

### 3. Materials and Methods

According to Leedy (2010), the nature of the data required and the questions asked determine the research methodology to be used by the researcher. According to Maxwell (2005) research questions serve several purposes: they help to focus the study; they offer guidance on how the study has to be conducted and finally, they clarify the goal of your research. For this study a qualitative research design which stems from the interpretative approach is employed. The rationale behind this choice is the fact that the researchers intended to focus on the richness of details and meaning, subjective feelings, experiences and depth of understanding which qualitative analysis attempts to provide. The target population for this study consisted of all the NGOs registered with the Department of Social Development with NPO numbers operating within the Capricorn District Municipality (CDM) and rendering philanthropic, social welfare and health services. As at present there are approximately 220 NGOs currently registered with the CDM and rendering social and health services. A sample of 50 respondents from the 220 registered NGOs rendering philanthropic social and health services were purposively selected. "Purposive sampling simply means that participants are selected because of some defining characteristics that make them the holders of data needed for the study" (Maree, 2012:79). The selection of the participants was based on their particular knowledge of the NGO sector, their current involvement in the sector, their fluency in English and their willingness to share their experience and knowledge to the researcher. For data collection, the researcher employed face to face in-depth interviews. Interviews are regarded as the most highly used method in qualitative research (De Vos, 2009). All the names used are fictitious to observe anonymity.

### 4. Findings

#### 4.1 Business Sustainability Challenges according to the respondents

The main sustainability challenges experienced by NGOs given by the participants include: Lack of human and material resources; Lack of dedicated leadership; Lack of visionary management and leadership; Lack of decent remuneration; Lack of financial and management skills; Lack of education; competition for funding; including greed and selfishness.

#### 4.2 Lack of human and material resources

Lack of human and material resources was highlighted by the respondents as one of the main business sustainability challenges experienced by the NGOs. According to some of the participants, their NGOs have a serious shortage of dedicated management and leadership. One respondent had this to say, "a significant number of them do not have the necessary skills to can make a meaningful contribution in the advancement of the organisation." Education and illiteracy are viewed by some respondents as a contributory factor. One respondent said "I do not get funding because application forms for funding are written in English and often I do not understand what is required."

The organisations have no material resources partly because those who are supposed to mobilise the resources are incapable of doing so. Some of the people who are playing these important roles are also driven by greed and selfishness. Respondents claimed that the very few that can mobilise resources do that for the benefit of their families than for their organisations.

#### 4.3 Lack of visionary management and leadership

Another business sustainability challenge experienced by the organisation was identified as a lack of visionary management and leadership. In articulating this point, a participant said the following:

*"A successful NGO is characterized by visionary leadership. Unfortunately many of our NGOs do not have this breed of leadership. Visionary leadership is the leadership that does not wait for a government to donate money but take initiatives to generate income" (a 45 year old Project Manager).*

This implies that a dearth of visionary leadership may lead to dependency. It behoves upon the leadership to be proactive in order to generate income to ensure the sustainability of the organisation. The study also revealed that many of the philanthropic NGOs within the Capricorn District Municipality are not managed appropriately. Lack of strong governance and management structures make corruption to become widespread. According to Gilberman and Gelman (2004) governance failure where managers and boards neglect their oversight responsibilities may lead to

misappropriation of funds.

Furthermore, in order to remove the shackles of dependency, another respondent claimed that 'A successful NGO is an NGO that sticks to its vision and mission statements even when the funders and donors persuade them to deviate and do something to the contrary.' Sticking to one's vision and mission is being valued in the excerpt. This is in line with current strategic management thinking and practice because deviations may lead to a loss in focus.

A 33 year old female Project Manager felt that to be successful there is bound to be sacrifice, the creation of dreams by men and women of vision. These sentiments are encapsulated in the following remarks:

*"A successful NGO comprise of men and women who have a dream and are willing to sacrifice everything to achieve that dream. Without a dream which is clearly expressed in a vision and mission an NGO will just be all over the show not knowing what they stand for."*

A 65 year old Project Manager and founder of a thriving NGO in Ga-Mahoa emphasised the ability to raise and manage funds as a quality of a successful NGO. This sentiment was also supported by a 38 year old gentleman who said "One of the qualities of a successful NGO is being able to attract funding through articulation and pursuit of a vision and mission and by what is being done in the communities. If people can see that the organisation is doing a great job in the communities, they will naturally pledge money to the programmes." According to Bekkers and Wiepking (2012: 929) "the degree of need is positively related to the likelihood that help will be given", only if concerted effort is made to request for such help

#### 4.4 Competition for funding and lack of fund raising skills

Competition for funding and lack of fund raising skills were also highlighted as some of the business sustainability challenges experienced by the NGOs. The NPOs find themselves in fierce competition with others for funding. The biggest challenge is that the playing field is not level. Some organisations are at a disadvantage in this competition because there are organisations that have management which does not possess the necessary competitive skills to mobilise resources and there are those few organisations with these skills. One of the respondents said "NGOs are many and the Government does not have enough funds to give to all NGOs in the province." NGOs and government play a complimentary role. Governments have their own responsibilities while NGOs have theirs. Funding becomes a critical factor for the survival of an NGO. The 'dependency syndrome' on government for funding is not good.

Another respondent said "there are few people who want to donate to an organisation and when they give out money they always choose either the best performing NGO or those that are managed by politically connected people." The best performing NGOs are chosen probably because of 'efficacy.' Efficacy refers to the perception of donors that their contribution makes a difference to the cause they are supporting (Bekkers and Wiepking, 2011). According to Bekkers and Wiepking (2011: 942), "when people perceive that their contribution will not make a difference, they are less likely to give." Another reason for best performing NGOs to be supported is specifically because of the principle known as "value for money." Each donor wants to see the fulfilment of this principle. This principle calls for the productive use of resources such as money, equipment and facilities. According to PSC (2007) at the core of the concept of value for money there are three critical elements namely economy, efficiency and effectiveness.

#### 4.5 Remuneration

A majority of the participants also mentioned the lack of decent salaries as one of the major challenges bedevilling NGOs. Although remuneration is not the only motivation factor for employees, it plays a very significant role in keeping employees focused in performing their duties. Employees who are well remunerated tend to be highly motivated to perform their duties. As such, many participants regarded remuneration as one of the key business sustainability challenges.

A majority of participants interviewed indicated that they are recipients of stipends instead of wages and salaries. They also emphatically said one of the reasons they will not remain in the industry is because of the lack of decent salaries. One respondent said: "We are expected to report for duty and to perform but we are not well paid as NGO employees" (Redibone, a field worker). Another one said "We do not even know how much the organisation is receiving from donors, and lack of decent salaries is the main biggest challenge that the NGO sector is facing" (Refilwe, 32 year old female employee). Given such a scenario, staff retention also becomes a problem as the excerpt below illustrates:

Most of the employees are volunteers. When they get jobs, they just disappear without warning the Project



Managers. (38 year old Project Manager).

According to Panwar et. al. (2012) and Hissom (2009), people choose to leave their employment for new positions because of multiple factors such as better opportunities in other service segments; lack of projects or assignments that do not require their full potentials; low compensation, and little opportunities for advancement, unsuitable or unsociable working hours coupled with poor remuneration. For managers, because most of the work is based on voluntarism, it is clear that it can be difficult for them to plan because you are never sure that you will have a decent complement of staff. It was also mentioned in an interview by some participants that they sometimes work for more than three months without receiving any remuneration and when they get their remuneration it is not even what they were expecting. Late and underpayments can have a very negative consequence on staff morale.

A majority of the respondents (68%) indicated that they do not receive their salaries as remuneration but are paid a stipend. Many claimed that they do not have fixed dates of receiving stipends. One said "it is the project manager who decides as to when we will receive our money. Sometimes we are paid in the middle of the month instead of the beginning of the month." This is another discouraging factor such that employees will end up having low morale.

The fact that a majority of employees are not occupying permanent employment positions, but are volunteers receiving stipends instead of salaries creates a sense of instability. Overall, this means that these employees are constantly on the lookout for other opportunities elsewhere when they are supposed to be dedicating their efforts on the deliverables of their positions.

#### 4.6 Financial sustainability, funding and support

Participants were asked a question on the financial status of their organisation. The question asked was: "Who funds the programmes you are running in your organisation?" The majority of respondents indicated that their programmes do not have proper and stable funding as they only rely on small donations.

Some of their responses were "We rely on donations we receive from the tribal authorities. Our induna asks community members who attend his meetings to donate to our organisation. It is not a lot of money that we receive." Taudi, a 28 year old graduate from one of the villages said "The induna donates grocery to our organisation. He is a very kind man." "Our organisation relies on contributions received from church members" (Matlala, a 42 year old Zionist). The fact that a majority of the NGOs do not have reliable sources of funding and only rely on little donations from community members clearly paints a sad picture of NGOs as purely survivalists.

It is also encouraging that churches, community members and the tribal authorities play a very important role in the sustenance of the community based NPOs, however, this does not bode well for long term sustainability.

Another respondent had this to say:

*Because next year it's the election year we will be receiving lots of food parcels and donations (Nkadingala, a 52 year old male Board member of an NGO).*

Food parcels seem to be used as bait or used to pave the way for politicians to be voted to power. The question is after being voted to power how many remember the voters.

Very few respondents said they do know that their organisation receives funding in the form of stipends from the government. A majority (97%) said that their organisations are not financially sustainable because of lack of income generation means and skills among rural folk; and lack of dedicated leadership.

#### 4.7 Wrong motives of being in the NGO sector

There were respondents who viewed wrong motives of being in the NGO sector as a business sustainability challenge facing the sector. Some respondents articulated this challenge as follows: "People start NGOs because they are greedy. They want more for themselves and their families. Donations and grants they receive benefit their immediate family members and not communities." There are several issues raised by the respondents such as competition, favouritism and selfishness. Competition for funding is definitely inevitable. There are multiple needs and there are few resources to meet the needs. A shortage of resources results in a fierce competition for resources.

Favouritism and competition for resources including funding is a common challenge experienced by individuals in all sectors. According to Fafchamps and Owen (2008) success in securing grant funding depends on networking, the NGO belongs to a network or umbrella organisation, or it is an affiliate of a foreign NGO. The reason behind this situation

is mainly caused by the fact that donors find it difficult to screen NGOs and tend to rely on networks to access relevant information (Fafchamps and Owen, 2008).

Some of the participants indicated that there are people who are in the NGO sector for personal and albeit selfish reasons as reflected in this excerpt: "Many people are unemployed and end up joining NGOs out of desperation. Often they do not have the skills in demand within the NGO sector." Some of the respondents indicated that their NGOs were started because people were "unemployed" and had nothing to do and were creating jobs for themselves.

The participants were also asked why they are working for a donor dependent organisation. Very few people said they are serving in the NGO sector out of passion. A majority of the respondents attributed their involvement in the NPO sector to their joblessness. One participant said: "if I can get myself a decent job, I will just vanish from the sector. I won't even say goodbye to my manager." Another respondent said: "I started this organisation because I was bored at home. I then decided to ask my friend to join me so that we can keep ourselves busy." When further probed for how long will she continue doing the work she is doing, the respondent said she will just close down if she gets a better paying job.

#### 4.8 Distinguishing Qualities of Successful NGOs

Some of the interesting descriptors and responses on what constitute successful NGOs are as follows:

*"I regard a successful NGO as an organisation that has a vision and mission and ensures that all stakeholders know and understand these statements."*

*"An NGO that is successful is the one that has developed systems that can enable it to be self-sufficient. It does not only rely on government donations but also generates its own income through many other means."*

*"I regard an NGO as successful if it can employ and retain capable permanent staff members and be able to pay them every month."*

*"A successful NGO is an organisation that has a Board of Directors which knows its vision and mission and is working hard to the fulfilment of that vision."*

*"Successful NGOs do not chase funders, funders look for them."*

*"Successful NGOs are those that are led by men and women with a clear vision."*

*"A successful NGO has skilled people who can generate and manage funds. Many NGOs lose funding because of lack of these skills."*

*"An ability to pay employees a decent salary is a sign that an NGO is successful."*

In a nutshell the respondents identified the characteristics of a successful NGO as self-sufficient, ability to recruit and retain staff, manned by skilled people, visionaries, clear vision and mission.

#### 4.9 Affiliation and participation in other relevant structures

Participants were asked a question on support structures and affiliations. The question was: "What kind of support structures, forums and affiliations does your organisation have?" Many respondents indicated that their organisations belong to forums and other structures such as the Provincial, District and the Municipal structures established to assist the NGOs. When asked "how the forums, affiliations and support structures assisted their organisation in the past twelve months" many indicated that they do not know of any tangible benefits accruing from affiliations as one respondent put it: "we just come together once a month and share meals and actually nothing is gained from the forum meeting. It became clear that some of the forum meetings are fruitless."

Despite the fact that the majority had no confidence in such affiliations, there were those who sounded optimistic about such affiliations. The respondents said, "Our forum is helpful as we discuss ways and means of raising funds. We even help one another on how to complete funding proposals." Another positive respondent said "working for an NGO is very stressful, our forum assists us with coping as we share our challenges and difficulties which we experience and some forum members give us ideas on how to deal with those challenges." Based on the responses given one can deduce that it is a possibility that some fora are very useful and have positive leadership and members who want to make a meaningful contribution while other forums are of no value to the membership. In a nutshell there are benefits for NGOs to belong to forums. The benefits include an opportunity for employees to share ideas regarding challenges encountered within the industry, coping mechanisms, how to complete application forms for funding and also with compliance issues.

#### 4.10 Compliance requirements of NGOs

According to the DSD (2012) in terms of section 18 and 19 of the NPO Act the registered NPOs are to submit annual reports which consist of a narrative report, the annual financial statements and an accounting officer's report. In terms of section 21 registered NPOs that fail to comply with the reporting requirements of the NPO Act are cancelled. Cancellation is done after an NPO is issued with a non-compliance notice of 30 days which gives an NPO an opportunity to ratify its status before cancellation can be effected (DSD, 2012).

*Participants were asked: "Are you confident that your organisation is making meaningful efforts to comply with the requirements of the Directorate of the NPOs?"*

With regard to compliance with the Directorate of the NPOs the study revealed that quite a number of NGOs struggle with compliance issues. The study revealed that the majority of the NGOs find it very difficult to submit these requirements on time. The cause of non-compliance in this regard is attributed to language and affordability. Many of these NGOs cannot afford the services of professionally registered auditors. These professionals are costly and many NGOs struggle with the basic financial requirements to keep their offices in operation. The other challenge is with regard to reports writing. Reports are to be written in an acceptable business language which is either English or Afrikaans. Unfortunately many individuals occupying the leadership and management positions are not confident or skilled in report writing. How to compile reports seem to be a problem. This problem is attributed to language, report writing skills and bookkeeping. As a follow-up question the participants were asked: "How do you want the government department to assist your organisation in the future?" and "In which critical areas does your team needs training for the organisation to become sustainable?"

In response some participants said although funding is critical, they will appreciate it if the government can make efforts and organise training workshops on report writing, bookkeeping, management, governance and financial management. Others said they seriously need training workshop on fundraising, governance and management. These factors are interrelated and have a negative impact on compliance in terms of the requirements of the NPOs Directorate. For an NPO to continue with its operations, to remain legally registered and to receive funding, it is of critical importance for it to comply and among other important things as alluded earlier in this section, compliance means submission of narrative reports, annual financial statements and an accounting officer's reports.

#### 5. Discussion

The Non-Profit Organisations play a significant role in the economy of the country. The role they play is recognised by the governments of the world, hence the South African government called for the establishment of the NPO Directorate. However, this recognition has not yet fully translated into full support financially and otherwise. Although the South African government has introduced the NPO Directorate which is a sign of political willingness, major challenges which negatively affect the sustainability of the NGO sector still remain. The environment is not totally conducive for NPOs to engage in sustainable business. Instead, the NGO sector remains threatened as it is still faced by quite a number of business sustainability challenges as reflected in this piece.

Management plays a very significant role in the direction taken by an organisation. The public expects the management of the Non-Profit Organisations to be beyond reproach. The management is expected to conduct the operations of the NPO ethically and behave responsibly. It is the management that has to ensure that the resources entrusted to the organisation by the donors and the states are utilised effectively and efficiently to meet the needs of the communities they serve. It is the management that has to take care of the strategic issues of the organisation, the human resource management, the management of organisational resources, impact management, the public image of the organisation, the management of partnerships and so forth. The Non-Profit Organisational Act clearly indicate that the role of the management is to set up the financial systems, develop policies, comply with the accepted accounting and auditing practices, prepare organisational income and expenditure budgets, monitor income and expenditure against the budgets and to maintain adequate standards of transparency and accountability.

Regrettably, the stakeholders who were interviewed mentioned that a large percentage of the management of the NGOs within the CDM lack direction in fulfilling their roles and responsibilities. A lack of direction contributes to the organisations not being proactive to the present challenges. There is a lack of planning in many dimensions of management and this result in some inefficiencies and ineffectiveness. The respondents revealed that their NGOs have inadequate financial and material resources. It also became evident that it is predominantly the rural NGOs that are



battling in this regard. The NGOs that are based in the cities are at an advantage when compared to the rural NGOs as those that are in the cities seem to have political connections which translate into financial and material gains.

The role of vision cannot be overemphasised; however from the respondents it became clear that leaders with a vision inspire their subordinates to want to make a difference in their communities. It also became clear that the organisations with visionary leadership attract not only committed employees but also funding. It became also clear that poorly remunerated employees cannot focus as they are often on the lookout for better opportunities. This problem is even exacerbated by the fact that the meagre remuneration they receive does not even have a fixed date. The majority of employees are not certain of when their salaries are paid. Some go for more than two months waiting for stipends.

It was also highlighted that lack of support is also a business sustainability challenge experienced in this industry. Some of the stakeholders feel the government does not give them enough support. Although the government has expressed its political will through a piece of legislation it can still do more by giving the industry support through training programmes in management and NGO governance.

The other critical challenge experienced by the NGO sector is in the form of greed and selfishness demonstrated by those who initiated the organisation and those tasked with the responsibility of managing the organisation. Some of the respondents indicated that there are, within the industry, organisations which are for profit in disguise. It is alleged that such organisations were established as business entities to benefit family members of the founder. As a tax evasion mechanism, the founders choose to register these business entities as not for profit organisations. The non-profit organisations experience a very intense competition for funding. It is unfortunate that the playing field is not level. There are organisations which are in the deep rural areas that compete with organisations in affluent urban areas. It has also been revealed that no matter how effective and efficient the organisation can be in carrying out its mandate in the community, political connections also play a part in attracting funding. Organisations that are politically connected stand a better chance of attracting funding than those that are not. Many organisations do not have the means or skilled workforce to generate funds. Almost all organisations in the rural areas attempt to raise funds through the cultivation of land and selling of vegetables. One of the challenges often experienced is the scarcity of suitable land and lack of water.

The respondents seemed to have a clear idea of qualities possessed by successful philanthropic NGOs. Among other things mentioned, a successful philanthropic NGO is an organisation that affords its stakeholders to participate in the formulation of its vision and mission statements; an organisation able to plan and to mobilise resources; an organisation that can attract and retain skilled workforce; an organisation with the ability to remunerate its workforce. It is however unfortunate that the majority of the respondents felt their organisations fall short of these requirements.

Non-Profit Organisations are sustained by an ability to have open and productive relationships with other stakeholders. This study revealed that there are NGOs within the CDM that fully benefit from relationships, affiliation and participation in the established support structures. However, there are some structures and affiliations which produce mutual benefit. There are those organisations which belong to structures for the sake of belonging. It is important for organisations to establish relationships and partnerships that will not compromise their vision and mission.

## **6. Recommendations**

Project managers and governors play a significant role in the achievement of the organisational objectives. However, without the necessary skills, it is impossible to achieve such objectives. It is recommended that NGOs should consider appointing Project Managers and Board Members who can add value to the organisation on the basis of the technical skills needed within the organisation not on the basis of convenience and fame.

A general concern has been raised regarding the difficulties experienced with language used in application forms for funding. It is recommended that donors should take into consideration the literacy levels of the majority of the people when issuing application forms for funding. When application forms are structured and compiled, the use of simple and understandable language should be a norm so as not to exclude other applicants unfairly.

The majority of the NGOs seem to depend on donations which unfortunately prove not to be a sustainable source of funding. It is recommended that NGOs should come up with creative measures of looking for funding even from within the organisation and the immediate communities. Those NGOs that have resources such as land should consider making use of the land to generate income for the organisation. It is recommended that NGOs should establish mutual partnerships not only with other NGOs but also with the business sector. The guiding principle of this partnership should be in line with the vision and mission statements of the organisation not merely material or financial benefits.

Not all applicants who wish to register NGOs have genuine reasons. Some applications are driven by greed and selfishness, while others are driven by boredom due to many factors, including unemployment. It is therefore recommended that applicants must undergo strict assessment to clarify the motive to establish an NGO. The NPO

Directorate can play a role in the screening process.

A large percentage of people occupying management and governance position do not have formal training in their fields. There is a need for intervention to offer basic training in management and governance. Although the NPOs are solemnly responsible for such training, the NPO Directorate and the Department of Social Development should assist with the resources for training purposes.

Because an overwhelming percentage of NGOs employees do not have bookkeeping skills and also cannot afford auditors, it is therefore recommended that the employees of the NGOs should be empowered with training and workshops to capacitate them with critical yet scares skills such as financial management and bookkeeping. NPO Directorate should intervene and assist the organisations with these services.

## 7. Conclusion

Prior to the birth of the democratic dispensation in South Africa, the Non-Governmental Organisations (NGOs) played a significant role in South Africa and which they continue to do to this day. In the new democratic South Africa these very important role players still have a contribution to make. Therefore the business sustainability of the NGOs should be regarded as of strategic importance not only in the growth and development of the country but also in the achievement of the Millennium Development Goals. However, the existence of the NGOs is highly threatened by quite a number of challenging forces.

Research has confirmed that despite the legislative framework that has been put into place by the government in recognition of the important role of the NGOs in service delivery and development, there are serious business sustainability challenges experienced by the NGOs. The majority of these important stakeholders in development battle when it comes to resources and funding. Their projects can hardly be sustained because of dependency on donors. Those that are lucky to be funded by donors, often deviate away from their founding missions to satisfy the donor. It has also been established that the NGOs lack resources; they compete for scares resources instead of complementing one another. Greed and selfishness compromise the work they do. Quite a number of NGOs are led by individuals who still lack capacity to drive the organisation to be in a position to deliver on their objectives. There is also a discrepancy between urban and rural organisations because urban and politically connected NGOs stand a better chance of being funded than the rural NGOs which are often not politically connected.

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