



## **Challenges Faced by Start-up Non-Profit Organisations in South Africa**

Cailley McIntyre MCNCAI002

Supervisor: Eric Atmore

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Department of Social Development, University of Cape Town

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### **COMPULSORY DECLARATION**

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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## ABSTRACT

This research study explores ‘Challenges faced by Non-Profit Organisations in South Africa’. The study was informed by a qualitative approach and an exploratory design. Face-to-face interviews were conducted to collect the data, with participants selected from twenty purposively sampled NPOs. A semi-structured interview schedule was utilised and data was analysed using Tesch’s (1990) process for data analysis. Ethical clearance was received from the Department of Social Development at the University of Cape Town.

The research study found that NPOs do face a number of challenges that are prevalent in their start-up phase, relating to organisation leadership, financial sustainability and resource management. Organisation leadership challenges revolve around a lack of leadership, knowledge, experience and/or skill; managing and monitoring service delivery; the impact of the pressure to survive; and growth complications. Challenges in terms of financial sustainability and navigating the funding landscape pertain to are donor attraction; fundraising knowledge; donor relationships and the power dynamics; donor perceptions; the impact of sources of funding; and the influence of immediate survival needs on long-term planning and sustainability. Resource management is also a challenge in terms of physical and human resources, such as staffing, role ambiguity, cost of salaries and the effect of reliance on alternative streams of income, the tension between the finances available and the quality and/or experience of the person that the NPO is able to afford, and the impact of high staff turnover. Any one of these challenges can cause start-up NPOs to become vulnerable, unsustainable and likely to fail.

The contribution that this study makes to knowledge building is an enhanced evaluation of the challenges that NPOs face in South Africa, and the factors that they may employ to mitigate these challenges and increase their likelihood of success. It recommends practical alternatives to the way that NPOs operate in terms of organisational leadership and financial sustainability, that may improve their chances of survival and success. The main recommendations talk to the need for consulting, in-depth reviewing of the NPO landscape, partnerships and collaboration, and financial self-sufficiency.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 INTRODUCTION**

This chapter examines the problem that was addressed in the research study. It outlines the problem context and the significance of the study, as well as the aims, research topic, main research questions and objectives, and the main assumptions I have made in this study. It further clarifies concepts related to the research topic. Lastly, the main ethical considerations of the research study are accounted for.

### **1.2 STATEMENT OF THE PROBLEM**

NPOs face numerous challenges to survival and operational sustainability – particularly in their start-up phase. Start-up NPOs face difficult challenges that they need to overcome simply to continue providing the services and programmes that they do, particularly in terms of organisation management and financial sustainability. Yet, there has been little to no research on this topic. As they have a crucial role in providing social development, their survival holds implications for South African society. Therefore, more research on this topic needs to become available. This research study aims to address this need.

### **1.3 PROBLEM CONTEXT**

South Africa presents as a highly unequal country, littered with poverty and deprivation, and with traces of its oppressive history still clearly visible. It has an extremely high Gini Coefficient (as most recently measured in 2014) of 0,63 – indicating a severe level of inequality (The World Bank, 2020). This factor is compounded with unemployment (at a rate of 29,1%; StatsSA, 2020a), poverty, hunger, adult and child mortality, poor literacy rates and a deteriorating economy (StatsSA, 2020b). While the South African government spends a substantial amount of money on social upliftment to combat these factors – with R1, 01 trillion being spent on social services in 2018/19 – these socio-economic issues persist (National Treasury, 2019). Numerous NPOs have risen to tackle this challenge.

There remains a great need for NPOs in South Africa. Due to this need, South Africa has a high presence of NPOs, which have played a major role in promoting development within the country. NPOs in South Africa have a history of being agents of change, and they have often adopted the roles that the government ought to be responsible for (Pearce, 2000). Through this,

NPOs have become a vital element of society in South Africa – as it has come to rely on NPOs as a source of social service delivery.

Yet, there is very little support for NPOs – not from civil society nor government – that is needed to ensure their survival. As funding and other organisational support are scarce in South Africa, it is difficult for NPOs to gain the traction they need to survive – particularly as new, start-up organisations. There is a significantly high failure rate of NPOs – with many NPOs being unsustainable, unfeasible and closing down (Van Wyk, 2018). This rate of failure increases even more when looking at start-up NPOs that do not have the resources or human capital to gain the traction that they need to succeed. In this context, the NPO will face extreme challenges upon its birth and in its initial start-up phase. This framework presents the ideal context for this research study. If we want to create a more viable platform for success, there needs to be a greater understanding of the challenges that start-up NPOs face.

#### **1.4 RATIONALE FOR THE STUDY**

This study explored the challenges faced by start-up NPOs in South Africa. This is an important study – as NPOs form a large part of the driving force behind social development in the country. Yet, there has been very little research on the large challenges that hamper the survival of NPOs in South Africa, particularly in the start-up phase. As Grønberg and Paarlberg (2001) and Andersson (2018) echo, the success rate and the challenges of the start-up phase of NPOs are under-researched. The findings of research that has been conducted are often hard to reconcile and apply to components of the non-profit sector. This gap in research is worrying in regards to NPOs, social development and the wellbeing of South African society – and needs to be addressed.

The value of this study is that it opens up the discussion of the challenges that NPOs face, particularly in their start-up phase. It illustrates the need for NPOs to change the way they operate in terms of organisational leadership and financial sustainability, as well as targets areas of donor perception that hinder growth and development in these areas. To address these challenges, this research study explores factors that mitigate challenges and enhance the likelihood of success of start-up NPOs. Through this analysis, the study raises the notion of start-up NPOs employing alternative means to ensure financial sustainability, which is crucial for the success of the NPO.

Finally, this study opens up the dialogue for addressing challenges to NPO survival and assists in providing practical recommendations that could generate greater sustainability of NPOs. This is an important contribution to the knowledge development on start-up NPOs and broader social development, as it speaks to the challenges in this sphere and suggests mitigating factors that start-up NPOs can adopt to improve their likelihood of success.

## **1.5 AIMS OF THE STUDY**

The study aimed to explore the challenges faced by start-up NPOs in South Africa.

## **1.6 RESEARCH TOPIC**

The research topic was: “exploring the challenges faced by start-up NPOs in South Africa.”

## **1.7 MAIN RESEARCH QUESTIONS**

The main research question was:

What are the challenges that start-up NPOs face, that may cause them to become vulnerable, unsustainable and likely to fail?

The secondary research questions were:

- (1) Which factors present as challenges for start-up NPOs?
- (2) Is organisation leadership a challenge for start-up NPOs?
- (3) Is financial sustainability a challenge for start-up NPOs?
- (4) Which factors mitigate challenges and enhance the likelihood of success for start-up NPOs?

## **1.8 CLARIFICATION OF CONCEPTS**

For this study, various concepts need to be clarified. These concepts must be kept in mind in reading this research report.

### ***1.8.1 “Non-Profit Organisation”***

As defined by the Nonprofit Organisations Act (No. 71 of 1997), “non-profit organisation” means a trust, company or other association of persons – (a) established for a public purpose;

and (b) the income and property of which are not distributable to its members of office-bearers except as reasonable compensation for services rendered”.

### ***1.8.2 “Start-up Non-Profit Organisation”***

Fontinelle (2019) describes a start-up company as “an entrepreneurial venture in search of enough financial backing to get off the ground,” as well as “a young company founded by one or more entrepreneurs in order to develop a unique product or service and bring it to market.” Further, Fontinelle (2019) writes that start-ups are “risky,” with “no history” and “a high failure rate.” As there has been little to no research conducted on start-up NPOs, a definition of them is lacking. Thus, this research study sets out its own definition of a start-up NPO, as: “a young NPO in its initial phases of growth and development, that is yet to achieve operational sustainability.”

### ***1.8.3 “Challenge”***

Swannell (1993) defines “challenge” as “a demand or difficult task.” In this research study, “challenges” will refer to the difficulties that start-up NPOs face in operational survival.

## **1.9 MAIN ETHICAL CONSIDERATIONS**

In social research, ‘ethical considerations’ refers to the overarching agreement shared by researchers of the proper conduct of scientific enquiry (Babbie, 2013). These are in every phase of the research process, and will now be identified and clarified in terms of the study.

As a researcher, I must ensure avoidance of harm throughout the research process, by: (1) Minimising harm; (2) Informing participants beforehand of any potential impact of the process, as well as the opportunity to withdraw at any time; (3) Detecting participants that may be vulnerable and eliminate them from the study; and (4) Repairing any harm, afterwards, that may have occurred as a result of the process (De Vos, Strydom, Fouche and Delpont, 2005). Further, I must avoid deception of subjects, that violates the rights of participant (De Vos *et al.*, 2005).

I did not deceive subjects but rather explained (both verbally and in writing) the nature and objectives of the study from the beginning. The participants signed a consent form (showing informed consent) only once they were adequately satisfied that they had full knowledge of

what the interview process entailed – assisted by verbal explanations and a participant information sheet. Informed consent was obtained for participation in the study and for the interviews to be video recorded. Only then did the interviews commence. Additionally, debriefing occurred after each interview, to minimise potential harm and rectify any misperceptions, and participants were directed to relevant resources.

I took all measures to ensure confidentiality and to protect the privacy and identity of participants. By making interviews anonymous, the study ensured that information on subjects is kept private. Participants' names were removed, and only relevant information was included. While audio-recording took place, it was for my transcription purposes only, with recordings being deleted upon completion of the study. Further, I was ethically obliged to ensure that the report is as accurate and objective as possible. By maintaining reflexivity throughout the research process, I was critically aware of my own perspectives and aimed to maintain an academic distance from the research study. During the research process, I incorporated all necessary components into the process.

## **1.10 SUMMARY**

In this chapter, the problem that was addressed by the research study has been described – including aspects related to the problem context, the significance of the study, research topic and aims, the main research questions and objectives, and the main assumptions I have made in this study. Further concepts related to the research topic were clarified and ethical considerations accounted for. The next chapter will present a review of the literature of NPOs in South Africa and highlight the gap that this research study aims to address.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This chapter presents a review of the literature on NPOs. It begins with a historical overview of the global development of NPOs. This is followed by an analysis of the need for and the history of NPOs in South Africa, with reference to social inequality and structural oppression that persist in this country. Lastly, the current roles that NPOs play and the challenges they face in contemporary South Africa are explored.

### **2.2 REVIEW OF LITERATURE**

#### ***2.2.1 An Overview of NPOs Globally***

NPOs stem from the concept of voluntarism. Voluntarism dates back to the middle ages and large-scale social and economic development began in the 1800s (Sen, 1992). The initial voluntary social development efforts were carried out by Christian missionaries in the early 1810s (Sen, 1992).

In the United States of America (USA), NPOs were only differentiated from for-profit organisations during the 1800s (DiMaggio and Anheier, 1990). In the USA, the driving forces behind the development of NPOs can be characterised as: (a) upper class citizen who wanted to control urban environments, in the late 1800s; (b) professionals, during the “Progressive Era” of the early 1900s; and (c) finally government, by the 1960s (DiMaggio and Anheier, 1990). This was primarily as a result of the growth of the “Third Sector”, and the government became the largest source of NPO revenue by 1975 (DiMaggio and Anheier, 1990).

In Britain, welfare provision went from a church-dominated system in the 17th and 18th century, to a function performed by the government and the voluntary sector in the 19th and 20th century (Anheier, 2005). The voluntary sector adopted a complementary role to public provision by the government, in the 1930s (Nhaitayi, 2014). This was until the ‘Third Way’ approaches of the Labour government promoted a more interactive relationship between the market, government and voluntary associations, that work together to solve social problems (DiMaggio and Anheier, 1990; Nhaitayi, 2014). This approach has influenced the welfare discourse and evidence of this can also be seen in South Africa.

The history of NPOs in Asia is fairly recent and was informed by the Western practice of NPOs. In Japan, the Great Hanshin-Awaji Earthquake in 1995 spurred rapid growth of NPOs and resulted in the creation of the Law to Promote Specified Nonprofit Activities (Yanyan, 2011). Japanese society adopted Western thought regarding the importance of NPOs in social development, which laid the groundwork for NPO policy-making (Yanyan, 2011). In China, the fourth United Nations Women's Conference in Beijing in 1995 educated Chinese academics and policy-makers on the importance of NPOs, for the first time. This conference led to the rise of a number of NPOs, particularly environmental and women's rights organisations (Ma, 2006; Yanyan, 2011). In both cases, NPOs rose to the role of addressing the needs of disadvantaged social groups, as a result of an event that brought about a change in perspective.

In Africa, prior to colonization, social development was categorized by sophisticated indigenous polities and communal forms of social relationships. The invasion of European powers, colonialism and slave trade externalized human resources to Europe, impeded the socio-economic development of Africa and resulted in conflict and the collapse of existing states (Noyoo, 2017). Colonial domination excluded Africans from the benefits of their involvement in socio-economic development (Mhone, 2001). During this time, social services for the marginalized indigenous people were minimal and policy was geared towards upholding the social structures of colonial rule (Manji and O'Coill, 2002). Only the minority white colonisers had access to the social sectors (Manji and O'Coill, 2002). In other words, colonial philanthropy largely served to uphold the status quo of the time. Any form of social development for African people was provided by missionary groups, who were more focused on promoting their own religious agenda. The aftermath of the Second World War saw grassroots organisations mobilizing to achieve basic human rights for the indigenous people and to fight for liberation from colonial powers (Manji and O'Coill, 2002). This was met with brute resistance from colonial powers and charitable organisations that assisted in suppressing liberation struggles (Manji and O'Coill, 2002).

With nationalist movements in the 1940s to 1960s, the socio-economic landscape began to change and the new African governments were faced with the deterioration of social and economic development in their countries. Despite independence, the missionary and voluntary

organisations persisted, under the mask of ‘development NGOs’ which maintained colonial ideology and underlying racism, and saw African countries as ‘underdeveloped’ (Manji and O’Coill, 2002). Nevertheless, African society was able to recognise this façade and ‘development NGOs’ were forced to transform completely, in ideology and discourse. Even with nationalist movements, the power dynamic between Europe and Africa had not changed. Instead of Africa being referred to as ‘uncivilised,’ it was ‘underdeveloped,’ and Europe’s (almost paternal) involvement had not changed (Manji and O’Coill, 2002). This concept of ‘developed versus underdeveloped’ continues to perpetuate domineering social hierarchies and the notion of underdevelopment manifests itself in Africa’s new world order.

In recent history, as a result of colonialist, imperialist and capitalist exploitation, African countries experienced haltered development, in which foreign developed countries have exploited African countries under the pretence of assisting in development (Rodney and Patterson, 1979). With the global financial crisis of 1973, many countries economically suffered or collapsed, which created the opportunity for external forces in the form of the World Bank and the International Monetary Fund to control countries that were indebted to them, with a neoliberal agenda (Rodney and Patterson, 1979). They removed state involvement on matters of social development and this measure saw governments failing to meet the needs of their people (Manji and O’Coill, 2002). Despite what the World Bank and the IMF promised, African countries faced increasing levels of poverty and inequality caused by their neo-liberal policy prescriptions (Manji and O’Coill, 2002). This reliance on external multinational corporations was proven to not be a reliable means of achieving social development. Foreign aid involvement in African affairs was opposed by many citizens throughout the continent between 1976 and 1992 (Manji and O’Coill, 2002). As a result of growing disenchantment with the state and foreign aid, social development focus shifted to local NPOs to satisfy the needs of the people (Edwards and Hulme, 1995). NPOs rose to combat the social ills of their countries and promote social development on all levels, in a way that previous efforts had not.

### ***2.2.2 Need for NPOs in South Africa***

Social inequality is the unfair treatment of individuals or groups, often due to demographic factors. This causes deprivation of access to resources, opportunities and certain social groups (Duncan, Magnuson and Votruba-Drzal, 2015; Elenbaas, Rizzo, Cooley and Killen, 2016; Killen, Rutland and Yip, 2016). This is observed in South Africa, where extreme levels of

inequality are experienced throughout the country – with a concerning Gini Coefficient score of 0,63. This inequality has infiltrated the lives of South Africans in structural and personal ways. Structurally, social inequality can pertain to the major institutions of health, economic participation and education. With the history of apartheid in South Africa, these institutions continue to perpetuate unequal social relations and the structural inequalities of the past, especially pertaining to unemployment, poor health, illiteracy and poverty. This is a growing concern and inhibits any real form of societal transformation. This illustrates the need for greater social development and transformation in the country.

The rise of NPOs in the development sector can largely be attributed to the social and environmental movements in the country. According to Van Dyk and Fourie (2015), the South African government is unable to tackle developmental issues without the help of NPOs. This is owing to the fact that social development in South Africa (as a whole) only really started after 1994 (Aliber, 2003; Fourie and Meyer, 2010). Thus, owing to the need for an exponential increase in social development following democracy, NPOs hold the crucial position (alongside government) in tackling, interrogating and transforming these institutions, to create a more equal society.

### ***2.2.3 The History of NPOs in South Africa***

During the apartheid era, social welfare expenditure by the government pertained mostly to the small white population. Social benefits, until 1994, were differentiated according to the prescribed racial population groups (Patel, 2005). This meant that only white people had access to social benefits from the government, while other population groups were underserved and neglected. Along these lines, any social development was one-sided and at the expense of non-white people.

Before the 1980s, NPOs were actively encouraged by the government to only serve the white community and reaffirm the racial order (Habib and Taylor, 1999). Following 1980, policy changed that permitted NPOs to serve the marginalised black population (Habib and Taylor, 1999). This resulted in a surge of NPOs that rose to address the unanswered concerns of the black majority and to demand their social and economic rights. These NPOs came in the form of civic associations and student, youth and women's organisations (Patel, 2005). They began

to address what the oppressive government ignored – the socio-economic deprivation of the underprivileged, vulnerable and impoverished black population. This was mostly funded by sympathetic, anti-apartheid foreign donors (Patel, 2005). This caused a rise in various types of NPOs, namely: (1) organizations servicing the anti-apartheid movement; (2) liberal NGOs advocating changes in apartheid policies; (3) NGOs that focused on service delivery; and (4) welfare bodies that cooperated with the apartheid government (Habib and Taylor, 1999). Most of the NPOs aimed to change the socio-economic landscape of apartheid South Africa. They were subsequently met with resistance from the government through policies such as tax laws, that hindered corporate social investment, and the Fund Raising Act of 1978 that prevented public donations (Habib and Taylor, 1999). Anti-apartheid NPOs were also met with confrontations and repression by the state, including banning, arrests and general harassment (Habib and Taylor, 1999).

Following the surge of NPO mobilisation in the 1980s, the NPO sector experienced exponential growth, and a shift in its nature and focus (Human Sciences Research Council, 2019). Among the most significant formations of the time, was the United Democratic Front. The United Democratic Front was an anti-apartheid movement, that worked towards the social, economic and political integration of all races. This formation spurred on a social movement with the development of numerous NPOs that shared their mission (Human Sciences Research Council, 2019). In addition to this development, there was a creation of a number of NPOs focusing on faith-based or ethnic-based welfare, education and health (Human Sciences Research Council, 2019). Many of these NPOs were run by middle-class, often white people and they received either state support or subsidies to deliver some form of social service (Human Sciences Research Council, 2019). This continued until the dawn of democracy in South Africa, in 1994. The end of apartheid brought about significant socio-economic change, with the inclusion of all races in the constitutional framework for South Africa.

Leading up to democracy South Africa experienced a shift in policy orientation that impacted all aspects of its social, economic and political landscape. The Convention for a Democratic South Africa (CODESA) negotiation period (1990-1993) and democracy in 1994 brought about a new, inclusive constitution and electoral system for the country. Following this, NPOs had to adapt to a new environment in which they now had to exist. With democracy, social policy expanded to include all of South African society, which was neglected under the

apartheid regime. This meant the emergence of new regulations and an increased civil society sector (Chimangafisi, 2010). The government introduced the Reconstruction and Development Programme (RDP), to meet the basic needs of all citizens of South Africa. In this, NPOs were allocated a central part in the social development and poverty alleviation of the country (Nhaitayi, 2014). This vision was carried forth by the following Growth, Employment and Redistribution (GEAR) Plan and other policies (Nhaitayi, 2014). In this, they experienced extreme and difficult challenges in acclimatising to their new position in democratic South Africa (Human Sciences Research Council, 2019).

The relationship between NPOs and the government shifted, as NPOs no longer had to advocate for democracy and the role of NPOs was forced to change. Due to this, NPOs were demobilised, with the view that their role in building a developmental state was now a function of the government (Human Sciences Research Council, 2019). This meant that NPOs had to reposition themselves into complementary roles to the government – by partnering with governmental departments, assisting in policy development and providing supplementary welfare and development services (Habib and Taylor, 1999). Heinrich (2001) thus recategorized NPOs in the new South Africa, into the three roles they now performed, namely: (1) Schools of democracy; (2) Mitigators of societal conflicts; and (3) Effective channels of interest representation for the poor.

With the Non-Profit Organisation Act (No. 71 of 1997), NPOs were provided with policies that supported their development and with a positive legal environment in which to function (Habib and Taylor, 1999). NPOs became more focused on people-centred development. In focusing on the socio-economic challenges of all citizens, NPOs addressed issues of land reforms, health, education, housing and security (Habib and Taylor, 1999). They functioned to serve the interests of the people – advocating for policies that strengthened civil society (Habib and Taylor, 1999). The new democratic government equipped NPOs with the necessary legislation for them to carry out this new role in service delivery – such as the Reconstruction and Development Programme (Republic of South Africa, 1994).

This transition in the role of NPOs, however, led to many of them closing down. This was because there was no longer a need for anti-apartheid NPOs, which had previously dominated the NPO space. Many NPOs shifted their focus to accommodate for the change in roles in

democratic South Africa, yet many were unable to acclimatise to the new environment. Due to instability caused by the changing roles of NPOs and government, NPOs experienced high staff turnover. NPOs lost most of their strategic leadership to government and the private sector, with more than 60% of NPO senior staff drifting to those sectors since 1990 (Human Sciences Research Council, 2019; Habib and Taylor, 1999). This can be attributed to the fact that the government now adopted the roles and responsibilities that NPOs had been doing, and employees that worked in that space now found government positions to be more favourable. As a result, NPOs were challenged with a loss of leadership, loss of status and their new role in supporting the democratic state (Human Sciences Research Council, 2019).

Further, NPOs were impacted by a significant shift of resources away from the sector. Financial backing by sympathetic, anti-apartheid foreign donors was lost, with the former aim of their funding being achieved – that is, overthrowing the oppressive apartheid government. This lack of funding was worsened by the global economic meltdown of 2008/2009, which saw the shrinking of the international funding base (Human Sciences Research Council, 2019). Additionally, funding from the government was conditional and restrictive (Human Sciences Research Council, 2019). This posed sustainability challenges to the remaining NPOs.

While the government attempted to address the racial inequalities created by apartheid, there were growing inequalities between the rich and the poor – with the living conditions of the poor deteriorating. This became the new focus of NPOs, which once again rose to the challenge of tackling what the government overlooked (Pearce, 2000). In other words, NPOs adopted the roles that the government ought to be responsible for but were failing to eradicate.

#### ***2.2.4 NPOs in Contemporary South Africa***

In current South Africa, NPOs are described as: organised; private, as they are institutionally separate from the government; possessing some institutional reality; non-profit distributing; self-governing; and voluntary, either in conducting their activities or in management of their affairs (Salamon and Anheier, 1992). The South African NPO Act (No. 71 of 1997) defines NPO as, “a trust, company or other association of persons established for a public purpose; and the income and property of which may not be distributable to its members or office-bearers except as reasonable compensation for services rendered” (NPO Act, 1997). To sum, NPOs are

generally perceived as organisations that aim to improve the lives and livelihood of people, who are disadvantaged or not yet able to achieve their full rights in society.

There remains a great need for NPOs in South Africa. South Africa still is a highly unequal country, wrought with poverty and deprivation, and with traces of its oppressive history still clearly visible. Issues of inequality, social exclusion and lack of integration persist, rooted in the years of segregation of the apartheid era (Reiss, 2016). While the government spends a substantial amount of money on social upliftment to combat these factors, these socio-economic issues persist (National Treasury, 2019). Due to the continued call for social development, South Africa has a high presence of NPOs, which have played a major role in promoting development within the country. Since 2010, NPOs have grown into the role of advocacy for developmental priorities for the whole nation, as well as protectors of the constitutional rights of South Africans (Human Sciences Research Council, 2019). In fact, South African society has come to rely on NPOs as a source of improvement, development and social service delivery, as well as mobilisation for social change (Kreusch, 2015; Nhaitayi, 2014; O'Brien, 2007).

Yet, NPOs are not receiving the support they require to survive. While there may be high levels of NPOs founded in South Africa, this does not necessarily correlate to NPO sustainability and success (Andersson, 2018). There is a significantly high failure rate of NPOs – as Van Wyk (2018) writes, “Some 30 percent (36 000) of the country’s 122 000 registered [NPOs] had to close down in 2013.” Andersson (2018) highlights that formal records of NPOs in South Africa do not give a comprehensive view of the amount of NPOs that are founded but then do not achieve organisational sustainability. This suggests that the failure rates of NPOs are much higher than what statistical records may show. This is a growing problem. South Africa has numerous NPOs that are not sustainable. This rate of failure increases even more when looking at start-up NPOs that do not have the resources nor capacity to gain the traction that they need to succeed.

To reiterate, despite the requirement for them, there is not enough support for NPOs – not from civil society nor government – that is needed to ensure their survival. This issue of underfunding is articulated by Patel (2012), who argues that the social development budget of government is not informed by comprehensive policy frameworks not adequate management

information systems. The funding norms have not been adjusted to meet the political priorities of contemporary South Africa (Patel, 2012). This results in insecure and variable funding levels that can influence the quality and sustainability of NPOs in South Africa.

As funding and other organisational support are scarce in South Africa, it is difficult for NPOs to gain the traction they need to survive – particularly as new, start-up organisations. Due to this context, the NPO will face extreme challenges upon its birth and in its initial start-up phase. The start-up phase is particularly challenging for NPOs as they do not yet have the organisational foundation in place to ensure their survival. They face specific challenges during the start-up phase, that create additional pressure in their quest to survive and provide a service and/or product to their beneficiaries. These challenges include organisation leadership and financial sustainability. There needs to be a greater understanding of the challenges that start-up NPOs face if we want to create a more viable platform for success.

### ***2.2.5 Supportive Policy and Legislation in Contemporary South Africa***

When assessing the NPO landscape, it is crucial to account for policy and legislation that sets the framework for this space. Key policy and legislation are: Nonprofit Organisations Act (No. 71 of 1997), Section 21 of the Companies Act (No. 61 of 1973), Income Tax Act (No. 58 of 1962) and the Section 18A Certificate. These Acts outline the political landscape of NPOs.

The South African Nonprofit Organisations (NPO) Act (No. 71 of 1997) defines an NPO as, “a trust, company or other association of persons established for a public purpose; and the income and property of which may not be distributable to its members or office-bearers except as reasonable compensation for services rendered” (NPO Act, 1997). This also applies to NPOs registering under the Companies Act (2008). This legislative document was formed to guide and control NPOs in terms of their necessary legal requirements, registration process and accountability controls. This Act ensures that NPOs are accountable to the State and to public. This Act sets the legislative framework for good governance of NPOs, with an established Codes of Good Practice for South African NPOs and covers aspects of leadership, management, fundraising and resource mobilisation (Kreusch, 2015). With this governance legislation, NPOs in South Africa have clear guidance as to the expectations and responsibility they have to the State and to the public.

Under Section 21 of the Companies Act (No. 61 of 1973), NPOs are understood as entities that are established for the benefit of the public good and therefore can be registered as a public benefit organisation. Following from this, the Income Tax Act (No. 58 of 1962) stipulates that organisations that are classified as public benefit organisations are exempt from paying income taxes, given that they account for their income and expenditure, and submit annual financial statements with their Income Tax return (Nhaitayi, 2014). Therefore, NPOs can be exempt from paying taxes if they are registered as a public benefit organisation. Furthermore, if the NPO is registered as a public benefit organisation, it may be able to receive Section-18A approval from the South African Revenue Service (SARS). This will allow for the NPO to issue tax deductible receipts to donors and encourage greater and/or continued financial support (SARS, 2021). This is to the benefit of NPOs as it promotes financial support from donors, as they too will benefit from the transaction.

### ***2.2.6 Investigation into the challenges that start-up NPOs face in present-day South Africa***

There are many structural issues in the NPO sphere. It is difficult for NPOs – especially in their start-up phase – to get the traction that they need to survive. Challenges include organisation leadership and financial sustainability, which will now be discussed.

#### **2.2.6.1 Organisation leadership and financial sustainability as challenges for start-up NPOs**

Organisation leadership talks not only to the ability to survive, but also to the ability to sustain the provision of beneficial services to its given community (Abt Association Inc, 1994). The absence of organisation leadership can result in the NPO being unable to adapt to their environment and maintain sustainability (Parsehyan, 2017). As explained by Benevene and Cortini (2010), the knowledge of NPO leaders adds value to their organisation and performance. Yet, leaders of start-up NPOs often lack sufficient knowledge (along with adequate skills and experience) to successfully run the organisation. Benevene and Cortini (2010) also define the need for structural capital, which is the supportive structure of the organisation such as organisational culture, management philosophies, processes, systems and informational resources. Without the correct knowledge of how to set up these structures, start-up NPOs will be faced with extreme challenges. Additionally, leaders of start-up NPOs tend to lead without formal power and conventional instruments of authority over a number of stakeholders – such as beneficiaries, volunteers and donors (Jäger, Kreutzer and Beyes, 2009).

This creates challenges in terms of operationality, stakeholder relationships and human resources.

Organisation leadership also refers to an organisation's ability to meet its mission and vision, which includes (but is not restricted to) the ability to manage and secure sufficient resource to achieve its objectives (Kreusch, 2015). An NPOs inability to meet the scope of its service delivery can oftentimes be attributed to financial struggles. Should this be compounded with inadequate financial reporting and management due to a lack of knowledge or skill, it could result in a rippling effect of financial instability (Kreusch, 2015). In such a way, organisation leadership and financial sustainability are intertwined.

Financial sustainability refers to when an organisation has enough reliable and continuous income to cover its costs and survive in the long-term (Kreusch, 2015). This can be assessed in terms of income, solvency and liquidity (Kreusch, 2015). Lack of financial sustainability is a challenge that many NPOs have faced and continue to face in the complex climate in South Africa (Mubangizi, 2004). Following the decrease in foreign aid at the end of the 1990s, NPOs had to look elsewhere for funding or face the possibility of having to downsize or experience closure (DGMT, 2012; Kusikwenyu, 2015; Mubangizi, 2004). This is a sentiment shared by Kreusch (2015) that reported that 80% of NPOs experienced a significant decrease in funding between 2011 and 2012 – with the cuts primarily coming from international and individual donors, as well as the National Lottery and the corporate sectors. This impact on financial sustainability also affects the organisational capacity of NPOs as they are forced to cut their service delivery, diminish programmes and retrench staff members (Kreusch, 2015).

There has been an overall lack of support from government in assisting the development and sustainability of NPOs (Greenstein, Heinrich and Naidoo, 1998). Facing a shift in resources of private and corporate funders away from the NPO sector, more and more NPOs have looked to government funding to keep afloat. Despite this, government has provided limited support financially, with NPOs having little access to funding, and government policies around NPOs have not met the increasing need for support in the NPO sphere. Ironically, as more NPOs turn to government, the more competition there is among NPOs for funds and many of them flounder in their attempts to survive financially (Human Sciences Research Council, 2019).

As described, funders are scarce and much sought after. This challenge is intensified with complex and ever-changing donor-NPO relationships. Donors have shifted from being proactive in their funding, to adopting an application-led grant process (Tjonneland, 2004). As NPOs began to shift their attention for funding, there was a significant increase in applications for funding to external donors (Chimangafisi, 2010). This results in NPOs having to compete for limited resources, with many finding it difficult to access these funds (Gardiner and Macanda, 2003). Lack of adequate resources results in an incapability to survive, and ultimately in NPOs closing down. When funding is granted, it is usually project-specific (Habib and Taylor, 1999). While any funding is useful, project-specific funding is usually short-term and does not cover organisation non-programme overheads – and thus, does not contribute to the financial sustainability of the organisation.

Additionally, while NPOs find it difficult to get the attention of funders, it is even more challenging to find funders that fully support the entire operation and mission of the NPO. Many donors have unrealistic or hyper-specific requirements, that are often not aligned with the mission of the NPO. As NPOs are generally reliant on donor funding, they can often feel “more accountable to their donors rather than to their intended beneficiaries” (Chimangafisi, 2010). This misplaced accountability puts an enormous amount of pressure on NGOs to adapt in ways that may not be in their own best interest. This is echoed in the research of Van Dyk and Fourie (2015) that reported power imbalances between NPOs and their donors, along with a dependency of NPOs on donors due to a need for resources. As NPOs scramble to access donor and government funding, a loss of values has occurred in which NPOs attempt to attain funding at any cost (Human Sciences Research Council, 2019).

In establishing trust in donor relationships, there is a challenge of accountability. NPO accountability is indicated by transparency and the timely submission of annual reports (Othman and Ali, 2014). However, in developing countries where the NPO sector is not well-structured or properly regulated, proper accounting standards are often not available nor enforced by the law (Othman and Ali, 2014). This lack of accountability can result in the occurrence of fraud that the public and donors are not aware of. NPOs have the stigma of mismanagement of funds and fraud, due to a few NPOs in the past not acting with accountability and creating the reputation of NPOs as entities that are vulnerable to abuse by

criminals for terrorist financing and money laundering (Public Compliance Communication, 2019). This perception is one that NPOs have to actively work to eradicate. If fraud should be discovered within an NPO, the organisation may face a challenge in renewing public trust in the future – even with new ethical practices in place. Furthermore, poor or inconsistent financial reporting undermines donor trust and could influence whether funders wish to donate resources to the organisation (Kreusch, 2015).

Given the rapid development of easily accessible media and information, NPOs must meet the demand for transparency and accountability (Othman and Ali, 2014). There is a positive relationship between disclosure of NPO finances and management, and the number of future donations received (Buchheit and Parsons, 2006; Trussel and Parsons, 2008; Christensen and Mohr, 2003; Gordon and Khumawala, 1999). High levels of NPO transparency and disclosure can increase the confidence and satisfaction of donors, which in turn may produce an in-flow of donations (Bottiglieri, Koleski and Conway, 2011). Consequently, NPO leaders ought to work towards establishing donor trust, through disclosure of their financial information (Othman and Ali, 2014). This will encourage continued support from existing donors and attract investment from potential donors. Should an NPO not have strategies for transparency and accountability in place, they could be in danger of losing donor trust.

To maintain transparency, NPOs ought to implement a set of internal controls. Internal controls are a way in which NPOs are able to ensure efficiency, reliability and compliance with laws and regulations, through policies and procedures (Othman and Ali, 2014). Due to previous fraudulent activities of a handful of NPOs in the past, NPOs ought to dedicate efforts to proving themselves as fiscally stable and responsible organisations (Othman and Ali, 2014). If NPOs do not exhibit transparency and accountability, donors will lack confidence in their practices, regardless of whether they have actually partaken in fraudulent activities. According to Othman and Ali (2014), NPOs are at risk of being accused of fraud and/or financial improprieties if they lack strong internal controls, even if these accusations have no basis.

From the above analysis, it is clear that organisation leadership and financial sustainability are interconnected challenges that NPOs face, particularly in their start-up phase. Therefore, they need to be further explored so that they can be fully understood and tackled by start-up NPOs.

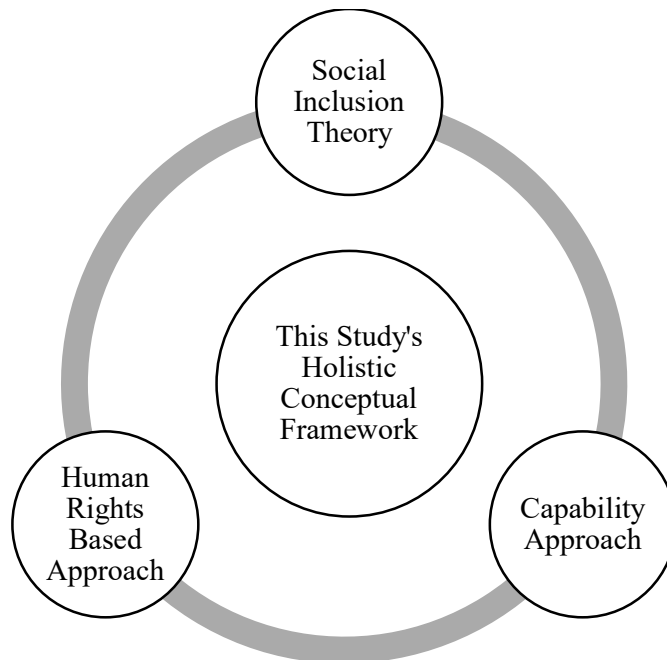
### 2.2.6.2 Limited research on start-up NPOs in contemporary South Africa

The specific challenges that start-up NPOs experience in South Africa has not been explored in any meaningful way. This poses a problem for start-up NPO survival, as well as the social development that they aim to provide, as start-up NPOs have little research to draw upon to guide their decision-making. Further, there is very little research on the impact of reliance on donors and external funding for financial sustainability. This study aims to contribute to this gap in research.

## 2.3 THEORETICAL FRAMEWORK

This section interrogates the theoretical frameworks that form the academic context of the study. The following theoretical frameworks inform NPOs in terms of the approaches they adopt and the socio-economic challenges they aim to address, namely: The Social Inclusion Theory, the Capability Approach and the Human Rights Based Approach. They each have elements that must be incorporated into a holistic conceptual framework that grounds this study. This is illustrated in the following diagram.

**Diagram 1:** Conceptual Framework



### ***2.3.1 The Social Inclusion Theory***

Social inclusion is a multidimensional concept based in the principle that every person has the unconditional right to belong, regardless of their status (Mansouri and Lobo, 2011). On the other hand, social exclusion divides ‘insiders’ from ‘outsiders.’ This limits access for those who do not ‘fit’ into the shared identity and culture of the group (Crow, 2004). In such a way, resources and opportunities are monopolised by the insiders and the outsiders are deprived of access to these (Crow, 2004). This is a form of marginalisation and social isolation.

Inequality can be examined and understood – in its different forms and contexts – in terms of social exclusion (Taket *et al.*, 2009). Social exclusion can be (and has been) used as a tool of oppression, to prevent people from participation in the mainstream activities of society and lowering their standards of living (Taket *et al.*, 2009). Under the South African apartheid system, the white minority socially excluded the disenfranchised black majority (Reiss, 2016). In being excluded, the disadvantaged black majority were unable to benefit from social capital and social networks that white people had access to. This exclusion had implications for their standards of living and access to resources, as well as identity and citizenship (Reiss, 2016). Despite the abolishment of apartheid and the introduction of non-discriminatory and inclusive legislation, racial inequality persists today (Reiss, 2016). The effects of the social exclusion of apartheid still underly South African society and need to be completely uprooted for comprehensive social inclusion to be possible.

In reaction to the Social Inclusion Theory, NPOs that adopt this perspective have the potential to build the social capital of individuals to enhance access to social networks for ‘outsiders’ (Crow, 2004). These networks can be a source of social support, enhanced wellbeing and social inclusion (Cohen and Syme, 1985; Morrow, 2004). Such development is required in the context of South Africa.

### ***2.3.2 The Capability Approach***

Sen’s (2001) capability approach is a comprehensive, normative framework that aims to enhance the wellbeing of people through the expansion of their capabilities. The term

‘capability’ as defined by Sen (2001) refers to what people can do and be. In other words, it is people’s opportunities to live the lives they want to lead (Robeyns, 2005).

The capability approach calls for the removal of major sources of ‘unfreedom,’ including: poverty, tyranny, poor economic opportunities, systematic social deprivation, neglect of public facilities and intolerance or over-activity of oppressive states (Sen, 2001). Development, therefore, ought to remove any substantial ‘unfreedoms’ that negatively influence the social, political and economic lives of people. Conversely, ‘freedom’ refers to structural arrangements that allow for opportunity (Reiss, 2016). Sen (2001) identifies five distinct types of freedom, namely: (1) political freedoms; (2) economic facilities; (3) social opportunities; (4) transparency guarantees; and (5) protective security. In this way, any movement towards development ought to integrate a range of social, political and economic freedoms. This approach aims to expand, integrate and provide a more enriched and unconstrained life. This framework holds relevance in South Africa, as a result of the current movement to eradicate apartheid ideology and the ‘unfreedoms’ it dictated.

Thus, according to this approach, any social development effort ought to conceptualise wellbeing and development in terms of people’s capability to function, and aim to enhance the lives and freedoms of individuals. Moreover, development ought to allow individuals to grow into fuller social persons and cultivate greater agency to influence the world around them (Sen, 2001).

### ***2.3.3 The Human Rights Based Approach***

The human rights based approach focuses on the needs and the set of rights that each person is entitled to. This approach stems from the Universal Declaration of Human Rights as drawn up by the General Assembly of the United Nations (UN) in 1948 (Grech, 2006). In 1986, a list of thirty human rights – that are inalienable, universal and indivisible – were defined by the UN World Conference on Human Rights and recognised by all member states.

These inalienable human rights can be summed up as: (1) All human beings are all born free and equal in dignity and rights; (2) Everyone is entitled to all the rights and freedoms set forth by the declaration, free from discrimination; (3) Everyone has the right to life, liberty and

security of person; (4) No one shall be held in slavery or servitude; (5) No one will be subjected to torture or inhuman treatment; (6) Everyone has the right to recognition everywhere as a person before the law; (7) All are equal before the law; (8) All human rights are protected by the law; (9) No one shall be subjected to arbitrary arrest, detention or exile; (10) Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of their rights and obligations and of any criminal charge against them; (11) Everyone is presumed innocent until proven guilty according to the law; (12) Everyone has the right to privacy; (13) Everyone has the right to freedom of movement; (14) Everyone has the right to seek other countries asylum from persecution, except in the case of persecutions arising from non-political crimes or from acts contrary to the principles of the United Nations; (15) Everyone has the right to a nationality; (16) Everyone of full age has the right to marry and to found a family, free from discrimination, with mutual consent and in which they are entitled to equal rights; (17) Everyone has the right to own property alone as well as in association with others; (18) Everyone has the right to freedom of thought, conscience and religion; (19) Everyone has the right to freedom of opinion and expression; (20) Everyone has the right to freedom of peaceful assembly and association, and no one may be compelled to belong to an association; (21) Everyone has the right to democracy, in which they have the right to take part in the government of their country and the right to equal access to public service in their country; (22) Everyone, as a member of society, has the right to social security and is entitled to realisation of the economic, social and cultural rights indispensable for their dignity and the free development of their personality; (23) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work, to fair and equal remuneration, to protection against unemployment and to join trade unions for the protection of their interests; (24) Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay; (25) Everyone has the right to a standard of living adequate for the health and wellbeing of themselves and their families, with motherhood and childhood being entitled to special care and assistance; (26) Everyone has the right to education, with free education in the elementary and fundamental stages and compulsory elementary education, and with parents having a prior right to choose the kind of education that shall be given to their child; (27) Everyone has the right to freely participate in the cultural life of the community and the right to protection of the moral and material interests resulting from any scientific, literary or artistic production of which they are the author; (28) Everyone is entitled to a social and international order in which the rights and freedoms set forth in the Declaration can be fully realised; (29) Everyone has the duty to uphold the universal rights and freedoms, and shall be

subject to limitations as determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirement of morality, public order and general welfare in a democratic society; and (30) Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein. (United for Human Rights, 2021).

To support these rights, the UN passed the Declaration on the Right to Development, in which they proclaim that the right to development is “an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized” (Audiovisual Library of International Law, 2021).

The South African government has displayed a human rights based approach, in the formation and implementation of legislation. One of the first socio-economic policies that the government implemented following democracy, Reconstruction and Development Programme (RDP), was based on principles of equity, equality and protection of human rights – stemming from the human rights based approach. Further, the South African Constitution as well as the Chapter Nine Institutions advocate for human rights protection. These institutions include: The Public Protector, the SAHRC, the Commission for the Promotion and Protection of the Rights of Cultural Religious and Linguistic Communities, the Commission for Gender Equality, the Auditor-General and the Electoral Commission (Republic of South Africa, 1996). Hence, the human rights based approach has explicit implications for South Africa and its social development space.

## **2.4 SUMMARY**

This chapter reviewed the literature on challenges that NPOs in South Africa have faced in the past, as well as what they continue to face in contemporary society. While there is plentiful research on the work of NPOs during apartheid and in the transition to democratic South Africa, there is a gap in research of the new challenges that NPOs are facing today. The purpose of reviewing relevant literature was to gain some understanding of the theoretical underpinnings of this study and to highlight the shortcomings of current research that this study aims to

address. Relevant theoretical frameworks, and policy and legislation were explored. The following chapter presents the methodological considerations of this study.

## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

### **3.1 INTRODUCTION**

This chapter outlines the research design, population and sampling, data collection approach – with specific attention to the setting, actors, events and process – the data collection instrument, recording and analysis. Lastly, it discusses the limitations of the study, as well as researcher reflexivity and verification.

### **3.2 RESEARCH DESIGN**

The research design was qualitative. By choosing to approach the research study in this way, I acknowledged the unique experiences and perspectives of those participating in the study. Qualitative research can be further defined as: (1) In a natural setting; (2) Making use of researchers as instruments of data collection; (3) Focusing on words or pictures, that were inductively analysed; (4) Having a greater emphasis on the meaning of participants, in an expressive and persuasive way (Creswell, 2014). Rather than imposing an external proposition, this design allowed me to explore the experiences of participants who had expert knowledge of the challenges that start-up NPOs face in South Africa, in a way that allowed underlying information to come to light.

By choosing this design, I focused on garnering an ‘insider perspective,’ provided by the diversity of individual circumstances. The ‘insiders’ were experts in the start-up NPO space, with involvement in leadership positions of NPOs that had faced and overcome survival challenges. This research design looked to understand (not explain) participants. This provided relevant insight into the challenges that start-up NPOs face – as experienced by expert participants.

### **3.3 POPULATION AND SAMPLING**

I was deliberate when selecting a sample of what would be observed, as any researcher ought to be (Babbie, 2013). In this research study, non-probability sampling was used. More specifically, this study employed purposive sampling, in which I selected the sample based on my knowledge of the population and the nature of the research aims (De Vos *et al.*, 2005). This was done to ensure that participants had relevant and expert knowledge on the subject matter.

The study sampled 19 NPOs. I purposively selected the sample of NPOs together with my supervisor, to ensure that a variety of knowledgeable NPOs with different areas of service delivery and organisational approaches were sampled. From each NPO, an individual working within the organisation was selected for an interview. The requirements for this person were as follows: (1) Working within one of the sampled NPOs; (2) Holding a managerial position, with experience in that role; and (3) Having personal experience of the challenges that start-up NPOs face. While some of the NPOs are no longer in their start-up phase, each participant had experience in leading a start-up NPO. This provided expert insight into the challenges that start-up NPOs face and the way in which the challenges impact the organisation.

### **3.4 DATA COLLECTION APPROACH**

#### ***3.4.1 Setting***

South Africa experiences extreme levels of inequality and poverty (StatsSA, 2020b; The World Bank, 2020). While government spends a substantial amount of money on social upliftment to combat these factors, there remains a great need for NPOs (National Treasury, 2019). Hence, South Africa has a high number of NPOs, which have played a major role in promoting development within the country. The high presence and high value placed on NPOs in South Africa means that the country presents an ideal context for this research study. For the research study, online interviews were arranged due to the COVID-19 pandemic, using Skype and Zoom with Voice over Internet Protocol (VoIP) technology, which enabled me to interview participants remotely and removed the risk of face-to-face interaction

#### ***3.4.2 Interview process***

The participants took part in qualitative, semi-structured interviews. This means that a planned conversation, with a pre-established purpose and structure, took place (De Vos *et al.*, 2005). I posed questions to the participants to obtain their opinion on the subject – and the participants were recognised as the expert on the subject.

Before the interview began, the nature of the research study was explained to the participants. It was explained that their experiences were considered valuable, and as expert on the research topic. The ethical issues were outlined and it was explained how and to what extent I would be able to protect the anonymity, confidentiality, dignity and well-being of the participant. The participant was further informed that with consent the interview would be audio- and video-

recorded. The participant signed a written consent form, with the understanding that the interview could be discontinued at any point during or after the process and the information obtained in the interview discarded.

Following this, the interview took place in a semi-structured manner – from broad questions, to more specific ones tailored to the information that the participant provided. As it is a semi-structured interview, questions were organised around areas of interest, but there was flexibility in terms of scope and depth (De Vos *et al.*, 2005). To put the participant at ease, I guided him or her through the process of the interview, rather than dictating the encounter. This meant that I was able to adapt the conversation to themes that emerged during the interview. Because of this, I was able to gain insight into the experiences of the individual, without imposing prior assumptions. This proved useful to assessing the complexity of the research topic. Lastly, the interview concluded with the participant being debriefed. Throughout the process, all communication was done in a manner and language that the participant understood.

These recordings of the interview were stored in a password-protected file on my personal computer accessible only to me and removed after completion of the research study.

### ***3.4.3 Using Skype and Zoom in Data Construction***

Originally the interviews were expected to be face-to-face with the participants. However, during the planning phase of the research study, the COVID-19 pandemic occurred, globally. In South Africa, this resulted in a nationwide “lockdown” where non-essential social interactions were prohibited. Therefore, the interview process had to be reconsidered to remove the risk of COVID-19 transmission in face-to-face interactions.

I decided that, for the research study to continue, the interviews would take place on Skype or Zoom. Skype and Zoom make use of Voice over Internet Protocol (VoIP) technology, which enabled me to interview the participants remotely and removed the risk of face-to-face interaction. When I requested interviews from participants, I ensured that they had the technical ability to use the technology (with the choice of Skype or Zoom) and that they were comfortable with the process and with using video mode.

Video mode was chosen to combat the loss of the visual and interpersonal aspects associated with a face-to-face interview. Video mode allows a similar interaction as face-to-face interviews would provide (Berg, 2007). Using Skype or Zoom with video mode ensured that the interaction and non-verbal cues, between the participant and myself, was not lost. Therefore, it was selected as a valid and workable method of data collection, where the challenge of interviewing in a national lockdown was overcome.

Prior to the interview, I e-mailed participant information sheets (Appendix A) and consent forms (Appendix B) to the participants. The consent forms were signed and returned to me before the interview, giving informed consent for participation in the study and for the interviews to be video recorded. Before the interview commenced, I also explained that the visual part of the interview would not be available to or be shared with anyone, to ensure confidentiality. The same interview protocol was therefore followed as was planned with the face-to-face interviews.

### **3.5 DATA COLLECTION INSTRUMENT**

In qualitative research, researchers are understood as the main instrument of data collection (Creswell, 2014). Thus, I was expected to gather the necessary data pertaining to the research study. I was assisted by a semi-structured interview schedule that guided the process (Appendix C). The interview schedule provided a set of predetermined questions, through which to engage the participant, guide the conversation and indicate the topics and their sequence. Questions had both thematic and dynamic dimensions, encompassing questions related to the topic, as well as those that promoted interaction and motivated participants to discuss their experiences, perceptions and understanding.

### **3.6 DATA RECORDING**

With the consent of participants, the semi-structured interviews were audio-recorded and transcribed. This was for data analysis purposes only – which was made clear to the participants. It provided a much fuller record of the interview, for closer analysis, and allowed me to rather concentrate on how the interview unfolded (De Vos *et al.*, 2005).

### **3.7 DATA ANALYSIS**

After the collection of information from the interviews, data were analysed using the Tesch (1990) approach. This involved a detailed analysis using a coding process, to segment data into categories and subcategories. This process involved analysis, assembly, coding, and labelling to assign meaning (Creswell, 2014). This allowed for themes to be identified and expanded upon to provide descriptions, and interpreted to make sense of the meaning of the participants' experiences.

This study used Tesch's (1990) eight stages of data analysis, namely: (1) I accurately transcribed each interview from the video recordings and read through each one, to get an overarching understanding of the data; (2) I read through each transcript and took note of the underlying meaning of the information; (3) I compiled a list of themes that arose from my readings, with the research aim and questions in mind; (4) I coded the text and labelled relevant categories and subcategories of data; (5) I developed descriptive wording for each category and grouped similar categories together; (6) I analysed and refined the categories and themes; (7) I assembled the content of each theme according to the coding framework, for analysis; and (8) I recoded information, where necessary.

In this study, four main categories emerged in the process of data analysis: (1) Organisation leadership as a challenge; (2) Financial sustainability as a challenge; (3) Resource management as a challenge; and (4) Factors that mitigate challenges and enhance the likelihood of success for start-up NPOs. These categories and their subcategories are expanded upon in the framework provided in Section 4.3. Verbatim quotes from participants are used to illustrate and enrich the various themes and categories.

### **3.8 LIMITATIONS OF THE STUDY**

While I approached the research process in an organised and comprehensive manner, there were still limitations in the study. In fact, limitations almost always arise in research studies despite careful planning (De Vos *et al.*, 2005). This primarily occurred during the interview phase.

I had originally planned to conduct face-to-face interviews with participants, as this was identified as the best means of gathering the data. However, with the COVID-19 pandemic and

lockdown in South Africa, this was not possible. Therefore, I had to adapt to the next best alternative – remote interviews via Skype or Zoom, with video mode.

Due to technological difficulties, some of the participants were unable to connect with visual aid. This meant that the visual element of the interviews was lost. At times, there were connectivity issues, which meant that participants had to repeat themselves. This detracted from the interview space. However, this is a current issue in South Africa and had to be overcome. Despite limitations, the research study was conducted successfully and met the requirements the I had set.

### **3.9 REFLEXIVITY**

‘Reflexivity’ is when researchers attempt a form of metacognition, by understanding their own cognitive world and how they influence interpersonal relationships (De Vos *et al.*, 2005). It acknowledges how their presence and perspectives may impact the research process (Berger, 2015). It is crucial that researchers maintain reflexivity throughout the research process, in order to ensure the validity and reliability of the study.

In this case, while I have significant theoretical knowledge, I have limited experience of the practical elements of managing an NPO and the challenges associated with it. This may have caused me to be idealistic on how an organisation ought to operate, which may be at odds with the hands-on experience of participants. Coming from an academic perspective, I may not understand the nuances of translating academic theory into practice. Moreover, as a white person in South Africa with a privileged background, I may not fully comprehend the environmental challenges that some people in the NPO space are faced with.

However, upholding reflexivity meant that I maintained professional interest and approached the experiences and perspectives of the participants in an academic manner, without my personal life obscuring this. Through this, validity and reliability could be ensured.

### **3.10 DATA VERIFICATION**

Data verification is a process of confirmation, to enhance reliability and validity (Morse, Barrett, Mayan, Olson and Spiers, 2002). As a researcher, I ought to constantly move between research design and implementation, and confirm data consistently – to maintain congruence

in the research study. Data acquired were compared to find similarities. Similar data was considered relevant and analysed for discussion. This allowed for data verification. Data verification is achieved through methodological coherence, appropriate sample, concurrent collection and analysis of data, theoretical thinking and theory development (Morse *et al.*, 2002).

Lincoln and Guba (1985) describe the need to establish trustworthiness in qualitative research, which they define in terms of credibility, transferability, dependability and confirmability. Credibility refers to the alignment of the participants' views to the representation of them in the study. Transferability refers to the generalisability of the research study and the transfer of "thick descriptions" provided by the researcher, to other cases (Lincoln and Guba, 1985). Dependability is achieved when the researcher ensures that the research process is logical, traceable and clearly documented (Tobin and Begley, 2004). Lastly, confirmability is concerned with the way in which the researcher is able to demonstrate how interpretations of the findings have been reached. This is shown through the interrogation of theoretical, methodological and analytical decisions. This study used full, "thick descriptions" to substantiate and endorse the findings of the study and accurately conveyed the perceptions of the participants. Hence, by following these guidelines, I can show that this research study is trustworthy.

### **3.11 SUMMARY**

This chapter discussed the qualitative research design, the purposive non-probability sampling and the way in which the research method unfolded in regards to how data was collected, recorded, analysed and verified. Chapter 4 will examine the findings of the research study, highlighting the core themes that were uncovered.

## CHAPTER FOUR: FINDINGS

### 4.1 INTRODUCTION

The first three chapters of this dissertation provided an introduction to the study, a review of relevant literature and an explanation of the research design and methodology. Now, this chapter first outlines participant profiles, in a respondent profile table. It then provides a framework for the discussion of findings. Next, there is a critical discussion of the findings found in the interviewing process, focusing on what this means for the research study and with reference to the existing literature on the topic.

### 4.2 PARTICIPANT PROFILE TABLE

In order to contextualise their experiences, Table 1 presents the organisational profile of participants. This includes the position that the participant holds within the NPO, their period of employment, the area of service delivery that the NPO addresses, the year that the NPO started or was founded, the number of staff that the NPO employs and the NPOs annual expenditure. Due to confidentiality, the participants are not named. Instead, they will be referred to as ‘participant’ throughout this research report.

*Table 1: Participant Profile Table*

<u>Participant</u>	<u>Position in NPO</u>	<u>Period of Employment</u>	<u>Area of Service Delivery</u>	<u>Year NPO Started</u>	<u>No. of Staff in NPO</u>	<u>NPO Annual Expenditure</u>
1	Founding Director	3 Years	Gender Equality and Health	2018	0 employees	R80 000
2	Programme Director	5 Years	Early Childhood Education	2015	1 full-time employee	N/A
3	Executive Director	4 1/2 Years	Inclusive children’s books	2014	3 full-time employees	R3 300 000
4	Head of Operations	13 Years	Educational Support	2000	7 full-time, 7 part-time and fixed-term contract employees	R7 500 000
5	Founding Director	7 Years	Performing Arts	2013	0 employees	R76 000

6	Founding Director	16 Years	Education	2004	78 full-time employees	R25 000 000
7	Founder and CEO	7 Years	Human Rights and Social Justice	2013	8 full-time employees	R2 500 000
8	Manager of Corporate Social Responsibility	12 Years	Nutrition	2009	1 full-time employee	N/A
9	Co-founder, trustee, Public Relations and Programme Manager and Chairman	6 Years	Mental health and wellbeing; clinical and holistic therapy;	2014	2 full-time and 1 part-time employees	R632 964
10	Director (CEO)	18 Years	Education	Mid-1994	16 full-time and 5 part-time employees	R6 127 382
11	Founder	7 Years	Female Youth Empowerment	2014	1 part-time employee	N/A
12	CEO	2,5 Years	Early Childhood Development Training and Capacity Building	2015	4 full-time employees	R2 300 000
13	Programme Manager	5 Years	Youth Development	2015	4 full-time employees	R70 000
14	Founder	5 Years	Mental Health Awareness and Education	2015	0 full-time employees	R20 000
15	Executive Director	1 Year (and 12 Years as a Board Member)	Psycho-social Services and Skills Development	2002	7 full-time employees	R2 689 000
16	District Manager	2 Years	Education Management (After-school Support)	2003	65 full-time employees	R24 000 000
18	CEO	4 Years	Disability Sector	2016	0 employees	R40 000

18	CEO	8 Years	Education (Teacher Training)	2011	2 full-time employees	R1 040 000
19	Managing Director (CEO)	1 Year (and 4 Years as a Volunteer)	Youth Development	2009	N/A	N/A
<b>SAMPLE SIZE = 19</b>						

The sample size was 19 participants. For the purposes of this study, in the above table: (1) The participants period of employment is concluded in the year ending December 2020; (2) The NPO Annual Expenditure is a rough estimate provided by the participants and is a reflection of the organisations' expenditure of their most recent financial year, ending February 2020. While some of the NPOs are no longer in their start-up phase, each participant had experience in leading a start-up NPO.

#### 4.3 FRAMEWORK FOR DISCUSSION OF FINDINGS TABLE

In presenting the findings of this study, the table below sets out a framework for the analysis and discussion of the research study findings. The categories and subcategories are expanded upon, in the Discussion of Findings section.

*Table 2: Framework for Discussion of Findings*

<u>Themes</u>	<u>Categories</u>
Organisational leadership as a challenge	The challenge of a lack of organisational leadership from management
	Challenges faced by the leadership team
	The impact of the pressure to survive upon what the start-up NPOs identify as their strategic priorities
	Challenges in service delivery and monitoring the quality of services rendered
	The “growth challenge”
Financial sustainability as a challenge	The funding landscape
	The challenge of donor attraction
	The challenge of a lack of fundraising knowledge
	The challenge of donor relationships and power dynamics
	The influence of donor perceptions of start-up NPOs
	The impact of donor challenges on financial decision-making
The impact of confirmed or promised sources of funding before founding an NPO	

	The influence of immediate survival needs of start-up NPOs on long-term planning and influence sustainability
Resource management as a challenge	Challenges with physical resources
	Challenges with human resources
Factors that mitigate challenges and enhance the likelihood of success for start-up NPOs	The importance of leadership roles that promote success
	The importance of a support network
	The importance of partnerships, networking and collaboration
	The importance of strategies to prepare for foreseeable challenges
	The importance of measures to evaluate the success of the start-up NPO
	The importance of sourcing information, guidance and support
	The power of passion and energy

#### 4.4 DISCUSSION OF FINDINGS

This section explores the findings of the research study on the challenges that start-up NPOs face in South Africa, from the perspective and experiences of 19 participants who are instrumental in the start-up NPOs they are involved in. It discusses the participants' responses to questions regarding the key challenges that start-up NPOs face in terms of organisation leadership, resource management and financial sustainability, as well as factors that mitigate the challenges and enhance the likelihood of success for start-up NPOs. This discussion is in accordance with the framework for analysis as presented in the above section. Responses are presented according to experiences and perceptions that came to light in the interview process. This section provides an interpretation of the findings and discusses the relevance this knowledge presents to the NPO sector.

An important consideration to recognise is that while this section is broken up into sub-sections for sake of discussion, many (if not most) of the sub-sections are interrelated and interconnected. This is presented in the diagram below and ought to be kept in mind for a full understanding of the themes that this study addresses. The overlap in the Venn Diagram represents the way in which each section influences and is influenced by the next section. For example: If an NPO has poor organisational leadership, this can influence donor attraction. If the NPO is unsuccessful in securing donor relationships, financial sustainability may suffer. As a result, the NPO may not be able to cover the cost of staffing, that is needed to operate. Thus, the organisational leadership of the NPO may suffer.

**Diagram 2:** The Interconnectedness of Organisation Leadership, Resource Management and Financial Sustainability



#### ***4.4.1 Organisation leadership as a challenge***

Organisation leadership talks to the systems and structures in place to allow for the success of the organisation. This can present as a challenge for start-up NPOs, particularly if there is a lack of knowledge, experience and/or skill within the leadership team. The start-up NPO can fail if this challenge goes unaddressed.

##### **4.4.1.1 The challenge of a lack of organisational leadership from management**

Start-up NPOs will face tremendous challenges should there be a lack of organisation leadership from management. This can present itself as a lack of experience or knowledge in running a successful NPO, and/or a lack of leadership ability and strategic thinking. Participants expressed a concern for the lack of experience that management teams within the NPO sector have. Many of the founders of NPOs start the organisation because of the passion that they have to address a need within their community. However, this does not correlate with experience in running an NPO, nor knowledge as to how to run it. A lack of experience in and/or knowledge of the NPO environment and landscape can manifest in a multitude of ways, such as poor leadership and management structures, which is discussed later.

Many leaders within the NPO space have a lack of knowledge in running a successful NPO, as this is a specialized skill. Often those who have founded or run an NPO, do so due to a drive to meet a need of the community rather than due to having the required skill of knowledge. These leaders frequently come from different spheres of the working world, that are not directly complementary to the NPO space. Additionally, there is a lack of comprehensive education and assistance that the leaders have access to – as the Non-Profit space is historically neglected as a viable organisation for a successful career. This means that the leaders may not have the specialized skills or the knowledge it takes to be successful.

Leading on from that, participants expressed the way in which many NPO leaders do not know how systems within NPOs operate nor how to manage them:

*“Definitely not knowing how the system works. Not knowing ... Not knowing who you need to speak to, how you need to register, what documentation do you've got to have in place, what governance... So, documents you need. All of those things you really do need to have a thorough knowledge of that. [...] Those sorts of rules, regulations, structures need to be in place for an NGO, I think, to be successful.” (Participant 6)*

As Participant 6 says, NPOs need to meet legal regulations and registration, as well as set up systems to address governance, codes of conduct, financial requirements and human resources, amongst other organisation structures. Yet, many leaders of NPOs have very limited or no guidance as to how to access resources that outline these requirements or how to go about setting up systems to meet these criteria. Much of the information that government provides on how systems for Non-Profit Organisations ought to be established and maintained are vague, complicated and difficult to access. Should an NPO leader not have an organisation management background, this would become an even greater challenge for the organisation.

Concerning the necessity of knowledge on how to run a successful organisation, there is a need for the development of specialized skills needed as an NPO leader. This highlights a need for support in starting up an NPO. Without this support, leaders will not know how to successfully lead their NPO to achieve sustainability. This speaks to leadership – which will be discussed later in the section.

Furthermore, if a leader of an NPO lacks the knowledge and/or skill to successfully run an organisation, it is their prerogative to involve people with the relevant experience, knowledge and/or skills to assist them in achieving a sustainable model. They also have the responsibility to educate and equip themselves in order to be a leader that can drive success. The organisation will likely face a lack of leadership if this self-education is not a priority.

Leadership requires an exceptional set of skills – to assist the organisation to survive and thrive. This skill of being a leader is crucial to establish and maintain the sustainability of the organisation. Although the management of NPOs has the responsibility to lead the organisation, this does not mean that they necessarily have the leadership skills to successfully do so. This lack of leadership can be to the detriment of the organisation.

*“Well, the question was, “What is the main reason for NPOs failing?” and I said, “Lack of funds.” And he said, “No it's not that. It's lack of leadership.” because you can have lots of money but with poor leadership, it will be gone before you know what you did with it. But good leadership can plan for those bad days as well.” (Participant 5)*

*“Unfortunately, people that start NPOs... Are passionate about something or a problem that they want to solve. But they're not necessarily the best leaders in creating an organization that sustainably deals with the problem that they identify. [...] They fail to then create a proper organization and have a proper organizational structure that almost amplifies the message of just one individual. And I guess that's how a lot of the NPOs fail, because it's just that one person who was passionate but lacks on the organizational leadership.” (Participant 16)*

Moreover, there is generally a need for different types of leadership at different stages of organisation growth. This can either be achieved by a rotation of leaders within the organisation or through the adaption of the leader to the current needs of the NPO and its environment. Yet, this requires skill on the part of the NPO leader to recognise the needs and assess the style of leadership required, adapt to this, as well as set systems in place to ensure that this criterion is always met and evaluated. This speaks to knowledge and skill, which as discussed is not always the case.

Leadership systems and management structures allow for stability, continuity and accountability – which creates an organisation that donors are more likely to invest in. These structures ought to ensure good governance and drive strategic direction. It is ultimately up to leadership to ensure that this need for systems and structures is met.

*“Challenges would mean that your organization is not well structured. And that is frustrating because there is no uniform system that runs itself. So, they would never go on leave for a week, because this organization is literally in your head.” (Participant 19)*

As Participant 19 emphasises, by not having the systems in place, leaders are unable to appropriately share responsibilities while assuring quality procedures.

Leadership teams ought to be at the forefront of strategic thinking and planning. Strategic thinking includes facets such as needs analyses, gap analyses, succession analyses, planning for funding, risk management, analyses of environmental challenges, project management and critical path planning. However, with a lack of experience, knowledge and skill as outlined, leaders will struggle to fulfil this prerequisite. Not to mention, leaders often become so overwhelmed with the sheer volume of initial tasks involved in setting up the NPO, that they do not find the time to set aside for strategic planning.

Moreover, leaders need to anticipate growth and increase in demand, and adapt strategy to the new requirements this creates. However, it is difficult for leaders to envisage and predict the way in which the organisation will grow. Growth in NPOs can be influenced by a variety of external factors, which are unpredictable and difficult, if not impossible, e.g. the COVID-19 pandemic, to foresee. Thus, leaders need to be able to construct comprehensive and holistic strategies, while allowing flexibility and adaptability. The ability to do so is influenced by the leader’s experience, knowledge and skills – which, as already discussed, may not be up to par. This is further explored in Section 4.4.1.5.

Lastly, the vision of the founder is sometimes in conflict with the day-to-day operations of the organisation. Founders of NPOs often introduce creative and innovative solutions to challenges within the community in which they operate. They see the need for a particular service or programme and they rise to meet this need. They are drivers of innovation and the visionaries of the organisation. However, this visionary quality is often hard to connect with the skills of

managing and operating an NPO, with dissonance between the reality on the ground and the founder's grand vision. While the 'dream' is undoubtedly necessary to drive the organisation, it is vital to also meet the requirements of day-to-day operations. If the founder is unable to do this themselves, it is paramount for them to surround themselves with other leaders or managers who are suited to ensuring that the operations run successfully and are meeting the goals of the 'grand vision'.

#### 4.4.1.2 Challenges faced by the leader or leadership team

NPO leaders require a strong support base for them to successfully tackle organisation challenges. This means that the NPO leaders need to find people that will support their success and also help them through the tough times. Oftentimes, NPO leaders feel as if they have a 'lonely' role, in which they have no strong support base. This presents a challenge as all of the roles and responsibilities rest solely on them.

*“One of the things that's really hard is that I think in general, as a leader, you can't really talk to anybody else. There isn't really anyone else to talk to about the things that you're feeling challenged with. [...] There [are] certain things that you can't talk about within your team. There are certain things that you can talk about to your board members.”*  
(Participant 12)

Following from the above, NPO leaders need to create a network of support around them. One such network is a board of directors, that can assist them with strategic direction and advice. An NPO should have a board of directors that supports the leader in overcoming challenges and striving towards success. The NPO founder ought to be strategic in terms of appointing board members, that are connected to the space and vision of the NPO. The board of directors ought to be knowledgeable of the field and in how to run a successful organisation, to provide the leader with expert advice. Their skill set ought to cover all facets of the NPO. However, sometimes, the direction of the members of the board of directors are in conflict with the vision and mission of the NPO, or they may have ulterior motives for adopting that position. This could result in the NPO drifting away from its vision or may leave the NPO leader without a strong support base to draw upon.

With a lack of a support network, NPO leaders can face extreme personal pressure. In particular, participants spoke about compassion fatigue and its impact on mental health. Within the NPO sector, leaders are faced with the daunting task of addressing the social ills of the country. This can take a toll on their mental health and cause damage to their personal wellbeing.

*“So, I think that would be the biggest challenge, is that type of fatigue that you enter into. [...] For lack of better word, 'depression.' Because you cannot solve the problems of the community in which you work. And the feeling of, "It will never be enough."” (Participant 8)*

This personal burden that NPO leaders face raises the need for a support network that can ease their burden and support them through times of distress. This is explored in Section 4.4.4.2.

#### 4.4.1.3 The impact of the pressure to survive upon what the start-up NPOs identify as their strategic priorities

NPOs face enormous challenges in their quest to survive. They especially feel the pressure to survive, in reaction to the history of other NPOs failing, as well as their responsibility to beneficiaries. This places pressure on the NPO and, as a result, can impact their strategic priorities. One repercussion is mission drift, which is the repositioning of the organisation to meet other needs that they have not identified as their core goals. In other words, the organisation shifts its priorities in order to survive.

*“The default mindset has been, "How do you make sure that the organization stays in existence?" [...] It's a survival thing at the end of the day.” (Participant 16)*

*“The need to survive can really overtake everything else. And then things get put on the backburner. And that could also be not great because then it kind of sets you back a bit, you know.” (Participant 13)*

Not only does the pressure of survival cause a shift in priorities, but it also impacts the ability of the NPO leader to think strategically. For this reason, NPO leaders need to take the time – despite the pressure to survive – to review their plans and priorities and take the necessary measures to adapt them to their current circumstances.

#### 4.4.1.4 Challenges in service delivery and monitoring the quality of services rendered

NPOs face numerous challenges in terms of service delivery. The first is the impact of lack of funding. Should the NPO not receive sufficient funding, this will result in them being unable to provide a service for their beneficiaries, or increase scale and impact, due to a lack of money and capacity at the NPO.

The NPO's own suppliers will have an impact on their service delivery. Some suppliers do not take start-up NPOs seriously, as they are small players in the industry and do not have the numbers or the “*economic clout*” (Participant 11). This can impact the start-up NPO's service delivery as well as their donor relationships – if the donors see that the NPO is not delivering a sufficient quality of service. Hence, it is important to secure quality suppliers and set up systems of monitoring and evaluation of their service, to ensure excellence.

Also, there can arise challenges in terms of the impact of key role players within a community. This ranges from government to community members.

*“You know, where you have key role players that sort of fit into your network. And then key role players don't come on board... So, say maybe government is a key part of your service delivery and they don't come aboard so that can prohibit you from delivering a service.”*  
(Participant 13)

Lastly, community challenges can impact the service delivery of the NPO as well. This is evident in the following case:

*“I think the community challenges are quite a big concern. [...] And there are days that we can't implement any programs because there is a protest, the community is shut, there's unrest... I remember 2018, we had to pull out of Laden. [...] It was extremely risky. So, we couldn't continue delivering our service in such an environment. So, we had to pull out and propose for safety type of NPOs to go there, because it was not going to work.”* (Participant 16)

In assessing service delivery, it is vital to monitor and evaluate the quality of services provided. However, leaders face inordinate challenges in meeting this need. The first challenge is a lack of proof of impact. NPOs need to be able to demonstrate the impact of their service delivery

on the beneficiaries. If an NPO is unable to show proof of impact, this will influence investment by external stakeholders in the vision of the organisation. Following this, the second challenge is the lack of formal documentation on theory of change, for donors and continuity. Donors require formal documentation of outputs that show the impact of the organisation.

*“That's very important because often we make claims about our interventions that are so difficult to prove. We observe and we can see the change and the difference we make. But often donors want you to demonstrate it and they come up with notions of theory of change.” (Participant 15)*

Yet, many NPOs face difficulties in providing this as a result of capacity and skill restraints.

The third challenge is a lack of demonstratable results in a limited time frame. Most donors want to see immediate evidence of impact. NPOs that are committed to long-term, sustainable change are faced with difficulties in presenting this in their monitoring and evaluation.

*“Most of [our donors] are still one-year funding, which makes it very hard because that means at the end of one year, I need to produce things that are good enough to sound very impressive and to be very impressive. So that this funder would fund me for one more year. [...] But a lot of the work that we do is about behaviour change. It's about systems change, and those things don't happen within one year. It's a longer-term goal than that.” (Participant 12)*

The fourth challenge is monitoring and evaluation resulting, as there is a lack of quality checks for NPOs. While many spheres of for-profit business have universal measures of quality, the NPO sphere does not. This results in many NPOs not having a uniform monitoring and evaluation system in place. NPOs will also face a challenge in translating the subjective experience into measurables. Without set metrics, NPOs are faced with a challenge in monitoring and evaluating against goals and objectives.

*“So, you can't achieve your outcomes, if you aren't setting objectives, and then tracking them. [...] If you aren't setting yourself metrics, you can't monitor your achievement or progress as an organization. And you definitely then can't improve or address the shortcoming.” (Participant 11)*

The fifth challenge for NPOs is the lack of time and capacity for monitoring and evaluation. With time and capacity constraints, NPOs are forced to prioritise their service delivery to the detriment of monitoring and evaluation. On top of that, NPOs are faced with a challenge in terms of the cost of an experienced team that is capable of performing monitoring and evaluation. There are associated costs and challenges of this specialised skill – especially when involving external evaluators or consultants.

*“There was a trade-off between, “Do you spend all your budget measuring that? Do you halve your project to measure it with half the money?”” (Participant 18)*

*“You can employ companies out there to develop a monitoring and evaluation tool but that costs a lot of money. And as a start-up NGO you don't have that kind of money. And you prioritise your money in other areas.” (Participant 9)*

#### 4.4.1.5 The “growth challenge”

A caveat to this discussion on organisation challenges is that often organisation challenges are not always visible in the start-up phase. Rather, as the organisation grows, the challenges become more evident or more problematic.

*“I think organization leadership isn't a problem... When you start up. It becomes a problem when you want to create a lasting organization.” (Participant 11)*

*“What normally happens, you've got very passionate founders and they're specialist in their field. They offer a service. The service is well received. Demand increase for the service, increase. Then they grow, appoint more people and then it plateaus for a while. And then the funding issues, becomes sort of a problem... [...] As the organization grows, the complexity grows.” (Participant 15)*

This illustrates that NPO leaders may face further challenges later on, that they did not foresee or anticipate and for which they may not be equipped to combat.

On the other hand, growth and scale-up is often important for the sustainability and success of the NPO. Without growth, the start-up NPO will face stagnation as well as funding challenges with donors looking for advancement that the NPO is not providing.

*“The growth challenge is always a question, which is really very a chicken and egg situation. Where and how? I can't grow if I don't have the money, and I can't get the money because I haven't grown. [...] So, there's this like super dependence on growth. I mean, on*

*funding for growth. And you can plan for it, you can budget for it, you can ask for it, but it's not going to happen unless the money comes in.” (Participant 12)*

For this particular reason, some of the participants encouraged cautious growth, with leaders considering both strategic planning as well as the risks that may arise. Participants acknowledged that growth requires greater resources and stronger leadership. In particular, to scale up, start-up NPOs need greater financial resources and strong organisational systems and structures.

#### ***4.4.2 Financial sustainability as a challenge***

Financial sustainability presents a challenge for most start-up NPOs. It is a critical success factor, as a lack of financial sustainability will result in the NPO being unable to survive. This is largely influenced by donors and the funding landscape.

##### **4.4.2.1 The funding landscape**

NPOs need to have access to a steady flow of funds in order to be financially sustainable and continue to provide their programmes. In this, NPOs are largely dependent on funding and resources from external donors. Consequently, leaders need to navigate the funding landscape and the challenges it entails.

Attracting funding is linked to the state of the economy, as well as the interest of the public and external stakeholders in investing in the NPO. Government funding which is intended to support the non-profit sphere is almost impossible for start-up NPOs to access. This means that start-up NPOs are primarily reliant on corporate, foundations, trusts and individual donors. If the nation is experiencing low levels of economic development as is the case in South Africa, the NPO will suffer as a result of donors having fewer financial resources to invest.

A massive challenge for start-up NPOs is competing with more established and well-known NPOs for funding and resources. Donors prefer larger organisations as they have a demonstrable track record, larger reach and a greater impact on the beneficiaries. This preference means that start-up NPOs are often not given the opportunity to prove themselves as effective players in this space.

*“But what I think what makes me quite frustrated about the start-up space and the funding in the non-profit industry especially in South Africa is that the big fish are always getting the money and they keep getting the money [...] Where your start-up organisation in the landscape, you're no one. And people don't trust you and you've got to prove yourself. And that's I think a struggle when the voices that are being heard are the big players.”*  
(Participant 1)

*“So well-known, well-funded organizations get funding more easily than not well-known funding organizations. [...] They like to see that their money is not going to go to waste. That your organization is not going to shut down. After we've given you funding for it. And it makes sense. Because we don't want to waste funding, but it hinders growth, and it creates monopolies within the sector.”* (Participant 12)

Moreover, NPOs face challenges in terms of the influence of funding priorities and the impact of change in focus. This occurs when donors shift their focus from one sector to another, which results in a change in direction of their funding. An example of this can be seen in the current context of South Africa, where funding has been concentrated on NPOs that have been tackling the COVID-19 pandemic, and away from NPOs that have not.

*“External challenges could have to do with the fact that the industry is changing. And you find that the challenge that you're trying to solve, is not relevant. [...] So being relevant to the prioritized societal issues is also a challenge.”* (Participant 19)

#### 4.4.2.2 The challenge of donor attraction

Start-up NPOs face many challenges in terms of donor attraction. Firstly, in the start-up phase, NPOs may lack the necessary registration, Section-18A approval and PBO certificate to attract potential donors. Having those registrations in place allows for persuades donors to view the organisation as credible, as well as motivates them to donate in order to access tax benefits. However, this process can be incredibly long which delays those NPOs without the required registration, in attracting donors.

Secondly, start-up NPOs face limitations caused by a lack of brand awareness and a lack of relationships with potential donors. Donors tend to fund NPOs that they know about or are

connected to. As they are new to the NPO world, start-up NPOs often lack this network or brand recognition.

*“The way that your brand is represented, has a big impact on the donor. Because the donor doesn't want to be sponsoring someone whose organization isn't looking up to standards [...] So I think another challenge is to have this really beautiful looking and beautifully represented organization. So, donors are more likely to want to sponsor your organization. [...] A really good one for success is your relationships you have with people. Being a start-up organization, not many people know who you are. To get your name out there is such a valuable thing.” (Participant 14)*

NPOs need to draw upon and build a network, that can connect them with potential donors. In network-building, NPOs ought to utilise word-of-mouth to their advantage and capitalise on exposure or endorsements, to attract potential donors. However, as the start-up NPO is new, they might not have the network necessary for exposure and to attract potential donors.

*“So, the challenge there is not being with the right network, not having or not knowing the right people and not being in the right circles. [...] Funders work with familiar organizations. So, when you're starting up, you might have not built relationships that can continually guarantee you financial resources or income.” (Participant 19)*

#### 4.4.2.3 The challenge of a lack of fundraising knowledge

There is a necessity for specialised skills when attempting fundraising and to attract funding. These skills include networking, establishing or maintaining donor relations, marketing, branding, proposal writing and developing a fundraising strategy. However, NPOs that have a lack of knowledge and experience in this, as well as time and capacity constraints, will face limitations in this regard.

*“Then the biggest challenge is having a fundraising strategy and having actually employees that are focused on fundraising for the organization, because it's really the lifeblood of any NPO. [...] There's always funding somewhere, but it's about looking at what, "How do I connect to it? How do you get to it?"” (Participant 16)*

A skill that is critical to the success of the start-up NPO is knowing how to approach potential donors and position the NPO for investment. This links to value proposition, brand awareness

and public perception of the NPO. NPOs ought to align themselves to Corporate Social Investment themes of corporates, that correlate with donor intentions as this will attract specific donors to their organisation. However, should the start-up NPO not know what donors are looking for, they will be faced with the issue of presenting themselves to these donors.

Similarly, NPO leaders need to nurture donor relations, to keep them on board and encourage continued support. This includes keeping donors up-to-date, informing them of what is going on within the organisation, expressing appreciation for their support and providing them with all the information they need to establish trust and continue supporting the organisation. Should they not know how to connect with the donor, the start-up NPO will face difficulties in maintaining repeat donors.

Lastly, one of the skills critical in fundraising is knowing how to showcase good financial management and efficient programme implementation to donors. Donors want to see “*value for money*” (Participant 19) from your organisation. Many of the participants emphasised the importance of good bookkeeping and audited financial statements, in order to reassure donors that their money is being used correctly and effectively. However, as discussed in Section 4.4.1.1, NPO leaders may not have the knowledge or experience to do so.

#### 4.4.2.4 The challenge of donor relationships and power dynamics

The main challenge of relationships with donors is the power dynamics between the donor and the start-up NPO. Donors hold much sway over the NPO and its operations, as they hold control through the financial support that they offer. NPO leaders are faced with the challenge of balancing donor requirements, the organisation’s priorities and the beneficiary needs. If the start-up NPO does not have systems in place to reinforce its strategic direction, this can present as a challenge for the NPO.

*“Because some donors, they had this ownership mentality of a project or when they support a project. Like you have to do it in a certain way because it's their money kind of thing. [...] They become micromanagers of your project because they are supporting the project financially.” (Participant 5)*

*“And you've got the other side of the spectrum where a funder is, "I've given you my money. This is what I want to see. This is what I want done. Finish and clear." And there is no in*

*between, which is a complicated thing. [...] So, some funders really understand context or they are willing to understand context and work with an NPO in terms of that. And then some are really rigid, which is very difficult and complicated.” (Participant 16)*

Following from this, another challenge is that donors tend to give designated funding, in which NPOs have little say as to where the money is allocated. This undermines the authority of the NPO and could limit their potential impact.

Many donors refuse to fund organisation overheads or salaries, insisting on only funding direct programme or project costs. This causes organisation and administrative challenges for NPOs. Administration costs and salaries are commonly the primary cost of NPOs, as people are at the core of ensuring the operational continuity of the organisation and the implementation of projects. Not ensuring that these costs are covered is *“a very warped and, in my opinion, completely disconnected view of what NGOs go through and actually need”* (Participant 7). This can result in human resource challenges (which will be explored in Section 4.4.3.2).

Another challenge with donors is a lack of commitment to long-term funding. Many donors refuse to commit to multi-year funding, which places limitations on the capacity of NPOs and introduces pressures to produce results within a restricted time frame, usually one year. This challenge hampers the organisation’s ability to have long-term planning in place and to maintain strategic direction.

Lastly, a great challenge for start-up NPOs is the expense of meeting donor requirements. Often to access funding, NPOs need to have various requirements in place, such as NPO registration and audited financial statements. However, these factors come at a cost to the start-up NPO, which they may not be able to afford in the early stages.

#### 4.4.2.5 The influence of donor perceptions of start-up NPOs

Donors have general perceptions of start-up NPOs that influence their interactions and willingness to support these star-ups. In this study, I asked participants what they believed donor perceptions to be.

The first donor perception explored is that of start-up NPOs being incompetent, “*weak*” (Participant 19) and unable to perform effectively.

*“I think a lot of people don't trust start-up NPOs [...] There's a perception that NGOs always need help from people and they just don't know what they're actually doing. [...] I think there's a lot of stigma against something that's new. It immediately comes with the assumption that people are not experienced and they don't know what they doing. [...] But there's this weird thing where people believe that start-up means that no one there has any experience.” (Participant 7)*

On top of this, donors generally believe start-up NPOs to be high risk, due to lack of track record and lack of established relationships. This perception is reinforced by a few NPOs especially in the past, not being good at managing finances or having a good reputation. Additionally, many start-up NPOs do fail early on, so donors do not want to “*waste an investment*” (Participant 18), particularly as “*policy doesn't translate to action*” (Participant 17). Therefore, there is a degree of mistrust that comes with being a start-up NPO, which causes donors to be cautious in their funding.

Donor perceptions influence start-up NPOs receiving funding in several ways. Firstly, it is harder for start-up NPOs to receive money and support from donors. This is particularly apposite during times of economic distress, which can be seen now in South Africa during the COVID-19 pandemic. Donor perceptions can also influence start-up NPOs in terms of funding, in that start-up NPOs are more likely to receive smaller donations. Often only once the start-up NPO has established long-term trust with the donor, will there be a possibility of the donor being ready to increase funding. This presents a financial sustainability challenge, as start-up NPOs may be unable to cover their expenses with only small amounts of financial support.

As start-up NPOs are perceived as higher risk, many donors implement a three-year threshold in which NPOs must be able to demonstrate a track record before garnering funding, including clean financial audits, financial statements, appropriate monitoring and evaluation procedures, and internal checks. Although the three-year threshold has some relevance, in combatting the high degree of risk associated with start-up NPOs, it creates a challenge for start-up NPOs that do not yet have it and therefore cannot access the funding needed to survive.

Donor perceptions can present as a challenge to NPO financial sustainability. Therefore, there ought to be a movement to change perception to one that recognises the innovation of start-up NPOs and supports them in their progression. This viewpoint calls for donors to commend the value proposition of start-up NPOs and what is needed from them to be successful in their start-up phase.

*“I think it's changing. [...] But I also think the landscape needs to be open to new innovations and new ways of thinking.” (Participant 1)*

*“Some donors understand that you're building and they're there to support you and hold your hand throughout the way. [...] So, you'd find those that understand what a start-up is and what challenges start-ups go through. And they make themselves available to support that process.” (Participant 19)*

Subsequently, start-up NPOs ought to be acknowledged as the drivers of creativity and innovation, and thus should receive appropriate funding to support systemic change. By revolutionising the perception of start-up NPOs, one can begin to appreciate their critical role in “*designing new solutions*” and bringing about “*global change*” (Participant 15).

#### 4.4.2.6 The impact of donor challenges on financial decision-making

Donor challenges have an impact on the financial decision-making of the start-up NPO. Firstly, these challenges influence decisions in terms of the scope and reach of projects. In order to carry out large-scale projects, NPOs need to have substantial funding. However, as this is often not the case as described in the previous section, NPOs have to reduce the scope and reach of projects to maintain financial sustainability.

Donor challenges can also result in mission drift, with start-up NPOs altering strategy to meet donor requirements. This challenge can hinder achieving the vision of the organisation.

*“If you can't find money for what it is that you do want to do, then people tend to take on what there is money for. Which isn't necessarily what you wanted to do in the beginning, but these are just the realities of how things go. [...] Well, it just means that you might drift away from your original mission.” (Participant 10)*

*“So, if you don't have a strong vision and a strong strategy in place, you might end up signing up for doing things just for the sake of getting some money into the organization.”*

*[...] But basically, if you don't really sway with them, then you're probably not going to get the funding because that's what they would be interested in.” (Participant 12)*

Some participants suggested that, in order to solve this, they ‘finesse’ their strategic priorities in funding proposals. While this may be a solution for some, NPOs need to ensure that projects still align with their primary vision and their mandate, as well as assure that they are not misleading potential donors or that there is mission drift.

#### 4.4.2.7 The impact of confirmed or promised sources of funding before founding an NPO

The question, “Does having a confirmed or promised source of funding before founding an NPO, influence success?” resulted in diverse answers from the participants. The straightforward answer was that it does. Initial backing of an NPO allows the leaders to focus on strategic direction, sustainability and operations as opposed to being overburdened with financial worries and constraints.

Be that as it may, some participants saw limitations to confirmed or promised sources of funding. Sometimes funding can be tied to donor requirements that are in conflict with the vision of the organisation, leading to mission drift as described in the previous section. Another limitation or caveat is that funding is rarely ever fully guaranteed. Funders can withdraw their funding at any time, due to reasons such as a shift in funding priorities or their own financial distress.

Some participants stressed that, although confirmed or promised funding is beneficial, it is not the primary factor for success. Rather success is reliant on efficient and effective organisation leadership and financial sustainability.

*“So, I do think it can but I don't think guarantees success. I think your projects stand for themselves as well. And if nothing's happening with those projects, you can have the funding, but if it's not making a difference, [...] So I don't think it guarantees it but I do think it can help with influencing it's success.” (Participant 17)*

Success requires more than just funding. It requires successful projects, quality service delivery, strategic thinking and leadership skills, among many other factors.

#### 4.4.2.8 The influence of immediate survival needs of start-up NPOs on long-term planning and influence sustainability

Generally, when NPOs are faced with urgent needs, it becomes a priority that outweighs long-term planning and sustainability. This is as a result of instability that forces the NPO to be focused primarily on survival, as opposed to planning for enduring sustainability.

*“But like I said, it's very much for many start-ups... It's very tunnel vision. It's just focusing on the micro because you really just have to get to the next day, kind of thing. To survive.”*  
(Participant 15)

*“They can compromise their strategic intent. They will be very tempted to go for a quick fix that pays the bills. [...] So, I think it's an ongoing, dynamic tension. Of the short term versus the long term. [...] And if you between surviving or compromising... You might have to make some compromise. The difficulty with that is obviously you can get completely derailed and never get back to what you really want to do, or what would you ought to be doing.”* (Participant 18)

As described above, the focus on immediate survival needs will impact future planning to sustain the NPO in the long run. Many NPOs experience mission drift, as they alter their priorities to adapt to change in focus from funders, to survive. An example of this is the way in which the COVID-19 pandemic has forced NPOs into ‘survival-mode’, where they have abandoned previous priorities to purely exist. This is primarily due to the volatility and ambiguity that the NPO sector is facing during this time. This mission drift means that NPOs compromise on their important programmes and projects to meet short-term survival requirements.

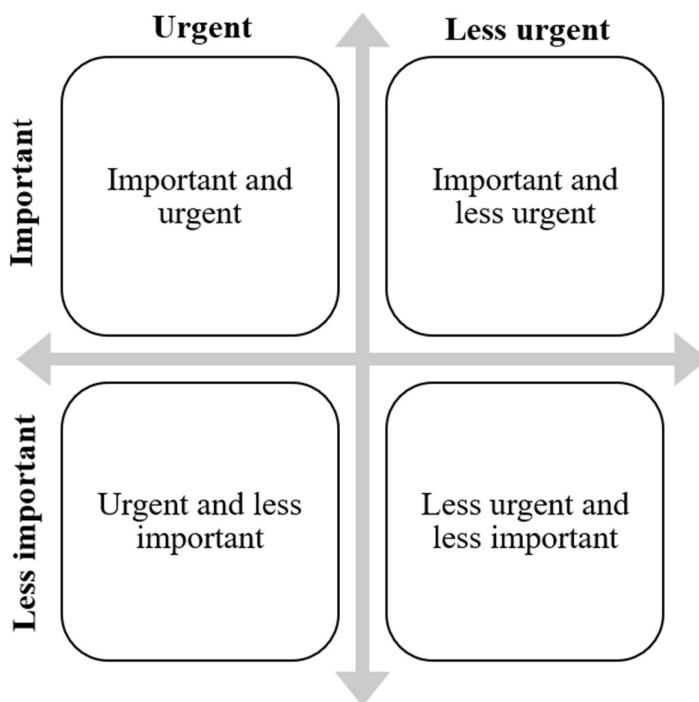
However, there needs to be a balancing process in which NPOs look further than simply surviving and plan for long-term sustainability.

*“But I think realistically speaking, what happens in NGO space is there's a lot of panic. And there's a lot of, “It must get done now.” And so, when you receive funding and tend to get spent very quickly, on things that are important right now. As opposed to things that are important, that might not need to happen right now. So, I don't know if you know the 'urgent versus important' quadrant. That metric in terms of how to look at work. But you have urgent high and low on the one side, and important high and low, on the other side.*

*And something can be urgent but not important. Or it can be important but not urgent. And I think a lot of charities tend to focus on the urgent instead of the important. [...] Immediate survival needs always trump long term goals.” (Participant 11)*

As Participant 11 stated, NPO leaders need to draw upon the ‘urgent versus important’ quadrant. This description refers to the Eisenhower Matrix, which helps leaders to prioritise tasks by urgency and importance (Eisenhower, 2020). This matrix is represented by Diagram 3 below:

**Diagram 3:** The Eisenhower Matrix (Eisenhower, 2020)



The Eisenhower Matrix is broken up into quadrants: (1) Important and urgent; (2) Important and less urgent; (3) Urgent and less important; and (4) Less urgent and less important. According to this Matrix, important and urgent tasks ought to be completed first. Next, important and less urgent tasks should be scheduled. Thirdly, urgent and less important tasks should be delegated to others. And lastly, less urgent and less important tasks should be done last, if at all. The Eisenhower Matrix is useful in understanding how and when to tackle urgent needs and strategic priorities.

In steering the long-term planning of the organisation, NPO leaders need to manage their expectation of the organisation and its needs, as well as have a strategy in place for survival. This requires research and planning on the part of the leader.

#### ***4.4.3 Resource management as a challenge***

Start-up NPOs face considerable challenges in terms of resource management. These challenges can be segmented into challenges with physical resources and challenges with human resources.

##### **4.4.3.1 Challenges with physical resources**

NPO leaders need to have the appropriate skills to manage their physical resources. This resource management is context-specific and needs to be tailored to the space in which the NPO operates. When one speaks about resource management, one speaks about organisation systems and controls such as bookkeeping, financial controls and tracking of all expenditures, that are vital to ensuring that resources are appropriately used and maximised. It also extends to not exploiting the resources that the organisation has available and ensuring transparency and accountability within the organisation. To achieve this, the leadership of the NPO ought to have certain skills in resource management. However, NPO leaders may lack the knowledge, experience and skill needed to manage and maximise physical resources as discussed in Section 4.4.1.1.

A challenge for a large portion of NPOs is limited access to resources and a lack of knowledge of how to obtain them. Should an NPO not be able to do this or know how to, they will be faced with a challenge. Limited access to resources results in NPOs that are unable to carry out their vision or implement any substantial projects. This is a particular challenge for NPOs in rural areas and underprivileged communities. Participants identified technology as the primary resource that impedes these NPOs. This is an inordinate socio-economic challenge for a large number of South African communities. Without appropriate assistance by government and fellow NPOs, this challenge will most likely persist.

#### 4.4.3.2 Challenges with human resources

Human resources can be a tremendous challenge for start-up NPOs. NPO leaders need to manage aspects of staffing, different departments within the organisation, performance management, employee satisfaction and motivation, and cost of employees.

Firstly, there can be a large amount of role ambiguity during the start-up phase. This is causing by employees having to take on many roles in the beginning, as well as an overlap in roles and responsibilities. Moreover, NPO leaders often face difficulties in the handover of roles and responsibilities, as they fear that delegation will result in a lack of control or in the failure of the NPO. In order to survive and grow, leaders need to learn how to delegate and trust their colleagues to perform in their roles.

*“When the founder finds it very difficult to relinquish control. [...] But you actually as an NPO leader when you do have a start-up you can't do everything! It's not physically possible.” (Participant 6)*

*“I had this idea in my head that only I knew what I wanted to achieve at the end. [...] I drove too hard on what I wanted to achieve for the project instead of letting other people have input. And being able to consult widely and have a collaborative approach has definitely been a learning curve for me.” (Participant 11)*

*“I've learnt so much in the last couple years of, if you lead next to and not by pulling in front... What your colleagues can actually come up with, is something better than what you had envisioned or thought of.” (Participant 9)*

In the comment above, Participant 9 highlights the need to appreciate the value that employees bring to the organisation. Furthermore, if an NPO leader can delegate to more people in the management team, this can spread responsibilities and lighten the workload.

The second challenge with human resources is that NPOs are faced with the cost of salaries without adequate financial resources. To employ skilled people, the organisation needs to offer an appropriate salary. Yet, NPOs in the start-up phase generally lack sufficient funding and donors are often unwilling to fund salaries as explored in Section 4.4.2.4. This unwillingness to fund salaries stems from a misconception around salaries within the NPO sector. There is

problematic, historical discourse that suggests that people working in the NPO space should not be earning a market-related salary merely because it is their passion.

As donors are unwilling to fund salaries, often staff members are forced to be reliant on alternative streams of income, to support their employment within an NPO. However, insisting that employees have alternative streams of income comes with a myriad of challenges. Firstly, many people are unwilling to accept a job that cannot financially sustain them. Secondly, these substitute occupations diminish the employees' focus on the NPO.

*“I can't just quit my job to make Organisation 1 be sustainable and I can't also drive Organisation 1's growth without taking myself away from my job. So, it's that kind of Catch 22 of we need funding and I need funding to pay myself but I can't get to that point because I need to pay for myself in other ways.” (Participant 1)*

*“But what happens: it takes away from my focus and my work on the NPO. [...] Because I'm trying to keep it alive but at the same time, I need to earn a living. [...] And it takes away your focus. It takes away your energy.” (Participant 2)*

This lack of funding for salaries creates tension between finances available and the quality and/or experience of the person the NPO is able to afford.

*“I think that that constant tension between finances available and quality or experience of the person that you can afford to pay to lead the organisation, is a huge challenge. [...] Again, balancing paying well versus what you can afford, is a challenge. You don't want to underpay people. Then you're not going to get the quality of person you want to be on your side.” (Participant 3)*

*“You really can't afford the top talent. Because top talent is expensive, and you probably don't have the budget to do that. If then you tone down and find not necessarily the best talent that you can afford, they might not be able to deliver at the same level that you want them to deliver. So, there's that trade-off that you've got to try and balance out.” (Participant 16)*

Thus, as salaries are generally linked to the quality of performance the NPO leader can expect from employees, NPO service delivery can suffer as a result of a lack of financial resources available for salaries. This is a challenge that NPOs are faced with and are needing to find ways

to overcome. Participants suggest waiting for sufficient funds before employing, to ensure quality employees. Another obvious way to tackle this is to increase funding which is often difficult as expanded upon in Section 4.4.2. Another way is to invest in staff development, in which the NPO employs people that they see have potential and upskill them to meet the needs of the NPO.

Moreover, NPO leaders have a responsibility to their staff members to provide continuity and stability. This commitment to employment ought to stand regardless of changes in funding. Therefore, NPO leaders ought to ensure that the financial situation of the organisation can accommodate the longevity of employment contracts, regardless of changes in funding. If the NPO is unable to provide employees with promised continuity and stability, employees may look elsewhere for this. Staff turnover can be amplified if the NPO is not paying the employee a market-related salary. The result of staff turnover can be detrimental to the organisation, as it impacts aspects such as partnerships, donor relationships and institutional memory.

#### ***4.4.4 Factors that mitigate challenges and enhance the likelihood of success for start-up NPOs***

NPOs are faced with a myriad of challenges in their start-up phase, that can influence their likelihood of success or failure. Hence, it is of the utmost importance that NPO leaders understand factors that can mitigate these challenges and enhance the likelihood of success for start-up NPOs.

##### **4.4.4.1 The importance of leadership roles that promote success**

NPO leaders have to adopt a variety of roles to ensure that the organisation runs efficiently and successfully. The role that the leader adopts can alter the trajectory of the organisation, impacting its survival and/or success. The first role is a ‘jack-of-all-trades’. Merriam-Webster (2021) defines someone who is a ‘jack-of-all-trades’ as someone who is versatile and handy, who has many skills and who does many tasks. Being a ‘jack-of-all-trades’ allows the leader to be aware of and in touch with all facets of the organisation, the challenges that arise and how they need to be addressed. To add, this role of being a ‘jack-of-all-trades’ is tied to “*wearing different hats*” (Participant 9). This is linked to the De Bono Thinking Hats, which encompasses different thinking styles regarding processes, facts, feelings or intuition, optimism, creativity,

judgement and caution (The De Bono Group, 2020). These thinking skills as well as the roles and responsibilities that the leader assumes are vital for ensuring the success of the NPO.

Oftentimes, the reason that the leader has to adapt to so many roles, is because they are the only employee of the NPO in its start-up phase, as they cannot afford to employ anybody else. This lack of support in meeting the needs of these roles can result in NPO leaders feeling like a “*one-man-band*” (Participant 2), as they have to take on everything by themselves. To attend to this challenge, leaders ought to lean on a support network, which is explored in the next section.

Successful NPO leaders generally take on tasks beyond their job description and “*get their hands dirty*” (Participant 4) to promote employee motivation and be a role model for others to follow. This attitude has a knock-on effect on employees and their attitude to taking on added responsibility. The way in which leaders are able to motivate employees and encourage them to mirror the values of the organisation, has an immense imprint on productivity and organisation culture. It creates the foundation for the culture at the organisation, that entrenches their ethos and core values.

NPO leaders need to drive the vision, mission and “*big picture*” (Participant 2) of the organisation, to ensure the smooth operations and success of the overall vision. When driving the vision of the organisation, the leader is responsible for strategic direction, safeguarding the longevity of the organisation and ensuring adaptability to context-specific challenges that the organisation may face. The leader is ultimately accountable for the success of the organisation and taking the organisation to the next level, in terms of growth and sustainability. This is a central role that any NPO leader ought to assume.

#### 4.4.4.2 The importance of a support network

A support network is essential as without it an NPO leader can feel alone, overwhelmed with challenges and face additional challenges as explored in Section 4.4.1.2. NPO leaders face a host of challenges and have to overcome great adversities. To successfully do so, they need to surround themselves with a support network that can help them achieve their goals. This factor for success was expressed by all the participants. An example is Participant 3 who said:

*“I think if you've got this kind of wheelhouse or artillery... [...]. But of people to refer to and that will back you up, whether its funding or knowledge or references or just a good testimonial here and there. You really want people to support you.”*

This support can be both internal and external to the organisation. External support can be from friends, family, donors, other organisations and members of the public who support the vision of the NPO. Internal support includes a supportive team and board of directors. NPO leaders need to create a loyal, and supportive team within the organisation, that can strengthen their resilience as an organisation. This team needs to be aligned with the mission of the organisation and drive the success of the organisation. To create such a team, the NPO leader needs to maintain an environment in which employees are motivated, productive and in “*an inspired frame of mind*” (Participant 16). Additionally, it is important to ensure that the team has a diverse and complementary skill set, for them to sufficiently support the leader and for success to be possible.

#### 4.4.4.3 The importance of partnerships, networking and collaboration

Within the NPO sphere, organisations ought to connect with others in partnerships, networking and collaboration. NPOs that work in ‘silos’ limit the organisation, as they are not able to reap the benefits that collaboration has to offer. While it is often difficult for NPOs to dedicate time and energy to it, doing so holds a number of advantages for the organisation in the long run. Developing strategic partnerships through networking and promoting collaboration, can strengthen the resilience and resources of an NPO. Therefore, NPO leaders ought to seek and promote these partnerships and collaboration as much as possible.

NPOs need to establish partnerships with the beneficiary community, engaging with local key members and creating working relationships. This relationship should be one in which the NPO views the beneficiaries as the experts of their environments, community and the challenges they face, and works with them to find a solution.

*“I think that what is absolutely fundamental... I just think it would be madness to go into an NGO without working hand-in-glove with the community you're trying to serve. For you think you have identified a problem you perceive, and you're going to address it your way...”*

*I think there's been so many failures on it. Because I don't think it's respectful. I think you have to really work with a community you want to serve.” (Participant 18)*

When NPOs come into a targeted beneficiary community, they will not have the level of knowledge of the environment that the beneficiaries do. In order to have a holistic understanding of the challenges and root causes of these challenges, the NPO needs to engage with the community to learn from them and gain critical insight into the community. When going into a community, should the NPO not connect with the beneficiaries, there is a risk that the NPO alienates themselves from the community. By engaging with the beneficiaries, the NPO will be more successful in gaining their buy-in.

#### 4.4.4.4 The importance of strategies to prepare for foreseeable challenges

It is imperative for NPOs to ensure proper organisation systems and structures early on in the start-up phase. The NPO leader needs to guarantee business wisdom and strategic planning for the short-term, medium-term and long-term. This includes financial systems and budgets, HR systems, fundraising structures, programme management systems, good governance, operational systems, social media strategies, and monitoring and evaluation systems. These strategies ought to be constructed when setting up the NPO. Nevertheless, there needs to be a balance of time spent on perfecting organisation systems and time actually implementing them and achieving outcomes. Furthermore, in today’s technological era, NPOs should convert to online management systems, to establish an online history and easier transfer of data. Having these structures in place will position the NPO for success.

Organisation management systems and structures are important to attracting donors, especially when it comes to safety policies. Consequently, these should be one of the first structures an NPO sets up when starting up. One vital organisation structure to have in place is a succession plan. This plan will ensure a smooth transition of leaders as well as a history of institutional knowledge. Additionally, the NPO should construct risk management strategies to prepare for unforeseeable challenges such as COVID-19, to the best of their abilities. A lack of risk management strategies can be seen in the drastic impact that COVID-19 has had on the NPO sector alongside economic deterioration. NPOs that did not have risk management strategies in place and were entirely dependent on funding, have been severely impacted by the downturn of the economy and shift in funding priorities. Those unable to adapt, have struggled or closed down due to these challenges.

To ensure financial sustainability, NPOs need to employ a variety of tactics. The first approach is upskilling staff to meet any deficits they may have in regards to financial management. Many people who come into the NPO sphere have limited knowledge of financial management, managing risk, proper bookkeeping and fraud-minimisation. While upskilling is beneficial to engaging with this, there also needs to be proper documentation and internal controls to confirm that all financial requirements are adhered to. Following this, the second tactic that all NPOs ought to employ is having internal policies around money and expenses. It is also vital for NPOs to ensure that they keep their overheads as low as possible, as donors often do not want to fund this and this can present a hinderance for the organisation. To ensure that this challenge is addressed, NPO leaders need to set policies to assure this strategy.

Moreover, NPO founders ought to have a plan to address future funding needs and resources, before founding the organisation in order to understand and confront the challenges that will arise in terms of this need. Strategies that NPO founders can look at include a funding plan, seeking an ‘angel donor’, dedicating funds to fundraising from the beginning, internally generating revenue, and employing alternative means to ensure financial sustainability. In these strategies, NPOs need to shift from a ‘beggar mentality’ to a ‘thriving mentality’.

*“So, if you always going to be in survival mode you sort of have a beggar mentality. But if you have a thriving mentality you going to think about, "What can I do to achieve more? What can I do so that I can have more to give more?" That shift affects the way you engage with other people. It shifts the way you engage with potential donors and sponsors. [...] Like in survival modes you just think like, "Am I going to be okay?" But in thriving mode he always thinks about, "Ok hold on, if this doesn't work, what else can work?" It's a mindset about who you are and what you can do.” (Participant 5)*

When one understands the need for this shift in thinking, it becomes clear that NPOs need to employ alternative means to ensure financial sustainability, as this will allow greater independence.

In establishing financial sustainability, many of the participants turned to a more business-minded model. Some of the NPOs developed a social entrepreneurship model, where the NPO sells some of its services to support itself financially and to diversify income. By diversifying

income through a social entrepreneurship model, NPOs can create a ‘shock absorber’ to bring about greater resilience and to mitigate financial troubles.

Another way that NPOs can safeguard their own financial sustainability is to develop a reserve fund. A reserve fund would mean that the NPO sets aside unused money sporadically or at set intervals into a separate investment account. The NPO then could draw from this reserve fund in times of financial distress.

*“So, one of our goals that we set ourselves in year two of operation was that we wanted to become self-sufficient and sustainable. [...] So, we set about creating an investment account. [...] And anything that we fundraise above our required budget went into the investment account. And the intention was to grow it over time so that we could then basically live off the interest. [...] you can then start building almost like a nest egg to start drawing interest from and be able to use as a backup emergency fund essentially.”*  
(Participant 11)

*“We normally leave it very late, as non-profit organizations, because there's not money in the first place to set aside. But I think the principle of putting away a portion of funding, for when we have a crisis like now with COVID, where very few non-profits can dip into a reserve to sustain them over the next six months to a year. [...] But I think you need to encourage people to start thinking about periods that's volatile and uncertain. So that you have something to draw on.”* (Participant 15)

#### 4.4.4.5 The importance of measures to evaluate the success of the start-up NPO

Leaders need to adopt certain measures to evaluate the success of the start-up NPO as an organisation. The first measure that the participants use is monitoring and evaluation against the objectives of the NPO. These monitoring and evaluation indicators show where issues lie and assist the organisation in preventing them in a succinct and focused manner.

The second measure of success is through impact and continued relevance in the beneficiary community. In this, leaders look at qualitative change which is indicative of longer-term impact.

*“It goes back to the individual and how you're impacting their lives. And making sure that you can remain impacting their lives.”* (Participant 1)

While this form of evaluation indicates long term change, it is unfortunately at odds with donor requirements of monitoring and evaluation. This disjuncture highlights the need for NPOs to be able to measure and represent qualitative change in a way that can be understood and recognised.

NPOs ought to also evaluate organisation management and financial sustainability, operationality and growth when examining the success of the organisation. In this assessment, participants also look to external recognition and acknowledgements as a sign of success. By evaluating the success of the start-up NPO, leaders are able to acknowledge their successes and address the challenges that hinder them.

#### 4.4.4.6 The importance of sourcing information, guidance and support

There are a variety of resources that NPOs can draw upon for information, guidance and support. Firstly, there are online resources that NPOs can access for information. This includes Google, Facebook and government sources, particularly the website dedicated to the South African National Department of Social Development. Although, it is imperative to note that online information is not always accurate or representative and it is therefore important to quality-check all facts presented. Additionally, information can be difficult to access if the start-up NPO has limited knowledge of how or where to source it. Consulting or mentoring at this stage could be beneficial.

Following from this, mentoring can be a great source of information, guidance and support. Experts within the sector can provide guidance and “*pointers in the right direction*” (Participant 9). This type of collaborative thinking, from “*other people who’ve walked a similar path*” (Participant 18), can be hugely beneficial for start-up NPOs. Donors are also often willing to mentor NPOs, as they have a vested interest in their success. Moreover, NPOs can access information, guidance and support in the form of formal mentoring, training and capacity-building workshops. NPO leaders should access this type of capacity-building, to educate themselves on how to run the organisation better and more successfully.

Moreover, leaders need to do their own research into the field to fully understand the environmental factors and the challenges that they are taking on, as well as how to tackle them in a comprehensive, holistic manner.

#### 4.4.4.7 The power of passion and energy

This study would be lacking if it failed to mention the importance of passion and energy within the NPO sphere. At the core of NPO values are passion and a drive to make a difference in the world, in the sector that the NPO targets. By drawing on this passion, NPOs can work towards mitigating challenges and enhancing their likelihood of success. Participants expressed the way in which they drew upon their passion in order to overcome challenges and drive their success.

*“I would say going back again to meaning and purpose and passion. [...] I think if people really, really believe in something, they will just bring everything they have to it. [...] But it's also why they have that - having identified something that will absolutely make a difference in some people's lives. [...] Because NGOs, by definition, do exactly that. They see some injustice, they see something that is not the way it ought to be... And so, they have identified a real need in other people's lives. So that's a very strong reason to exist.”*  
(Participant 18)

As highlighted by Participant 18, it is important to refer back to the purpose of the organisation. Having a clear vision of *why* the organisation exists is important when driving the success of the organisation. Furthermore, the people who are involved in the NPO need to be proactive and put in the hard work. These factors are fundamental to the success of the organisation.

## 4.5 SUMMARY

This section explored the findings of the research study of the challenges that start-up NPOs face in South Africa and discussed key themes regarding challenges that start-up NPOs face in terms of organisation leadership, resource management and financial sustainability. Verbatim quotes were used to illustrate and emphasise these themes. This section then proposed factors that could mitigate these challenges and enhance the likelihood of success for start-up NPOs. The next chapter will highlight the main conclusions and suggest relevant recommendations.

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

This chapter concludes this study by briefly recalling the context and purpose of the study and thereafter summarising the key research findings. Following that, I propose recommendations based on those findings and suggestions for future research. In this chapter, the limitations of the study are also discussed. The chapter ends with a concluding statement.

### **5.2 RECAPPING THE PROBLEM CONTEXT AND RESEARCH QUESTIONS**

NPOs are key players in the development of South Africa, as they rise out of a need to address the socio-economic ills of the country. However, NPOs face numerous difficult challenges that they need to overcome simply to continue providing the services and programmes that they do. This is a particular challenge in the start-up phase. The value of this study is that by understanding the challenges that start-up NPOs face and the tactics that they can use to overcome these challenges, a more viable platform for their success is created.

The main research question of this study is:

What are the challenges that start-up NPOs face, that may cause them to become vulnerable, unsustainable and likely to fail?

In addition to this, secondary research questions are:

- (1) Which factors present as a challenge for start-up NPOs?
- (2) Is organisation leadership a challenge for start-up NPOs?
- (3) Is financial sustainability a challenge for start-up NPOs?
- (4) Which factors mitigate challenges and enhance the likelihood of success for start-up NPOs?

By posing these questions, this study examines the challenges that start-up NPOs face in South Africa and uncovers factors that mitigate these challenges. This study also assists in providing practical recommendations to NPOs to promote greater sustainability.

### **5.3 MAIN CONCLUSIONS FROM THE STUDY**

This study explored a number of challenges that start-up NPOs face in South Africa. The main conclusions drawn from this research study are discussed according to the four research questions as outlined in the above section. This section details the main conclusions and findings, in accordance with the main research question of, “What are the challenges that start-up NPOs face, that may cause them to become vulnerable, unsustainable and likely to fail?”

To answer the first secondary research question of, “Which factors present as a challenge for start-up NPOs?” this study found three factors to present as such. These factors are: (1) Organisation leadership; (2) Financial sustainability; and (3) Resource management.

In terms of the secondary question of, “Is organisation leadership a challenge for start-up NPOs?” this study can confirm that it is. Start-up NPOs face organisation leadership challenges in various ways. Firstly, the start-up NPO will face challenges if there is a lack of leadership from management, which is amplified by a lack of knowledge, experience and/or skill. Challenges that the start-up NPO will face in organisation leadership include: (1) Challenges faced by the leadership team, due to a lack of a strong support base; (2) The impact of the pressure to survive upon what the start-up NPO identifies as their strategic priorities; (3) Challenges in service delivery and monitoring the quality of services rendered; and (4) The “growth challenge”, in which challenges intensify as the organisation grows. Start-up NPOs will face greater difficulties when attempting to increase scale, impact and/or reach of their organisation, which can hinder the success of the NPO.

In terms of the third secondary question, “Is financial sustainability a challenge for start-up NPOs?” the findings of this study confirm that it is. Start-up NPOs also face challenges in terms of financial sustainability and navigating the funding landscape. This challenge particularly involves the challenge of donor attraction, a lack of fundraising knowledge and the power dynamics in donor relationships. Financial sustainability can be influenced by donor perceptions, which have an impact on what the start-up NPO can expect to receive financially and can direct the organisation’s financial decision-making. Moreover, having a confirmed or promised source of funding can influence the success of the start-up NPO, but not guarantee it. Lastly, the immediate survival needs of the start-up NPO can undermine long-term planning and influence sustainability.

In addition to confirming that organisation leadership and financial sustainability are challenges for start-up NPOs, this study found that resource management is also a challenge. Resource management is a challenge for start-up NPOs, especially physical resources and human resources. Physical resource challenges have to do with the NPOs ability to access and utilise the resources that they have available to them effectively and efficiently. Start-up NPOs face human resource challenges in terms of staffing, role ambiguity, cost of salaries and the effect of reliance on alternative streams of income, the tension between the finances available and the quality and/or experience of the person that the NPO is able to afford and the impact of high staff turnover. These challenges can influence the overall success of the start-up NPO.

Finally, in terms of the fourth secondary question, “Which factors mitigate challenges and enhance the likelihood of success for start-up NPOs?” this study found that there are a variety of factors that start-up NPOs can employ to mitigate challenges. Leaders can adopt various roles that promote success, build a support network to guide them and develop strategies to prepare for future challenges. The leader ought to also continually evaluate the success of the NPO and source information, guidance and support in achieving sustainability. In this, the start-up NPO ought to partner, network and collaborate with others in their field, to access greater resources and guidance. Lastly, NPO leaders need to draw on the power of passion and energy, to motivate themselves and catalyse growth in the organisation.

To summarise, this study confirmed that NPOs do face profuse challenges that are prevalent in their start-up phase. In particular, these challenges pertain to organisation leadership, financial sustainability and resource management. These challenges can cause start-up NPOs to become vulnerable, unsustainable and likely to fail. To combat failure, there are distinct strategies that NPOs can exercise to mitigate challenges and enhance their likelihood of success. This study illustrates the need for NPOs to change the way they operate in terms of organisational leadership and financial sustainability, and ways to employ mitigating factors and enhance the likelihood of success of start-up NPOs.

## **5.4 STUDY RECOMMENDATIONS**

Following the findings of this study, I propose a number of recommendations. These recommendations stem from the suggestions of the participants, and are supported by the findings of the study and contextual knowledge.

### ***1. Create a government or private sector consulting service to assist start-up NPOs***

Government and the private sector ought to acknowledge the value of start-up NPOs in the social and economic development of the country. In recognising this, they ought to work to support them, through providing skills training, allowing easier access to resources, enhancing the NPO's capabilities, mentorship and guidance.

While there is a multitude of resources and knowledge to assist NPOs in achieving sustainability and success, many NPO leaders do not have access to this or the knowledge of how to access these resources. Often founders do not fully understand everything that is involved in starting and running an NPO. In my view, there is a need for government or the private sector to assist start-up NPOs in navigating challenges and achieving successful operations, through providing a platform for support.

This assistance from government or the private sector can address: (1) Funding, how to access it, how to attract donors and donor relationships; (2) Legal and financial requirements of NPOs; (3) All necessary processes to start an NPO (a so-called 'NPO start-up guide'); and (4) Creating a support network, that promotes the success of the organisation.

This assistance could be in the form of a resource centre, where potential founders and leaders can access basic training or basic orientation, as well as mentorship. This resource centre could assist the NPO through all the different stages and phases of growth. These suggestions show a range of ways that NPOs can benefit from external assistance.

### ***2. Aspirant founders of NPOs review the NPO landscape before founding the NPO***

Many participants expressed the need for potential founders of NPOs to review the NPO landscape before founding an NPO, through working with other NPOs in the field, consulting with the beneficiary community and researching existing entities in that space. By reviewing the NPO landscape, aspirant founders can be aware of the space in which they plan to operate

and possibly realise that their efforts may be best achieved through collaboration with other NPOs.

In fact, many of the participants would actively discourage people from starting up their own NPO, particularly if there are other NPOs in the same field doing similar work. Rather, the participants encouraged people to research and/or partner with other NPOs in the same field that they want to contribute to. This is because starting an NPO comes with many challenges and, as a result, numerous NPOs fail. Additionally, competing with an existing NPO in the same field can detract from both organisations' work. However, by working in collaboration and consolidating effort, greater outcomes and impact can be made. In such a way, NPOs can harness their collective experience and build upon each other's knowledge, skills and resources.

Should an aspirant founder find that there is still a need to start an NPO, it is recommended that they first be involved with similar organisations – to fully understand the context that they are in and the challenges that they will be faced with. This would also allow them to gain the necessary knowledge, experience and skills to start an NPO before they found it.

### ***3. Incentivised partnerships and collaboration between NPOs***

Participants expressed numerous benefits to partnerships and collaboration between NPOs. Partnerships and collaboration encourage NPOs to share resources and knowledge, as well as allows start-up NPOs to gain traction and/or recognition through connections with larger, more well-known NPOs. There ought to be a greater drive towards partnerships with donors and government encouraging this (through subsidies, financial incentives and other benefits). Donors and government would benefit from this, as the NPOs would be able to achieve a superior level of development through collaboration.

### ***4. Developing a culture of financial self-sufficiency within NPOs***

As found in this study, many of the participants have developed alternative means to ensure financial sustainability, rather than relying solely on donor funding. This can be done through: (1) Diversifying income with a more business-minded or social entrepreneurship model, with the NPOs internally generating revenue by selling products or services; (2) Developing a reserve or endowment fund.

There ought to be a culture amongst NPOs in which being more independent and self-sufficient is common practice. This would allow for NPOs to shift from a ‘beggar mentality’ to a ‘thriving mentality’, have a ‘shock absorber’ to mitigate financial troubles, build resilience and ensure greater financial sustainability. Donors ought to encourage this, as it would allow NPOs to be less reliant on funding and allow them to focus on their strategic priorities.

## **5.5 SUGGESTIONS FOR FUTURE RESEARCH**

During the research process, it became evident that there are a number of gaps in knowledge about the challenges that start-up NPOs face in South Africa. Three immediate areas are suggested for future research:

1. This study was undertaken with leaders of existing, surviving NPOs. However, there are many NPOs that have failed. Interviewing leaders of failed NPOs could uncover additional challenges, that successful NPOs are not aware of.
2. Since donors are so vital to start-up NPOs thriving, it is important to examine the perceptions of donors on start-up NPOs. Future research should interview donors and examine: (1) What potential donors are looking for when investing in start-up NPOs; (2) The perception of donors of start-up NPOs; and (3) How start-up NPOs can approach donors to establish a long-term relationship.
3. A third recommendation is to examine start-up NPOs in rural areas and the further difficulties that they face.

It would be interesting to see future research covering these topics. I believe their findings would be beneficial to the NPO space and would shed additional light on the challenges that start-up NPOs face in South Africa.

## **5.5 CONCLUDING STATEMENT**

This study explored the challenges faced by start-up NPOs in South Africa and has produced findings that indicate substantial challenges in terms of organisation leadership, financial sustainability and resource management. The implications of these findings are that start-up NPOs need to take action to mitigate these challenges, through innovative strategies, and enhance the likelihood of success for start-up NPOs.

The value of this study is that it opens up the discussion on the challenges that NPOs face, particularly in their start-up phase, and illustrates the need for start-up NPOs to rethink the way they operate. This study can be used as a guide for start-up NPOs to identify their challenges and to overcome them.

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## APPENDICES

### APPENDIX A: PARTICIPANT INFORMATION SHEET



# Participation Information Sheet

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#### Purpose of study:

The aim of the study is to explore challenges faced by start-up Non-Profit Organisations in South Africa. In this, various aspect will be explored in terms of the challenges that start-up NPOs face, that may cause them to become vulnerable, unsustainable and likely to fail. Questions will be examining: factors that inhibit the success of start-up NPOs; factors that enhance the success of start-up NPOs; and, particularly, are organisation leadership and financial sustainability challenges for start-up NPOs.

The value of this study is that it will open up the discussion of the challenges that NPOs face, particularly in their start-up phase. It will illustrate the need for start-up NPOs to examine the way they operate in terms of financial sustainability and organisational leadership. This study will open up the dialogue for addressing challenges to start-up NPO survival and will assist in providing practical recommendations that could generate greater sustainability of NPOs.

#### Clarification of concepts

##### **1. “Non-Profit Organisation”**

As defined by the Nonprofit Organisations Act (No. 71 of 1997), “non-profit organisation” means a trust, company or other association of persons – (a) established for a public purpose; and (b) the income and property of which are not distributable to its members of office-bearers except as reasonable compensation for services rendered”.

##### **2. “Start-up Non-Profit Organisation”**

Fontinelle (2019) describes a start-up company as “an entrepreneurial venture in search of enough financial backing to get off the ground,” as well as “a young company founded by one

or more entrepreneurs in order to develop a unique product or service and bring it to market.” Further, Fontinelle (2019) writes that start-ups are “risky,” with “no history” and “a high failure rate.” As there has been little to no research conducted on start-up NPOs, a definition of them is lacking. Thus, this research study sets out its own definition of a start-up NPO, as: “a young NPO in its initial phases of growth and development, that is yet to achieve operational sustainability.”

### 3. “Challenge”

Swannell (1993) defines “challenge” as “a demand or difficult task.” In this research study, “challenges” will refer to the difficulties that start-up NPOs face in operational survival.

#### What participation entails:

A semi-structured interview will take place between the researcher and the participant. This interview will take place either on Skype or Zoom, whichever is deemed most comfortable and convenient. It will be recorded for transcription and data analysis purposes only. Principles of anonymity and confidentiality will be upheld, and the dignity of all participants respected, with any identifiable information of the participant will be kept confidential by the researcher, to the best of the researcher’s ability.

## APPENDIX B: CONSENT FORM



# Consent form

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**Project Title:** Challenges Faced by Start-up Non-Profit Organisations in South Africa

**Researcher:** Cailley McIntyre

**Address:** University of Cape Town  
Private Bag  
Rondebosch  
7701

**Telephone:** Office: 021-650-3494

**Email:** MCNCAI002@myuct.ac.za

**I ..... voluntarily agree to participate in this research study conducted by Cailley McIntyre from the Social Development Department at the University of Cape Town. I understand that this research project is designed to explore challenges faced by start-up Non-Profit Organisations in South Africa.**

I understand that I am being invited to take part in an interview.

I understand that in agreeing to participate:

- I understand the purpose of the interview. This has been explained to me, both in writing and verbally. I have had the opportunity to ask questions about this study.
- My participation is voluntary and I understand that I will not be paid for it.
- I understand that I am under no obligation to take part in this project.
- I understand that participation will involve an interview in which I will be asked about my experience of challenges faced by start-up Non-Profit Organisations in South Africa.
- I understand that if I feel uncomfortable in any way during the interview, I have the right to decline to answer any question or to leave the interview session,

without giving any reason. This will be done without any consequence of any kind.

- I understand that information disclosed, excluding that which could be used to identify me, may be used for education or research.
- I understand that in any report on the results of this research my identity will remain anonymous. The researcher will not identify me by name and will disguise any details of my interview which may reveal my identity or the identity of people I speak about. I understand that, where appropriate, a pseudonym will be used in referring to information gathered during the interview.
- Notes will be written during the interview and/or video-recorded. I can decline to be recorded. I understand that this will be done so that the researcher can accurately portray my responses to the questions – and that these will be available only to the researcher and be kept confidential to the best of the researcher’s ability.
- I understand that if I inform the researcher that myself or someone else is at risk of harm, they may have to report this to the relevant authorities.
- I understand that I am free to contact any of the people involved in the research to seek further clarification and information
- I have read and understand this consent form and the participant information sheet provided to me. I have had all my questions answered to my satisfaction.
- I have been given a copy of this consent form.

I hereby agree / disagree (circle the applicable option) to participate in the **interview** for this study.

I hereby agree / disagree (circle the applicable option) to the **video recording of my interview** for this study.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_



# Semi-Structured Interview Guide

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## **Topic: Challenges Faced by Start-up Non-Profit Organisations in South Africa**

### **INTRODUCTION**

1. Details of researcher and study (assisted by Participant Information Sheet).
2. Discussion on ethical considerations (assisted by Participant Information Sheet and Consent Form).
3. Clarification that there are no 'right' or 'wrong' responses.

### **DEMOGRAPHIC AND ORGANISATION INFORMATION**

1. What is your name?
2. What is the name of your organisation?
3. What is your position in the organisation?
4. How long have you worked in that organisation?
5. What is the organisation's area of service delivery?
6. What year was the organisation started?
7. How many staff does the organisation employ full-time?
8. What was the organisations total expenditure in the most recent financial year? If you do not know, would you be willing to send this to me?

### **CHALLENGES FACED BY START-UP NPOS**

- 1. How did your organisation begin?**
- 2. In establishing the organisation, did you experience any challenges that you had to overcome? If so, what?**
- 3. In setting up the NPO, did you have strategies in place to prepare for foreseeable challenges? If so, what?**

- 4. Do you believe that any of the challenges you have mentioned could inhibit/limit the success of start-up NPOs in general?**
  
- 5. How can start-up NPOs mitigate the challenges you have mentioned?**
  
- 6. Is organisational leadership a challenge for start-up NPOs? Explain.**
  - 6.1 What challenges do the organisational leadership of start-up NPOs face?
  - 6.2 What role did you, as the leader of the organisation, adopt during the start-up phase?
  - 6.3 Do you believe this impacted the survival and/or success of the organisation? How?
  - 6.4 Looking back, is there anything you wish you had done differently in terms of organisational leadership? If so, what?
  - 6.5 Can the pressure to survive impact on what start-up NPOs identify as their strategic priorities? How?
  - 6.6 What challenges do start-up NPOs face in terms of service delivery and monitoring the quality of services rendered?
  - 6.7 Do salaries present challenges for organisational management and staffing? How?
  
- 7. Is financial sustainability a challenge for start-up NPOs? Explain.**
  - 7.1 Do start-up NPOs face challenges in terms of donors, and donor attraction? If so, what are they?
  - 7.2 Do any of the above challenges impact on your financial decision-making? If so, in what way?
  - 7.3 What is your experience of receiving funding from donors?
  - 7.4 How do you think donors perceive start-up NPOs?
  - 7.5 Does the way in which donors perceive start-up NPOs influence receiving funding? How?
  - 7.6 What challenges do start-up NPOs face in terms of resource management?
  - 7.7 Can the immediate survival needs of start-up NPOs undermine their long-term planning and influence their sustainability? How?
  - 7.8 Does having a confirmed or promised source of funding before founding an NPO, influence success? How?

**8. Which factors enhance the likelihood of success for start-up NPOs?**

8.1 In setting up an NPO, where did you source information, guidance and support? Was this beneficial? How?

8.2 What are the measures you use to evaluate the success of your NPO? Have these measures been useful in guiding decision-making? How?

8.3 Looking back, what was the most important lesson learnt in starting or managing a start-up NPO?

**9. Are there any other factors that you believe are important to this study that we have not covered?**

**CLOSING**

1. Thank you for spending time with me.
2. Is there anything that you want to know before we wrap up?
3. How has this interview been for you?

## **PLAGIARISM DECLARATION**

### **PLAGIARISM**

**This means that you present substantial portions or elements of another's work, ideas or data as your own, even if the original author is cited occasionally. A signed photocopy or other copy of the Declaration below must accompany every piece of work that you hand in.**

### **DECLARATION**

1. I know that Plagiarism is wrong. Plagiarism is to use another's work and pretend that it is one's own.
2. I have used the American Psychological Association formatting for citation and referencing. Each significant contribution to, and quotation in, this essay/report/project from the work or works, of other people has been attributed, cited and referenced.
3. This essay/report/project is my own work.
4. I have not allowed, and will not allow anyone to copy my work with the intention of passing it off as his or her own work.

**NAME:** Cailley McIntyre

**SIGNATURE:** CMcIntyre

**STUDENT NUMBER:** MCNCAI002