

Communication and its Impact on Enterprise Financial Sustainability

A Dissertation
presented to

Graduate School of Business
University of Cape Town

In partial fulfilment
of the requirements for the
Master of Commerce in Development Finance Degree

By
Annie Kapepula

December 2013

Supervised by: **Professor Joshua Abor**

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

Communication and Enterprise Financial Sustainability: A survey of Selected Not-for-Profit Organizations in Zambia.

ABSTRACT

This study investigates the impact of value communication on financial sustainability of not for profits set up as small to medium scale enterprises. The major objective is to determine whether there is a significant impact on the financial sustainability if not for profits create a more aggressive approach and innovate way of communicating with financiers and donors on matters concerning their strategic plans and budgets. The four pillars of financial sustainability have been considered focusing mostly on Strategic and financial planning or budgeting. Measuring sustainability for a not for profit differs from that of a profit making enterprise in that measures such as return on capital employed would be meaningless since most not for profit have a low capital base and are not bottom-line focused. The independent variable has been identified as value communication of strategic and financial planning or budgeting with donors or potential funders while the dependent variable is financial sustainability defined as meeting current budgetary demands. Moderating and Intervening variables identified include ; global financial environment ,operating environment, policy position of donor funding states, donor funding policies, goals and objectives, structure of donor funding towards development programmes and projects and CEO charisma and communication attributes. The study followed a survey design, and employed Times Series as evaluative method for quantitative analysis. Analysis was based on primary data generated through a structured questionnaire administered on respondents. Respondents were employees in selected not for profit organizations working in the four key development services supporting the Millennium Development Goals and Sixth National Development Plan, namely Health, Education, Agriculture and Water and Sanitation in Zambia. Interviews were also conducted with various financiers and donors of the selected not for profit enterprises. Responses to research statements were scaled and converted to quantitative data via Likert scale developed for the study to enable segmentation of the data responses into

Annie Kapepula: Masters Dissertation MCOM 2012

dependent and independent variables based on communication and financial sustainability variables. This study will help not for profits create an innovative communication strategy so as not to risk losing funding to other competitors or new comers on the scene.

Keywords: Financial Sustainability, Communication, Not for Profit Enterprise, Impact.

Declaration

I declare that, apart from the assistance acknowledged, the research presented in this paper is my own unaided work. It is being submitted as part of the requirements the Masters in Development Finance (MCOM) programme at University of Cape Town. It has not been submitted before for any degree or examination to any other University.

Nobody, but myself is responsible for the final version of this assignment.

Signed : Annie Kapepula

Date: 9/12/2013

Acknowledgement

Many thanks to my husband Kaunda, for all you support during my travels to attend to my studies. I am grateful to my supervisor, Professor Joshua Abor, for your patience and guidance during the dissertation process. To all the respondents, thank you for your tolerance, even at short notice you allowed me into your space. For all your tireless efforts in supplying the required information. I truly could not have done it without you.

Annie Kapepula: Masters Dissertation MCOM 2012

List of Figures	Page
Fig: 1.71 Conceptual Framework of study	14
Fig:2.1 Map of Zambia showing HIV prevalence- WHO 2007	16
Fig: 4.21 Time Plot of Communication	40
Fig: 4.31 Comparative Plot between Funding and Communication in Health Sector	41
Fig: 4.32 Comparative Plot between Funding and Communication in Education Sector	43
Fig: 4.33 Comparative Plot between Funding and Communication in Agriculture Sector	43
Fig: 4.34 Comparative Plot between Funding and Communication in Water and Sanitation Sector	45
Fig: 4.35 Table of Descriptive statistics for the Four Sectors	46
Fig: 4.36 Table of Correlation between Communication and Budget Funding	47
Fig: 4.37 Table of Analysis of Variation for the Four Sectors.	48
Fig: 4.41 Exponentially Smoothed Graphical Presentation-Health Communication	49
Fig: 4.42 Exponentially Smoothed Graphical Presentation-Health Funding	49
Fig: 4.43 Exponentially Smoothed Graphical Presentation-Education Communication	50
Fig: 4.44 Exponentially Smoothed Graphical Presentation-Education Funding	51
Fig: 4.45 Exponentially Smoothed Graphical Presentation-Agriculture Communication	51
Fig: 4.46 Exponentially Smoothed Graphical Presentation-Agriculture Funding	52
Fig: 4.47 Exponentially Smoothed Graphical Presentation-Water and Sanitation Communication	52
Fig: 4.48 Exponentially Smoothed Graphical Presentation-Water and Sanitation Funding	53

Abbreviations

AAA	Accra Agenda for Action
ANOVA	Analysis of Variation
BOZ	Bank of Zambia
CEOs	Chief Executive Officers
CV	Coefficient of Variation
CPA	Country Programmed Aid
DFID	Department for International Development UK
FSP	Fertilizer Support Program
GRZ	Government of the Republic of Zambia
GDP	Gross Domestic Product
GNI	Gross National Income
MDGs	Millennium Development Goals
MAL	Ministry of Agriculture and Livestock
NGO	Non-governmental organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PACRA	Patents and Companies Registration Agency of Zambia
PEPFAR	President's Emergency Funding for HIV and Aids Relief
ROCE	Return on Capital Employed
SNDP	Sixth National Development Plan
SMEs	Small and Medium Enterprises
Sida	Swedish International Development Agency
USAID	United States Agency for International Development
WHO	World Health Organization

Annie Kaepula: Masters Dissertation MCOM 2012

Table of Contents

GENERAL INTRODUCTION	8
1.0 Introduction.....	8
1.1 Area of Study	8
1.2 Background to the study	8
1.3 Problem Statement	10
1.4 General Objective and Definition of Terms	11
1.5 Research Hypothesis	12
1.6 Significance of the study	12
1.7 Justification of the study.....	13
Chapter 2	17
REVIEW OF RELATED LITERATURE	17
2.1 Situation Analysis of Not for Profit Enterprises	17
2.2 Financial Sustainability for Not for Profit Enterprises.....	19
2.3 Role of Communication in sourcing funds.....	21
2.4 Importance of Acknowledgement to Financial Sustainability...	23
2.5 Performance and Accountability of Not for Profits Enterprises	25
2.6 Other Challenges Facing Not for Profit Enterprises	27
2.7 Importance of Not for Profit Organizations.....	29
Chapter 3	32
METHODOLOGY AND DATA COLLECTION	32
3.1 Research Design.....	32
3.2 Scope of the Study	33
3.3 Sampling Procedures and Techniques.....	33
3.4 Data Collection Methods	35
3.5 Data Analysis Techniques	35
3.6 Ethical Considerations.....	36
3.7 Constraints and Challenges Encountered	36
Chapter 4	38
ANALYSIS AND DISCUSSION OF FINDINGS	38
4.1 Introduction.....	38
4.2 Nature and Level of Communication	39
4.3 Linkage between Communication and Fundraising.....	41
4.4 Long-term financial sustainability-	46
4.5 Constraints in Communicating with Donors	50
Chapter 5	52

Annie Kapepula: Masters Dissertation MCOM 2012

5.0 CONCLUSION AND RECOMMENDATIONS	52
5.1 Conclusion	52
5.2 Recommendations	52
6.0 Appendices	54
6.1 Plagiarism Declaration	55
6.2 Assessment of Not for Profit Enterprises Operating Capacity ..	56
6.3 Questionnaire	57
7.0 References	60

GENERAL INTRODUCTION

1.0 Introduction

This chapter presents background information on the subject of research and covers the following aspects on not for profit enterprises economies, recent financial crisis and impact enterprises in Sub Saharan Africa, aid architecture and funding market space in Zambia, donor interventions areas of support in the country and finally the continuous financial sustainability challenge facing not for profit enterprises despite increased philanthropy to Zambia.

1.1 Area of Study

As at 31st December 2012, Zambia had a total number of 4,535 registered not for profit enterprises of which 80 per cent were registered by guarantee with the , while the other 20 per cent were with Registrar of Societies. These organisations include both international and local ones that are established for the purpose of providing developmental services including policy advocacy for various poor communities to reduce poverty and contribute to economic growth. Due to the limitation of resources available to this study, International not for profit enterprises have been analysed on the basis of functional geographical jurisdiction within the Zambian borders. This also guarantees a level playing field in relation to the political and all other country risk factors that may affect the financial sustainability of not for profit enterprises.

1.2 Background to the study

Research evidence shows that 70% of newly registered Small and Medium Enterprises(SMEs) including Not for profit enterprises fail to take off or even reach year five due financial sustainability reasons. In Zambia not for profit enterprises spring up from time to time capturing substantial donor support in the hope of filling the gaps resulting from government service delivery failures and bureaucracies in meeting country economic development strategy. Before they even get half way through their mission, these enterprises in no time find that the environment poses a lot of challenges such as lack of market information, depleted infrastructure, resistance to change, use of obsolete technology and lack of finance that hinder optimal functionality. These problems usually cause the collapse of

Annie Kapepula: Masters Dissertation MCOM 2012

most SMEs including not for profit enterprises, before they reach their fifth anniversary, (Abor and Biekpe, 2007). Not for profit enterprises need to develop innovative and aggressive survival skills or risk being left behind with the “entrepreneurial Neanderthals” (Toren, 2010).

In addition the recent global financial crisis resulting in the decline of the world’s most solid economies and concomitant tightening philanthropy, has brought about concern for not for profit enterprises everywhere on how to maintain a solid statement of financial position for their enterprises. This worry is even more serious for not for profit enterprises in developing countries that have mainly depended on western donor financing for close to 100% of their operational budget, (Fowler 1992).

The Organization for Economic Cooperation and Development (OECD) report on Official Development Assistance (ODA) reveals that aid to poor countries fell by 4% in real terms in 2012. OECD countries give substantial amounts of ODA through bilateral and multilateral agreements but with the changing global environment following the credit crunch from 2008, wide spread recession and government spending cuts, they have had to reduce their pledges currently forecast at 0.7% of Gross National Income (GNI) by 2015 (UN 2010). For a country like Zambia, the OECD 2011 Donor’s Forward Spending Plans for 2011-2015 reveals an even dire situation in real terms. It has been estimated in the survey that Country Programmed Aid (CPA) for Zambia will plummet to 2% growth in real terms from an average of 8% in the last three years. This means that Aid per Capita is expected to decline as population increases and match or outpace this rise.

Following the **Accra Agenda for Action** (AAA, 2008) that takes stock of progress and sets the agenda for accelerated advancement towards strengthening and deepening the implementation of the Paris Declaration that provides for countries owning their developmental strategies, Zambia has prioritized sectors of development. These are health, education, agriculture and water and sanitation. This means that not for profit enterprises

pursuing developmental goals that are linked to these sectors have a greater opportunity of receiving funding from donors. The sectors are linked to the millennium development goals.

Zambia's performance against the Millennium Development Goals (MDGs) is a mixed picture. With four years remaining until 2015, the only MGD goal certain to be achieved is MDG2: Universal primary education. Other goals pose serious challenges for Zambia as well as donors. Progress against the MDG goals, as well as Zambia's own national development plans (and donor plans), have run up against constraints that must be considered in development planning. Constraints range from policy choices to institutional and personal capacity. Zambia's long term development strategy is articulated in its own "Vision 2030: A prosperous middle- income nation by 2030." The objectives within the Vision 2030 include reduced national poverty, reduced income inequities, access to safe potable water and improved sanitation, access to education, and equitable access to quality health care. To reach this vision, the Government of the Republic of Zambia (GRZ) has put into place a series of national development plans. The current Sixth National Development Plan (SNDP) is scheduled to run from 2011 through 2015. Most not for profits enterprises align their missions and objectives to Vision 2030 and the SNDP in order to secure funding as derived from the MDGs.

1.3 Problem Statement

In the last decade, the West has spent 2.3 trillion on official aid to the developing world with the United States contributing nearly 50% to the not for profit sector (ODI, 1996). However, not all of this assistance to not for profit sector are repeat donations, most of the funds are to finance new enterprise creation to carry on a mission of a previous beneficiary enterprise failing on its deliverables due to poor communication with the funders, (Hannam et al, 2011).With the current global financial crisis, donors are increasingly becoming more sophisticated and empowered in their philanthropy. The backdrop to challenges facing Zambia in attracting external funding is the fact the country qualified as a lower middle income country in 2011 and with stable political climate , sound budgetary policies and high prices for the principal export ,copper and also the diversification of the economy into agriculture sector- boasting consecutive bumper harvest for two consecutive years- means not

for profit enterprises seeking funding will have to demonstrate and provide solid justification for existence compared to related organisation in a country like South Sudan which recently obtained independence in 2012. The many competitors for donor generosity in Zambia mean that not for profit leaders must be able to articulate the impact and strategies of their missions in ways as to drive repeated funding.

Merchant et al (2010) found that communication to a donor raises the chances of an enterprise receiving repeat donations. However many Chief Executive Officers (CEOs) do not understand the link between their communication and financial sustainability. Initial Focus Group discussions with selected staff from the sample not for profits enterprises expressed uncertainty about levels of communication engagement with financiers and potential funders. They were not particularly about how much information is disclosed to financiers and whether it has any significant impact on the next funding. Part of the problem is the fact that most not for profit enterprises, do not utilize effective communication tools in maintaining their relationships with financiers throughout the period of contractual engagement. Most reported that once funding was given managers and their staff are preoccupied with the programme implementation process and so the only time of communication with financiers is at the reporting back time. This definitely is a recipe for loss of dealing or future income from that financier. Unlike for profit enterprises that seek to perfect the art of maintaining customers, not for profit enterprises in Zambia lack affirmative aggression to keep financiers for a longer period.

1.4 General Objective and Definition of Terms

The main objective of the study is to assess whether there is a significant impact on financial sustainability as a result of valued communication with donors or potential funders among not for profit enterprises in Zambia. In this study financial sustainability is defined as receiving funding of at least 65% of total budget per year. As most not for profit enterprises operate at below 80% capacity, receiving above 3/5 every year in support of the expenditure budget means that an enterprise is financially sustainable in the long term. Communication on the other hand is defined in this study as exchange of information between a not for profit enterprise and donors on strategic plans and budgets.

1.4.1 Specific Research Objectives

The specific objectives of this study are:

- i. To find out the nature and level of communication with donors being implemented by the selected not for profit enterprises in Zambia.
- ii. To examine the link between this communication and financial sustainability.
- iii. To examine the long-term financial sustainability of the selected not for profits.
- iv. To examine the constraints encountered by the selected not for profits in communicating their strategic plans and budgets with donors and potential funders.

1.4.2 Research Questions

Following the objectives, a number of research questions are necessary:

- i. What is the nature and level of communication with donors being implemented by the selected not for profit enterprises in Zambia?
- ii. What is the link between this communication and financial sustainability?
- iii. Are the selected not for profits sustainable in the long-term?
- iv. What constraints are encountered by the selected not for profits in communicating their strategic plans and budgets with donors and potential funders?

1.5 Research Hypothesis

Therefore we hypothesise that: 1.Strategic planning and budgeting is important for financial sustainability 2. Communication with donors during the strategic planning and budgeting processes increases the chances of being funded and raise the funds substantially.3.Therefore there is a significant relationship between communication and financial sustainability.

1.6 Significance of the study

This study seeks to understand how not for profits enterprises communication with donors' moderate financial sustainability and from the investigations suggestions and recommendations have been made of how such communication could be enhanced in an innovative fashion. The study brings to the fore misconceptions in the area of aggressive

marketing and value communication so that CEO of various not for profits in Zambia can learn the difference and similarities about their enterprises and the profit oriented sector. The study will be useful for any not for profit enterprise to chart their own communication strategy for future resource mobilization.

1.7 Justification of the study

As long as there are still areas of under development in parts of the world there will still be philanthropy in various forms trying to bridge this chiasm to bring acceptable levels of economic vibrancy in the affected regions. Over the years donors have increased donations to development programs and have worked with not for profits in the hope that such assistance will supplement government efforts in poverty alleviation and contribution to economic growth. Africa, in the last 50 years has received various forms of foreign aid or ODA that include food, technical assistance and cash all on a quest to achieving development and capital growth. To this day no country in Africa can confidently boast that it has achieved significant growth in Gross Domestic Product (GDP) has a result of this aid. In their book, 'Aid As Obstacle', Francis Moore et al, make the following case "Food aid shipments depress the incentive of foreign farmers to grow food for themselves – dumping large quantities of American grain in under developed countries make it impossible for the small domestic producers to compete. Thus, unable to get their fair return such producers are frequently forced to sell their land and become landless labourers".

This argument pushed further shows that this kind of Aid has harmful effect in the long run on the very society earmarked for hunger reduction. As a result this society will continually depend on donor support and the self-reliance culture is negated .It is also common knowledge that foreign aid does not end up being used for the purpose for which it is given; the phenomenon is referred to as "aid fungibility". In his publication of 1998, Feyzioglu et al has done empirical studies on this subject. What results from the fungibility of aid is the undermining of the development of basic institutions needed to govern and the vital link of accountability between state citizens is lost in the process.

On the contrarily, ODA that has come through Not for Profits enterprises has been used more effectively aiming at investing in businesses that essentially build the economic through

Annie Kapepula: Masters Dissertation MCOM 2012

capitalization and trade, through participating in the processing of this development. This ensures that there is close monitoring of resources so that they are not deviated for other unplanned activities as would be the case with funds coming as bilateral aid- government to government, because of some corrupt tendencies in some section of government.

It is also important to note that foreign aid to Africa will remain more important given the financial crisis and the reduction in global trade because the financial needs of the developing countries cannot be met alone by the ever shrinking trading partners. Foreign aid continues to facilitate investment in low-yielding and slow projects, such as Health care (HIV/AIDS) education, agriculture and sanitation and water purification which is in short supply in most communities on the African continent. Aid through not for profits enterprises can also be used by the recipient country in accordance with its development programmes, thus creating an enabling environment for some operations of not for profits e.g. easing of foreign exchange constraint in a country with sluggish export growth and other foreign exchange problems will enable the not for profit enterprise receiving foreign aid meet demands at the grassroots quicker than the bureaucratic government mechanisms.

In Zambia the economic growth experienced during the last decade has not translated into significant reductions in poverty and improved living conditions of the majority of Zambian's 80% poor of whom 63% live below \$1.25 per day, (AID DATA 2011). Therefore many not for profit enterprises working in developmental services will continue to play a pivotal role for development in that they:-

- i.)** Provide an environment for constructive dialogue, information sharing, communication and networking amongst private and public sector stakeholders in the their sectors of operation such as agricultural sector,
- ii.)** Monitor and evaluate the implementation of government policies and programmes and undertaking evidence based policy analysis and research,
- iii.)** Provide an efficient and effective institutional structure that is responsive to the needs of its stakeholders.

These are the high impact low cost activities to produce the desired end that offer an attraction for financiers to support the work of not for profit enterprises. Unlike profit making SMEs which have

Annie Kapepula: Masters Dissertation MCOM 2012

to work hard to access finance either from equity, debt or venture capital depending on how risky the project is or the owner's desire for control, not for profit enterprises do not grapple with access and decisions as to which form of financing would be most advantageous route to take. Their funding source can comprise:

- **Donor funding** – Official Development Assistance from development agencies such as the United States Agency for International Development (USAID) which provides about 40% of its official development assistance through not for profits enterprises, Royal Netherlands Embassy, Department for International Development UK (DFID), Irish Aid ,Deutsche Gesellschaft fur Internationale Zusammenarbeit (giz-German Technical Assistance) and the Swedish International Development Agency (Sida) are some of the key plays in Zambia.
- **Member subscription**- some not for profits are membership based and requires that members make a contribution towards the operations of the enterprise. However, this subscription is not made mandatory and so modalities of collection are not clear since donors already contribute almost 100% of total net assets of the not for profit enterprises.
- **Facilitation fees**- some not for profits engage in own resources mobilization by carrying out commercial activities in line with business of operation so as to be self-sustaining when donor money runs dry. This is difficult to implement while there is still sufficient money floating around. One not for profit enterprise working in the agricultural sector in Zambia had the capacity to provide services such as convene a stakeholder workshop on a topical and controversial issue at a fee to the stakeholders that request for such a platform- for instance the issue of Fertilizer Support Programme has had many interest groups with a worth of potential financiers willing to pay for a discussion forum engaging government in a consultative process to come up with a more sustainable agriculture support structure. The enterprise would then charge a management fee for arranging such a meeting.

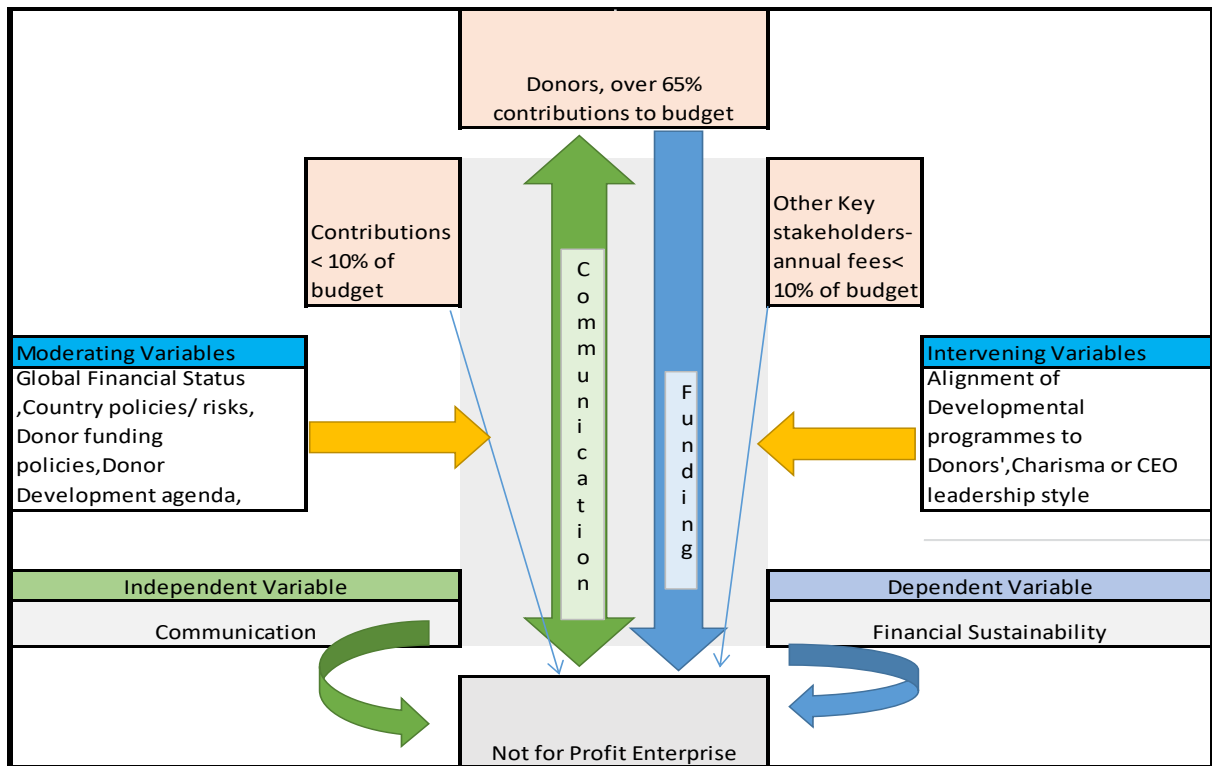
A previous research into operations of not for profits in Zambia, conducted in 2010 revealed the following inherent weaknesses, (Kasanga, 2011):-

- i.) Poorly defined and overlapping roles and responsibilities among staff resulted in lack of individual commitment to important tasks to ensure accountability for failure.

- ii.) Inadequate information dissemination to stakeholders on the outcomes and impacts of activities is not clearly linked to higher level policy and sector indicators.
- iii.) There is no comprehensive monitoring and evaluation framework therefore performance of the not for profit enterprises are not monitored to allow for corrective measures to be taken in a timely manner.

This study has sought to provide a useful link between not for profits enterprises and their financiers and resolve some of the above listed weaknesses and threats.

Fig:1.71 Conceptual Framework of study



Chapter 2

REVIEW OF RELATED LITERATURE

2.1 Situation Analysis of Not for Profit Enterprises

When people think of not for profit enterprises, they often think of religious and charitable, or “public-benefit” organizations. Early settlers in the United States built schools and churches to maintain the public welfare giving their time and treasure to support communal efforts. For instance in the 1740s, Benjamin Franklin founded the University of Pennsylvania to educate and equip youths to develop the land based on the Christian faith. Today these not for profit enterprises have evolved and are not only limited to a faith based movement but to other types of associations that propagate a variety of social schemata. With the ever changing environmental factors that are creating a competitive climate for the sector, not for profit enterprises are now competing with one another for donations, membership and clients, (Steinberg 1987). Yet a non-profit enterprise, as the name implies, is a type of business that serves “a purpose of public or mutual benefit other than the pursuit or accumulation of profits,” (Hall 1992). This definition will be considered for the purpose of this study as it relates to financial sustainability of a not for profit enterprise. As Fine (Fine 1990) calls for not for profit enterprises to become more business-like, there is need for not for profit enterprises to be a lot more proactive and innovative as they interact with their “customers”, funders to their institutions in order to become financially sustainable.

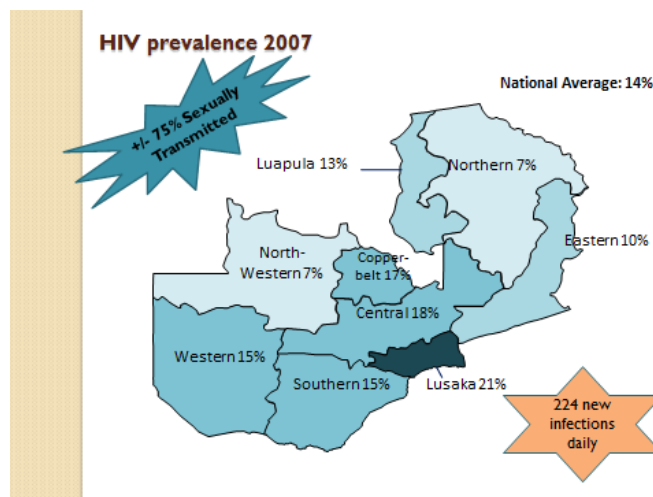
2.1.1 Not for Profit Market in Zambia

In Zambia, not for profit enterprises comprise non-governmental organizations, community based organizations, and other civil society organizations established to essentially provide social services and address the needs of a community. With a population of approximately 14 million as projected from the census of 2010 by the Central Statistics Office, Zambia’s poverty levels are very high at 60.5 per cent of the population. The majority of the population, estimated at 80 per cent, (Bank of Zambia-BOZ Report 2012) is dependent on agriculture, consisting of 85 per cent small scale farmers. The Zambian government has taken a deliberate policy to shift economic base away from the turbulent mining sector due to ever fluctuating copper prices to agriculture (BOZ 2006), thus encouraging farmers to grow

maize, cotton cassava, rice, soybeans, sugar and cattle rearing for their livelihood. However, the Zambian agriculture market is fundamentally dysfunctional, (Jayne et al 2006). From the farmers' perspectives that are typically rural based small scale producers, problems range from scarce and expensive credit to lack and asymmetry information, Alagidede (2012). Thus the market for the proliferation of not for profit enterprises to operate in this gap is created.

Another priority sector for Zambia's development agenda is health. With the HIV/AIDS pandemic ravaging the population at 14% infection rate as reported by World Health Organization (WHO) 2007 statistics, cooperating partners as well as the Zambian government increased funding to this sector.

Fig.2.1 Map of Zambia showing HIV prevalence- WHO 2007



The health sector has received much attention from philanthropy such as President George W. Bush and his wife Laura Bush who have in the recent past, latest of these being June 2013 visited and participated in works at their project sites and inspired and steered further financial contribution to the sector and

also Bill and Melinda Gates have also contributed substantial sums of funds to the work involving cancer etc. For not for profits operating in the sector this means potential sources of funds are being expanded and opportunities await those that will seize them unlike Drucker (1989) that many not for profit enterprises had rejected commercial organizations' preoccupations with efficiency and the "bottom-line".

2.1.2 Objectives of Not for Profit Enterprises

Among the objectives of any small enterprise are profit making and attainment of maturity and liquidity status. In the pursuit of these objectives, enterprises allocate scarce resources to

competing ends. In the process they provide employment, provide goods and services, purchase goods and services and, thus, contribute to the growth of the society and economy at large. Unamaka (1995) observes that in most small-scale settings, the effectiveness of this process is greatly determined by the availability of and access to personnel, finance, machinery, raw material and possibility of making their goods and services available to their immediate community and the nation at large. The extent to which members of an organization contribute in harnessing the resources of the organization equally depends on how well the managers (leaders) of the organization understand and adopt appropriate communication efficiency in performing their roles as managers and leaders. As argued by Lindenberg , (2001) that those working in the not for profit sector that do not adapt their strategies and promote greater impact, efficiency, and accountability run the risk of bankruptcy as well as irrelevance. Thus, financial sustainability of an organisation to enable it demonstrate efficiency in resources mobilization, allocation, utilization and enhancement of organizational performance depends, to a large extent, on how well articulate are the strategic plans and budgets communicated to donors.

2.2 Financial Sustainability for Not for Profit Enterprises

The concept of financial sustainability for not for profit organizations is paramount to the very existence of these enterprises. In defining the term many scholars define financial sustainability as the ability of an enterprise to obtain critical funds to carry out the necessary activities to fulfil their mission, (Boschee and McClurg, 2003). The definition of financial sustainability, in this study, is viewed on the bases of the four pillars of financial sustainability namely: - Strategic and Financial Planning or Budgeting, Income Diversification, Sound Administration and Finances, Own Income Generation, (Leon, 2001).The study focuses on mainly on the definition of financial sustainability as a not for profit enterprises receiving over 65% budgeted income per year.

2.2.1 Achieving Financial Sustainability

With the current donor market constantly being heavily subscribed by finance seekers,(Ewing and Napoli, 2005), one innovative area for sourcing funds that remain a peripheral for most of these enterprises is value communication with the key stakeholders and mainly their

financiers, (Agrawal and Kamakura 1995, Day and Fahey 1988). Proposals are written and areas of service delivery clearly articulated but once the funds are given the communication to sustain the funding is cut or mismanaged. There is a general failure to understand the importance of communication with the funding source. Not for profits have not engaged in strategic communication as well as profit orientated enterprises (Salamon and Helmut, 1996). Many of these not for profits fancy lesser marketing aggression in their communication for funding in the hope of not be mistaken for a profit making entity. As result many CEOs of these enterprises holding such a mental model have seen a collapse of their organization in a few years of their tenure of office. Management must be proactive in communication with stakeholders using appropriate technology such as email phone, walk in visits, website update and social media, blog or face book for visibility, (Brijderl and Preisendrfer, 1998; Aldrich and Zimmer, 1986). With the advanced technological age not for profit enterprises cannot afford to remain behind since failure to embrace value communication can result in a precarious future.

2.2.2 Limitations of Financial Sustainability

In order to attract funding from donors researchers have emphasised that not for profit should nurture and cultivate their relations with donors by providing them with quality service (Kelly, 2001; Nudd, 1991). This research paper envisages to build on this nascent body of literature from the study conduct in detail whether communication has a significant impact on the financial sustainability for a not for profit enterprise. The findings will help and contribute to empirical studies on financial sustainability, proffer quantitative based recommendations for policies and programmes to reposition not for profit enterprises at an integral part of the engine of economic growth and development in Zambia or elsewhere.

In the literature, financial sustainability has been identified as an important subject for not for profit enterprises and is the very core of their existence. Boschee and McClurg (2003) argue that organizations can be sustainable without being self -sufficient. In other words, the ability to obtain critical funds to carry out the necessary activities to fulfil a mission relates to financial sustainability. Further, sustainability is broken down as the capability to obtain revenues in response to a demand in order to sustain production processes at a steady or growing rate to produce results, (Leon 2001). Unlike profit making organizations, not for

profits enterprises exist in order to provide a public good .The measure used for assessing profitability is at variant with their existence and will yield meaningless results. For example Return on Capital Employed (ROCE) is a useful profitability measure but when applied in a not for profit- the measure can give a distorted figure since most not for profit have a low asset base but high income through philanthropy. This income may be given at the start of a financial period for the implementation of programmes that run beyond the financial year, meaning that in the years to follow the enterprise may record a deficit, but have huge cash balances. Thus for a not for profit enterprise, financial sustainability may be uniquely define within the operating environment of the enterprise.

2.2.3 Strategies for Financial Sustainability

Much has been said about the need for not for profit enterprises to increase the impact they are having rather than applying small piecemeal efforts to large scale problems of poverty. Edwards and Hulme (1992) described strategies for scaling up to meet this demand for more impacts yet failed to take cognizant of the significant impact a global financial crisis renders the prescribed strategies irrelevant. Some not for profit enterprises are contented to focus on a single small community within which they work taking a ‘small is beautiful’ approach to their work (Lewis 2001). Edwards and Hulme (1992) noted three kinds of scaling up for not for profit enterprises as a way of strategizing towards financial sustainability as; additive (increase size and coverage of programs), multiplicative (gain more leverage by influencing other development actors, thereby reaching more people), and diffusive (transferring its approaches beyond the organization’s immediate sphere of influence). Bangladesh Grameen Bank was able to effectively manage the challenge of the scaling up process. The bank impacted a lot of poor people in the immediate community, but rather than growing any larger as an implementing organization, it encouraged the adaptation of its original microcredit delivery model around the world (Lewis 2001). These strategies cannot always be replicated successfully in every sphere.

2.3 Role of Communication in sourcing funds

Some scholars define communication as social capital. In their exploration of social capital in entrepreneurial networks, Anderson and Jack (2000) define social capital as a relational artefact that appears to have an important role in facilitating interactions. Social capital is an outcome of structures, but Anderson and Jack (2000) say it is more than this in that it includes many aspects of the social context of social interactions, such as social ties, trusting relationships, and value systems that facilitate the actions of individual's in particular social contexts. They describe the process of social capital formation as a negotiation process that "embeds the self into an appreciative relationship with another". They compare this networking process to that of bridge building, linking individuals with stronger, more robust bridges and relationships able to carry "heavier traffic" than those with more newly formed, delicate structures. The size and power of these networks is dependent upon the on-going efforts of the individual to sustain and maintain their networks of relationships. Cooke and Mills (1999) say that social capital is both the origin and expression of successful network interactions. This social capital can only be achieved by not for profits if they engage in value communication with donor, thus transmitting of information that is useful and trustworthy by the sender to a recipient. This means that not for profits enterprises have to be as aggressive as for profits in the marketing and communication arena. They have to sell persuasively their stories to markets.

2.3.1 Levels of Communication

The **Communication Accommodation Theory** observes the reasoning and consequences of what happens when two speakers alter their communication styles. Communication Accommodation theorists argue that throughout communication, people will attempt to accommodate or adjust their method of speaking to others. This is done in two ways, divergence and convergence. Convergence occurs when there is a need for social approval, (Wiemann, 1987). When attempting to persuade or convey ideas to others it is essential that not for profit enterprises have the awareness to converge or diverge in an attempt to persuade or dissuade. This skill is useful for not for profit enterprises in their pursuit for financial sustainability.

Face-Negotiation Theory examines how people in individualistic and collectivistic cultures negotiate and maintain face in situations dealing with conflict. The theory is based on face management, which observes how people from different cultures manage conflict negotiation in order to maintain face. Self-face and other-face concerns explain the conflict negotiation between people from various cultures; (Ting Toomey 1985) .This theory has much to do with crisis management that is important because not for profit enterprises must be willing to take the proper precautions to resolve any sort of conflict that may come up within their path. Awareness within entrepreneurship is important as well, being conscious of other cultures in which face is more or less important can help or hinder an individual greatly. This skill is useful when a not for profit enterprise loses funding from one donor for a particular project, but would still like to pursue the same donor on another developmental agenda.

2.3.2 Communication strategies

Hugh Rank was a theorist that developed a model in which he aimed to use two major strategies to achieve goals. These strategies are nicely set into two main schemas known as intensify and downplay, (Rank 1976). This model is simplistic in nature but can be a useful tool by not for profit enterprises when they are developing their product or service. Not for profit enterprises run into individuals that are critical of their ideas while on their path to completion, having the ability to intensify the advantages and downplay the disadvantages can help to satisfy these critics. Again the ability and skill on the communication aspect of managers of not for profit comes into play and will determine how the enterprise as a whole will cope.

2.4 Importance of Acknowledgement to Financial Sustainability

In view of the global financial crisis levels of donor attrition to not for profit enterprises will as great challenge remain unacceptably high (Sargeant, 2008). McGrath (1997), for example, identified that a typical UK charity experiences an annual attrition rate of between 10 and 20% of all supporters who make more than one contribution. More recently, Sargeant and Jay (2004) suggest the picture has worsened, and break the aggregate retention figure down to examine both cash donors (i.e. individuals who send cheques in response to appeals) and regular donors (individuals who give monthly by automated payment). They concluded that a

typical charity loses 50% of its cash donors between the first and second donation, and up to 30% year-on-year thereafter. In respect of regular or 'sustained' giving, attrition rates of 20-30% year-on-year are common. Recent data collected by the Association of Fundraising Professionals suggest that the pattern of retention in the United States maybe even lower than that in the UK, with attrition rates in initial cash (or annual) giving being reported at a mean of 74% (Levis, 2008). Consequently, the sector continues to waste a substantial proportion of its annual fundraising spend. In a large-scale analysis of database records, Sargeant (2001) identified that even small improvements in the level of attrition can generate significantly larger improvements in the lifetime value of the fundraising database. A 10% improvement in attrition can yield up to a 200% increase in projected value, as significantly more donors upgrade their giving, give in multiple ways, recommend others, and, ultimately perhaps, pledge a planned gift to the organisation. In this sense, the behaviour of non-profit 'customers' and the value they generate appear to mirror that reported in the for-profit consumer sector (e.g. Reichheld & Sasser, 1990).

The marketing literature is replete with references to the benefits that a focus on customer retention can offer, including enhanced opportunities for 'cross' and 'up-selling' (Christopher, Payne, & Ballantyne, 1991), the generation of good word of mouth/mouse advertising (Chaffey & Smith, 2008; Palmer, 1994), and the provision of greater feedback to enhance the quality of the service delivered (Zeithaml, 1981). More substantively, cutting attrition can also reduce marketing expenditure, as fewer customers need to be replaced (Reichheld & Teal, 2006). This is particularly the case in the context of fundraising where it typically costs not for profit enterprises two to three times as much to recruit a donor than they will give by way of a first donation (Centre for Inter-Firm Comparisons, 2007; Greenfield, 1996). High levels of donor attrition are thus a significant cause for concern. The causes of this attrition have received only limited attention in the literature. It appears that the quality of service provided by the fundraising team (Nathan, 2009; Sargeant & Jay, 2004), perceptions of relationship quality/relationship marketing (Bennett & Barkensjo, 2005; Shabbir, Palihawadana, and Thwaites, 2007), and the level of donor commitment to the organization (Sargeant & Woodliffe, 2007) all have the capacity to drive loyalty.

More recent work by Bennett (2009) has examined the related issue of how lapsed charity supporters might be encouraged to give again, concluding that satisfaction with the communication asking the individual to resume, personal involvement in charity giving, and donor characteristics all had the capacity to influence renewal, albeit that their influence was mediated through donor 'regret' at having abandoned the organization. In order to build strong bonds with their donors, researchers have emphasised that not for profit enterprises should nurture and cultivate their relationships with donors by providing them with quality service (Kelly, 2001; Nudd, 1991).

2.5 Performance and Accountability of Not for Profits Enterprises

Not for profit enterprises are making significant efforts to show how they are performing, a trend impelled by three factors: stricter requirements attached to official aid; doubts about not for profit enterprises claims to be more effective than governments; global trends and transformation shifts in the role of not for profit enterprises, which increase their own needs to know what is being achieved, in order to manage the processes of organizational reorientation and transformation. However, almost without exception, not for profit enterprises are finding it very difficult to come up with sound, cost effective methods to show the results of their development activities, or even to demonstrate their effectiveness as organizations (Fowler, 1996). Rick Davies attributed the problems of monitoring and evaluating the performance of not for profit enterprises to ambitious expectations, complexity caused by scale (hierarchical differences in goals and expectations at various actors' levels), diversity of not for profit enterprises activities, vague objectives, 'fault-able' measuring tools, and absence of baseline information & adequate monitoring systems (Davies, 2000).

Unlike commercial companies development not for profit enterprises do not have the 'bottom lines' of market feedback, profitability, and returns on financial investment, nor do they receive the judgment of citizens through social unrest or the periodic vote. In other words, consumers and voters are the source of performance standards for business and government-but not for not for profit enterprises (Fowler, 1996). However, in the recent times not for profit enterprises are required to apply corporate governance standards to ensure accountability and transparency in project implementation and management of resources.

2.5.1 Accountability

Who are not for profit enterprises accountable to, for what, and how? Concerns about the role and accountability of not for profit enterprises have been voiced from different quarters in recent years. As the World Bank (2005) noted, with growth in the influence of not for profit enterprises so also are they attracting greater public scrutiny, prompting calls for greater accountability. Some donors, governments, corporations, and international agencies raise important questions about the effectiveness of not for profit enterprises' work and the legitimacy of their advocacy. Some not for profit enterprises have also recognized the need to ensure good practice in the wider voluntary sector.

The question of accountability is seen as a bureaucratic hurdle at best, and at worst as a threat to achieving not for profit enterprises' aims. Some fear that any toughening of accountability may lead to an overbearing influence from funders and governments, which could then lead to cooptation and a deflection of original purpose (Najam, 2000), or lead to the stymieing of innovation and reducing the diversity of not for profit enterprises (Cnaan, 1996). For instance the Zambian government is starting to implement a controversial 2009 Non-governmental organization (NGO) law by requiring all NGOs to re-register. The law creates a difficult environment for civil society as it requires not for profit enterprises to be subject to oversight by a government dominated Board; government powers to dictate thematic and geographical areas of work; streamlining of work according to the objectives dictated in the National Development Plan; and increased red tape through mandatory re-registration every five years.

The problem of to whom accountability should be towards also arises many times. Accountability is usually upwards to donors and not to the poor who are the most immediately concerned. Not for profit enterprises just want to show that money is not being misappropriated and that the approved activities are completed rather than that desirable change was achieved, let alone sustainable. Bendell (2006) however argued that democracy and human rights should firmly be at the centre of the debate about not for profit accountability. By democratic accountability he meant that not for profit enterprises should

be more accountable to those with less power who are affected by the organization's actions or decisions – “the poor”.

2.6 Other Challenges Facing Not for Profit Enterprises

In other literature, it is noted that the important role played by not for profits in filling the gap left by state and corporations, in various spheres of development, is seldom recorded,(Fowler 1988, Lester Salamon1994). The information is not readily available to justify the existence of not for profit enterprises. While facing a number of market systemic risks associated with not for profit enterprises in Zambia including macroeconomic instability and political risk, not for profits enterprises strive to mitigate factors affecting stakeholders in the various service delivery areas such as :- Besley (2010)

- **Unfair income distribution** and higher proportion of the population affected by extreme poverty.
- **Vulnerability to external shocks** of all kinds (natural disasters, world prices of exported goods, dependency toward foreign assistance, disease out breaks or new treatment guidelines, Global financial crisis).
- **Several market failures** because of information imperfections, prevalence of monopolistic practices, and different kinds of negative externalities.
- **Lack of appropriate incentives** for the private sector operations in terms of competitive advantages, regulatory frameworks, and judicial systems.
- **Governmental and institutional inefficiencies** resulting from several rigidities as well as credibility and governance problems.

This lack of information on actual not for profit figures in terms of contribution to growth is due to misinformation generated by the enterprises themselves through value communication with key stakeholders , (Conradie 1997, Ronnie D. 2007). Even in the recent World Bank report of 2011, it is stated that Sub-Saharan Africa grew from 5.3% to 6.2 in 2011, and in the same period there were a substantial number of projects undertaken by not for profits, which also gave rise to this growth. However, the not for profit contribution to this figure is undetermined.

Fragmentation is another challenge faced by not for profit enterprises and this occurs when there are too many donors giving too little aid to too many organizations. This can seriously impair the effectiveness of this financial support disbursed for the implementation of various developmental objectives. The current pattern of how donor funding is delivered and received shows funding splintered across too many donors, each with their own processes and priorities, working in often overlapping relationships with each other. OECD/DAC data shows that only a fraction of actual aid volume - 5% - is handled by half of all donor aided relations. Not only is this pattern complex to understand and co-ordinate, it also creates transaction costs and administrative burdens for recipient countries and projects.

Leadership in not for profit enterprises is a matter of concern considering the highly personalized nature of leadership in the sector. The sector is full of anecdotal stories about the detrimental impact of paternalistic founder leaders, “charismatic autocrats,” or “the guru syndrome” (Hailey, 1999). On one hand such leaders demonstrate a drive and commitment, and a remarkable ability to mobilize people and resources. While on the other hand they are criticized for dominating organizations, being unaccountable, and failing to adapt to changing circumstances. Chambers (1997) points out that such not for profit enterprises can achieve many things through their “guts, vision and commitment,” but the way they use power is a “disability” that jeopardizes organizational effectiveness. He argues such charismatic leaders are “vulnerable to acquiescence, deference, flattery and placation” (Chambers, 1997). They are not easily contradicted or corrected. As a result they actively suffocate promising initiatives that may threaten their power base, relationships, or position of patronage.

The concept of leadership in not for profit enterprises could also at times be antithetical to the participatory culture espoused by many enterprises. In a sector that believes itself to be more value driven, participatory, and less management focus than the for-profit business sector, there is an unwillingness to concede the important influence of any one individual leader. Managers in this new era thus have to be conscious of the greater credence given to ideas of equality and participatory democracy in this sector if they are to succeed (Hailey & James 2004).

Effective not for profit enterprises leadership also requires the ability to balance a range of competing pressures from different stakeholders in ways that do not compromise the leader's individual identity and values (Hailey & James 2004). The leadership of development not for profit enterprises face extraordinary challenges as they work with very limited resources in uncertain and volatile political and economic circumstances to help the most marginalized and disadvantaged members of their communities. For instance political pressure may can weak leadership so succumb such pressure and jeopardizing their relationship with funding agencies. Civicus referred to the growing deficit in leadership abilities in not for profit enterprises. In particular they pointed to rapid turnover of not for profit enterprises' staff in leadership positions into business and government and the difficulty not for profit enterprises have in replacing these (Civicus, 2002). All too often this failure of leadership results in programmatic dysfunction and even organizational collapse.

Enterprise Risk Management: James Lam argues that Enterprise Risk Management in the coming future will grow to all sectors of business given that globalization of business, (2009). In his ten predications of enterprise risk management Lam proposes that enterprises must incorporate the enterprise risk management model to be able to effectively manage and understood anything complex. Not for profit management need to analyze from historical data risk and return results paying attention to any correlations. This would help in assessing the enterprise's current risk exposures and concentrations in the business. For example –they could analyze resource mobilization and diversification strategy such that the departure of one donor would not lead to the collapse of the enterprise.

Despite all this challenges not for profit enterprises play a very important role in provision of services in the communities they serve.

2.7 Importance of Not for Profit Organizations

Not for profit enterprises in Zambia play a significant role in stabilizing the economy which until recently was largely dependent on copper for survival. Zambia's economic growth, like that of other developing countries, is closely linked to the expansion and diversification of the agriculture sector. It is therefore imperative for every government of the day to ensure

Annie Kapepula: Masters Dissertation MCOM 2012

effective and progressive policies are in place to the biggest informal sector employer. The bank of Zambia report of June 2012 records that over the last seven years Zambia has experienced strong growth, with real GDP growth in 2005-11 more than 6% per year. This growth is to a greater extent linked to the consecutive bumper harvests from 2008 onwards since the country had privatized the stated -owned copper mines in the 1990s relieving the government from covering mammoth losses generated by the industry. Agriculture has now become an important sector for the government to spur growth by implementing a combination of policies that provide growth and brings about efficiency in resource allocation.

The achievement of these milestones in the agriculture sector can also be attributed to the work done by a number of not for profit enterprises working with support from donors such as the United States Government (USG) funding through agencies like United States Agency for International Development (USAID) and The President's Emergency Funding for HIV and Aids Relief, PEPFAR; Swedish International Development Agency (Sida), to increase food production and crop diversification and creative supply chains so that rural produces have a market to sell as well support to the health sector which has been gravely battered by the HIV/AIDS pandemic .

In order to strengthen the agriculture sector in the country, the Fertilizer Support Program (FSP) was launched by the Government of Zambia in 2002 as a temporary measure to provide subsidized input packages for maize to smallholder farmers and to promote the participation of private sector traders in supplying these producers in all areas around the country. The World Bank Report of 2010, records that in 2007, the FSP accounted for roughly 30% of the Ministry of Agriculture and Livestock (MAL) total budget allocation and 45% of the discretionary budget for poverty reducing programs. Originally the FSP was to last for three seasons, but it is now in its twelfth year at the field level. This is also another platform for not for profit enterprises in Zambia working in the agricultural sector to justify their existence. There are always donors ready to fund enterprises that drive the donors' agenda and provide efficiency use of resources.

Annie Kapepula: Masters Dissertation MCOM 2012

This choice by donors of Not for Profits as optimum intermediary agencies for effectively reaching the targeted goals and objectives in pursuit of the donor's aid agenda (Hulme and Edwards 1997) seems to be based upon, a number of assumptions as follows:-

- *Not for Profits are essentially 'bottom-up' organizations.* By this it is meant that they are more likely to draw their support from the local community and are therefore nearer, and more sensitive, to its needs. They are therefore likely to be more responsive to the needs of any particular client group within the community.
- *Not for profits are more likely to be socially embedded in the society.* They are more likely to be made up of representatives of the local community and to have strong local social connections. They are therefore more likely to be empathetic to, and share the values of, local culture.
- *Not for profits are more likely to be entrepreneurial.* As small organizations they are more likely to combine some of the key characteristics of the entrepreneurial organization including: greater independence from political and bureaucratic pressure; be dependent for survival upon their credibility with the local consumer of their services; be networked and interdependent with other local stakeholders; be flexible and informal; and be more likely to be committed to see things through and accept responsibility for outcomes.
- *Not for Profits are more likely to be differentiated to reflect differences in local needs.* Many local outreach centres of national organizations operate with standardized approaches designed to facilitate measurement and accountability. Needs for small enterprise development and the potential for action are likely to vary considerably locally.
- *Not for profits are likely to be less susceptible to maladministration or forms of corruption.* Corruption is a relative concept dependent upon accepted norms of ethical and moral behaviour. Levels and forms of corruption are likely to be more sensitive to, and limited by, local pressure.
- *Not for Profits usually operate with light resources.* They therefore are closer to the condition pertaining to their client group.

However not for profits have a myriad problems of their own to deal with that impact largely on their financial sustainability.

Chapter 3

METHODOLOGY AND DATA COLLECTION

3.1 Research Design

The main purpose of this study was to determine the relationship of communication and financial sustainability for not for profit enterprises. In relation to the Country's key Millennium Development Goals and Vision 2030, not for profit enterprises operating within the four fundamental sectors that have been identified as key in maintaining a viable middle income status, namely; Health, Education, Agriculture and Water and Sanitation were selected. Not for profit enterprises were group into these four categories and from each of the sectors a sample was selected through stratified random sampling means. To obtain a stratified random sample the method prescribed by Keller in his 9th Edition of Managerial Statistics was used. The total population of interest of 388 categorized into sectors of operation was further separated into mutually exclusive sets; Years of existence, Annual Budget, Number of employees for each of the four sectors and a simple random sample of two enterprises was selected from each stratum to come up with six not for profit enterprises per sector and a total of 24 not for profit enterprises to be surveyed. The sample size falls within the recommended number of 20 and 34 by Boyd et al, (1977) and Backstom and Hursch (1963), respectively.

As shown in Chapter one (1) by figure 1.8 conceptual framework of study, in this research the independent variable was value communication between the not for profit enterprise and potential donor, while the dependent variable was financial sustainability in relation to a strategic plan, thus financial sustainability was translated to mean at least 65% budget funding available per year. A key moderating variable in this research was the global financial status as well as country risks and policies concerning not for profit enterprises, donor developmental agenda and policies. The intervening variables included not for profit enterprise alignment of developmental programmes to donors as well as CEO charisma and attitudes towards value communication with donors. For the purpose of this study 24 not for profit enterprises were selected through stratified random sampling technique, from a total of 388 not for profit enterprises operating in Zambia in the area of delivering developmental services. This population was determined from the listings of not for profit enterprises, in

good standing as at December 2012, provided by both PACRA Zambia and Registrar of Societies .

3.2 Scope of the Study

The study covered not for profit enterprises headquartered in Lusaka catering for both rural and urban communities. The population of Lusaka the capital city of Zambia was at 1.7 million out of the total Zambian population of approximately 13.4 million as of the Central Statistics figure of 2011. Lusaka was selected such that all the respondents have similar challenges in terms of access to infrastructure such that the results are not biased or distorted. In terms of content, the groups and the respondents in the study were chosen from those that deal directly and indirectly with donors and key financiers and can easily relate with the operations of the selected not for profit enterprises. In terms of time space, the research examined communication impact on financial sustainability of enterprises that have operated in Zambia for over a ten year period, and data was obtained from the year 2002 to 2012 with over 80% funding mostly from donor support. Each year was broken into calendar quarters and data was classified in relation to the associated period.

3.3 Sampling Procedures and Techniques

A list of all operating not for profit enterprises established from the year 1996 was obtained from the registrar of societies. Also this list provided names and contact details of key stakeholders associated with the enterprises. CEO details were also obtained and the reason for the need of this information given to the registrar of Society and all ethical issues clarified. The research then followed a survey design, analysis of quantitative secondary data comprising Financial Statements and Annual Budgets from the year 2002 to December 2012 was collected from the sampled not for profit enterprises as well as administration of a structured questionnaire on respondents to generate qualitative primary data to provide statistical correlation between the independent and dependant variable. Since in the case of not for profit enterprises profitability and liquidity ratios would not be useful measures of enterprise financial sustainability, actual quarterly income in relation to budgeted amounts was used instead. To make the figures comparable across sectors actual income was converted to percentage rate in relation to the budget for the period. The rates obtained from

all the 6 categories per sector were averaged to come up with the mean rates per quarter for each of the four sectors of interest.

As for the generation of qualitative primary data respondents included members of staff, key stakeholders such as board members, institutional members, current as well as previous donors of not for profit enterprises. As recommended by Dillman (1978) and Oppenheim (1992) the survey instrument used in generation of primary data was a structured questionnaire that was pretested before the final questionnaire was administered to the selected respondents. The questionnaire was adopted from the Zambian Governance Foundation's Pre Award Financial and Self-Assessment Form, thus the adapted questionnaire was easily understandable by the respondents since most of them had previously filled out a similar form before. The questionnaire was used to collect data in relation to levels of communication, systems in place and constraints faced by the not for enterprises in dealing with donors. Thus the questionnaire had four sections; the first three sections had each a dimension using a 5-point Likert ranking scale from Strongly Disagrees (1) to Strongly Agrees (5), while the fourth section requested for financial data. The data thus obtained was also translated to percentage form. Some not for profit enterprises selected have the following salient characteristics among others including; a long history with donor funding of from five to 10 years and above, implementing more than one donor project and hosting more than one donor. This has with no doubt eliminated any potential outliers while analysing the data. In order to collate the financial sustainability of the not for profit enterprises, a progressive analysis of projects strategic plan and budget and project funding in relation to budget and level of donor engagement through communication on the budgets has been analysed. To help with data triangulation, this researcher also attended at least six strategic planning meetings of a number of these not for profit enterprises between February 2012 and July 2013 and also a selected number of Donors operating in these sectors were interviewed depending on availability to get their perspective on how they view communication, and to understand the challenges posed by language and culture as barriers to value communication.

3.4 Data Collection Methods

Copies of the questionnaire were distributed to the respondents firstly via email with instructions on how to fill them out. This provided sufficient time for the respondents to study and understand the questionnaire and also provided the researcher with insight into not profit enterprise use of email as means of communication. The email was followed by a telephone call for some and walk in interview to respond to the questionnaire with key not for profit enterprise management. To ensure a 100% response, the significance of the research was clearly expressed to the respondents in a letter obtained from the UCT GSB administration, outlining the purpose of the research and also the benefits to be obtained from the study such as enhanced fundraising skills in communication. All the respondents sort anonymity for the purpose of this research, therefore a list of the surveyed not for profit enterprises cannot be provided since this research had guaranteed confidentiality at the time of obtaining all the relevant data from the surveyed not for profit enterprises.

3.5 Data Analysis Techniques

This research relied mainly on quantitative data analysis techniques where all the data collected was coded and arranged according to the research themes. As the key data obtained from the surveyed not for profit enterprises was financial data arranged in sequential order this researcher concluded that **Time Series analysis** was most suitable in this research. There are many forecasting techniques to determine a variable's future values but in this case **Time series** was employed since the data has been measured **over time** in **sequential order**. Time series is a form of extrapolation in that it involves fitting a model to a set of data and then using that model outside the range of data to which it has been fitted. This is said to be the weakness of extrapolation in time series. In his book 'Time Series Forecasting', Chapman & Hall (2000) states that times series predictions relies on the assumption that the past is the same as the future, but in reality there are always different shocks that affect future values of variable. Recently we have seen how the Euro crisis (2011-2013) has not been analysed by the use of prediction model except by sound judgment and irrational behaviour.

The qualitative data to be included in this research may constitute approximately not more than 10% of this research.

3.6 Ethical Considerations

This research will take into consideration a number of ethical considerations namely;

- (i) **Permission** was requested and obtained from relevant authorities in the not for profit enterprises before the Researcher conducted interviews with individuals from the respective enterprises.
- (ii) Secondly, throughout the research, the researcher sought consent from the respondents for the interviews and where the individuals were not comfortable to be quoted or recorded in the research an agreement was reached not to be recorded or their enterprises' information captured. For example, names of the not for profit enterprise/ staff have not been used in this research and the Researcher guaranteed confidentiality to all respondents.
- (iii) All secondary materials in this research, their sources will be provided on request and Quotes from individual's respondents, their names will be concealed for confidential reasons.

3.7 Constraints and Challenges Encountered

- (i) One of the key constraints suffered in this study was the lack of adequate financial information to provide statistical data to serve as evidence to some of the changes in terms of enterprise funding and sustainability on account of communication engagement with donors. Since data was required from as far back as 2002, the research had to spend several hours and at times days at one enterprise to compute data which could be filled in the questionnaire.
- (ii) Some group members whose projects and programmes had failed refused to talk about themselves and what led to such failures but preferred to be let alone since they had moved to different not for profit enterprises, yet they had invaluable lessons to share on communication.
- (iii) Remoteness; some of the key stakeholders previously involved in the not for profit enterprises had moved on to other unrelated jobs and declined to participate in this research. Therefore, in terms of collecting information related to the communication aspect some data gathered was rather subjective as opposed to being objective. To overcome this challenge this researcher had to work with original donor agreements and compare with available correspondence on report remittance to donors.
- (iv) Interviews had to be conducted during the weekends and this Researcher had only recently moved to a new full time contractual job, therefore paid leave to conduct this study

Annie Kapepula: Masters Dissertation MCOM 2012

was not granted. This Researcher could not afford to lose the job and further only diminish resources to allocate to this task. Thus data collection and final analysis took longer than originally scheduled.

Chapter 4

ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

With the current global financial crisis still prevailing many enterprises are seeking even the slightest means to differentiate themselves from the rest to get a head in the market place for donor funding. Even funding organizations have had a rethink at the way they support not for profit enterprises in achieving developmental organise by emphasising performance based funding. For instance, the Global Fund to fight HIV/AIDS, Malaria and TB disease burdens in mostly developing countries has established a new funding model. To access funding not for profit enterprises as well as governments will require prior invitation, and special consideration will be given to countries in a position to achieve rapid impact, those at risk of service interruptions, and those currently receiving less than they would under the new funding model's allocation principles. Equally, Melinda and Bill Gates Foundation have stated that they engage with grantees and partners in a spirit of trust, with candid communication, and complete transparency. In this vein they encourage grantees and partners to share any questions or concerns that arise during the course of the grant. They achieve this by collaborating with organizations to develop proposals that align with their strategic priorities and the organization's focus and capabilities.

This means that not for profit enterprises winning proposals can only be crafted with clarity of communication, therefore in this study the analysis and discussion of findings will relate mainly to communication and relationship with financial sustainability. The findings discusses the level of communication being implemented by the not for profit enterprises in Zambia; examine the link between this communication and financial sustainability; long-term financial sustainability of the selected not for profit enterprises and discusses constraints encountered by the not for profit enterprises in communicating their strategic plans and budgets with donors and potential funders.

The data provided for the analysis was based on quarterly financial reports obtained from the not for profit enterprises, basically the Income and Expenditure Report ,providing income per quarter including comparison with each reporting period corresponding Budget figures. Following a calendar month financial year, - 1st quarter run from January to March and the closing quarter in the year being October to December. Actual figures were converted to income as a percentage of budget funding per quarter: $QI/QB \times 100 \% = \% BF$, (quarter actually funded/ quarter budget funding x 100%= % Budget Funding). This ensured reliability and comparability of data among the different sizes of the not for profit enterprises within each of the four sectors (Boyd & Reuning-Elliott, 1998). For instant in the six cases examined in the Health Sector one enterprise's quarterly income equalled total income for smaller enterprises for a year's funding.

In terms of the communication aspect this too was converted to percentage form based on the 5-point Likert scale (Griggs 2003) with responses ranging from strongly disagree (1) to strongly agree (5). The questionnaire had four sections 1. Levels of Communications 2. Communication systems in Place 3. Challenges faced in Communicating with Funders and responses were required for each of these three sections. The last section of the questionnaire simply requested for income received in relation to what was budgeted per quarter and any other comments that the respondents could provide that were not addressed by the sections.

As provided by Chatfield and Schimek (1987) before much analysis can be conducted on any set of variables it is imperative that preliminary look at the data is conducted in order to see any pattern in the data and graphical/pictorial view of the data. This way any unusual patterns and errors can be noted. This is known in statistics as Initial Data Analysis (IDA), (Hamilton 1994, Webb 1988).

4.2 Nature and Level of Communication

Communication in a not for profit enterprise can be perceived as a means to financial sustainability as argued by both Deegan (1999) and Lewis (1998) that this relationship with the donors can be strengthen through transparency and accountability. In one strategic planning workshop for one not for enterprise attended by this researcher participants acknowledged the importance of donor involvement from the onset in setting plans for

Annie Kapepula: Masters Dissertation MCOM 2012

implementation of programmes and agreeing on funding aspects. They admitted that donor collaboration in the initial planning stage for a programme yielded efficacious financial support. Also two key donors in the Agriculture sector submitted that they prefer working with not for profit enterprises that are open about their challenges and shared information freely with them to ones that provide feedback only when there is a crisis. One donor in particular stated that his organization could no longer work with a named organization due to lack of transparency and accountability and the failure to provide timely feedback as established in the communication guidelines of the Agreement.

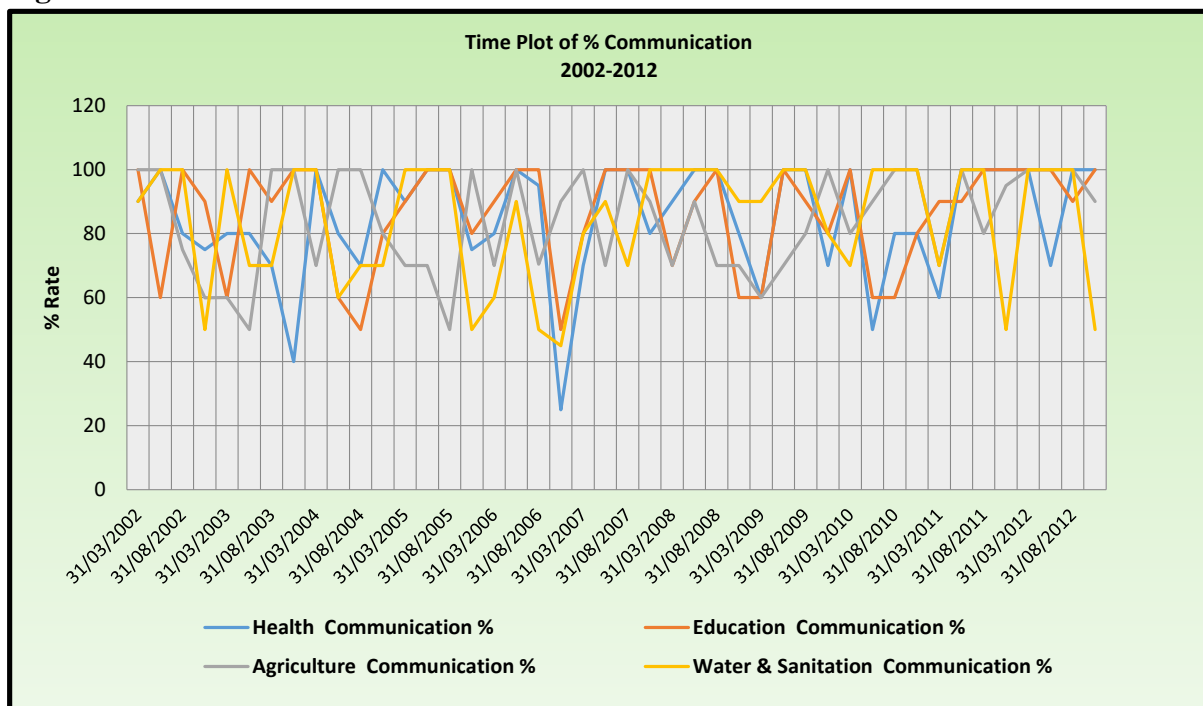
In another reported case an unfortunate situation occurred where, a not for profit enterprise neglected its communications to a very junior officer who had neither an appreciation of courteousness nor tact in relating with donors. At the prestigious Annual Agriculture and Commercial Show of 2012 this officer was left to man the not for profit enterprise's stand. As donors came by to acquire first-hand information about the activities of the not for profit enterprise, the officer, in quest to impress, did more than portray a negative image to potential funders. This happened since managers did not view the nature of communication with donors as directly linked to the enterprise's financial resource base. It is clear that this enterprise had not established clear protocol when it came to communicating with the external environment and particularly donors. The not for profit enterprise in this case jeopardized its future chances of receiving financial support from the donors.

“All you need is just to offend one donor and you see all of them runaway and shun you”, was message from one not for profit Director.

It was also noted that internet usage with all the advantages of quick and real time, was only being fully utilized by 60% of the sampled 24. Those with websites were not regularly updating the sites, thus rendering their sites outdated and use of tweeter or face book had not yet sale with most staff, though these could be a means of providing quick feedback and staying in touch to strengthen donor relations. This was recommended by Waters (2007) as means to build future cash inflow and fund raising activities with potential donors. Some staff felt there were not at a level at which they could communicate via email or tweeter with donors.

On analysing the quantitative data, below is the time plot showing percentage communication of the four sectors from 2002 to 2012- the rates have been stated in chronological order. The plots show that the level of communication was reaching only a maximum of 100% percentage and 25% minimum, and from one quarter to the next a plummet is immediately followed by a noticeable rise in the next period. With a little more innovation not for profit enterprises can exceed this level and go beyond the established guidelines and provide additional invaluable information that strengthens prospects for future fundraising activities.

Fig: 4.21 The Time Plot of Communication



4.3 Linkage between Communication and Fundraising

General Trend within the Sectors: From the four trend graphs shown below it can be seen that generally, both communication and budget funding percentages show a linear gradual upward trend over the period of analysis in all the sectors. However it can be noted that the gap between communication and budget funding in the Education sector is slightly wider, but constant throughout the period, while in the Agriculture sector the gap widens with time. Also the graphs show that the Agriculture sector has highest fluctuations in funding compared to the other three sectors.

From these trends it can be argued that there is a relationship between communication and budget funding in all the four sectors- however to determine the strength of that relationship

and individual not for profit enterprise will have to be analysed over a period of time to deduce its own enterprise linkage.

Fig: 4.31 Comparative Plot between Funding and Communication in Health Sector

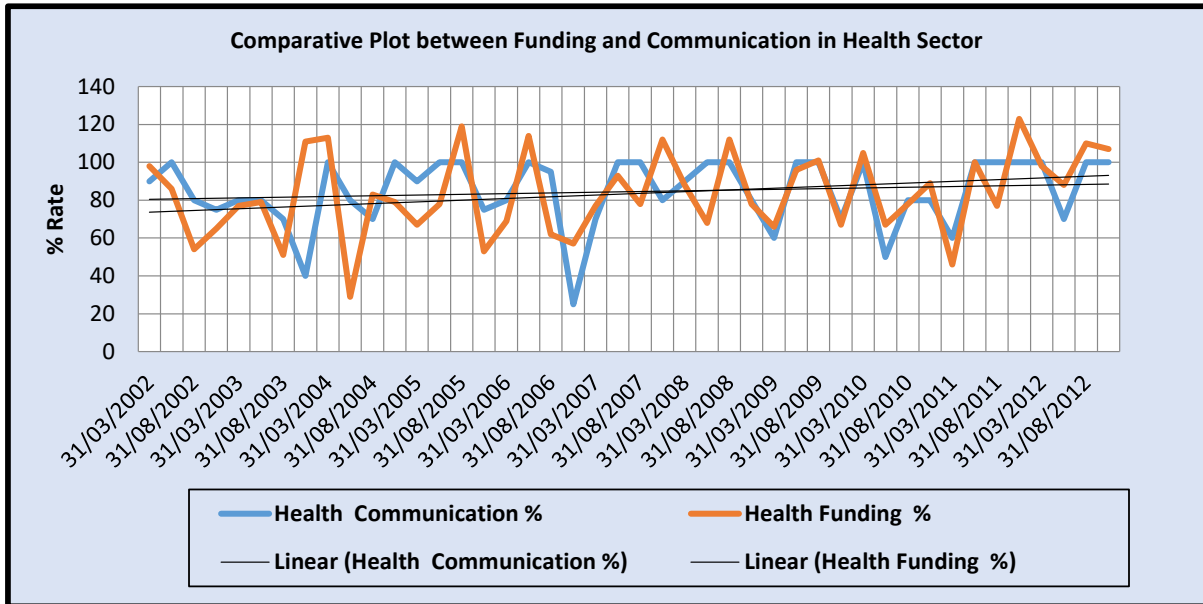


Fig: 4.32 Comparative Plot between Funding and Communication in Education Sector

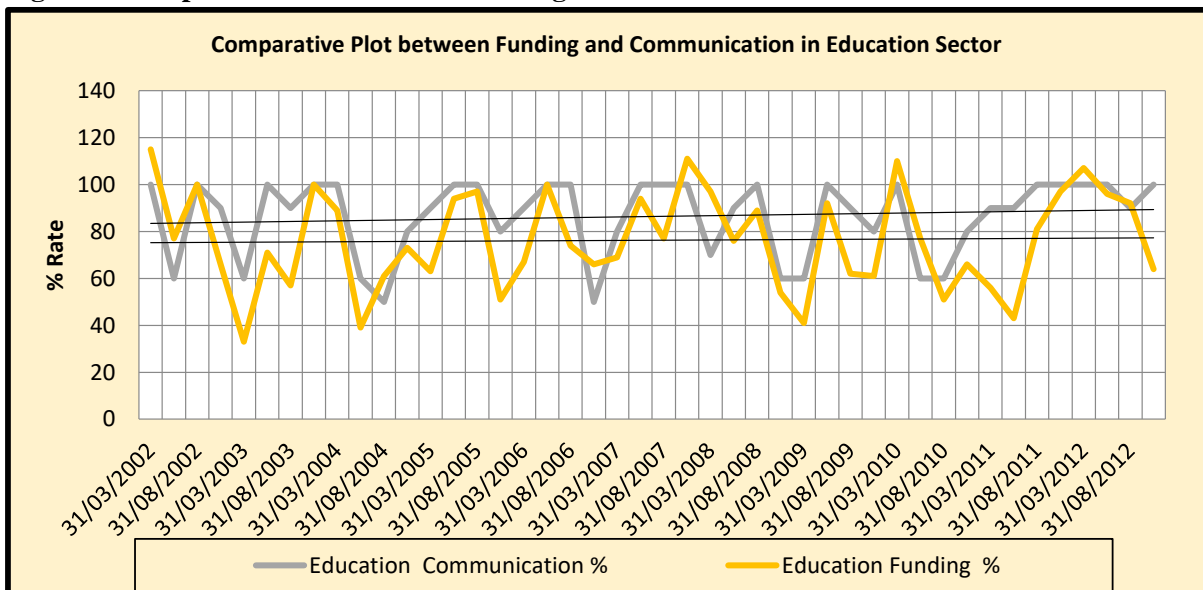


Fig: 4.33 Comparative Plot between Funding and Communication in Agriculture Sector

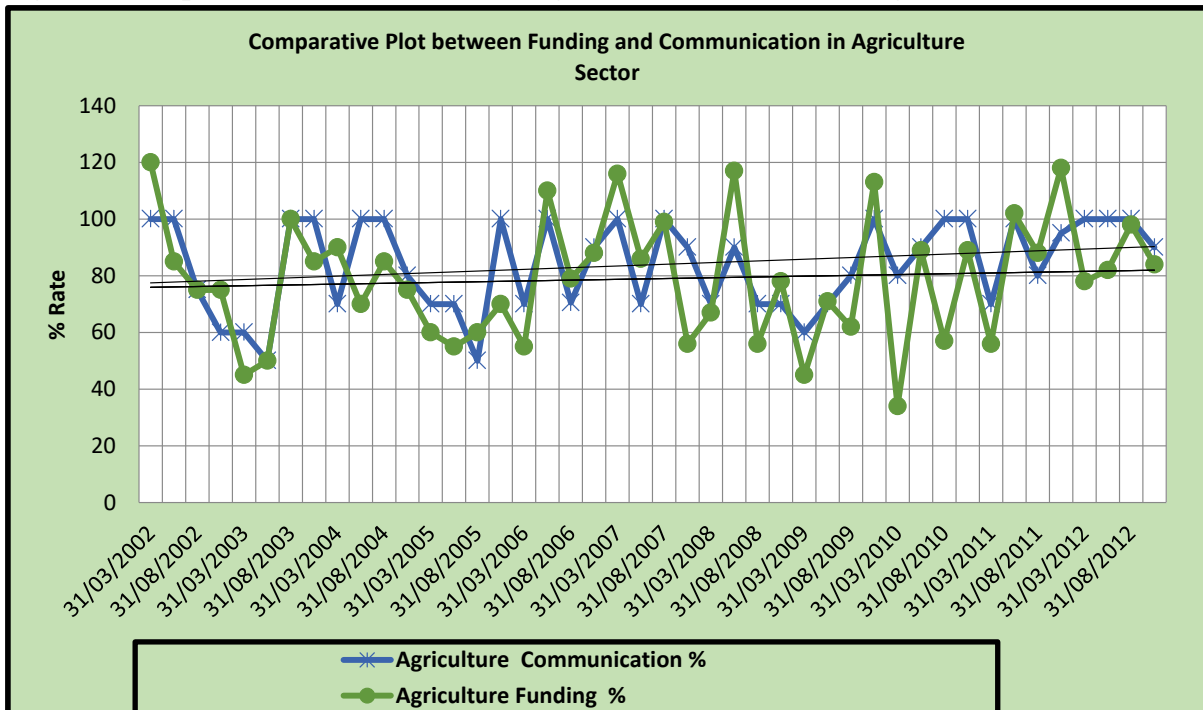
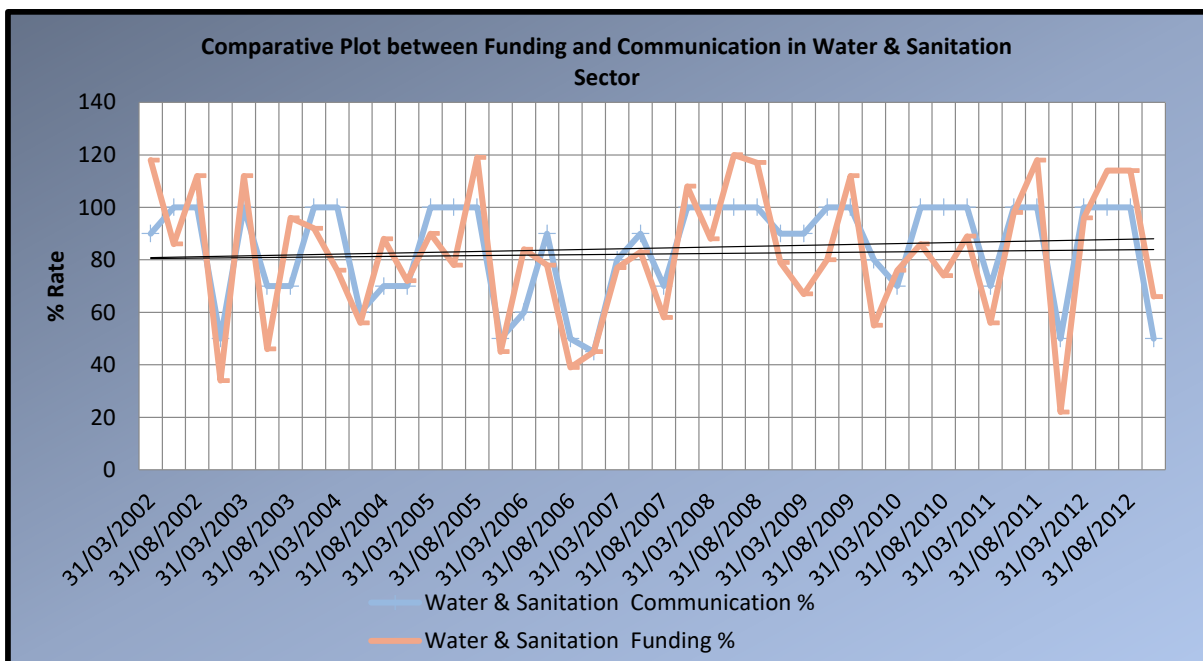


Fig: 4.34 Comparative Plot between Funding and Communication in Water and Sanitation Sector



Correlation Coefficient: For the determination of the relationship of the variables the **Pearson product-moment correlation coefficient** or **Pearson's r** has been used to measure

Annie Ka pepula: Masters Dissertation MCOM 2012

the linear dependence or correlation of budget funding (dependent) to communication (independent) to give values that lie +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation, While and for the determination of dispersion within the variables, **Coefficient of Variation (CV)** has been used. This helps to compare the variables in a more meaningful way to determine which variable has greater dispersion in their respective variables. The variable with the smaller CV is less dispersed than the variable with the larger CV. The table below shows the computed figures.

Fig: 4.35 Table of Descriptive statistics for the Four Sectors

Table of comparative statistics of the sectors								
Detail	Health Communication %	Health Funding %	Education Communication %	Education Funding %	Agriculture Communication %	Agriculture Funding %	Water & Sanitation Communication %	Water & Sanitation Funding %
Mean	84.5455	83.3636	86.3636	76.2727	83.8733	78.9318	84.4318	82.2500
Standard Error	2.7290	3.3031	2.4993	3.1931	2.4093	3.2811	2.8770	3.8643
Median	90.0000	79.0000	90.0000	75.0000	90.0000	78.5000	95.0000	83.5000
Mode	100.0000	78.0000	100.0000	77.0000	100.0000	85.0000	100.0000	112.0000
Standard Deviation	18.1024	21.9101	16.5783	21.1807	15.9818	21.7645	19.0841	25.6326
Sample Variance	327.6956	480.0507	274.8414	448.6216	255.4165	473.6929	364.2045	657.0291
Coefficient of Variation	0.2141	0.2628	0.1920	0.2777	0.1905	0.2757	0.2260	0.3116
Kurtosis	1.7595	-0.4840	-0.5126	-0.8635	-1.0927	-0.6241	-0.8506	-0.5443
Skewness	-1.3000	-0.1588	-0.9569	-0.0673	-0.4468	0.1366	-0.8129	-0.3411
Range	75.0000	94.0000	50.0000	82.0000	50.0000	86.0000	55.0000	98.0000
Minimum	25.0000	29.0000	50.0000	33.0000	50.0000	34.0000	45.0000	22.0000
Maximum	100.0000	123.0000	100.0000	115.0000	100.0000	120.0000	100.0000	120.0000
Sum	3720.0000	3668.0000	3800.0000	3356.0000	3690.4261	3473.0000	3715.0000	3619.0000
Count	44.0000	44.0000	44.0000	44.0000	44.0000	44.0000	44.0000	44.0000

Coefficient of variation: From the above table we can see that Agriculture Communication has the least dispersion with a CV of 0.1905 while Water and Sanitation Funding has the highest cv. of 0.3116. However the limitation of this measurement is that it takes into account historical data which may be irrelevant in the present situation as shown from Fig: 4.34 that the Water and Sanitation funding in 2012 was stronger than that recorded in the Agriculture sector for the same period.

Correlation Coefficient: In terms of the relationships between communication and budget funding per sector the correlation table shows the flow and it can be deduced from the figures that there is a positive relationship between the communication and budget funding within each sector as ; 46% movement in Health Budget Funding is caused by corresponding movement in communication;62 % movement in Education Budget Funding is linked to

communication ratio and similarly 63% change in Agriculture Budget Funding is almost caused by corresponding movements in communication rate and Water and Sanitation Budget Funding is the one mostly affected by communication rate at 77%. However this numbers do not provide conclusive evidence of the relationship with regard to each individual not for profit enterprise, however each enterprise should take heed to manage its relationship with donors as there is a notable relationship between funding and communication.

Fig: 4.36 Table of Correlation between Communication and Budget Funding

Correlation of Individual Sectors		
<i>Details</i>	<i>Health Communication %</i>	<i>Health Funding %</i>
Health Communication %	1	
Health Funding %	0.460413521	1
<i>Details</i>	<i>Education Communication %</i>	<i>Education Funding %</i>
Education Communication %	1	
Education Funding %	0.622796542	1
<i>Details</i>	<i>Agriculture Communication %</i>	<i>Agriculture Funding %</i>
Agriculture Communication %	1	
Agriculture Funding %	0.626258449	1
<i>Details</i>	<i>Water & Sanitation Communication %</i>	<i>Water & Sanitation Communication %</i>
Water & Sanitation Communication %	1	
Water & Sanitation Communication %	0.775687731	1

Analysis of Variation (ANOVA): in this study we hypothesized: Strategic planning and budgeting is important for financial sustainability ; Communication with donors during the strategic planning and budgeting processes increases the chances of being funded and raise funds substantially; therefore there is a significant relationship between communication and financial sustainability.

In testing for the null hypothesis and assuming the truth of it, in our study the null hypothesis would be that there is no relationship between communication and financial sustainability, a test result would be statistically significant if it is deemed to unlikely to have occurred. This is when the probability of p-value is less than a threshold, for our study using ANOVA does not provide results from which a conclusion can be drawn independent of further analysis of other qualitative information since the data used is not absolute values but relative values obtained from original figures – thus results obtained give an exaggerated result e.g. p-value of 0.7833 for Health sector. The result for all the sectors are above or close to a p-value of 0.5 , we can conclude and state that there is insufficient evidence to infer that there is no relationship between communication and financial sustainability for all the four sectors.

Fig: 4.37 Table of Analysis of Variation for the Four Sectors.

Anova: Single Factor	Analysis of Variation for all the sectors					
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Health						
Between Groups	30.72727	1	30.72727	0.076081	0.783341	3.951882
Within Groups	34733.09	86	403.8732			
Education						
Between Groups	2240.182	1	2240.182	6.192941	0.014754	3.951882
Within Groups	31108.91	86	361.7315			
Agriculture						
Between Groups	537.2058	1	537.2058	1.473594	0.228103	3.951882
Within Groups	31351.7	86	364.5547			
Water & Sanitation						
Between Groups	104.7273	1	104.7273	0.2051	0.651776	3.951882
Within Groups	43913.05	86	510.6168			

4.4 Long-term financial sustainability-

Seasonal Fluctuations: The graphs below have been used to show variations due to seasonality. Exponential smoothing has been used to come up with the graphs below since it takes into account all the values of the variable and previous values in the series are not forgotten (Keller 2012). The smoothed lines: which in this case the lines denoted as **forecast** show minimal or no variations in the smoothed values compared to the actual values. This means that the rate of communication and budget funding are not being affected by seasonality but they could be other random variable or shocks that could have resulted in

some of the fluctuations. This is useful to note that if rates of communication and budget funding in the sectors do not fluctuate due to seasonality it could be an indication of relative stability of funding to each of the sectors. Whether this can be extended to any individual not for profit enterprise within any sector would require further analysis of data from the particular enterprise. This means that a forecasted communication displaying an increased rate will have a corresponding spectacle of funding. See below from Fig: 4.41-4.48.

Also on examining the Budget Funding rate in the quarters , some hitting a low of 20% , as shown in Fig.4.42, it is possible be unsustainable in the short-term due to cash shortage but remain financially stable in the long run as argued by Bowman (2011).

Fig: 4.41 Exponentially Smoothed Graphical Presentation-Health Communication

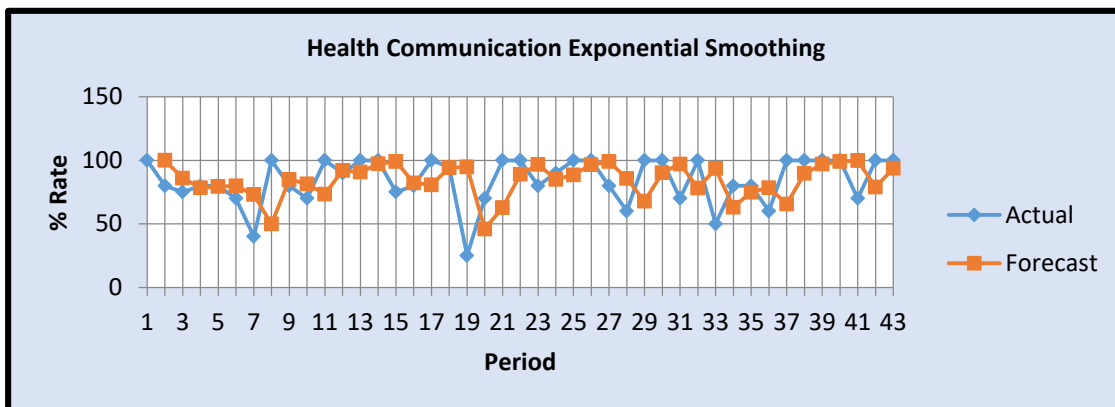


Fig: 4.42 Exponentially Smoothed Graphical Presentation-Health Funding

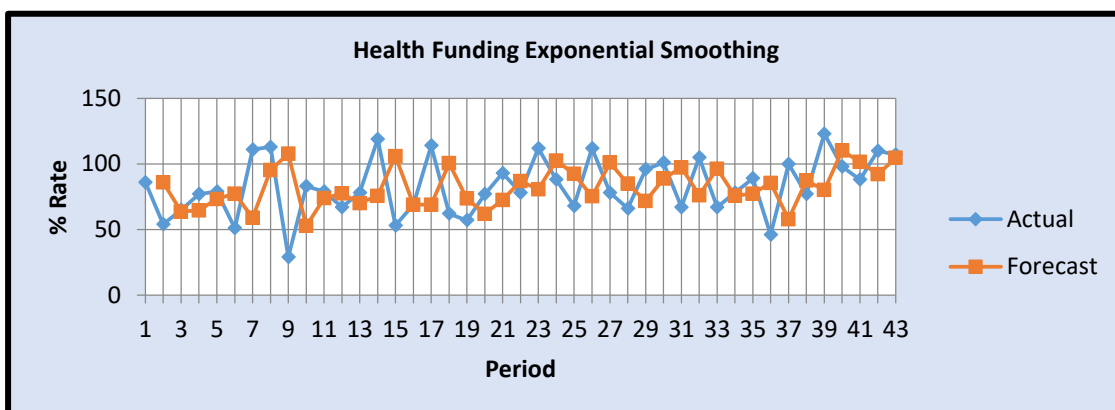


Fig: 4.43 Exponentially Smoothed Graphical Presentation-Education Communication

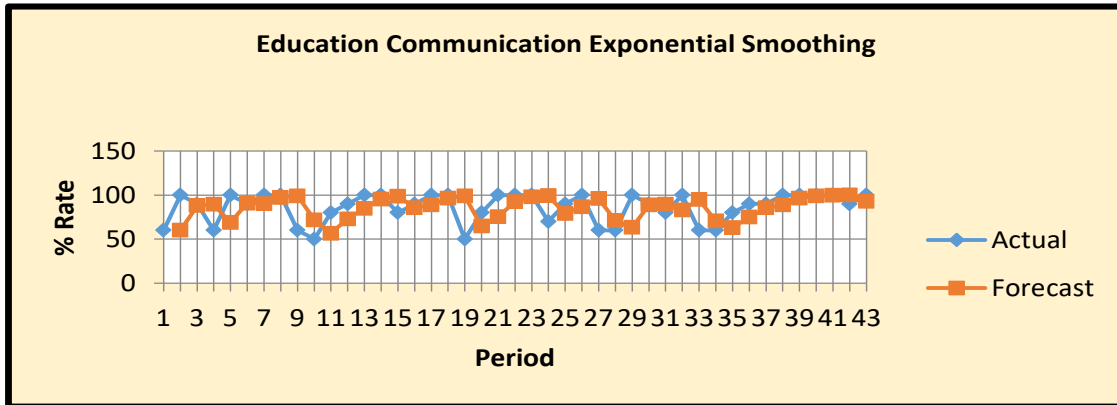


Fig: 4.44 Exponentially Smoothed Graphical Presentation-Education Funding

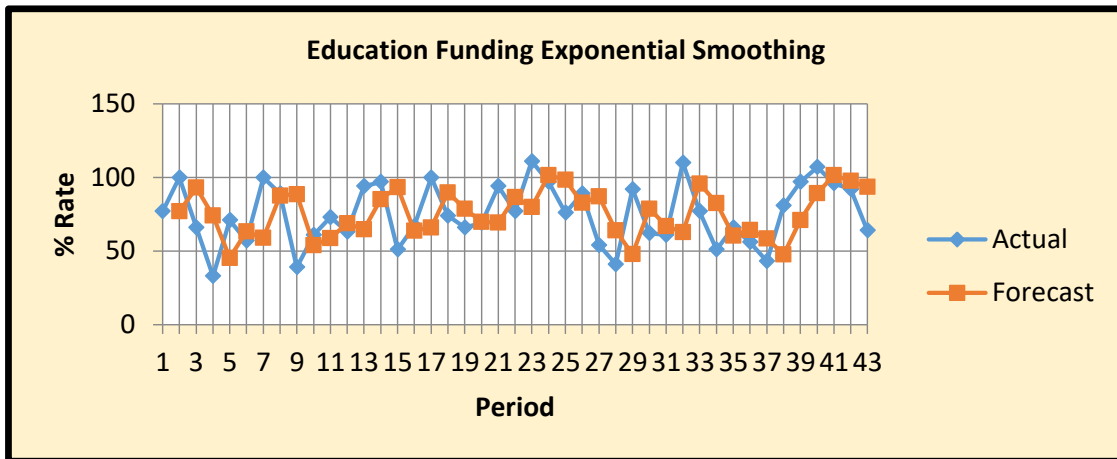


Fig: 4.45 Exponentially Smoothed Graphical Presentation-Agriculture Communication

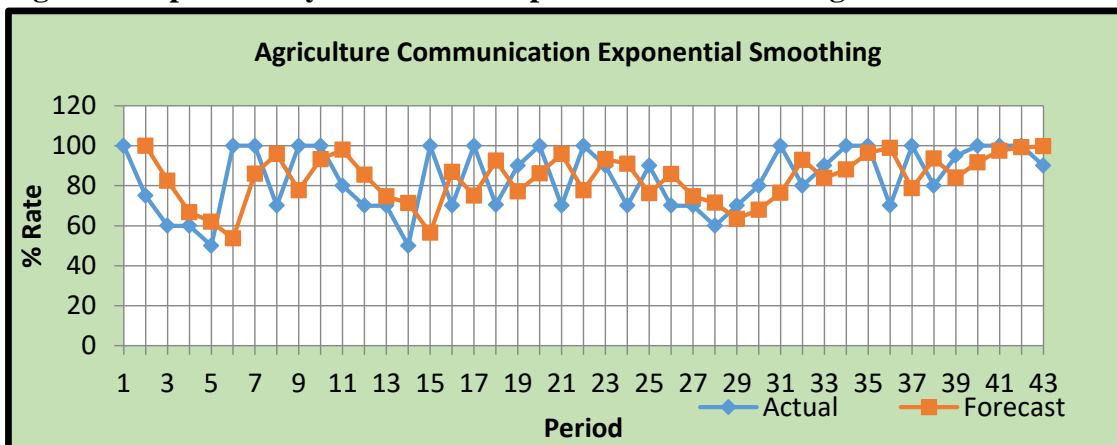


Fig: 4.46 Exponentially Smoothed Graphical Presentation-Agriculture Funding

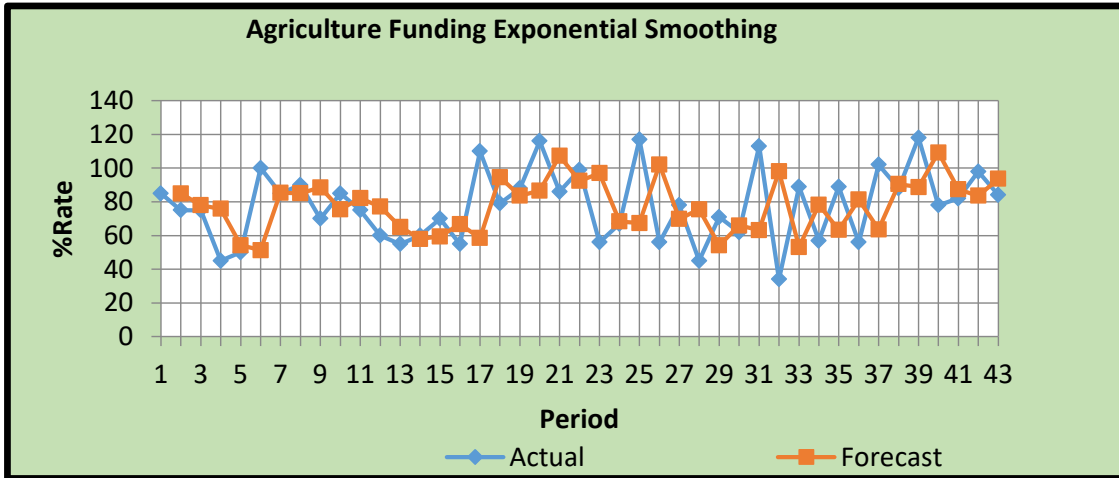


Fig: 4.47 Exponentially Smoothed Graphical Presentation-Water and Sanitation Communication

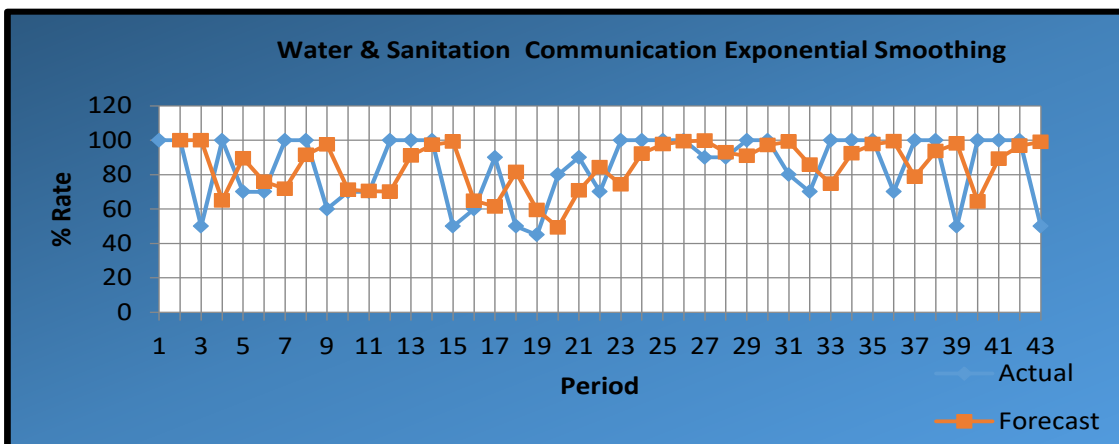
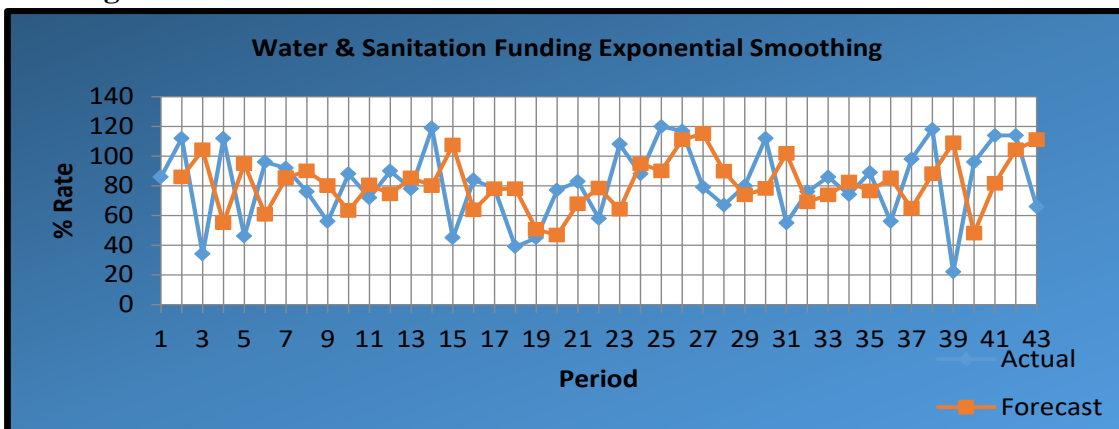


Fig: 4.48 Exponentially Smoothed Graphical Presentation-Water and Sanitation Funding



4.5 Constraints in Communicating with Donors

Inadequate staffing levels: This researcher found it a challenge to obtain financial information from the 24 sample not for profit enterprises since most past records were filled away or misplaced and with lean staff available the enterprises could not attach a dedicated staff member to provide data as requested. This meant going back to the same enterprises several times before obtaining all the required information. A similar experience was reported when it comes to relating with donors. Since programme staff are mostly engrossed with the implementation aspect to meet performance framework of a project they tend to delegate “reporting back” to accounting staff. In a case like this, it is always likely that there will be a compliant financial report, while the narration to explain and communicate project progress is inadequate.

Low staffing levels also affected timely reporting to donors as well as the quality and standard of financial information supplied. Of the sampled 24, 60% were fully providing Accounting Financial information as required by International Financial Reporting Standards (IFRS).

Communication Language: This researcher found that where a relationship between not for profit enterprise and donor had not developed to the level of personal interaction there are elements of misunderstanding, miscommunication, misinterpretation of what is said by either side. Even if communication is done in English interpretation of messages differ as individuals sought to apply divergence and convergence theories as alluded to by Wiemann, (1987). Also Face- Negotiation theory played a role as individuals of different cultures tried to negotiate and agree positions. Some not for profit enterprises failed on this score due to lack of well-rounded leadership that could satisfactorily deal with such matters.

Leadership: All the sampled 24 not for profit enterprises have a full Board of directors in place as this is a mandatory requirement from the Registrar of Societies. However, functionality of the Boards depends on the charisma of the chairperson. Equally the CEO of a not for profit enterprise determines how communication with donors will be handled. This research discovered that CEO without drive and commitment negatively affected communication with donors.

Instruments of Communication: Though internet is quick and easy, in Zambia most enterprises find it inaccessible due to the initial high installation costs, frequent shutdowns and slow service and low band width. The sampled 24 not for profit enterprises reported all these as an hindrance to communication channel.

Chapter 5

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

There are great lessons to be learnt from the profit sectors in terms of aggressive marketing and communication towards a targeted audience, in this case donors and potential funders for not for profit enterprises. Financial sustainability is definitely impacted by ways and how enterprises communicate and supply information to key stakeholders. Weak not for profit organizations can be helped to improve their skills by monitoring their performance in fund raising while abiding by the conditions and guidelines set in donor agreements. Further by being proactive in communication and not getting carried away in the implementation process will ensure that an enterprise is always on the “mind” of a donor. This strengthens relations and enhances future funding prospects. Internet should be viewed as the quickest and easiest way to provide feedback and a good way to manage resources. Surviving not for profit enterprises in a crisis are not the ones with the best strategic plan and budget, but those that can articulate any plan in a most understandable but innovative way to potential donors. Remember competition is rife even in the not for profit sector, and funds are not guaranteed in this unpredictable global economy.

5.2 Recommendations

The process of a not for profit enterprise becoming financially sustainable calls for much broader monitoring of the various aspects and standards from both internal and external environment that could impact the enterprise's existence. There are a number of recommendations that arise from this study and the following are provided with regard to communication and its impact on financial sustainability of a not for profit enterprise:-

- I. **Accountability**—to be accountable, a not for profit enterprise should manage donations as funds held in trust for the people of and community it serves and to be invested for the benefit as provided in the key object of the mission. This means

operating at all times in compliance with agreed upon rules and standards and to report fairly and accurately on performance results *vis a vis* its mandated roles and responsibilities. A communication protocol must be in place at all times.

The not for profit enterprise should develop and maintain comprehensive systems and processes for enhanced vigilance, early identification and proactive risk management of poor or improper use of funds, fraudulent reporting, or other financial management practices that contravene the laws of the country or the terms and conditions of the external contributors.

- II. ***Effectiveness***— not for profit enterprise should work to ensure that programs correctly identify priority needs; that they are implemented using modalities that correctly address the priority; and, that they show measureable results and achieve tangible impacts for the alleviation of poverty and meet other strategies articulated to achieve Vision 2030 or aligned to meet MDGs. It is incumbent upon programme managers to ensure that they are aware of the Country development agenda and donor operating sectors. Programme managers should not present unsolicited proposals outside donors operating environment. This shows lack of tact and courtesy on the part of the presenters of such proposals.
- III. ***Efficiency***— not for profit enterprise should manage donations and other external contributions in such a way as to achieve an optimal balance between the investment of resources, or inputs, and the quantity and quality of the results achieved through the funded programmes. This means continually monitoring the financial management capacities of staff and working with the key stakeholders to facilitate proactive interventions when situations of capacity-related risks arise. Additionally, this means developing and maintaining asset registers, and policies and procedures for managing and safeguarding of assets purchased with donor funds and also reporting by IFRS. Maintaining a staff complement with the appropriate level of qualifications and experience, including maintenance of professional certifications and licenses, to effectively manage the level and complexity of donations and contributions received by not for profit enterprises gives “investor” confidence to potential donors.

- IV. **Transparency**— not for profit enterprises should make every effort to share information about its roles and responsibilities, and its day-to-day operations with key stakeholders including donors. This involves inviting them to participate freely at strategic planning meeting, strategic budgetary meeting and annual general meetings. Their input into these processes should be taken into account when crafting the enterprise strategic plans. In case of any misunderstandings between individuals, the not for profit must resolve such in the shortest possible time as unresolved misunderstandings can only lead to conflicts that diminish the fundraising means for a not for profit enterprise.
- V. **Value-for-money**—not for profit enterprise should manage donations and other external contributions such that there is maximum return on investment measured as positive impacts for communities served and working towards achieving MDGs and missions for which it was established. Not for profit must avoid double funding thus if a programme has been supported by one donor , the same should be reported to other potential funders so that there is clarity on what the enterprise is seeking funding for.

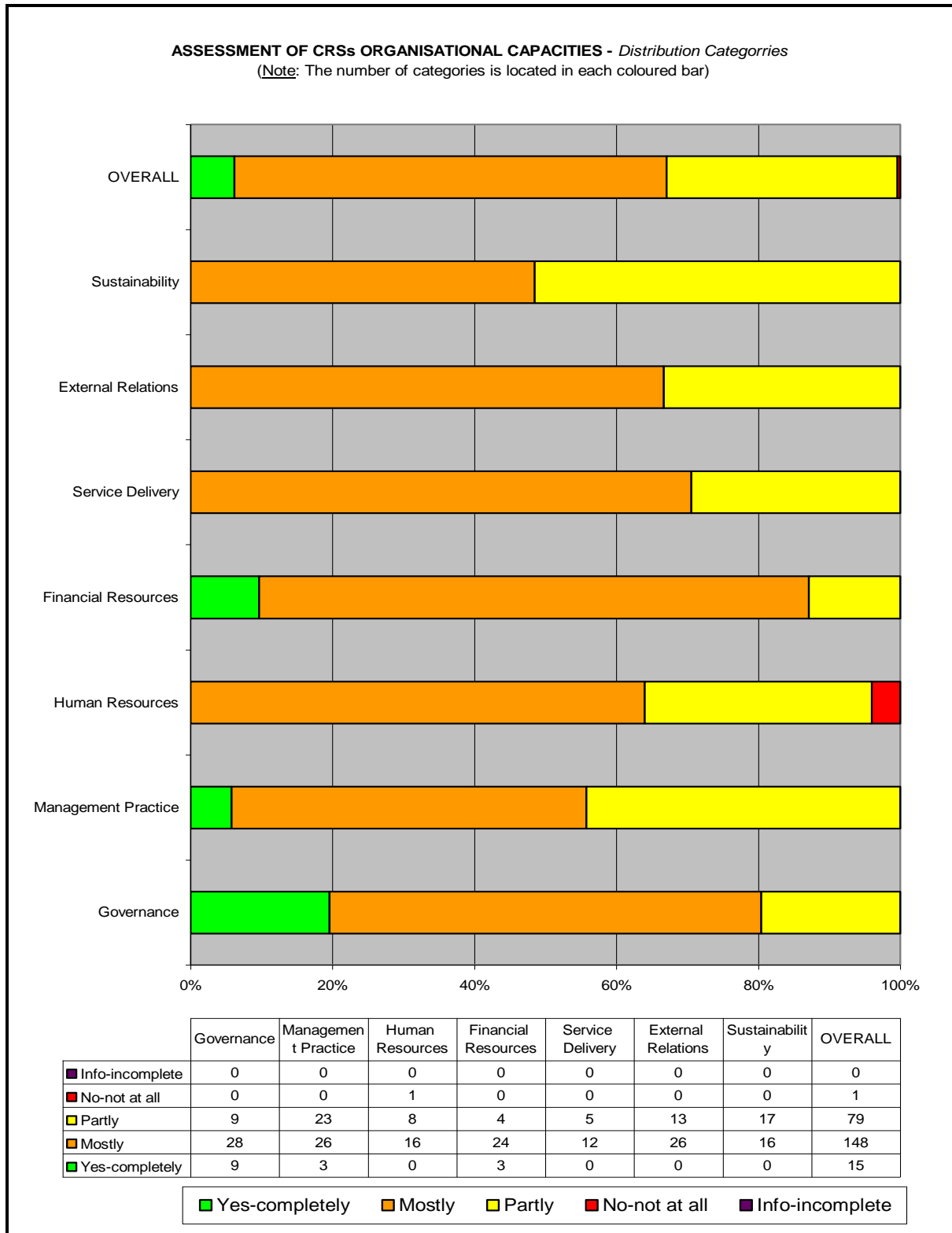
Further investigations can be carried out to determine language barrier and other hindrances to communication between donors and not for profit enterprises. Specifically it would be useful to carry out a case study of a not for profit enterprise which had multiple funding sources and how it coped with communication and financial sustainability.

6.0 Appendices

6.1 Plagiarism Declaration

1. I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is our own.
2. I have used the APA referencing guide for citation and referencing. Each contribution to, and quotation in this assignment from the work(s) of other people has been contributed, and has been cited and referenced.
3. This assignment is my own work.
4. I have not allowed, and will not allow, anyone to copy my work.
5. Any unreferenced information is not intentional and should not be treated as being plagiarism.
6. Signed: *Annie*

6.2 Assessment of Not for Profit Enterprises Operating Capacity



6.3 Questionnaire

Year _____

Date of interview: _____

NOT FOR PROFIT ENTERPRISE QUESTIONNAIRE

**SURVEY OF COMMUNICATION AND ITS IMPACT ON FINANCIAL
SUSTAINABILITY**

IN ZAMBIA:

Dear Respondent,

You have been randomly selected as part of the sample to fill in this questionnaire on the topic stated above. Therefore you are requested to answer this questionnaire as truthfully as possible. For each of the years from 2002- 2012 you should fill in a separate questionnaire. Be assured that the information you provide will be treated confidentially.

Stakeholder Identification

1. Organization name:

2. Sector of Operation:

3. Designation of respondent:

Annie Kapepula: Masters Dissertation MCOM 2012

PUT A NUMBER FOR THE RELATED QUARTER. (STRONGLY DISAGREES 1, DISAGREES 2, NEITHER 3, AGREES 4, STRONGLY AGREES 5)

	QTR 1	QT R2	QT R3	QTR 4	COMMENT S
Section A: Levels of Communication					
1. We had dedicated staff to communicate with donors.					
2. Anyone in the organization could write and talk to donors about any subject.					
3. We wrote to donors by only following stipulated guidelines in the grant agreement.					
4. Donors participated at our strategic planning meeting and review meeting/Annual General meetings					
Average score =Total Score /4					
SECTION B. Communication Systems in place					
1. We only used official mail to communicate with donors.					
2. We used all available means of communication available in addition to official mail.					
3. When donors queried on a particular aspect of a report e.g. Finance, the finance / accounts team where left to deal with donors directly					
4. We are open to have meetings with donors at any time.					
5. We strictly stick to specified donor meeting dates and avoid ad hock meetings.					
Average score=Total score/5					

Annie Kapepula: Masters Dissertation MCOM 2012

	QTR 1	QT R2	QT R3	QTR 4	COMMENT S
SECTION C. Challenges in Communication					
1. We understood all requests coming from donors and responded immediately.					
2. We have sought clarification before we responded to donors.					
3. We never had any conflicts between ours and any donor or individuals in our organization.					
4. We resolved all conflicts/misunderstandings between ourselves and the donor.					
5. There were some unresolved issues with donors.					
Average score =Total score/5					
Section D: Finances					
1.Total budget per quarter					
2.Total Income received per quarter					
3. Total Expenditure per quarter					
Income/Budget X 100%					

7.0 References

Abor, J. and Biekpe, N.,(2007): "Small Business Financing Initiatives in Ghana" *Problems and Perspectives in Management*,4 (3),pp.69-77.

Aldrich, H. and C. Zimmer. 1986. "Entrepreneurship through Social Networks." *Pp. 13-28 in H. Aldrich (ed.), Population Perspectives on Organisations. Uppsala: Acta Universitatis Uppsaliensis.*

Anderson, F., Fornell, C, & Lehman, D. (1994). Customer satisfaction, market share and profitability: Findings from Sweden. *Journal of Marketing*, 58, 53-66.

Association of Fundraising Professionals (2007). Target analysis group report. Retrieved October 10, 2007, from <http://www.targetanalysis.com/NatIndexQ207.php>

African Development Bank, *Africa Economic Brief 2011*

Asian Development Bank Report 2012, *Lessons from Euro Crisis*

Bagozzi, R., Gopinath, M., & Nyer, R (1999). The role of emotions in *mArketir\g*. *Journal of the Academy of Marketing Science*, 27(2), 184—206.

Basil, D.Z., Ridgway, N.M., & Basil, M.D. (2006). guilt appeals: the mediating effect of responsibility. *Psychology and Marketing*, 23(\2), 1035-1054.

Baum, Robert J.; Locke, Edwin A., Kirkpatrick, Shelley A. (1998). "A longitudinal study of the relation of vision and vision communication to venture growth in entrepreneurial firms.". *Journal of Applied Psychology* **83** (1): 43–54.

Belk, R. (1979). Gift giving behavior. In J N. Sheth (Ed.), *Research in marketing* (Vol. 2, pp. 95-126). Greenwich, CT: **JAI** Press.

Annie Kapepula: Masters Dissertation MCOM 2012

Bennett, R. (2009). Encouraging lapsed charity donors to give again. Paper submitted to EMAC Conference, Audencia School of Management, Nantes.

Bennett, R. (2006). Predicting the lifetime durations of donors to charities. *Journal of Nonprofit and Public Sector Marketing*, 15(1/2), 45-67.

Bennett, R., & Barkensjo, A. (2005). Causes and consequences of donor perceptions of the quality of the relationship marketing activities of charitable organizations. *Journal of Targeting, Measurement and Analysis for Marketing*, 13(2), 122-139.

Berger, P.D., & Smith, G.E. (1997). The effect of direct mail framing strategies and segmentation variables on university fundraising performance. *Journal of Direct Marketing*, 1(1), 30-43.

Besley Timothy, 2010, How do Market Failures Justify Interventions in Rural Credit Markets, The World Bank Research Observer, Vol 9 No.1

Bougie, R., Pieters, R., & Zeelenberg, M. (2003). Angry customers don't come back they get back; The experience and behavioral implications of anger and dissatisfaction in services. *Journal of the Academy of Marketing Science*, 31 (4), 377-393. *Journal of Marketing Management*, Volume 26 •

Bowman W. (2011) *Financial Capacity and Sustainability of Ordinary Nonprofits*, Non-profit Management and Leadership , Vol.22 no.1 Fall 2011.

Breckler, S.J. (1993). Emotion and attitude change. In M. Lewis & J. Haviland (Eds.), *Handbook of emotions* (pp. 461-473). New York: Guilford Press. *Psychology*, 52(4), 749-758.

Brilderl, J. and P. Preisendrfer. 1998. "Network Support and the Success of Newly Founded Businesses," *Small Business Economics* 10: 213-25.

Burk, P. (2003). *Donor –centered fundraising*. Chicago: Burk and Associates.

Annie Kapepula: Masters Dissertation MCOM 2012

Burnett, K.(2005). *After the flood of giving, will fundraisers clean up?*
<http://www.whitelionpress.com/KB-AfterMarApr05.html>

Carey, J.R., Clicque, S.H., Leighten, B.A., & Milton, F. (1976). A test of positive reinforcement of customers. *Journal of Marketing*, 40(4), 98-100.

Centre for Inter-Firm Comparisons (2006). *Fundratios*. London:

Chaffey, D., & Smith, P. (2008). *eMarketing excellence: Planning and optimizing your digitalmarketing*. London: Butterworth Heinemann.

Clarke, J.; Cornelissen, J (2011). *Language, communication, and socially situated cognition in entrepreneurship*. *Academy Of Management Review*. **36**. pp. 776.

Collier P, 2007,*Managing commodity booms: Lessons of international experience*, Working paper, Centre of the study of African Economies, Department of Economics, Oxford University.

Dunlap, W.P., Cortina, J.M., Vaslow, J.B., & Burke, M.J. (1996). Meta analysis of experiments with matched groups or repeated measures design. *Psychological Methods*, 1(2), 170-177.

Ellingson, J. E., Sackett, P.R., &c Connelly, B.S. (2007). Personality assessment across selection and development contexts: Insights into response distortion. *Journal of Applied Psychology*, 92(2), 386-395.

Euler, M; Vollmar, B. H., & Kraus, S. (2011). "Communication matters--Network constellations in entrepreneurship.". *International Journal Of Economics And Business Research* **3** (3): 283–301.

Annie Kapepula: Masters Dissertation MCOM 2012

Giles, H; Wiemann, J.M (1987). *Language, social comparison and power. The handbook of communication science.* pp. 350–384.

Griggs H.E (2003) *Corporatisation of the Not for Profit Sector: strategic planning and organisational performace in disability-based organisations*-International Journal of Disability Development and Education Vol.50, No. 2, June 2003

Hackman, M.Z.; Johnson, C.E. (2009). *Leadership: A communication perspective* (5th ed.). Long Grove, IL: Waveland.

Hamilton, J. D., 1994, *Time Series Analysis*, Princeton University Press. Princeton, New Jersey.

Hannam et al ,2011, *Emmerging Leadership in Nonprofit Organisation Myths, Meaning and Motivations*-Greensboro.

Izard, C.E. (1993). Organizational and motivational functions of discrete emotions. In M. Lewis & J. Haviland (Eds.), *Handbook of emotions* (pp. 461-473). New York: Guilford Press.

Jacobs, M. (1977). A comparison of publicly delivered and anonymously delivered verbal feedback in brief personal growth groups. *Journal of Consulting and Clinical Psychology*, 45(3), 385-390.

Kelly, K.S. (2001). Stewardship: The fifth step in the public relations process. In R.L. Heath (Ed.), *Handbook of public relations* (pp. 279-290). Thousand Oaks, CA: Sage.

Keppel, G. (1991). *Design And analysis: A researcher's handbook*. Upper Saddle River, NJ: Prentice Hall.

Kouzes, J.M; Posner, B.Z. (1987). *The leadership challenege: How to get extraordinary things done in organizations*. San Francisco: Jossey-Bass.

Annie Kapepula: Masters Dissertation MCOM 2012

Lacey, R. (2007). Relationship drivers of customer *commitment*. *Journal of Marketing Theory and Practice*, 15(4), 315-333.

Levin, I.P, Schneider, S.L., & Gaeth, G.J. (1998). All frames are not created equal: A typology and critical analysis of framing effects. *Organizational Behavior and Human Decision Processes*, 76(2), 149-188.

Levis, W. (2008). *Fundraising effectiveness project*. Washington, DC: Association of Fundraising Professionals. McGrath, S. (1997). Giving donors good reason to give again. *Journal of Nonprofit and Voluntary Sector Marketing*, 2(2), 125-135.

Locke, E.A.; Kirkpatrick, S., Wheeler , J.K, Schneider, J, Niles, K., Goldstein, H, Welsh, K, & Chah, D.O. (1991). *The essence of leadership*. New York: Lexington Books.

Marc Lindenberg and Coraline Bryant (2001). Going Global : Transforming relief and development NGOs.pp. 49-64.

Morgan, R.M., & Hunt, S.D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 3, 20-38.

Nathan, A. (2009). *Do I know you from somewhere? A qualitative investigation into lapsing*. London: Bluefrog.

Nudd, S.P. (1991). Thinking strategically about information. In H.A. Rosso (Ed.), *Achieving excellence in fundraising* (pp. 349-365). San Francisco: Jossey-Bass.

O'Neil, J. (2008). Linking public relations tactics to long-term success: An investigation of how communications contribute to trust, satisfaction, and commitment in a nonprofit organization. *Journal of Promotion Management*, 14(3/4), 263-273.

Palmer, A. (1994). *Principles of service marketing*. London: McGraw Hill.

Annie Kapepula: Masters Dissertation MCOM 2012

Rank, H (1976). *Teaching about public persuasion*. National Council of Teachers of English.

Salamon and Helmut, 1996; 61."The Emerging Non Profit Sector", *Johns Hopkins Comparative Nonprofit Sector*.

Ting-Toomey, S (1985). *Toward a theory of conflict and culture in communication. Culture & Organizational processes*. pp. 71–86.

Waters, R (2007) *Nonprofit Organizations use of Internet- A content Analysis of Communication Trends on the Internet Sites of the Philanthropy 400*, *Nonprofit Manangement and Leadership* , vol. 18, no. 1, Fall 2007

Wiley. Hair, J., Black, W., Babin, B., Anderson, R., & Tatham, R. (2006). *Multivariate data analysis*. Upper Saddle River, NJ: Prentice Hall.