An exploratory study into the experiences of founders of Non Profit Organisations in the Western Cape with specific reference to Fundraising

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Submitted to: Associate Professor Eric Atmore

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Compulsory Declaration:

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

Signature: Signed by candidate Date: 13 December 2021

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ABSTRACT

New Non-profit Organisations (NPOs) are being registered daily. They are established by passionate individuals committed to providing critical services in support of the national development agenda and the global Sustainable Development Goals (SDGs). They therefore form an integral part of a broader ecosystem to ensure a just, equitable and fair society. Unlike for-profit enterprises, donor funding constitutes the single largest source of income for most NPOs. Because of the high levels of donor dependency by many NPOs, fundraising becomes critical and very often the most challenging activity for many NPOs.

Given the fundraising challenges and volatile, uncertain, complex and ambiguous (VUCA) environments in which NPOs operate, this exploratory research study reflects on the motivations why founders of NPOs based in the Western Cape started NPOs and their experience and challenges with respect to sustaining these organisations. In particular, it explores:

- The main motivations and rationale by founders to start NPOs;
- The fundraising experience of founders;
- The extent to which founders of NPOs prioritised fundraising; and
- How the fundraising role and practice evolved over time

The study examined several texts on the motivation and fundraising experience of founders of NPOs as part of a literature review. The research question and methodology is based on this literature review. Non-probability purposive sampling was used for this research study. Twenty founders of NPOs based in the Western Cape participated in the study using a semi-structured interview schedule. Ethics clearance for the study was received from the University of Cape Town, Department of Social Development.

The dissertation expands on existing knowledge regarding motivations for registering NPOs and the levels of personal investment required by founders. It makes a number of findings with the respect to fundraising as a strategic competency and the importance of fundraising capability.

The study confirms that very few founders have prior fundraising and NPO experience and that fundraising is not significantly prioritised as a strategic imperative. I intend for some of the findings to serve as guidance to individuals planning to start a new NPO, of the important role of fundraising which can ultimately ensure the long-term sustainability of the organisation they plan to launch.

The research study concludes with a set of recommendations prospective founders could consider when contemplating starting a new NPO.

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CHAPTER ONE: INTRODUCTION

1.1INTRODUCTION

This chapter describes the context of the research study as well as the rationale and significance of the study. It outlines the problem context, research topic, main research questions and the research objectives. It further provides clarification of the key concepts that are used in the research study and lists the main assumptions made by the researcher.

1.2PROBLEM CONTEXT

Non-profit Organisations (NPOs) occupy a critical space in the civil society landscape. They support the provision of essential human services to meet the socio-economic and development needs in resource-poor communities. These organisations are founded by committed individuals who want to support the national development agenda by supporting historically disadvantaged and marginalised persons and communities.

As with for-profit organisations, Non-profit Organisations operate under Volatile, Uncertain, Complex and Ambiguous (VUCA) environments. NPOs require funding to deliver on their mandate and to sustain the operations of the organisation. Thus, according to (Iwu et. al., 2015: 9560):

"…the effectiveness of an NPO should be viewed in two ways: firstly, "the full achievement of its mandate" and, secondly, "the ability to run business projects to cover cost. It also emerged that both the ability to cover costs and the achievement of a mandate should be done in a sustainable manner".

The responsibility for the income and financial sustainability of NPOs often resides with the founder. This is acknowledged in the Code of Good Practice for Non-Profit Organisations (2001: 6) which states that: "Their early financial support comes mainly from the founders who dig deep into their own pockets, followed by appeals to donors for their voluntary response."

Yet, many start-up NPOs do not sufficiently prioritise fundraising and income generation as a strategic driver for achieving financial sustainability and as a result become donor dependent from inception. Padanou (2016: 8) suggests that consideration be given to the following questions when contemplating starting an NPO:

- Why do you want to start your own NGO?
- What activities will you undertake?
- Are there any other NGO undertaking similar activities in your area?
- Are you willing to devote all your time and efforts?
- Whom are the people who will help you in the process?

Critically, the issue of how the organisation will be financed is not included by Padanou (2016) as an important question to be considered. It is unimaginable that an important issue such as funding would be excluded from a business plan of any entrepreneur considering a start-up business.

This represents a vex problem for many founders of NPOs, i.e., the funding model is not proactively included in the mix of considerations, thus neglecting and minimising the important role of fundraising.

This research study explores the motivations and challenges of founders of Non-Profit Organisations in the Western Cape with respect to registering their organisations and experiences with respect to sustaining these organisations through fundraising and resource mobilisation.

1.3RATIONALE AND SIGNIFICANCE

Whilst starting and registering a Non-profit Organisation is a fairly simple process, it is sustaining these organisations that remain a critical challenge for founders of these organisation. I am of the view that prioritising fundraising during the formative years could go a long way in securing the long-term sustainability of the organisation.

My own experience of working in the NPO sector over 27 years suggests that the critical fundraising role is often underestimated and not given the priority it rightfully deserves. Neglecting this important function inevitably negatively impacts on the NPOs ability to operate and effectively and sustainably.

Thus Atmore (2007: 3) in an exploratory study of the financial risk management practices of Non-profit Organisations in the Western Cape asserts that:

"For NPOs, finances are often incorrectly viewed as a means to an end, and not as a core component of their functioning that needs to be focussed on". Consequently, it only: ".... becomes an issue when NPOs are unable to sustain themselves and can no longer provide critical social services to communities which are then denied services".

My research sets out to explore the motivations behind the establishment of Non-profit Organisations by founders and how the fundraising function was approached during starting up and the subsequent evolvement of the function in the organisation. I intend that the findings can help conscientise future NPO founders about the importance of fundraising for start-ups.

Through the research I want to establish if there is a trend in terms of the roles played by founders and if there are any lessons NPO founders can draw on based on the research findings. I intend that some of the findings will serve as a reminder to individuals planning to start a new NPO, of the important role of fundraising to ensure the long-term sustainability of the organisation.

1.4MOTIVATION

I have recently been employed as the Executive Director of a small Non-profit Organisation based in the Western Cape, replacing its founder who has served in this position for the first seventeen years. One of my key responsibilities as mandated by the Board of Directors is to ensure the long-term financial sustainability of the organisation. Prior to this I was employed in various roles in the NPO sector, mainly but not exclusively in a fundraising capacity.

During my tenure at these NPOs I have had the experience of working with exceptional founders of NPOs who are all committed to making a difference in society. I observed that these founders are often exclusively responsible for the fundraising role in the organisations they founded or co-founded and that fundraising remains an important role for the founder.

This research study is part of my own personal inquiry as to the personal motivations of NPO founders to start NPOs and their experiences and challenges with respect to sustaining these organisations.

1.5RESEARCH TOPIC

The research topic for this study is: ***An exploratory study into the experiences of founders of Non-Profit Organisations in the Western Cape with specific reference to Fundraising.***

1.6RESEARCH QUESTIONS

The main question of this research study is: What has been the experience of founders of Non-Profit Organisations with respect to starting up and sustaining these organisations?
This study has four secondary research questions:

1. What has been the main motivation of founders to start a NPO?
2. What kind of investment was required to start the NPO?
3. To what extent have founders of NPOs prioritised fundraising?
4. How has the fundraising role evolved over time?

1.7RESEARCH OBJECTIVES

This study has four main research objectives:

1. To explore if founders of NPOs in the Western Cape have prioritised fundraising as a key strategic task.
2. To describe whether NPO founders had the fundraising experience to execute this task.
3. To explore how the fundraising role evolved over time.
4. To make recommendations on how founders of NPOs could approach the fundraising role.

1.8MAIN ASSUMPTIONS

I have made the following assumptions for this research study:

- Fundraising is critical to the long-term financial sustainability of NPOs.
- Founders of NPOs should play a central role in ensuring this sustainability.
- Founders do not pay enough attention to fundraising when conceptualising and starting their NPOs.

These assumptions are based on my own experience as a fundraiser and fundraising manager in a diverse range of NPO sectors where I gained first-hand experience of the importance of fundraising for NPOs. I have observed how the vision and mission of the organisation they form is often closely tied to their personal values and principles. These founders, in my view embody the very essence of the organisations they founded and are therefore best positioned to articulate a business case for why their organisations should be financially supported by donors and philanthropists.

Most Non-profit Organisations are to some extent reliant on donor funding and therefore need to have an active fund development strategy involving pro-active and consistent fundraising. My experience is that some founders are however uncomfortable with the fundraising role. I have often heard founders honestly reflecting with me that they do not have extrovert personalities, are not natural networkers or simply do not consider fundraising as one of their roles. Instead, they feel more comfortable doing other strategic work related to sustainability such as increasing the reach of the organisation impact through scaling and advocacy. The result is they often delegate the fundraising role too soon and, in the process, compromises executive responsibility for the role. For example, I have observed how many donors responded more positively to a request for a meeting to discuss the potential for a partnership when the request is made on behalf of the founder or Executive Director. This in no way discounts the role of the fundraiser but rather points to the premium placed on peer-to-peer engagement in fundraising. Founders by virtue of their position are thus inextricably linked to the financial sustainability of the organisation despite delegation or institutionalisation of the role.

1.9 CONCEPT CLARIFICATION

Non-Profit Organisation – The Nonproft Organisations Act (No. 71 of 1997: 3) defines an NPO as: "a trust, company or other association of persons established for a public purpose and of which its income and property are not distributable to its members or office bearers except as reasonable compensation for services rendered".

Non-Profit Organisation (NPO) founder/co-founder – For the purpose of this study an NPO founder refers to an individual/s who formed an organisation to implement programmes with a social purpose. In some instances, and by mutual agreement, a NPO is formed by more than one person. Such and individual or individuals are referred to as a co-founder or co-founders.

Fundraising – Fundraising is defined as deliberate, pro-active actions for mobilising both short- and long-term funding and partnerships to help the organisation meet its stated objectives using a variety of methods.

Fundraising Capability – "…the ability and capacity of an organisation to raise money through the management of people and processes". (Betzler and Gmur, 2016: 30). Capability in the context of this research study refers to both the fundraising knowledge and skills of the founder.

1.10 REFLEXIVITY

Research is contextual and consciously and subconsciously influenced by the researcher's own experience, interpretation and biases. Thus according to Berger (2015) researchers need to be mindful of their role in creating knowledge and be sensitive to the impact biases have on the objectivity of the research.

In my opinion the fundraising role of NPO founders is critical in the formative years and to ensure the long-term sustainability of the organisation. My intention with undertaking this research study was to determine to what extent fundraising has been a priority role for founders of NPOs and if they had the experience to perform this role.

I am mindful that my assumptions about fundraising and its importance in mobilising resources to sustain Non-Profit Organisations are based on my own experiences and worldview. I have a long career as a fundraiser in diverse sectors, including Secondary Education, Higher Education, Public Health and Social Housing. My fundraising experience has been shaped by these different contexts and are each nuanced by the realities and challenges of these contexts I worked in.

Therefore, to improve the trustworthiness of the study, I was careful not to make any deductions based on my assumptions but rather allow the outcomes of the research data to reveal more objective information and knowledge.

1.11 SUMMARY

In this Chapter, I have problematised the research topic under discussion by locating the importance of the role of Non-Profit Organisations in society and the different environments it is called to operate in. I proposed in the introduction that the financial sustainability of NPOs is a critical consideration for NPO founders. The Chapter further details the rationale and motivation for undertaking the research study and draws on the researcher's own experience, observations and assumptions as a fundraiser in the NPO and private sector. The research topic for the study was elaborated upon, including listing of the research objectives and main questions. Lastly, key concepts that are used throughout the research study are clarified.

CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1INTRODUCTION

In Chapter Two I review the relevant literature on the area of study. I commence the review with an overview of the NPO sector with specific reference to growth in the sector. In particular, the outcome of the study by Swilling and Russell (2002) on the size and scope of the non-profit sector in South Africa is referenced. Furthermore, this Chapter highlights the main challenge facing NPOs namely fundraising and financial sustainability. The review includes reference to the legislative and theoretical framework that guides the topic under discussion.

2.2THEMES LINKED TO THE RESEARCH OBJECTIVES

In this section I explore two main themes linked to the research objectives namely the exponential growth in the NPO sector and the funding challenges experienced by NPOs.

The burgeoning of the NPO sector in South Africa

Non-Profit Organisations have a long history in South Africa, often reflecting the political developments of the country, particularly because the provision of social services was for long periods based on race. The past discriminatory policies continue to affect the quality of lives of millions of South African citizens. The emergence of NPOs in many ways is therefore a direct response to the discriminatory system of Apartheid. Friedman and van Niekerk (2016: 6) assert that: “A fight against racial domination in the society as well as the polity created a broad resistance alliance in which the demands for social equality played a significant role”. Thus, in the 1980’s which was characterised by increased repression, a groundswell of NPO activity was observed and civil society mobilisation in general.

According to Habib (2003: 4), “Indeed, the distinctive feature of this period is not only the longitudinal growth of the sector, but the formal emergence, or at least the surfacing in the political sphere of a significant part of it, namely black civil society actors…”.

NPOs aligned broadly to the mass democratic movement and liberal ones received international funding to support their work. According to Gebreselassie (2011: 10): “This financial support from the external community helped South African NGOs to expand”.

The NPO sector in South Africa is continuously growing as the demand for social services increases. Gastrow (2019) in an article in the Daily Maverick argues that:

“The literal explosion in the number of non-profit organisations, of people coming together in communities to attend to their own needs, is a by-product of a weak or failing state”.

Carman and Nesbit (2012: 604) conclude that: “…founders create non-profit organizations to address needs in the society that are unserved or underserved by government”. The implication therefore is that NPOs fill a crucial vacuum left by the state. The founding of the organisation is therefore based on a moral obligation. Consequently, a growing number of citizens are relying on NPOs for critical social services which would otherwise be the responsibility of the state - effectively making these NPOs what Nknonyeni and Radebe (2020) refers to as “extension agents for basic services”. Andersson (2018: 1) however rightfully cautions that the motive for starting a NPO is not always based on altruism or some moral obligation as self-employment could well be one of the main drivers. In other words, self-interest rather than the public interest could well be an important consideration.

A critical review and analysis of the characteristics of the Non-Profit sector commissioned by Kagiso Trust estimated that at the dawn of democracy in 1994 there was approximately 93 300 NPOs in South Africa. The research report further estimates that between 1998 and 2019 there was a steady increase in the number of registered NPOs, with an average growth from 1998 to 2008 of 53% (Ngudu and Motala, 2019: 13).

The most recent published statistics about the growth in the sector are those that were shared by the Department of Social Development (DSD) in their presentation in the Western Cape Provincial Parliament (Standing Committee on Social Development, 26 May 2020). According to this presentation, there were 228 822 Non-Profit Organisations (NPOs) registered in South Africa, of which 58.44% were non-compliant. In the Western Cape, there were 23 492 registered NPOs of which 60.36%, were non-compliant. This non-compliance according to Julie (2021: 24) could partly be ascribed to a lack of "deep competent leadership".

At the time of writing this dissertation, the DSD website indicated 251 530 registered NPOs. Thus 22 708 new NPOs were registered over a 18-month period, or a staggering 1892 new NPOs registered per month and a further 5005 applications in progress (http://www.npo.gov.za).

In ground-breaking research on the size and scope of the NPO sector in South Africa, Swilling and Russell (2002: 15) debunk several myths and introduced new research confirming the sector as an important contributor to the South African economy. In their estimation, the NPO sector as far back as 1998 was a R9.3 billion industry - 1.2 percent of GDP.

Furthermore, the research revealed South Africa's non-profit workforce was larger than the average among 28 countries based on comparable data available at the time. The study further confirmed that the NPO sector is a major employer - employing 645 316 full time workers and that total employment in the sector in 1999 exceeded the number of employees in many of the major economic sectors (Swilling and Russell, 2002: 16).

The Kagiso Trust Report (2019: 38) estimate that the NPO sector's contribution to employment is about 600 000 jobs, excluding voluntary jobs. The two research studies referenced in the above confirms the important role of the NPO sector not only in providing critical social services but that the fact that it is a significant contributor not only to development but also the national economic landscape of South Africa.

Starting a NPO is a high maintenance activity requiring vision, dedication, grit and resilience. However, passion and resilience is not enough to ensure that the organisation will be effective. According to Smith (2018: 1):

"Developing a vision and working to plot out each exciting step leading up to that vision's ultimate being is a thrilling act of creation. This thrill is what draws many to founding their own businesses or non-profits. But what many learn not too far along is that starting is the easy part — it's keeping things going, sustainably, that is the real challenge. This is especially true in a world in which approximately half of nonprofits are destined to fail".

Often the failure Smith (2018) refers to in the above is as a result of a lack of funding. Thus, whilst the registration of new NPOs continues unabated, sustaining these organisations from a financial perspective remains a critical challenge for new and established NPOs.

The decision therefore to start a NPO in the first place should be a carefully considered one. Padanou (2016: 9) encourages prospective founders of NPOs not to establish the organisation based on assumptions but rather to first invest in understanding the community and conducting credible, objective research confirming the needs of the community the organisation plans to serve.

NPOs and Fundraising – An ongoing challenge

Income derived from fundraising constitutes a critical source of revenue for many NPOs and often the main differentiator from other organisational types. Drucker (1995: 41) observes that: "The source of its money is probably the greatest single difference between the non-profit sector and business and government".

Yet, despite the importance of fundraising as a critical part of the income mix of these entities, it continues to be a challenge for founders. Critically, the issue of how the organisation will be financed is not included as an important question to be considered, i.e.: "Can you generate enough start-up cash through grants, contracts or earned income" (Pryor and Mitchell, 2015: 235).

In her Masters Thesis on the Wellbeing of NPOs in the Western Cape, Kreusch (2015: 3) notes that: “The current poor wellbeing of NPOs is largely attributed to a lack of funding… The struggle to raise adequate funds has not only negatively impacted the scope of service delivery, but has also contributed to the closure of NPOs throughout the country”.

Whereas there are a myriad of reasons for the possible closure of NPOs – like business enterprises, NPOs are also, if not more vulnerable to VUCA (Volatile, Uncertain, Complex, Ambigous) environments. Thus we know that economic meltdowns for example have an impact on corporate social investment (CSI) contributions and individual giving. As experienced by the economic recession in 2008, political instability can significantly impact the sustainability of NPOs. Similarly, all indications are that the COVID-19 pandemic has and will continue to negatively impact the financial sustainability of NPOs.

Results of a survey conducted by Tshikululu Social Investments based on 179 NPO responses revealed that 66% of the respondents observed a decline in income since lockdown and predicted further financial challenges as a result of COVID-19. Notably, 10% of the respondents indicated they had to reduce their workforce by rentrenching staff. (Trialogue, 2020: 11).

Whilst the exact number of job losses in the NPO sector is not known, Maboya and McKay (2019: 4) suggests that approximately 30 000 NPOs deregistered by 2018 and others were forced to restructure and scale down operations because of the impact of the external environment on their operations.

Gastrow (2020) in an Inyathelo Blog argues that the reasons for so many NPOs closing are multiple but that the lack of strategic fundraising is certainly one of the critical factors. Andersson (2020: 236) moves beyond focusing on fundraising skills to the critical aspect of the nonprofit experience of NPO leaders which he argues is cultivated through active participation in the sector.

Other opinion-makers on fundraising refer to the lack of institutionalisation of the fundraising function. According to Kilbey (2010: 2), “It appears as if much of the social service

organisations' fundraising activities are still being performed on an ad-hoc basis, and that organisations are battling to secure the funding that they require to continue with their operations".

According to Sibisi and Makka (2019: 5) "Fundraising is a time-consuming activity that requires considerable effort. Even though NPOs in South Africa experience a shortage of funds, many fail to devote the necessary time and energy to fundraise".

Another key reason advanced for why NPOs are struggling, and some are forced to close down, is the fact that NPOs compete for a limited pool of resources. For many NPOs this limitation and dependency on resources continues throughout the organisation lifecycle.

Choto et al. (2020: 591) reflect on this continued struggle for survival by NPOs as follow: "Over the years, there has been an increase in the number of NPOs globally which has resulted in increased demand for donor funding, however, there is no proportionate increase in resources available to NPOs. As a result, many NPOs are faced with resource scarcity in varying degrees and proportions".

Nkonyeni and Radebe (2020) in an article in the Mail and Guardian entitled Competing for resources, power and agency emphasise the same problem as follows: "The rise in the number of NGOs does not mirror the decrease in local and international funding which has seen a number of NGOs scale back their services or shut down completely".

Consequently, established NPOs with long track records and demonstrable impact are more likely to receive funding. According to Nkonyeni and Radebe (2020): "…the pressure to illustrate impact, in order to secure funding, sometimes undermine the core mission of the organisation". Since smaller and especially rural NPOs do not have resources to invest in collecting data, the result is donor bias in favour of urban based NPOs located in the metropolitan areas where there is more skilled staff who can conduct impact evaluations of programmes. This is confirmed by research conducted by the National Development Agency (NDA):

“Organisations with better skills attract better resources and will have better influence to the public and government. Organisations with better influence have also an added advantage that they are most likely to be sustainable, innovative and attract skilled people” (Ratlabayana, Mkhonza and Magongo, 2016: 13).

Another common challenge is that most donors continue to insist that funding be applied for the direct benefit of the beneficiaries (project costs), negating the important issue of the core cost involved in running the operation. Sibisi and Makka (2019: 5) suggests that: “The most urgent constraint faced by NPOs is related to the funding of their day-to-day operations. NPOs need funding to meet their operational expenses because the remuneration of their staff and overhead costs form part of their operational budget”. Kilbey (2010: 1) cautions that: “Without funding organisations would be unable to pay salaries to skilled staff who are essential components of organisations’ service provision, nor would they be able to pay for running cost….”.

Donor insistence on low administration cost according to Silverman and Taliento (2006) is applying the wrong metrics for considering whether to invest in an NPO or not and is simply wrong. Fortunately, this trend: “…is changing as progressive donors are becoming aware of the value of ensuring the sustainability of the organisation that they support, and the limited approach of seeing projects as stand-alone”. (Gastrow, 2014: 15).

It could be argued that by insisting on a threshold for operating cost or by funding programme cost only as a requirement, NPOs simply become financially unsustainable.

Cannon (1999: 5) defines sustainability as: “…. the ability of an organisation to secure and manage sufficient resources to enable it to fulfil its mission effectively and consistently over time without excessive dependence on any single funding source”.

To achieve this sustainability, Masters, Tyler and Copley (2017) argue the following needs to be in place: diversified funding sources, availability of unrestricted funding, financial reserves, strong stakeholder relations and financial discipline. Gastrow (2020) advances a similar set of basic principles of budgeting for sustainability. These include multiple funding sources, good

stakeholder relations, reserve funding and self-generating income. Yet despite diversification of income being touted as the panacea for all the financial woes of NPOs: "…most have not developed new cultures and capabilities to diversify their revenue streams" (Mboya and Mckay, 2019: 2). It is therefore not just a matter of simply switching from one income model to another.

According to Omura and Foster (2014: 256): "The financial sustainability of NPOs is problematic, both individually and in economy-wide terms, as they do not produce commercial saleable outputs. Instead they raise funds by either relying on government grants or competing for private donations". Fowler (1997: 129) articulates the same problem in what he refers to as nongovernmental development organizations (NGDOs) as follows:

"NGDOs differ from government and business in the way they raise money for their work and for their own organisational viability. They must find ways of accessing an economic surplus produced elsewhere because development with poor people does not generate what they need".

The dual goal strategy of accessing funds in order to implement programmes are inextricably linked and a very difficult balance to find for many NPOs. "This means that even though a nonprofit organisation's primary goal is not to make money, if a non-profit does not generate adequate cash and revenue, it will not be able to fund and operate its primary mission" (Kloppenborg and Laning, 2014: 4).

2.3 LEGISLATION AND POLICY

The Nonprofit Organisations Act, No 71 of 1997

The Nonprofit Organisations Act, No. 71 of 1997 governs NPOs in South Africa. Generally, there are three legal forms available to Non-Profit Organisations: A Non Profit Company, a Trust or a Voluntary Association. Each of these entities is eligible to be registered under the NPO Act under the custodianship of the Department of Social Development. (DSD).

The main objective of the Act is: "To provide for an environment in which nonprofit organisations can flourish; to establish an administrative and regulatory framework within which nonprofit organisations can conduct their affairs; to repeal certain portions of the Fundraising Act, 1978; and to provide for matters connected therewith".

According to Wyngaard (2009: 19), the NPO Act received its impetus following the results of an Independent Study into an Enabling Environment for the NPO sector. One of the problems identified by NPOs in this study is what Wyngaard (2009: 20) refers to as the "hostile funding framework".

Registration of NPOs however is voluntary which means important questions relating to the financing and long-term sustainability of these entities is not a criterion. And even though registration as a NPO is voluntary, a report by the DSD (2009: 3) on the State of NPO Registration argues that registration: "…sets a much-needed basis for organizations to run their affairs effectively and accountably." Vayanos (2006: 25) agrees with this sentiment arguing that: "An organisation whose activities are not for profit and which seeks to gain credibility and to provide accountability would apply for registration as an NPO."

Codes of Good Practice for South African Non-profit Organisations

Section 6(1)(b)(I) of the Nonprofit Organisations Act, 1997 makes provision for a Code of Good Practice for South African Non-profit Organisations and is meant to be based on best practice for managing and governing the affairs of NPOs. The Code dedicates a full section to Non-profit Organisation Fundraising and Resource Mobilisation. It notes that:

"Without adequate resources an NPO cannot fulfil its mission, and it is up to its leadership to make sure that those resources are available. This means that as much attention should be given to establishing a secure and sustainable funding base as to the design and delivery of effective services" (Department of Social Development, 2001: 20).

In particular, the Code provide guidelines with reference to fundraising on the following:

- Ethical values for those engaged in fundraising;
- Responsibilities of the fundraiser;

- Hiring of an outside fundraiser; and
- Hiring of a fundraising consultant

The Independent Code of Governance for Non-profit Organisations in South Africa

The Independent Code of Governance for Non-profit Organisations in South Africa is regarded as civil society's response to the State sponsored Codes of Good Practice for South African Non-profit Organisations.

The Code consists of a "...set of principles, values and responsibilities intended to guide and inform the way that organisations are managed and conduct their affairs. It is also intended to serve as a standard or measure to assess performance and guide members of governing boards, and others who carry responsibility for governance". (Rosenthal, 2012: 1).

Two critical areas identified in the Code related to this research study to ensure good leadership are fundraising and sustainability.

2.4THEORETICAL FRAMEWORKS

This section examines two theoretical frameworks that further contextualises and guides the research study. Founders of NPOs automatically assumes a leadership role in the organisation by virtue of them establishing the organisation. The first framework I therefore explore is Organisation Leadership Theory. Secondly, I focus on Resource Mobilisation Theory as an alternative to the traditional fundraising approaches.

Organisation Leadership Theory

Leadership plays a critical role in the success and sustainability of NPOs. Covey (2004) identifies five approaches to leadership, namely trait, power-influence, situational and integrative. Various theorists and thought leaders emphasise different aspects of leadership to make their case. Traditional approaches to leadership by theorists focus almost exclusively on the personal traits and essential qualities of a good leader and their behaviour (Galton & Eysenck, 1869; Gardner, 1989; Bass, 1990). Here the dominant view is that leadership capacity is inherent and that great leaders are born with natural leadership skills that cannot be

developed. In other words, there is no such thing as “leadership by the masses” but only great men who are supposedly destined to lead.

For many though the debate around nature vs nurture and whether leadership is inherent or can be acquired is a non-starter, especially for NPO founders who are often catapulted into a leadership role by virtue of them launching an organisation.

Drucker (2015:16) asserts that: “Most leaders I’ve seen was neither born nor made”. Julie (2007: 39) on the other hand prefers to refer to effective leaders as self-made: “Even if you have all the potential to become a great leader, you still need to be trained, mentored and coached”. This is true for many NPO leaders who enter the sector for the first time with very little and sometimes no prior experience but derive their leadership from a place of deep passion and values. Servant leadership therefore seems to resonate more with leadership in the context of NPOs. Greenleaf (1997) suggests that a leader is a servant first as opposed to self-interest.

April, Macdonald and Vriesenberg (2010: 119) asserts that: “Memorable and effective leaders are those who discovered their own, authentic passion and energy, and can thus operate from that base with resilience and boldness”. They furthermore suggest there is no right way to be an effective leader. Instead they propose a number of themes and meta skills critical to the enactment of leadership. Central this this is the awareness of self and others. This flips the destructive assumption by mainly Western orientation of leaderships which prefers to focus on skills as if leadership is devoid of culture, context and purpose. This is especially relevant to NPO leadership in the South African context where the leadership role is often assumed in response to unique challenges and in the context of extreme poverty and inequality.

According to Kotter (2006: 7): “Leadership isn't mystical and mysterious. It has nothing to do with having "charisma" or other exotic personality traits. It is not the province of a chosen few”. Leaders are therefore not born but evolve and the skills can be acquired espoused by Drucker (1995: 14) as follows:

“There is simply no such thing as leadership traits or leaderships characteristics. Of course some people are better than others. By and large, though, we are talking about skills that cannot be taught but they can be learned by most of us”.

Given that leadership skills can be learned as postulated by Drucker (1995), an important consideration therefore is: What are the critical leadership skills required to effectively manage a NPO especially: “...since it is clear that organisation leadership and financial sustainability are interconnected challenges that NPOs face, particularly in their start-up phase” (McIntyre, 2021: 18).

The Forbes Nonprofit Council (2020: 1) compiled a list of 14 qualities every NPO leader must cultivate in order to be effective. These are adaptability, self-awareness, change management, core values, resilience, vision, integrity, humility, agility, the ability to recognize and motivate talent, empowerment, problem-solving, empathy and curiosity. Whilst this list is indeed extensive, it sadly omits any reference to resource mobilisation as an important leadership requirement for NPOs. Richard Male in an article in the Chronicle of Philanthropy suggests that: “Nonprofits are weak where they should be strong.”, namely in the area of fundraising. This is of particular concern for NPOs especially since such a large part of their revenue is based on donor income.

Leadership qualities and skills to sustain their organisations should therefore be an important consideration. Grant and Crutchfield (2017: 40) argues that sustaining impact is indeed one of the leadership qualities in high impact non-profits. The key question therefore is how to lead and sustain organisations in unpredictable environments, being mindful of what Winkler (2010) refers to as “situational differences”. Thus, more recently, theories about leadership has advanced beyond focusing on traits, behaviour and skills, acknowledging that leadership continues to evolve and foregrounding context as an important leadership in consideration. The dominant context in which leaders are required to operate is what is now commonly referred to as VUCA (Volatile, Uncertain, Complex and Ambiguous) environments.

With strong origins in the US military, the term VUCA was first used in the 1980s, drawing on the leadership theories of Warren Bennis and Burt Nanus (1997), recognising the complexity of problems faced by organisations and an increasingly interdependent world.

They assert: "…an organization must interact not only with its primary environments but also with many technological, legal, social, economic, and institutional structures that constrain the activities of the organization and over which it has very little direct control". (Bennis and Nanus, 1997: 146).

Effective leadership in a VUCA environment in their view, must be able to make sense of the complexity and chaos by focusing on both the micro and macro environments. In order to be resilient and respond swiftly to uncertainty, clarity of vision is required. According to Nanus, (1992 :9): "Vision plays an important role not only in the start-up phase of an organisation but throughout the organization's entire life cycle".

Bennis and Nanus (1997: 146) advance several leadership strategies for achieving organisational vision. Firstly, they argue leaders must have the capacity to develop a "mental image" of the long-term desired state of the organisation. Secondly, effective leaders are able to effectively communicate the future state of the organisation by galvanising support and buy-in for the vision and in the process empowering individuals in the organisation to become stewards of the new vison rather than just followers. Lastly, they suggest that a vision of the future should be immersed as part of the broader culture of the organisation and given meaning through the strategy and modus operandi of the organisation.

Such importance is attached to developing a shared vision, hence Scholtes (1998: 172) refers to it as: "…the glue that holds people together and keeps them moving forward despite adversities". Nanus and Dobbs (1999: 80), in their widely acclaimed book 'Leaders who make a difference', describe the "payoffs" for shared vision, namely: providing focus, guiding decisions, stimulating new ways of thinking, informing strategic planning and giving momentum to big fundraising drives.

Although context and vulnerability to VUCA environments apply to both NPOs and the business sector, what is significant different though is purpose – the main reason for their existence. One of the current leadership debates therefore centres around whether there is a distinct difference between NPO leadership and that of leadership in the private sector with the former summoned to be more business-like in their approach. Wijnberg and Ressel (2021) in an online article published on NGO Pulse advances that:

"Just as commercial businesses sell products or services, in a competitive world so too must NGOs increasingly be equipped to sell their offering to prospective donors and stakeholders. Simply having a worthy cause and doing good and necessary work is no longer sufficient to secure donor support".

Whereas the need for a more entrepreneurial approach is not disputed, various experts have warned that this crossover required by NPOs and their leaders is far more complex. Foster, et. al. (2009: 34) articulate this complexity as follow:

"When a for-profit business finds a way to create value for a customer, it has generally found its source of revenue; the customer pays for its value. With rare exceptions, that is not true in the non-profit sector".

Silverman and Taliento (2006: 38), following interviews conducted with leaders in both the NPO and business sectors suggest: "…the complexity of the nonprofit management challenge is not appreciated by business executives" and advances five critical differences for why this is so. 1) NPO leaders have lesser control and authority compared to their business CEOs; 2) NPO leaders have far more stakeholders to manage who have a legitimate interest in the output of the organisation and as a result, more consensus is required; 3) Measuring performance in NPOs is more complex; 4) The purpose of communications and marketing in NPOs are different compared to business; and 5) NPO leaders have to build their organisations under several constraints, often not an issue for business organisations, e.g. lack of funding resources.

Notwithstanding the differences in motive, organisational culture and operating models between business and NPOs, the common thread is the need for leaders to be adaptable and agile in uncertain, fast-paced changing environments. According to Horney, Passmore and O'Shea (2010: 34), leadership agility is the: "...capability of a leader to dynamically sense and respond to changes in the business environment with actions that are focused, fast and flexible". In contrast, traditional leadership development models focusing on behavioural competencies are slow to adapt whereas what is required is leadership with more "complex thinking capabilities and mindsets" (Lawrence, 2013: 7). Key to sustaining NPOs during uncertainty is relationship management because so much of the goals of NPOs require the buy-in and support from external stakeholders which is further articulated in the Resource Mobilisation Theory which is discussed next.

Resource Mobilisation Theory

Historically fundraising was considered a charitable function and often associated with small benevolent activities, reactively responding to a disaster or crisis. Julie (2007: 97) suggests fundraising is not begging just because NPOs are resource dependent: "When we fundraise then we do so because we want to build relationships in the service of development". However, there is widespread consensus that the traditional approach to fundraising is limited. Resource mobilisation theory offers a much more holistic worldview in terms of how NPOs can mobilise resources to effect the intended changes they plan to pursue, and the strategic relationships required to be effective. Golhasani and Hosseinirad (2016: 1) defines resource mobilisation as:

"…the process of getting resources from resource providers, using different mechanisms to implement the organization's work for achieving pre-determined organizational goals. It deals in acquiring the needed resources in a timely, cost-effective manner".

Resource mobilisation theory gained traction in the early 1970s against the backdrop of what was then considered as high levels of deprivation and inequality globally. Rather than emphasising individual action to access rights and services, resource mobilisation theory emphasises collective action in the form of organised movements to achieve goals. Non-profit organisations form a part of such organised movements.

The type of resources to be mobilised by NPOs to ensure they can deliver on their mandate vary and depends on the context. Crossman (2021) cites five types of resources:

1. **Material resources.** Refers to the tangible, resources required to sustain the operations of the organisation. For most NPOs money is almost always the most important material resource.
2. **Human resources, also referred to as human capital.** This resource refers to the labour needs and skills required to implement valuable form of human resources
3. **Social-organizational resources** refer to the resources necessary to build social capital through external networks.
4. **Cultural resources.** These are less tactile compared to the other resources but critical as it relates to knowledge and the management thereof in order to execute organisation goals.
5. **Moral resources.** "Moral resources are those which help the organization to be seen as legitimate" (Crossman, 2021).

Whereas all five resource types apply to NPOs, the mobilisation of material resources - money in particular is a critical resource requirement because of their high level of dependency on funding and because NPOs "…on an ongoing basis, have to raise finance from other sources, loosely termed donors." (Fowler, 1997: 25)

However, despite the centrality of funding as a critical resource, it is important not to underestimate the importance of what is considered to be less tactile or obvious resources such as goodwill, organisational learning, organisational capacity, communities of practise and forums enabling access to networks. Soal (2011: 8) deems investing in non-material resources as "increasingly valuable, even essential".

According to Themudo (2000: 6): "Every resource has a strategic value. For a NGO the main value of a resource is its strategic value. This value is the extent to which it will help the mission being accomplished".

Mobilising resources to accomplish organisational mission and mandate requires NPO leadership and management in two critical areas, namely partnerships and collaboration. This is so because: “Nonprofit organizations strive for continuous improvement in their programs’ effectiveness and sustainability, service efficiency, and accountability. Typically, managers face the need to attain these objectives despite limited or declining resources. For that reason, collaboration with other organizations has become an increasingly favored tactical strategy” (AbouAssi, Maklouf and Whalen, 2016: 435).

These partnerships are given expression through a number of platforms and consortia, guided by the purpose, strategy and intended outcomes of the collaboration. They are needed not only because of competition for limited resources but also the recognition that the enormity and complexity of social-economic problems requires NPOs to dismiss the silo approach which has for so long characterised the sector. “In contrast, collaborative entities work on reciprocity and enable actors to exchange and apply knowledge and skills to the benefit of the collective; a concept known as value co-creation” (Best and Moffet: 2018: 1540).

However, despite the purported benefits, collaboration in the case of smaller organisations such as the ones headed by founders who participated in this research study, is a challenge because of resource constraints they face. One such constraint is the human capacity to sustain such collaborations.

Thus according to Kim and Peng (2018: 84): “…absent or limited human resource capacity can preclude small nonprofits from reaping the benefits of collaboration and may ultimately exacerbate the gaps between small and large nonprofits in terms of available resources and service quality”.
Given the resource constraints for effective collaboration faced by many NPOs, leaders have to be strategic in selecting the networks they tap into for increased visibility, voice and impact to attract resources.

Resource Mobilisation through Institutional Advancement

A new fundraising approach is progressively gaining traction in the NPO sector, giving further credence to and cementing the resource mobilisation framework. Broadly referred to as

Advancement, this theory postulates that fundraising should be part of a more integrated approach to position NPOs for investment.

Initially popularised in the Higher Education sector in the United States, the model has taken root in South Africa, advanced progressively through the work of Inyathelo with Historically Black Universities as part of the Kresge Grant Initiative. Thus we see the emergence of coalescing external facing units (typically including marketing, communications, public relations, fundraising) to provide a more holistic approach to mobilising resources and advancing the mission of their organisations.

Gastrow (2014: 1) defines advancement as a: "…systematic and integrated approach to building and managing external relationships with key constituencies and stakeholders in order to attract support". Advancement has three main advantages and is not the same as fundraising. Firstly, it is premised on a pro-active, long-term approach to organisation development rather than a reactionary, short-term approach. Secondly, it reduces silo mentality and encourages interdepartmental cooperation – thus a more holistic approach. Lastly, it pools limited funding and human resources to achieve strategic objectives.

It could therefore be argued that fundraising is only part of a larger strategy and mission to attract donor support. "This does not mean that fundraising is obsolete, but it is limited". (Julie, 2007: 97). This larger strategy is based on what The South African Institute for Advancement refers to as the ten key elements of Advancement to mobilise resources:

- leadership;
- governance structures and practices;
- strategy and planning;
- financial management;
- fundraising tools;
- human capacity;
- building relationships;
- monitoring and evaluation;
- voice; and

- visibility.

Although there is now widespread adoption of the Advancement model by many NPOs, the extent to which this model has improved financial sustainability in the NPO sector has not yet been assessed.

Looking forward, more NPOs are likely to adopt this strategic integrated approach to mobilising resources to grow long-term sustainability rather than the traditional approach treating fundraising as a stand-alone activity.

2.5 SUMMARY

This literature review confirms that the NPO sector is a critical part of civil society not only supporting the State in its development agenda but also as an important source of job creation and economic development. It further affirms that fundraising is an important management competency that NPO leaders should possess to ensure the long-term financial sustainability of their organisations within the context of Organisation Leadership and Resource Mobilisation Theories. It articulates some of the key fundraising challenges and strategies introduced for making NPOs more sustainable. Advancement as a new paradigm is also introduced emphasising a more integrated approach compared to traditional fundraising approaches. The literature also considers some of the key legislative and policy instruments aimed at creating an enabling environment for NPOs.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1INTRODUCTION

Chapter Three sets out the research design and methodology that was used in conducting this study. Areas covered in this section includes the research design, the sampling considerations and sampling type. The chapter also details the collection, verification and analysis of data and the ethical considerations of the study. The section concludes with reference to the limitations of the research study.

3.2RESEARCH DESIGN

According to Mouton (2001: 55) research design refers to: "…a plan or blueprint of how one intends to conduct the research." It focuses on the type of study being undertaken and intended outcomes and the process to be followed also referred to by Walliman (2011: 6) as a: "…framework for the collection and analysis of data and subsequently indicates which research methods are appropriate".

For the purpose of this research, I used a qualitative research design. This approach is suitable for the purpose of this study and enabled me to gain an in-depth understanding of the role of founders of Non-profit Organisations in the Western Cape with specific reference to fundraising. The qualitative research design differs from quantitative research methodology because of its strong emphasis on gaining an understanding and describing a phenomenon in-depth. In the case of this research study this includes the perceptions of the founders and co-founders who have knowledge and experience on the subject.

Because there is a paucity of literature and information with specific reference to the role of founders of NPOs as it relates to fundraising, this is an exploratory research study. This approach according to Bless, Higson-Smith and Kagee (2006: 43) is appropriate: "In cases where very little is known about the research topic". Indeed, based on the literature research conducted for this study, I can confirm there is very little known about the motivation of founders for starting Non-profit Organisations and their experiences with respect to

fundraising. This exploratory research study can help fill this gap, especially as it relates to founders of NPOs based in the Western Cape Province of South Africa.

3.3RESEARCH METHODOLOGY

This section details the research methodology used in this study and explains the research sample, data collection and data analysis methods. The selection of the research methodology has been based on the research design and approach.

According to Babbie & Mouton (2001: 309), one of the main advantages of qualitative research is the: "…comprehensiveness of perspectives it gives the researcher". I used qualitative research methodology to get in-depth insight into the research topic being investigated. To access this insight, an interview schedule including both closed and open-ended questions were used to interview twenty participants. Participants could beforehand indicate either their preference for an online meeting platform of their choice or a face-to-face interview. This option of an online or in-person interview was offered to participants because at the time during which interviews were planned the country was in lockdown as a result of COVID-19 with personal contact outside of the immediate family strongly discouraged.

Seventeen interviews were conducted with participants via the Zoom online application. The cost of the data was the responsibility of the participants. Three interviews were conducted in person. Two of the participants who preferred a face-face interview indicated that they were not proficient in using any of the on-line meeting platforms. The third face-to face interview was held at the offices of the participant. Because this participant had a speech impediment, she requested that her mother also be present during the interview. In all three cases, the necessary social distancing protocols in line with COVID-19 regulations were adhered to.

3.3.1 Population and Sampling

Casteel and Bredier (2021: 1) defines target population in research as: "…the specific, conceptually bounded group of potential participants to whom the researcher may have access that represents the nature of the population of interest".

In this study the population consists of founders and/or co-founders of Non-profit Organisations based in the Western Cape Province. These founders are the leaders of the NPOs they represent and operate in a diverse range of sectors and are well placed to provide historical knowledge about the founding of the organisation and details about the fundraising role and how it evolved over time.

At the time of the research, the Western Cape had 23 492 NPOs registered with the Department of Social Development (DSD). The study aimed to collect 20 responses to the survey, providing a reasonable representation of the population within the scale and time constraints of the study.

3.3.2 Sampling Approach and Procedure

Non-probability purposive sampling was used for this research study. According to Farrugia (2019: 70) purposeful sampling: "…involves the researcher deliberately and purposefully selecting the sample they believe can be the most relevant to the study in answering the research question".

Access to respondents in this approach is a key consideration and based on: "…the judgement of a researcher regarding the characteristics of representative sample" (Bless, Higson-Smith and Kagee, 2006: 106).

According to Babbie, Beitting-Lipps and Kindstrom (2015: 187): "Sometimes it's 'appropriate to select a sample on the basis of knowledge of a population, its elements and the purpose of the study". A key determinant in my selection of the participants therefore was the appropriateness and competence of participants to contribute to the research study.

The criteria for inclusion as a participant in this study was that participants had either founded or co-founded a NPO based in the Western Cape and were suitably qualified and experienced to participate in the research study. For the purpose of this study, a suitably qualified participant refers to a Founder who has been through the process of forming and registering an NPO with the Department of Social Development (DSD). I also made it a point to include a mix of both experienced founders and founders who recently formed an NPO to establish if there were any apparent differences in motivations for starting an NPO and approach to fundraising based on the time period formed. Final criteria for inclusion in the sample was based on founders I was aware of, or whom I was referred to. In this regard, some of the organisation founders were recommended by peers in the sector who I shared my research topic and objectives with.

To comply with the provisions of the Protection of Personal Information (POPI) Act, referrals were not directly approached by the researcher and were only included in the study after they had confirmed (via their peers) their willingness to participate in the study. Only two out of the total of 20 participants were recruited in this way. Two of the participants were known to me prior to the study. I worked with one of the participants thirty years ago before she co-started an organisation and I previously served on the same Board as another participant.

3.3.3 Data Collection Approach

In this study, data was collected through semi-structured interviews. These interviews were conducted via the Zoom online meeting platform except for three interviews that were conducted in-person following requests from the respondents.

One of the major benefits of semi-structured interviews is that this approach allowed for more transparency as participants during the course of the interview are: "…free to expand on the topic as they see fit, to focus on particular aspects, to relate their own experiences, and so on". (Bless, Higon-Smith and Kagee, 2006: 116).

In my view the use of semi-structured interviews proved very effective because it helped to set the tone for the interviews and established a level of trust especially since some of the questions elicited some personal and often sensitive issues.

3.3.4 Data Collection Tool

The primary tool for collecting data in this study is a semi-structured interview schedule. The schedule made provision for the collection of both biographical and historical data of each participant and then asked questions pertinent to the research topic under investigation. Each interview was scheduled for 30 – 45 minutes.

The interview schedule was piloted with an experienced manager who is also a fundraiser with over 30 years in the Non-profit Organisation sector. The purpose of the pilot interview before proceeding with formal interviews was to ensure relevance of the research questions, the sequencing of the questions and to introduce any necessary changes before the actual interviews are conducted.

Following the pilot interview, two new questions were introduced, one question changed and five question were removed from the schedule. The questions removed were either a duplication of previous questions asked which would have unnecessarily extended the time of the interview or became obsolete after the main and subsidiary research questions were finalised.

3.3.5 Data Recording and Analysis

Permission for interviews to be recorded on Zoom and other online platforms where needed was requested beforehand. A digital phone voice recorder was used for the interviews conducted in-person. All data generated through the interview was processed in an orderly, sequential manner and linked to the research questions, aims and objectives. Data collected were analysed using Tesch's (1990) eight stages of data analysis outlined below:

(1) After receiving the transcripts of the interview recordings, I carefully read through each of the transcripts to gain insight into the data; (2) In step two I re-read through all the transcripts to further familiarise myself himself with the content. It is during this phase that the first themes started to emerge; (3) Step three involved compiling a list of themes from the reading, bearing the research question and objectives in mind; (4) Generated text was coded and labelled by extrapolating categories and sub-categories from the data; (5) To make sense of the data I provided descriptive wording for each category. Categories that shared

commonalities were grouped together; (6) Emergent categories and themes were analysed and refined, again making sure they are linked to the research objectives; (7) Final themes to be used in the study are generated using the coding framework of analysis; (8) The data based on final themes is presented.

3.4DATA VERIFICATION

Morse, Barratt, Mayan, Olson and Spiers (2002: 17) defines verification as: "…the process of checking, confirming, making sure, and being certain. In qualitative research, verification refers to the mechanisms used during the process of research to incrementally contribute to ensuring reliability and validity and, thus, the rigor of a study".

Two critical issues in qualitative research is the objectivity and trustworthiness or rigour of the research: "…to demonstrate that a true picture of the phenomenon under scrutiny is being presented" (Shenton, 2014: 63). The researcher adhered to the following criteria recommended by Lincoln and Guba (1999) as cited in de Vos et. al (2011: 419) for determining trustworthiness in this study.

3.4.1 Credibility

Credibility is considered to be one of the most important criteria to establish trustworthiness. Here the main goal was to ensure that the research participants have been accurately identified and described to ensure alignment between the researcher's views as represented in the research by the researcher. Verification of the credibility of the data was ensured using different data sources and theories to get a deep understanding of the research topic under study. To gain "early familiarity" as termed by Shenton (2004: 65) of the participants and the culture of the organisations they founded, I consulted several sources. These included internet searches, reviews of annual reports, consulting strategic plans that were available on some of the organisation's websites and reading the professional profiles of participants with LinkedIn accounts. To further ensure the credibility of the research study, all participants were informed and had to acknowledge via a consent form they signed that their participation was voluntary and that they had the option to withdraw unconditionally. All interviews were

recorded digitally and professionally transcribed and then converted into electronic and hardcopy transcripts.

3.4.2 Transferability

Babbie and Mouton (2001 :277) defines transferability as: "…the extent to which the findings can be applied in other contexts or with other respondents" to avoid generalisation of research findings. The researcher is mindful that inferring transferability in this research study is complex because of the specific context of the study, including the size and scope of the sample and the assumptions the researcher made based on his own experience. Limitations of the study are therefore acknowledged upfront and detail inclusion criteria articulated. Despite these limitations, it was possible for the researcher to investigate the main themes in-depth and in the process yield rich results. The research methodology has been clearly outlined and recorded in a manner that could be duplicated.

3.4.3 Dependability

Dependability refers to the stability of the data over time and responds to the issue of whether the study would come to the same conclusion if it was repeated in a similar context with similar participants and asks the question if the research findings would be similar. To achieve this, I ensured that the research process was orderly, well documented and quality assurance incorporated in each of the research phases

3.4.4 Confirmability

Connelly (2016: 435) defines confirmability as "…. the neutrality or the degree findings are consistent and could be repeated". It places responsibility on the researcher to provide "…evidence that corroborates the findings and interpretations by means of auditing". (de Vos et al., 2011: 421). Thus the idea is to limit any biased interpretation which I achieved by as far as possible including the perspectives of respondents and through attributing these perspectives through direct quotes: "….to help ensure as far as possible that the work's findings are the result of the experiences and ideas of the informants, rather than the characteristics and preferences of the researcher". (Shenton: 2004: 72). To avoid bias, the researcher acknowledged his own beliefs and declared assumptions he had going into the research study (reflexivity).

3.5 MAIN ETHICAL CONSIDERATIONS

This research project has the approval of the University of Cape Town's Department of Social Development Research Ethics Committee which was received on the 25th February 2021. In executing the research project, I have complied with the ethical considerations articulated below which is aimed at ensuring no harm is caused to those participating in the research study.

3.5.1 Voluntary Participation

Participation in the research study was voluntary. According to Babbie and Mouton (2001: 521): "…no one should be forced to participate." Each participant was sent a consent form before commencement of interviews clearly indicating that participation is voluntary and that participants can withdraw anytime during the process. All participants signed this.

3.5.2 Informed Consent

Participation in the research project was based on experience and knowledge of the subject under investigation. In pursuance of this, the main of objectives of the research was clearly articulated in a consent form that was emailed to each research participant and which was duly signed and returned to the researcher before commencement of the interviews. The consent form for the interviews conducted in-person was signed on the day the interviews were held (See Appendix C). Founders participated in their personal capacity. No approval from the NPO was therefore required.

3.5.3 Anonymity

Bless, Higson-Smith and Kagee (2006: 143) suggests that: "A participant's data must not be associated immediately and obviously with his or her name or any other identifier". To ensure this, none of the responses in this research report was assigned to a particular respondent or the organisation they represent.

3.5.4 Privacy

According to Harding (2019: 55), privacy can be maintained if the researcher is able to: "…. limit your data collection to information that is essential to the topic under study".

Participants were able to determine the extent to which they are prepared to respond to a question. The right of respondents not to answer a question was provided for in the consent form. All interviews conducted enjoyed total privacy. Online interviews were conducted in the study of the researcher with the door of the study remaining closed for the full duration of the interview. Face to face meetings were conducted in meeting spaces that only accommodated the researcher and the respondent.

3.5.5 Confidentiality

According to Bless, Higson-Smith and Kagee (2006: 143): "Information provided by participants, particularly sensitive and personal information, should be protected and made unavailable to anyone other than the researchers". Neither the names of participants nor the organisation they founded or co-founded is mentioned. Confidentiality was further protected by storing transcripts, notes and audio recordings in files and platforms that are password protected and not accessible to third parties.

3.6 LIMITATIONS OF THE STUDY

I am of the view that face-to-face interviews are a more desirable method for gathering data as it establishes rapport between the researcher and the interviewee because it is more direct and less prone to technical disruptions. Ideally I would have preferred to conduct all the interviews in person but regulations pertaining to COVID-19, especially as it relates to social distancing and travel bans, did not allow for this.

Seventeen interviews were subsequently conducted via online platforms. However, not all participants in the study had access to this platform. Some of the interviews therefore had to be conducted in person. In some instances, where interviews were conducted online, problems with internet connectivity were experienced which had a negative effect on the flow and the quality of interviews. In the few instances where connectivity problems were encountered, the researcher either re-negotiated more time to conclude the interview or with the permission of the interviewee, set a new date and time.

Furthermore, it became apparent during the interviewing process that not all of the participants could confidently answer all of the questions either because they were just recently founded or the scope of their operations were small - relying mostly on volunteer donations. This meant that their fundraising experience was limited and some of the interview questions therefore irrelevant. However, the number of respondents affected by this limitation constituted a small percentage of the total sample and therefore did not have a significant bearing on the research results. It is recommended that any future research on the topic considers the important differences and experiences of NPOs based on the year of founding to avoid prejudicing founders with limited experience as a result of the age of the NPOs they lead.

3.7SUMMARY

Chapter Three set out the design and methodology used in the research study. It motivated for the use of qualitative research as the most appropriate method to achieve the intended research objectives. The chapter included the approach taken with regards to sampling and articulated the preference for purposeful sampling. Particular attention was given to the data collection instrument, data collection and tools to ensure the integrity and safety of the data. Consideration was also given to important ethical issues to ensure the privacy, confidentiality and anonymity of the research participants amongst others.

CHAPTER 4: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

This study explores the experience of founders of Non-profit Organisations in the Western Cape with respect to establishing and sustaining their organisations from a fundraising perspective. It broadens the knowledge in the field of NPO leadership by recording the experiences and challenges of founders of NPOs in establishing new organisations and how the fundraising function in these organisations evolved. Whereas there is a dearth of information on NPO leadership and management in general, a paucity of literature and research with respect to starting a NPO and the arduous task of sustaining the very organisations they formed is evident. This study focuses on the motivation of founders in starting up NPOs and their role and approaches to fundraising during the formative years.

The research results provide an enhanced appreciation and understanding of the fundraising role based on the experiences of people who have pioneered in their respective fields and provide critical insight for aspirant NPO founders. These insights were gathered through a qualitative study based on data gathered in twenty in-depth interviews with founders of NPOs based in the Western Cape. A profile on all the research participants is included in this Chapter as Table 1. Profile data include the role of the founder, the year the organisation was formed, the sector the organisation operates in, legal status and whether the founder had any previous fundraising and NPO experience at the time of launching the organisation. The names of research participants and the organisations they represent are kept anonymous in compliance with the Ethics approved for this study and confidentiality agreed to. Consequently, the interviewees are hereafter only referred to as “Participant”.

A detailed presentation of the research findings is preceded by a framework of analysis. Main findings have been grouped together and presented as themes which are referenced in relation to the literature on the research topic.

4.2 PROFILE OF PARTICIPANTS

The sample in this research study consisted of twenty founders and/or co-founders of Non-profit Organisations. All the organisations represented in this study are legally registered organisations based in the Western Cape Province of South Africa.

For the purpose of this research study, the NPOs are classified by objective. The International Classification of Non-Profit Organisations (ICNPO) groups NPOs into twelve major sectors and 69 activities. Participants in this study represents four of the activity groups namely, Culture & Recreation, Education & Research, Law, advocacy and politics and Social Services. Table 1 below provides a profile of the participants in the research study.

Table 1: Profile of Participants

Participant ID	Role within the organisation	Year Formed	Sector	Legal Status	Previous NPO experience	Previous fundraising experience
Participant 1	Founder	2007	Culture & Recreation	VA	No	No
Participant 2	Director	1973	Social Services	VA	Yes	No
Participant 3	Co-Founder	2003	Social Services	VA	No	No
Participant 4	Founder	2017	Culture & Recreation	VA	No	No
Participant 5	Co-Founder	2007	Social Services	VA	No	No
Participant 6	Co-Founder	2004	Education & Research	NPC	No	No
Participant 7	Founder	2012	Education & Research	VA	Yes	No
Participant 8	Co-Founder	2019	Culture & Recreation	VA	No	No
Participant 9	Founder	2000	Education & Research	Trust	No	No
Participant 10	Founder	2013	Law, Advocacy & Politics	VA	Yes	No

Participant 11	Founder	2019	Education & Research	NPC	Yes	Yes
Participant 12	Founder	2019	Social Services	VA	Yes	No
Participant 13	Founder	2016	Social Services	VA	Yes	No
Participant 14	Founder	2000	Social Services	VA	No	No
Participant 15	Co-founder	1980	Culture & Recreation	VA	No	No
Participant 16	Founder	2017	Social Services	VA	Yes	No
Participant 17	Director	2012	Education & Research	VA	No	No
Participant 18	Founder	2021	Social Services	NPC	No	No
Participant 19	Co-Founder	1994	Social Services	VA	Yes	Yes
Participant 20	Co-Founder	2005	Social Services	VA	No	No

Notes: NPC = Non-Profit Company; VA = Voluntary Association

According to the profile data collected, the years in which the Non-profit Organisations were established ranged from 1973 to 2021. Of these, two organisations were formed between 1970 and 1989; nine between 1990 and 2009 and nine over the last decade - between 2010 and 2021. The oldest NPO is 48 years old and the youngest NPO is eight months old. Figure 1 below illustrated the period in which the participating NPOs were established.

Figure 1: Period in which NPO was established

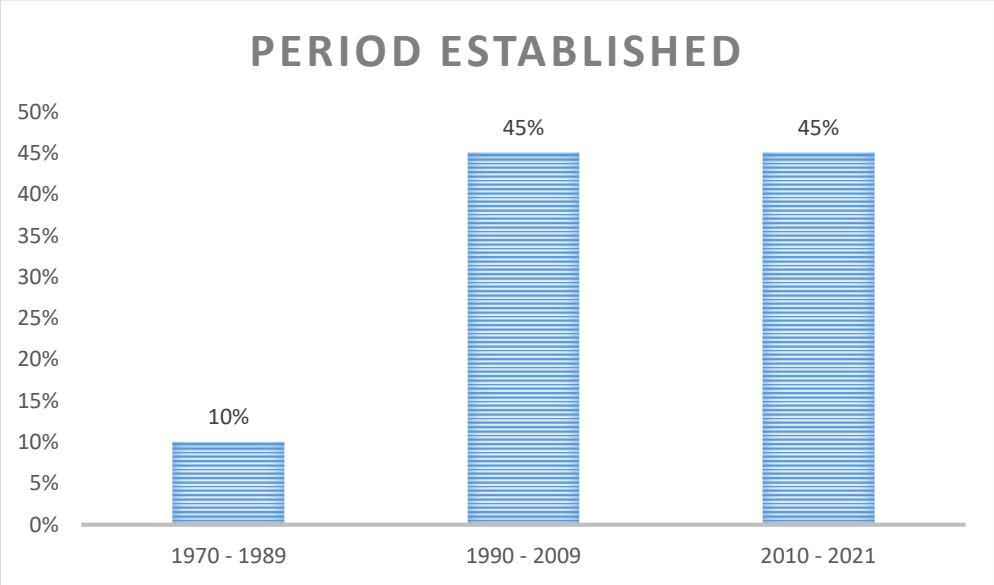


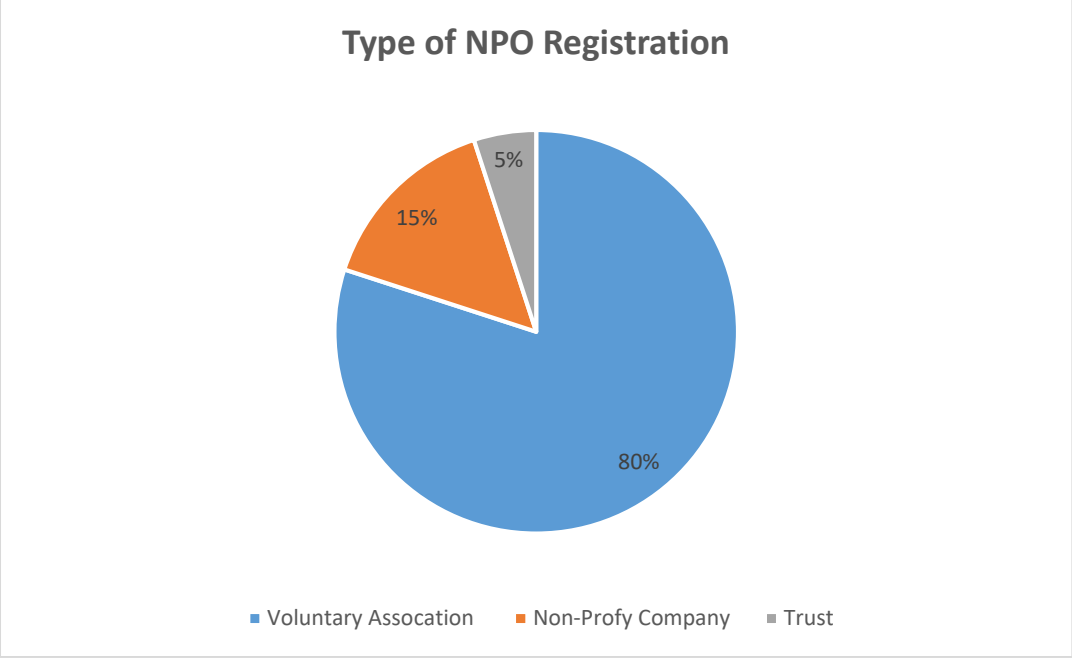
Table 2 below outlines the sectoral representation of the participating NPOs. The sectors with the greatest representation is Social Services (50%). The second largest representation (25%) is in the Education & Research sector followed by the Culture and Recreation sector (20%) and lastly, 1 organisation (5%) operated in the Law, advocacy and politics sector.

Table 2: Sectoral Representation of NPOs

Sector	# Organisations	Percentage
Culture & Recreation	4	20%
Education & Research	5	25%
Law, Advocacy & Politics	1	5%
Social Services	10	50%

In terms of Legal Status, 16 of the Non-profit Organisations were registered as Voluntary Associations, 3 as a Non-Profit Company (NPC), and one as a Trust. Figure 2 provides an illustration of the NPO registration status of the participating NPOs.

Figure 2: Type of NPO Registration



As part of the research study, participants were asked to indicate if they had any fundraising and Non-profit Organisation experience prior to starting their respective NPOs. The data reveals that eighteen respondents (90%) indicated they had no previous fundraising experience and eight (40%) of the respondents interviewed had worked in the NPO sector prior to establishing their own organisation. Table 3 below provides a breakdown of the fundraising and NPO experience of founders per sector.

Table 3: Founders with fundraising and NPO experience

Sector	# Founders	# Founders with fundraising experience	# Founders with NPO experience
Culture & Recreation	4	0	0
Education & Research	5	1	2
Law, Advocacy & Politics	1	0	1
Social Services	10	1	5
Total	**20**	**2**	**8**

4.3 FRAMEWORK OF ANALYSIS

Data gathered is presented in a framework for analysis which provides a broad overview for presenting the findings and discussions of the research. The data is presented in terms of themes, categories and sub-categories which are further enunciated in the findings section of the research report.

The framework is set out below in Table 4.

Table 4: Framework for Analysis

THEME	CATEGORY	SUB-CATEGORY
Motivation for starting an NPO	Responding to Needs	Responding to Personal Needs
		Responding to Observed and Expressed needs
Fundraising & NPO experience of founder/co-founder	Fundraising Readiness	Fundraising Experience
		NPO Experience
Legal Status and Registrations	The Legal Status of NPOs	Registering as an NPO
		Registering as a PBO
	Other Status/Registrations	Section 18A Status
Financing the Start-up	Start-up Investments	Personal Financial Investment
		Donor Investment
Fundraising Practices of NPO founders/co-founders	Fundraising Practices	Learning on the job
		Investing in a fundraiser/fundraising service
		Sharing the fundraising responsibility

4.4 RESEARCH STUDY FINDINGS

In this section I provide a detailed overview of the findings of the research study and an interpretation of the findings. Table 4 above provides a framework for the analysis of the research findings. Each theme, category and sub-category is systemically examined in this section. This is followed by a discussion of the research findings which serves as a basis for the recommendations that are being proposed.

THEME 1: MOTIVATION FOR STARTING A NON-PROFIT ORGANISATION

According to Andersson (2018: 2): "Nonprofit scholars have indeed recognized the role of individual motivation in new nonprofit venture creation". Theme one explores the reasons and rationale behind the formation of NPOs by their founders focusing on their primary motives.

Participant responses to the question of what motivated them to start an organisation can broadly be divided into two sub-categories. The first sub-category includes founders who were personally affected or impacted by a social issue. These founders establish Non-profit Organisations in response to what I refer to as personal needs or challenges. The second sub-category includes founders who articulated their prime motive for starting a NPO as responding to a need or cause based on what they observed in the broader society or expressed as a need by another person or group.

RESPONDING TO PERSONAL NEEDS

One of the main reasons advanced by respondents that motivated them to start a Non-profit Organisation is to change a condition or social issue they have personally been affected and/or impacted by. In this case, the NPO's founding is intrinsically linked to the lived reality and experiences of the founder and therefore the establishment of the NPO is very often personal. Three of the participants articulated their motivation for starting their NPOs as follow:

> **Participant 4:** *"I wanted to reach, first of all, young children that live in leaky shacks like myself that comes from a leaky shack. The reason for that was, I know how easy it*

is for us to sometimes, especially as a child, to identify with your circumstances and so I wanted to isolate the person, the individual, from the circumstances. And at the same time I wanted to empower women to make them stronger, to promote self-confidence, and to give them that hope; because sometimes, as a woman, there's children, there's the circumstances, all sorts of responsibilities and challenges. I wanted to remind them that we all have a purpose and we can reach for that purpose".

Participant 5: *"We started the organisation to what we saw as purely selfish. I was a child who needed a wheelchair and we didn't have the money yet. I made a commitment at a very young age that I will activate for the rights of persons with disabilities but the reason that we founded the organisation and made it official was for us to continue pay it forward and we do that every day".*

Participant 13: *"It was a divine experience for me. I lived in Delft for almost thirty years. I noticed and saw the need of people in Delft. One day it just dawned on me my that I can extend some help because I also come from a background where I know what it is to struggle and not to have".*

What is significant to observe in terms of the experience of the three respondents above is that all of them were motivated at a very young age to start an organisation to change a condition they were personally affected by. This coincides with (Pryor and Mitchell, 2015: 150) who write: "Young people are often driven by a dual sense of idealism and practicality…". Thus, although the exact form of the organisation was not known to them at the time, they understood that they themselves had to be the change which is what initially ignited their passion and eventually inspired them to start and to register their respective organisations. Although this epiphany for many other founders was realised much later, they too intuitively knew, based on their own experiences and encounters, the moment they were "called" to start their Non-profit organisations.

Participant 6: *"The reality was I wanted to remain in Information Technology (IT) education. After building a successful organisation and business in the United Kingdom, I knew I needed to come back home to focus on IT and youth development. I*

spoke to my wife. We sold our home and exited the business and returned to South Africa to set up an organisation, an entity that could work in the public schools, mainly the schools that were no-fee schools, around the country, to bring technology in its full sphere into the schools".

Participant 7: *"My husband and I were ambushed in our bedroom by three armed men. I just had a sense of what dream would I have taken into my grave, if I would have died that night. And so then I thought, okay, this is definitely an indication that if I want to see this part of the dream fulfilled, I need to get into action."*

Participant 18: *"I started this foundation based on my experience with my son, who has had a very difficult time in his schooling, because he was diagnosed with ADHD in 2007. So the whole foundation is based on my personal experience, my journey with my son, the obstacles that came our way, from primary schools, straight into high school…It's not about chasing the money, it's about passion for the community and the upliftment of the community as such".*

The motivations of founders explained above is a practical demonstration of how personal affliction and the need to solve problems are often the main driver for the transformation required. According to Nanus and Dobbs (1999: 25): "…their efforts to lead non-profit organizations that deal with these problems are a way of changing their own self-image from one of victim and complainer to one of community activist". It is this agency combined with passion and vision of the founders that is being converted into action and then given expression through organisation form which ultimately results in giving impetus to and formalising the establishment of a Non-profit organisation.

What is not evident based on participant responses with respect to motive is the possibility of personal job creation as a key driver, a pull factor described by Andersson (2018: 1) as "necessity non-profit entrepreneurship". In other words, founders could also have extrinsic motives for creating a non-profit venture. This is particularly relevant in a country like South Africa with high unemployment levels and the desperate need to seek alternative forms of income.

RESPONDING TO OBSERVED AND EXPRESSED NEEDS

The second sub-category for starting NPOs was in a response to needs the founders either personally observed in society or where the need was expressed to them by others. Respondents shared the following experiences:

> **Participant 2:** *"One of the main drivers for the establishment of the organisation was to provide programmes and access to safe spaces for children to grow up. The organisation was therefore formed in direct response to the overcrowding and related social problems caused by poor housing conditions".*

> **Participant 3: "***We saw how music therapy was helpful to the children that we were working with, and also realising that children in the schools do not have access to music therapy. So it was really the issue of wanting to provide access which was the motivation for starting the organisation because at that time, music therapy was only really situated in the private sector and people didn't have private medical aid, or the means to pay for a therapist"*

> **Participant 8:** In *2019, there was an invite for us to play some tennis, and then playing tennis for a couple of months, one day, we realised that we could actually do more, and it is based on what we saw happening in our communities, that sport was non-existent. And we just said, guys, let's do something about this".*

> **Participant 10:** *So I did some work for the United Nations, and some organisations in South Africa focus, specifically, on advocacy, so change in laws and policies. But what I found was that we would change laws, but nothing would ever happen, nothing would actually change in the communities that we served and it was my belief, or at least the belief of all the people in communities that I worked in that human rights happens not in a court room, it happens in your home, or in a church, or in a school".*

A key theme emerging in terms of responding to observed or expressed needs is the issue of access to services and resources. Some participants defined their responses to observed needs as a means of filling a gap, suggesting a very conscious and deliberate decision involving

some level of market research as part of determining the feasibility of their proposed intervention. In this regard, Carman and Nesbit (2012: 604) notes that: *"…founders create non-profit organizations to fill the gaps unserved or undeserved by the markets".* Four respondents below describe their unserved or underserved markets:

> **Participant 1:** *"I was teaching music at the time, and there was lots of people in our community who wanted music lessons and many of them could not afford it, they couldn't afford to pay me for it. And I had toyed with starting a community choir, at the time, and so I decided to start a little music school, and the only way that I could get funding for it, for children who could not afford it, was to start an NGO".*
>
> **Participant 10:** *"For me, it was about, how do we educate and empower the real change makers, so every-day people, in a very user-friendly, accessible way, which they have the right to access, so that they themselves, can make human rights a reality. So I found there was a very big disconnect with community-based work and advocacy work and I wanted to build a bridge between that".*
>
> **Participant 15:** *"We discovered that there were so many other benefits from magic, and to the training we were doing that led us to crystallising our ideas and the formation of our non-profit organisation. The young people who are wanting to learn magic, they really struggled, besides the odd magic set from a toy shop or two books in the libraries. And so, by offering this we thought as well, that we were offering a service which was really needed because we saw that magic was something which was difficult to pursue".*
>
> **Participant 19:** *"Everybody was involved with teacher training. And it was early 1990s. Things were about to change, right, and nobody was focusing on training management or leadership of Non-profit Organisations and that was one of the main reasons why we actually decided to do this because I think there was a report that came out at the time talking about the lack of middle management and black management capacity of NPOs - so we just decided to take the gap and then start focusing on leadership and management, which we did".*

The extent to which a full gap analysis was done by founders as part of their market research to identify the needs to respond to is not known but they are confident that based on their own experiences and observations, the need for such services and resources existed. This is congruent with the research findings of Carmen and Nesbit (2012) based on interviews conducted with 31 NPO founders in the USA. They observed that in most cases the needs were mostly identified informally. This is certainly also my own anecdotal observation based on my involvement in the social services sector where, for example, different NPOs are established providing a similar offering in the same geographic community. This results in unnecessary duplication of services which could have easily been avoided based on a proper needs analysis. To mitigate this risk, Padanou (2006: 9) proposes a thorough research process aimed at understanding the problem and the cause of the problem, the practicality and effectiveness of the proposed intervention and being informed of other organisations doing similar work in the same community to help identify gaps.

Based on the motivations advanced by respondents, it is evident that the reasons advanced for starting NPOs can vary significantly depending on personal circumstances as pointed out by Copley (2017) in the preface of her book: “The impetus for non-governmental organisations (NGO) start-ups are as many and varied as people themselves – from those whom have a particular passion/skill or a “big dream”, to those who start doing good in little ways and then find that it grows”.

Notwithstanding the varied contexts that influence the motivation for starting a NPO, the common denominator is the personal commitment to a cause and to transforming the status quo. This according to Andersson (2018: 2) is the: “…main difference being their primary motivation: business entrepreneurs are motivated by making profits whereas non-profit entrepreneurs are motivated by promoting a social cause”. For many founders this commitment to transformation is based on passion. This is however not sufficient motivation to start a Non-profit Organisation.

The next theme discusses the level of fundraising and NPO experience founders had prior to starting their NPOs.

THEME 2: FUNDRAISING & NPO EXPERIENCE OF FOUNDERS

Theme two focuses on the fundraising experience and NPO experience of founders prior to formally establishing their organisations.

THE FUNDRAISING EXPERIENCE OF FOUNDERS

Pryor and Mitchell (2015: 235) warns that funding should be a key consideration when starting your own venture and urges founders to: "Know the expenditure and capital you will need (both financial resources and human talent, as well as tax regulations, legal and technology requirements, operational policies and procedures, etc.".

By implication therefore, financial management and NPO experience are important. Yet, out of twenty respondents interviewed, only two (10%) indicated they had previous fundraising experience. Respondents expressed their lack of fundraising experience as follows:

> **Participant 2:** "*Fundraising then was rather basic and included raffles, rummage sales, bazaars etc. I had to bullshit my way through".*
>
> **Participant 3:** *"Yes, it was all new. The only thing I knew about how to do any of this, was the actual music therapy and even that, I was questioning at the time; but yes, the fundraising was definitely a whole new world, a different discourse, that I wasn't used to. I had to learn really quickly".*
>
> **Participant 4:** *"Initially our idea of fundraising was just, you find a donor and write a proposal. I think I started understanding that it's more than just fundraising, but it's about building awareness around the organisation, brand awareness".*

The three responses quoted above is indicative of instances where fundraising is not considered as a strategic competency and capability. (Betzler and Gmur, 2016: 30) define fundraising capability as: "...the ability and capacity of an organisation to raise money through the management of people and processes". Thus, fundraising is now considered a strategic

management competency, integral to NPO leadership and important in high performing NPOs.

According to the Code of Good Practice (2001: 20): "There is a discipline to the development of funds, that proceeds in a logical order, from preparation to planning, to the execution and control of a fundraising programme". This introduces the notion that fundraising is not only an art, but also involves a scientific approach based on logical and orderly processes and plans. Gastrow and Bloch (2008: 4) for example advocate for a fundraising plan involving a cycle of four interrelated activities, namely: prospect research, donor cultivation, solicitation and stewardship. Breeze (2017) refers to this fundraising cycle as a systematic approach to recruit, maintain and retain donors.

Participant 8 refers to "a specific formula for fundraising".

> **Participant 8:** "*We realised that as much as you have passion, and as much as you have this heartbeat for wanting to see change in your community, it actually won't happen without money, and without having a specific formula for fundraising".*

At least one of the respondents alluded to the important aspect of identifying prospective donors and partners prior to formally establishing their organisations and was mindful about becoming donor dependent from the onset:

> **Participant 19:** *"There were major discussions about fundraising before we started the organisation. I remember one of the founders had already compiled a list of potential donors who seemed like they had an interest in funding Early Childhood Development (ECD) programmes. And also, a very strong focus on self-generated income because the last thing that we wanted to do was to be solely reliant on donor income. What we didn't do, was to send that mass mailings. In this country it doesn't work. You've got to build on relationships and that kind of thing first, before you actually approach donors".*

Ngudu and Motala (2009: 64) affirms the critical importance of fundraising capability: "The necessary skills to compete for funding becomes critical…fundraising has become increasingly professional and has to be approached in a more holistic and integrated way". The notion of fundraising as an important skill has been widely underestimated by some of the founders. This realisation is best articulated by two of the participants as follows:

> **Participant 3:** *"I think it was only once we started appointing more people, and we had more therapists - and therapists as in permanent employments - that we really realised that financial sustainability is a priority".*

> **Participant 6: "***And our assumption, going in, when we set it up, was, corporate South Africa had this thing around BBE, and we could speak to them, and they had some Corporate Social Investment (CSI) type funding".*

For some of the respondents, the lack of fundraising experience was articulated as almost being traumatic and left them feeling disempowered as founders of their organisation.

> **Participant 9.** *"I cannot tell you how paralysed I was, by that. I didn't know how to start, just my inability to even know what to say, it's not my strong point, anyway, and I felt very clumsy, and I felt stupid, and I didn't know".*

> **Participant 17:** *"So that was just soul destroying, that funding thing. I think maybe I'm the one who gets it wrong, but it was just I wasn't, personally, getting any returns for my time and energy".*

THE NPO EXPERIENCE OF FOUNDERS

Twelve (60%) of respondents interviewed indicated they had no work experience in the Non-profit Organisation sector prior to establishing their organisation. For the majority of respondents, establishing their own organisations therefore had been their first foray into the NPO sector. Respondents reflected on their lack of NPO experience as follows:

Participant 3: "*I had no NPO experience. None whatsoever. When I think back, the focus for us initially was really on the practice and the work and what we were doing with the children, and I think a lot of our attention and energy and thinking was definitely a lot of a practice focus, and developing the process".*

Participant 6: *"I was quite ignorant because I hadn't run a non-profit before when I started this. The reality is, if you want to run it like something serious as in a business, it's quite a complex environment because you've got to find people who are willing and twisting arms, and doing things for nothing, and trying to collect the money, and so it's quite complex yet you want to deliver this excellent product".*

Participant 14: *I'm not joking when I tell you before starting the organisation I had absolutely no experience of NPOs. I am a reformed gangster and wanted to work with young people to help them avoid the choices I made when I grew up. The fact that I was streetwise at least helped me to figure out who the right people are I needed to speak to".*

For some of the respondents the lack of Non-profit Organisation experience and the prospect of leading one was intimidating and daunting.

Participant 10: *"No one ever taught me how to run a non-profit, or what I call a business, because it really is running a business. It was very painful and very scary. I made some mistakes, I made some enemies as well".*

Participant 17: *No experience in NPO work and I haven't been involved in education either before but I have been involved in innovation in the private sector before and that motivated me to see the end-game and building solutions for some of the kids. But am I cut out to this NPO work? I'm not sure".*

The lack of NPO experience could potentially be a drawback as described by some of the participants but for many of them it was not a defining factor in deciding whether to establish the organisation. Although there is no scientific evidence or research available making the

correlation between experience and performance in the NPO sector, leaders with prior experience in the NPO sector are generally better placed to position their organisation for investment from the start as a result of critical skills acquired over time and through the active exposure and participation in networks that enables such leaders to navigate the complex tasks involved in leading and managing a NPO. Andersson (2020: 236) argues that: "Nascent non-profit entrepreneurs with more non-profit management experience might also have a better understanding of how to effectively communicate and interact with clients, board members, regulators and funders…".

Next, we consider the theme relating to the experience and challenges of founders in terms of registering their organisations as NPOs.

THEME 3: GETTING REGISTERED

The form and legal structure of Non-profit Organisations are very important when considering formal registration. In Theme three I discuss the experience of founders with respect to the registration of their organisations as Non-profit Organisations with the Department of Social Development (DSD) and as Public Benefit Organisations (PBOs) and Section 18A beneficiaries with the South African Revenue Services (SARS). These three registrations have benefits for NPOs seeking funding for the work they do.

REGISTERING AS A NON-PROFIT ORGANISATION (NPO)

Non-profit Organisations are encouraged to be registered in order to effectively fulfil their legal and fiduciary responsibilities. The registration of NPOs is voluntary and is provided for in section 13 of the Non-Profit Organisations Act 71 of 1997.

The Act makes provision for any Non-profit Organisation to apply to the Directorate for registration based on the following characteristics:

- Only a trust, a company or association of persons (voluntary association) may be a Non-profit Organisation for the purposes of this Act;
- The organisation must have been established for a public purpose, the services must therefore be accessible to the community;

- The income and property of the NPO may not be distributed to its office bearers and members.

According to Fowler (2017: 38): “Registration means that the founders wish to have a social recognition; this calls for some degree of formalisation and acceptance of the principle of social accountability”. Inyathelo in a Guide on the Non-profit Organisations notes that accountability, legitimacy and credibility are crucial elements required by NPOs to attract donor investment and suggests that:

“Without legitimacy and accountability it is difficult to garner the resources required for the organisation to conduct its work. Organisational beneficiaries, partners and prospective donors will support an organisation if they trust and are confident in the manner in which it conducts its business. If an organisation is registered and adheres to its legal obligations, it is more likely to attract support required to advance its objectives” (Inyathelo, 2009: 7).

Copley (2017: 3) advances five main reasons why registration is important:

- It allows the organisation to enter into contracts;
- It protects against personal legal liability;
- It improves donor credibility;
- It can facilitate tax exemption; and
- It allows for the organisation to exist in perpetuity.

Founders interviewed for this research study explicitly understood the importance of registration not only from a compliance and accountability perspective but also in terms of a fundraising perspective. They are acutely aware that: “Most donors prefer to fund organisations that are legally registered” Julie (2021: 18) and that although registration is voluntary, it is often a requirement of many donors. This according to Vayanos (2006) helps with the credibility and accountability of the organisation. One of the respondents expressed the benefits of NPO registration as follows:

Participant 11: *I was advised not to start an NPO but then I went ahead and said, no, I need to register this, as an NPO because, first of all, if you're not a legal entity you cannot raise funds and you actually don't have any standing. It's very difficult to do anything, unless you're properly registered in legal terms".*

The Department of Social Development (DSD) commits to consider and provide feedback on applications for registration within a period of two months after receiving an application. The majority of the respondents interviewed indicated that the process of registering their NPO with the DSD was fairly seamless. Based on the data collected for this research study, 80% of participants interviewed registered their NPO as a Voluntary Association at the founding stage. The Voluntary Association is considered the preferred legal option for registering a NPO in South Africa because of the short turnaround time for applications.

Respondents expressed their experiences with registering their Non-profit Organisations as follow:

Participant 1: *"It was very easy. Actually, it was exceptionally easy to register the organisation. I didn't know what to do, so I was volunteering at the police station at the time and one of the ladies there, her daughter had set up a NGO previously. She literally just downloaded stuff and told me what I have to do, and I need to find some committee members. So I had assistance from someone who'd already started a NGO, but the actual registration process in those days, was actually very simple and very quick. It took, I think two months to get our registration number and certificate".*

Participant 4: *The registration process was not complex at all. It only took us a month to register". But try to get the funding from them. Now that is quite difficult".*

Participant 5: "*It was the easiest thing to do. it was just a very simple in those days. I mean, they give you the document. So how hard is it? You make two copies and get certified and off it goes". For me it was just a very simple in those days you couldn't do it online. So, it was just a matter of drawing up a pro-forma constitution provided by the Department of Social Development and personalising it".*

Participant 13: *"The process was easy, we submitted the required documents and then I followed up. We waited less than a month for our registration to be approved".*

The relative ease with which NPOs managed to get registered is a positive sign. The Department's own website (www.npo.gov.za) indicates a turnaround time of 84 days for online applications and 100 days by post and points to the fact that there are relatively few barriers to gain entry into the sector. Here it is important to note that South Africa compares favourably to their European counterparts with respect to duration of registering an NPO with similar set up periods in countries like Belgium, Germany and Spain. Noticeable exceptions are Ireland and the Netherlands where registration times are between 2 – 15 days (Advocates for International Development (2022).

REGISTERING A PUBLIC BENEFIT ORGANISATION (PBO)

Non-profit Organisations can qualify for tax exemption in terms of the Income Tax Act 58 of 1962 if they are engaged in what the South African Revenue Services (SARS) defines as Public Benefit Activities. However, to access this benefit, the organisation firstly has to be registered as a Public Benefit Organisation (PBO).

Whereas the respondents overwhelmingly indicated NPO registrations went fairly smoothly, registering as a Public benefit Organisation (PBO) proved more cumbersome and difficult for many of the respondents. This is not surprising since: "SARS is very strict about all the fine details and documents that are required…If there is anything missing or past its expiry date, the application will be rejected" (Copley, 2017: 29). Respondents articulated their experiences with registering as a public benefit organisation as follow:

Participant 1: "*It was a hair-raising experience; it still is".*

Participant 8: *The PBO part of the registration, is quite tedious and it's quite thorough, because they actually had to meet our treasurer in person, they wanted founded documents and all of that".*

Participant 10: "*We've been trying to get it for two years, and every excuse on the book, that they have had, have they thrown at us, it's been ridiculous. I physically have been there myself, three times. Then we did it twice on the online thing last year, when they moved it all online because of COVID, and we're still waiting for it. And then the materials get expired, and then they contact us and say the materials are expired, and I said, well, it's because you waited an entire year; so it's been a disaster, it really has, it's been very painful".*

Any delays in obtaining a PBO certificate can have a significant impact on the ability of NPOs to raise funds and on the overall operations of NPOs, particularly if the donor itself is a tax exempt entity. Two of the respondents expressed the impact as follow:

Participant 15: "*I can tell you stories about the SARS and revenue, and tax. We actually have, within our realms, youngsters who come from very affluent areas, and that combination and that idea, we've found very difficult to communicate to SARS". It was difficult to convince them that our activities were bona fide activities but we managed to convinced them".*

Participant 16: *"Our PBO registration took over a year simply because SARS is purposefully trying to sabotage PBO status. Yet the Solidarity Fund could register before they were even launched".*

The experience of respondents 15 and 16 alludes to the dire impact and consequence caused by the tax regulator and poses a serious threat to not only the short-term implementation of programmes but also the long-term sustainability of organisations.

SECTION 18A STATUS

The South African Government recognises that most Non-profit Organisations are reliant on donor and public funding for their survival and sustainability. Thus, although individual and private donors support their NPOs based on a deep commitment to the values and mission of such organisations, the benefit of tax deduction indeed plays an important role in incentivising such giving to public benefit organisations with Section 18A status.

This incentive in the South African context is in a form of a tax deduction for certain donations made by taxpayers and aligned with the provision in law as provided for in Chapter 2, Section 3 of the NPO Act which implores state entities to:

"Within the limits prescribed by law, every organ of state must determine and co-ordinate the implementation of its policies and measures in a manner designed to promote, support and enhance the capacity of non-profit organisations to perform their functions" (Nonprofit Organisations Act, No. 71 of 1997: 4).

For many NPOs, having Section 18A status granted by SARS indeed facilitates an enabling environment for donor giving. The eligibility of NPOs to issue tax deductible receipts is granted by the Tax Exemption Unit (TEU) of SARS and issued on the basis of Section 18A approval. NPOs applying for Section 18A must prove that donations made are in support of approved Public Benefit Activities (PBAs).

Bona fide donations made in favour of a section 18A-approved organisation are entitled to a tax deduction on condition that a tax receipt has been issued by the organisation. Since fundraising is such a critical source of income for NPOs enabled through the generosity of donors, the complexity and long waiting periods in relation to obtaining Section 18A status could potentially undermine the financial sustainability of NPOs.

> **Participant 10:** "*I would say, hundreds of thousands, we've lost, because of that, ja. I'm busy trying to convince a current business, right now to wait a bit, but they've already waited for months, so they're getting very impatient, so if I don't get it to them within the next two weeks, they will probably also go somewhere else even though we gave them the option to channel the funding through another entity which is able to issue a Section 18A tax receipt".*

> **Participant 11:** *"It took us a heck of a long time, we've only recently, in the last, probably, six months, actually got our PBO and 18A. So those things, were extremely lengthy and it feels like, maybe, we could have done it in a better way. We actually got*

somebody to do it, but in hindsight, it was not helpful and may well have lost opportunities as a result of the long delays".

Despite enabling legislation, South Africa continues to lag behind when it comes to incentivising donor giving. A study undertaken by the Charities Aid Foundation in 2016 comparing tax incentives in 26 countries confirms, amongst others that:

- Tax deductions are the preferred method of incentive globally
- People and corporations are responsive to tax incentives
- Generous incentives lead to higher donor responsiveness
- Complexity in claiming incentives limits donor responsiveness

SARS and other relevant stakeholders should continue to incentivize donations to NPOs by enabling legislation that would allow more NPOs to be eligible for this benefit. As suggested by Nelson (2000: 2): "The ultimate goal is to facilitate a process of change which will result in a tax structure which encourages rather than inhibits, the development of the non-profit sector".

THEME 4: FINANCING THE NPO START- UP

Two key issues considered under this theme was to explore how the start-up Non-profit Organisation was funded by focusing on the level of personal and donor investments during the formative years of the NPO.

PERSONAL FINANCIAL INVESTMENT

In a detailed checklist comprising of questions prospective founders of NPOs must consider before starting a NPO, the opening question is: "Are you able to invest lots of time/and or money" (Copley, 2017: 2). If the corresponding answer to the question is no, she recommends that the prospective founder then don't start one. To further probe this issue, I asked the following question to respondents as part of this research study: "Did you have to make a personal financial investment when starting the organisation?".

Feedback obtained from respondents indeed confirmed that many of the founders contribute financially to finance the start-up of their NPOs – often at huge personal cost and financial risk. These personal financial investments by founders were articulated as follows:

> **Participant 1:** *"My father was dying of cancer at the time, and he knew that he only had a couple of months, so he gifted us our inheritance while he was still alive, and my sister and I each got R150,000 which wasn't a lot of money, but the idea was to invest it, I guess, in some way. I chose to invest it in starting the NGO. So for the first year it was basically my costs, and then I employed one other teacher and that was the beginning of it and that's how we funded it".*

> **Participant 6:** *Year one and two it was largely funded by myself. I'd returned from the UK, we'd sold up our home and brought the family back and so I suppose with the benefit of a little bit of a conversion of some change, I could get established. And so I had the benefit of funding it and I had, when I exited the job which we'd established in the UK, we sold that business to a big engineering company and I had a small bit of pay-out. So ja, I used my own funds to get going and I suppose I felt strong enough about it - a bit of a values-based self-sacrificing perspective".*

> **Participant 15:** *"We do what we do because we are passionate about the work. Between 2017 – 2020 our family contributed in the region of R100 000 to defray some of the cost".*

For some of the respondents the investment was not necessarily in the form of cash contributions only but also in the form of in-kind or non-monetary donations and time as narrated below.

> **Participant 3:** "I*t was minimal costs; I mean, what we funded, was just basically the administrative, doing the phone calls and the internet access, and the laptops, and the basic things, and then, obviously, our time. But we didn't make a financial donation, as such, to the organisation".*

Participant 8: *"The finance creeps in when you have to drive to collect sporting equipment, and that, obviously, doesn't get mentioned, but it becomes costly, and it starts to drain your personal budget, because it's expected of you".*

Participant 10: *"So in the first three years I definitely purchased, personally, key things that I couldn't find any funder to do, also things that had anything to do with staff training or staff morale, so anything like that, I funded.*

Participant 11: "*So in those days, I worked three days a week, and then two days a week, I put my own time into that, and I did that for the first six years".*

Participant 15: "*It wasn't really overt putting money into it, but our little business provided the premises for the organisation and the studio. We provided the infrastructure, so to speak".*

Participant 19: "W*e didn't make any direct personal financial investments as such but one of the Directors didn't take a salary for quite a few months and I took a substantial pay cut at the time as well. And then we signed surety for a bank overdraft ".*

What is clearly evident is the high level of altruism displayed by many of the founders who indeed: "dig deep into their own pockets…" (Code of Good Practice for Non Profit Organisations, 2001: 6). These founders are often the first and only investor in the organisation during the start-up phase with almost no guarantee that the entity will survive. The experiences relayed by respondents confirm that many of them started their Non-profits because of passion and commitment to a cause. Allison Gauss (2021) in a blog on Leadership and Culture notes: "The founders of nonprofits risk time, money and sanity because they believe in their cause and they believe in solutions".

DONOR INVESTMENT

Respondents were asked if they managed to secure grants or donations and if they were able to cover the organisation's cost during the first year of operation. Very few respondents

secured any significant donations during their first year of operation, let alone managed to cover their operational cost during this period.

> **Participant 1:** "*A mutual friend introduced me to a donor and explained that I wanted to start a music school. They needed to spend some budget and had R30 000 left so they gave it to us to spend on a music programme in year one. Later I was able to apply for funding from an official grant from them and they've been funding ever since".*
>
> **Participant 2: "***Mobil Oil made a grant available to cover my salary whose main purpose was to support the development of the mission and structure of the organisation".*
>
> **Participant 4:** *"We got supplies from this one big company, it's a corporate company, a chemical company in Epping, they donated R40,000's worth of supplies, so they supplied us for half the year with all the equipment, like printer and printing material, pens, cartridges; so they gave us supplies worth R40,000 and that was our first big donation".*
>
> **Participant 8:** "O*ne of our Directors who works in Insurance Claims added us to their Corporate Social Investment (CSI) list, which gave us small security in the form of a R50,000 which propelled us, and launched us to start the organisation".*

Whereas some NPOs did manage to raise start-up funding, the initial donor investment was seldom able to cover the operational costs during the start-up phase with many going without any income for long periods.

> **Participant 1:** "*The fact that we had a first donation and my little inheritance meant we could basically live off it but this was only possible because the primary school I worked at allowed me to use their music room for free, and then I had to play in assembly every morning, and I had to do two concerts, I had to run their choir; so I did all these free things for them, in exchange for rent-free room, and use of all their*

resources there. That was a huge thing for me, because I could use all their office supplies and their electricity".

Participant 6: *"At the end of the year one, we did have our first funder, but that allowed me to just find one or two local youth who got paid a few pennies and stipend, just to go on".*

Participant 19: *"Year one we came in at a deficit because the very first cheque that we actually got as donor income, I think was R10,000 from Standard Bank…there was a stretch for nine months, where there was nothing".*

These challenges expressed by the respondents are common for NPO start-ups and a further indication that the issue of revenue and fundraising in particular was not foremost in terms of planning the critical first two years, commonly known as the pioneering phase in organisation development literature. Julie (2007: 53) suggests that a lack of resources is typical during this phase: "The pioneer and the co-workers make huge sacrifices during this stage. There are little money and material resources and donations are made from members' pockets".

However, this scenario is not unique to Non-profit Organisations. Many business enterprises experience similar challenges during their formative years, although start-up funding is more readily available to them because they can more confidently predict income from sales or services which is less likely in the case of NPOs. Sanyal and Mann (2010: 4) argue that it is more complex to make a business case for NPO start-ups during the formative years because: "...there are no ongoing operations and no track record".

Whilst there is start-up funding for business and social enterprises, it is simply not the case for NPO start-ups because investors are more likely to invest in entities where the return is financial rather than social as is the case with NPOs. The increasing availability of impact investment funds is encouraging but also has a bias in favour of more established organisations with proven track record and potential for scale.

This contradiction is articulated by Nkonyeni and Radebe (2020: 2) as follows: "…the pressure to illustrate impact, in order to secure funding, sometimes undermines the core mission of the organisation. NGOs invest significant resources into collecting data on selected indicators and targets as opposed to improving the quality of interventions and programmes. In effect, this create a toxic system in which NGOs are incentivized to "game the numbers" in order to secure funding".

One of the respondent describes the challenge with respect to impact measurements as follows:

> **Participant 7:** *"I felt that were doing it because the donor had asked for it, we were constantly thinking, what does the donor want to see. Change happens over a long period of time. But the donors want impact. And then we said, no, we need to stop this. Measuring impact is not for the donor. And that made such a difference".*

The funding challenges faced by start-up NPOs articulated in the above is aptly referred to as "the liability of the newness" for new organisations. The term was introduced by American Sociologist, Arthur Stinchcombe, in 1965 to explain the high failure rate of organisations during the gestation phase because NPOs during this phase have no demonstrable operational and financial history, "….making it difficult for these organizations to secure resources from external sources" (Andersson, 2020: 235). It would therefore seem that funding and sustainability challenges are inherent in the start-up phase making new NPOs vulnerable from the onset.

THEME 5: FUNDRAISING PRACTICES OF FOUNDERS

Fundraising as a critical organisation competency and practice evolves and investment in fundraising grows as the organisation develops and grows its infrastructure, systems, programmes and visibility. For many of the responses this growth develops organically based on the funding needs and availability of resources. Three distinct practices in the development of fundraising capability by founders are discussed below.

Practice 1: Learning on the job

Based on the lack of experience in fundraising in particular and the NPO sector in general, it is quite evident based on the responses, that many of the respondents acquired fundraising expertise and skills in the workplace as part of their own professional development. This confirms the assertion by Breeze (2017: 93) that fundraising skills for most part is acquired through the: "...apprenticeship method, learning by doing".

> **Participant 1:** "*The main issue is that, because I grew with this organisation, I learnt by trial and error and I kind of had to figure out what works".*
>
> **Participant 3:** "*The fundraising was definitely a whole new world, a different discourse that I wasn't used to. The only thing I knew about how to do any of this, was the actual music therapy and even that, I was questioning at the time. I had to learn really quickly".*
>
> **Participant 9:** *"In those days, I just thought it was a fantastic organisation, because it didn't require money, and I didn't understand that actual real sustainability is about just the opposite. I was very ignorant".*
>
> **Participant 10:** *"A lot of it I had to learn along the way, I had a lot of great mentors, but it's very different when you experience it yourself".*

The above quotes are indicative of what Fowler (2017: 192) refers to as action learning: "…a type of learning that takes place by going through changes and then reflecting what happened". Nanus and Dobbs (1999: 26) concur with this perspective arguing that: "Apart from learning from books and experiences, leaders learn by self-reflection, as they assess their own strengths and weaknesses to determine what works for them and what doesn't".

For many of the founders their experience was not only going through changes but in fact introducing the change themselves. It is therefore instructive that one of the respondents uses the term "trial and error" because it acknowledges learning as a process rather than viewing the acquisition of fundraising skills as a once off activity. Julie (2007) confirms this

notion of leadership development as life-long learning and that in addition to the learning by doing approach, there remains a need for training, mentoring and coaching.

However, there must be a willingness and an openness to learn:

> **Participant 4:** "*I feel a lot more confident, because I feel like I've learnt, within this game, you learn a lot, you have to be willing to learn, and you have to accept that all doors will not open".*
>
> **Participant 6:** *"I had to learn about it, because we were quite ignorant, in fact, I just saw the need initially, obviously, and we had to try and get funded.*
>
> **Participant 17:** "*This has been a long road. I took on the job knowing there is no money, not even for a salary for me. So I was just this crazy person prepared to spend time to learn how to get money to get the programme going. And we manage to do just that".*

Founders of NPOs acquire the necessary fundraising skills as the need becomes immediately apparent and the sole responsibility initially resides almost exclusively with the founder. However, as the urgency for funding increases so does the need to institutionalise this responsibility, i.e. incorporating fundraising as a strategic management function, including allocating the necessary resources to execute this function.

Practice 2: Investing in a fundraiser/fundraising service

Founders are faced with a dilemma once there is a realisation that fundraising is serious business requiring dedicated time and skills commitment. Subsequent to this realisation, two critical questions posed are: What kind of fundraising investment is required, and will there be a return on investment? For many of the respondents the cost of investing in fundraising was just too expensive.

This dilemma is summed up by three of the respondents as follows:

Participant 1: *"It's been nigh impossible to find the right person, and I think it's because, a we don't have the budget for it; someone to come in clean and a kick-ass kind of fundraiser that gets paid R100,000 a month, and he or she just comes in and does it; we don't have the budget for that".*

Participant 2: *"I think it would have been different if we had someone whose sole responsibility was fundraising and who was skilled. But people like that are expensive. You think sacrificing a big portion of your budget for fundraising, where you actually want to be spending the money you have on the direct work. But it is a difficult choice. I don't know what the right answer is".*

Participant 10: *"I wanted to, initially, hire a fundraiser or a grant writer, but I could not afford it. Everyone who I interviewed wanted double of what I was earning".*

Whereas cost was the primary consideration whether to invest in a fundraiser or not, a second major issue for founders was whether they would get a return by investing in a fundraiser or fundraising service.

Participant 9: "L*ast year and the year before, we had somebody who came in part-time, and helped us to put systems in place…But I have to tell you that, with all of that, we got no returns".*

Participant 10: "*I spent about a year writing proposals, going to visit, trying to get my foot into the door of all these corporates, lists of funders, looking through them, writing emails and managed to raise not one single thing".*

Participant 11: *"You appoint a fundraiser for R600,000, they're expensive, and you don't see results in the first two or three years". I've heard now, from many founders…. there's no return on that investment".*

The dominant view of respondents is therefore to consider investment in fundraising as unaffordable. Ainsworth and O'Brien (2017: 3) suggests a paradigm shift is required

considering: "…fundraising expenditure not as a cost, but as an investment that secures longer-term income, the charity's sustainability and ability to better deliver its mission….".

Significantly, research proves that investment in the fundraising role yields positive returns and according to the Wealth Engine White Paper (2013: 16): "It is the foundation for maximizing the efficiency and effectiveness of your fundraising operations".

Ritchie and Eastwood (2006: 67) are of the view that: "It is incumbent on nonprofit organizations to use their resources wisely in order to fulfil their missions. Within this context, fundraising, or resource acquisition, has become an acceptable measure for organizational performance in nonprofit organizations".

Thus according to Paton (1999: 287): "The performance of fundraisers is under scrutiny as never before". This is because unlike other functions in NPOs like the marketing or human resources for example, fundraisers are almost single handed, held responsible for the results and survival of the organisation.

This approach however is not sustainable and it is at this stage that founders explore a more inclusive, team-based approach to fundraising or what I refer to as sharing the fundraising responsibility.

Practice 3: Sharing the fundraising responsibility

According to Gastrow, (2014: 18): "Fundraising is never a one-person endeavour". Noting the high cost involved in appointing a professional fundraiser or fundraising service, one of the trends observed is that many of the respondents have opted for a model that draws on the combined experience and skills of their teams. Fundraising is therefore not the sole responsibility of the founder or fundraiser but rather shared. Respondents explained this shared responsibility as follows:

> **Participant 1:** *"Obviously the buck stops with me, and I've got to find the money, but I run everything via my staff, my core staff, my admin staff".*

Participant 4: *"What we did was to split the funders so I would take responsibility for some funders and the Operations person would take responsibility for other funders. So it definitely lightened my load".*

Participant 7: *"As a team, we take responsibility for fundraising, even though not everybody has to do the actual applying, so I'm always asking myself, who do you know? Who can you contact? I keep on saying, don't just look at me, that I am going to bring the money in. If we say we own our vision collectively, we also have a collective interest in the fundraising, and a collective responsibility. So the burden is ours as a team, but also, the joys and the celebration is ours as a team".*

Participant 9: *"So I would say, just understand that when you're the Director, you beat yourself up, because you feel like you should be good at everything; but it helps if the load is shared".*

In many ways this reflects some elements and the spirit of the advancement model of fundraising through "harnessing potential, engaging in co-ordinated efforts to attract resources and grow the local resource pool" (Gastrow, 2013: 4).

Participant 7: "*When I meet with a potential donor, I never go by myself, I always take our Operations Manager with me when our staff introduces a potential donor. I don't take that contact away from them, I allow them to be, like do a thank you, they send the thank you letter, instead of me. So people take responsibility and ownership of the fundraising".*

Participant 19: *We do have someone that takes responsibility for the administration of the fundraising. She will contact leads and respond to call for proposals and tenders but in most cases, we use our staff as fundraisers. When we meet with donors as well it is not just the Directors but always either one of the Directors with other staff members. So we bring in people that's responsible for the operations, and then we'd*

also bring in our development workers, and our trainers as well, because they're the best people to speak about what it is that they do".

The benefits of a collaborative approach are also confirmed by theory on resource mobilisation. According to Horney, et al (2010:34): Functional silos have no place in an agile organization, and agile leaders regularly need to model collaborative behaviour".

Notwithstanding the many positive benefits of sharing the fundraising role, some respondents did bemoan the team approach.

Participant 15: *"We are so busy trying to organise the money needed to run the projects, be it by income generation, or funding or whatever, and it's a pity, because I think the effectiveness of organisations, is diminished tremendously, by the fact that so many people within an organisation, have to spend an – I'm not saying we mustn't find time - but it's an inordinate amount of time, on the whole funding and the fundraising thing".*

The sentiments expressed by Participant 15 in many ways illustrates the dilemma and frustrations experienced by many founders. i.e. the extent of the human and capital resources required to mobile the resources to finance the programme and operating costs.

Glasgo (2014: 167) points out this tension as follows: *"Individuals usually do not choose to work in the not-for-profit world for financial reasons. But as they grow with the organization, it seems more and more of their time is spent on financial issues, and less on what attracted them to the organization in the first place".*

The reality however is that this tension is almost unavoidable as there is an inextricable link between resource dependency and resource mobilisation for many start-up NPOs. Kim and Peng (2018: 84) contend that: "…absent or limited human resource capacity can preclude small nonprofits from reaping the benefits of collaboration and may ultimately exacerbate the gaps between small and large nonprofits in terms of available resources and service quality".

Each of the above three fundraising practices are context responsive and has its own merits. The key is for founders to be mindful of the income required to sustain the organisations as part of their conceptualisation of the start-up and to implement the best fundraising approach based on the peculiar needs of the NPO at the time of its founding.

4.5 SUMMARY

In this Chapter, I presented and discussed the findings of the research study based on a Framework of Analysis that was developed outlining the main themes, categories and sub-categories. Participant quotes relevant to the subject matter was taken verbatim from the transcribed texts. Where applicable, relevant theory referenced in Chapter Two of the research study was incorporated as part of discussing the findings. The final chapter which follows summarises the main conclusions and recommendations of this research study.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In Chapter Five I make a number of recommendations based on the research outcomes to "sustain the dream", so aptly coined by one of the respondents in the research study. Before the list of recommendations is made, the problem context, purpose of the study, the research question, research design, methodology and data analysis processes are recapped. This is followed by a summary of the main research findings.

5.2RECAPPING THE PROBLEM CONTEXT AND RESEARCH QUESTIONS

Non-profit Organisations (NPOs) occupy a critical space in the civil society landscape. They support the provision of essential human services to meet the socio-economic and development needs in resource-poor communities. These organisations are founded by committed individuals who want to support the national development agenda in South Africa. They do so by responding to personal and/or expressed needs of historically disadvantaged and marginalised persons and communities. Their motivation for starting and registering Non-profit Organisations are therefore often personal, inspired by passion, moral values and a desire to work towards a more just and equitable society.

As with for-profit organisations, Non-profit Organisations operate under Volatile, Uncertain, Complex and Ambiguous (VUCA) environments. In order to deliver on their mandates, NPOs require funding. The responsibility for income and financial sustainability most often resides with the founders of the NPO. However, the research findings reveal that many of the founders don't have any fundraising and/or NPO experience when they start the organisation. Yet, many start-up NPOs underestimate the importance of fundraising as a key skill and competency for achieving financial sustainability and as a result struggle and become donor dependent from inception.

Learning about and acquiring fundraising skills are done on the job. The fundraising practices of founders evolve and are adapted based on the needs and resources of the organisations they lead. Typically, the model evolves from one where the founder is almost exclusively responsible for the fundraising. The role then gets institutionalised either through the appointment of a professional fundraiser or fundraising services. Once the cost of fundraising becomes prohibitive or the desired return on investment is not achieved founders experiment with a distributive funding model where the responsibility for fundraising is shared in the organisation in line with the principles of the new advancement model of fundraising.

My research set out to explore the experience of founders in setting up Non-profit Organisations and the critical role of fundraising in the organisations they formed. My intention is that these findings help make NPO, founders aware of the importance of pro-actively thinking about fundraising for start-ups. I intend that some of the findings will serve as a reminder to individuals planning to start a new NPO, of the important role of fundraising which can ultimately ensure the long-term sustainability of the organisation.

The research topic for this study is: ***An exploratory study into experiences and challenges of founders of Non- Profit Organisations in the Western Cape with specific reference to Fundraising.*** The main question of this research study is: What has been the experience of founders of NPOs in the Western Cape with respect to starting an NPO? This study had four secondary research questions:

1. What has been the main motivation of founders to start a NPO?
2. To what extend have founders of NPOs prioritised fundraising?
3. How has the fundraising role evolved over time?
4. How can founders be better equipped to raise funds for start-up NPOs?

I used a qualitative research methodology to get in-depth insight into the research topic using an interview schedule including both closed and open-ended questions. Data for the study was gathered via semi-structured interviews. A non-probability, purposive sample of twenty NPO founders based in the Western Cape was used for this research study.

A framework of analysis was developed to distil rich data and extrapolate key themes for the presentation and discussion of findings.

5.3MAIN CONCLUSIONS OF THIS STUDY

The main conclusions of the research study are discussed in relation to the research objectives.

5.3.1 Founders of NPOs and the prioritisation of fundraising as a key strategic task

It is evident that NPO founders have not prioritised fundraising as a key strategic task. In other words, they did not consciously factor in fundraising as part of a broader revenue stream when conceptualising their NPOs. The result is that many of the organisations they founded struggled to survive financially in the start-up phase and were often not able to cover the cost of their operations during this period. Very few of the founders who participated in the research study considered income from fundraising and the overall revenue model for their start-ups as part of their research to determine the financial feasibility of the organisations they were planning to launch. In fact, it could be argued that for many of the founders the main motivation to start an NPO was a deep desire and commitment to bring about positive change. This commitment was expressed through both financial and non-monetary investment by founders in the organisations they established. However, funding required to realise the vision and long-term sustainability of the organisation was not paramount.

5.3.2 NPO founders and their experience to execute the fundraising task

Founders OF Non-profit Organisations often do not have the requisite fundraising experience and skills when they started their organisations. Based on founder reflections about how intimidating they experienced fundraising, it is evident that many of the founders underestimated the importance and complexity involved in fundraising. They realised early during the start-up phase that passion and commitment to the cause needs to be matched with a sustained commitment to and investment in fundraising. Initial approaches to fundraising by some of the founders suggest that they considered it as a charitable function

or what Julies (2007) refers to as “begging” rather than a strategic competency and capability. To address this skills deficit, most founders gained fundraising experience and skills on the job in the context of their work.

5.3.3 The evolving fundraising role of founders

This study concludes that there is no single approach to fundraising by founders. Conversely, the fundraising practice and models adopted by founders vary, evolving and adapting over time. These adaptations are based on need and the availability of resources. In other words, fundraising practice is flexible and responsive to the context in which the NPO finds itself in any particular time. Three main fundraising practices were confirmed in this study.

Firstly, founders assume responsibility for the fundraising role upon the founding of the organisation. Because they lack fundraising experience, they learn and gain fundraising experience on the job through trial and error and as part of their own professional development. The second practice identified as part of the organisation fundraising journey is investment by NPO founders in a fundraiser or fundraising service. This investment follows the realisation that fundraising is a strategic management competency and central to the long-term sustainability of the organisation. Here, a main consideration of the founder is whether there will be a return on their investment in fundraising with the cost of a fundraiser or fundraising service often being considered too expensive. In cases where the investment in fundraising is regarded as too expensive or not yielding the intended return, founders then tend to look inward again which is considered the third fundraising practice identified through the study. During this phase the founder consider options that involve the sharing of the fundraising responsibility, often at a huge relief to the founder who no longer has to assume sole responsibility for fundraising but continues to assume executive responsibility in line with the new advancement model.

5.3.4 How founders of NPOs could approach the fundraising role

Given the stark reality that donor income is a major source of revenue for most NPOs, it is absolutely critical for founders to pay detailed attention to fundraising as a critical management function. This study confirms that a charitable approach to fundraising limits the potential of founders to position their organisations for investment. A much more

strategic approach to fundraising, drawing on some of the well-established business principles as it relates to relationship management and marketing is therefore required.

Founders of NPOs should invest the necessary time in the conceptualisation phase of the organisation to configure a fundraising approach and style that best suit the particular needs and culture of the organisation. They should consider early investment in fundraising as a strategic imperative with potential for long-term return on the investment. From a voice and visibility perspective, founders as main ambassadors and de facto chief fundraisers of their organisations should become comfortable telling the organisation's story – even if they don't consider themselves extrovert or don't feel comfortable being in the public spotlight. However, founders should be equally comfortable delegating and sharing the responsibility for fundraising with other internal and external stakeholders who could add value whilst assuming full accountability for the role.

5.4 STUDY RECOMMENDATIONS

This study explored the motivation and experience of founders of Non-profit Organisations in the Western Cape with respect to the founding of their organisations. In particular, it explored the fundraising experience, practises and challenges of the NPO founders to sustain their organisations. Based on the research findings, the following recommendations are made:

1. NPO founders should critically examine their fitness and readiness to start a Non-profit Organisation as part of broader research to test the feasibility of the start-up. The research findings reveal that many of the respondents underestimated the critical importance of generating revenue and how their organisation will be sustained once founded. Conducting a proper due diligence exercise will help the founder identify threats and opportunities in advance.

2. NPO founders should consider the availability of support structures to guide them on their journey. These include immediately family as primary support but also friends and

professional peers who believe in the vision of the founder and who can invest in the mission of the founder.

3. NPO founders should ideally try and secure start-up funding before they formally launch their NPO. For many founders, their personal financial investment was often the only source of income which was insufficient to cover the operating cost during the first year of founding.

4. NPO founders should identify donor funding opportunities as a key source and critical element of their income mix and identify prospective donors and partners early as part of the business plan for the start-up. More time should be invested in rigorous market research, including gap and needs analysis, identifying the unique selling proposition of the organisation and to establish the propensity of prospective donors and partners to support the cause.

5. NPO founders should prioritise the registration of their NPOs as public benefit organisations and secure the necessary Section 18A tax status. They should support social movements and advocacy efforts to incentivize donations to NPOs and other enabling legislation that would allow more NPOs to be eligible for this benefit.

6. NPO founders should from the onset develop the discipline of having a separate budget for cost related to the fundraising and fund development function. The research study reveals that many founders regarded the cost of fundraising as expensive with very little return on their investment. Founders should recognise that attracting donor funding requires financial investment.

7. NPO founders should allow for organic growth of the organisation and not immediately invest in infrastructure and huge overhead costs. A more fiscally conservative approach allowing the organisation to incrementally increase its human resources capacity and programmes based on available funding for such an expansion, is more prudent in the medium to long term. Such an approach will avoid scaling programmes too early which could have financial repercussions for the organisation in the long-term. Other cost-saving

measures founders could also consider during the start-up phase includes shared rental opportunities which will have the effect of significantly reducing other recurring operating cost such as water, electricity and internet for example.

8. NPO founders should be more strategic in terms of the appointment of Board members. Time investment through the attendance of Board meetings can no longer serve as one of the main requirements and justification for serving as a Board member. A key consideration when recruiting new Board members should be whether the prospective Board members have the requisite skills and experience to support the founder to achieve the mission and sustainability of the organisation. It is suggested that at least one of the Board members have some fundraising experience. Board members should also be prepared to access their own personal and professional networks for the benefit of the organisation.

9. There is a need for a tool-kit to help NPO founders to know what resources are required to start a NPO. Most of the current resources available are disparate. The start-up tool-kit will be a one-stop depository of all the information required to form and register a Non-profit Organisation. This could range from including information on registration and compliance, self-assessment tools for determining readiness and feasibility, governance, scaling, resource mobilisation and sustainability.

10. NPO founders should consider establishing a Reserve Fund from the onset. Whilst this seems counterintuitive for many start-ups, the principle of planning for the long-term sustainability of the organisation should be an important consideration even during the inception period to get a level of financial security from the get-go to avoid what Participant 1 refers to as perpetual “hand-to-mouth living”.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

My research has revealed several opportunities for future research related to NPO founders and fundraising. These are discussed below:

- There is a paucity of credible research available for prospective founders of Non-profit Organisations. A research study focusing specifically on a Literature Review of resources available for individuals considering NPO start-ups would be useful.

- The role of NPO Boards has almost exclusively focused on good governance and oversight and often the time investment considered their main contribution to the organisation they serve. Research could be undertaken to ascertain the extent to which Boards of Non-profit Organisations consider fundraising and resource mobilisation as part of their role and contribution to NPOs.

- Many of the respondents expressed concern about the high cost of a professional fundraiser or fundraising service and the perceived low return on their investment. An opportunity exists to conduct research, including a cost-benefit analysis to make a business case for investment in fundraising capacity and capability.

5.6SUMMARY & CONCLUDING STATEMENT

This chapter concludes the main conclusions of the research study and is based on the findings of the research as discussed in Chapter 4. Recommendations contained in this chapter are based on these conclusions and are aimed at providing guidance, advice and proposals prospective founders could consider when planning to form or register a Non-profit Organisation.

Non-profit Organisations play a critical role in society, providing much needed services and programmes to communities and individuals that are often marginalised as a result of their socio-economic status in society. Starting a NPO is therefore a serious undertaking and commitment. Organisations need to be sustained under continued VUCA environments and weakening economic climates.

The findings of the research study suggest that NPO founders do not give serious attention to the important role of fundraising in meeting their ability to be successful and to deliver on their mission and mandate. Because they underestimate the important role of fundraising in the start-up phase, the organisations they establish remain vulnerable from a financial sustainability perspective. In particular, proper research and planning to determine the feasibility of the entities they plan to establish, is required.

The study is valuable to individuals and groups planning to establish new NPOs as it presents the challenges of founders who already registered such organisations and relates their experiences and struggles to ensure the long-term sustainability of their organisations. The study can therefore serve as a guide to prospective NPO founders to help them avoid pitfalls related to the formation, registration and planning and execution of fundraising capacity for their new NPO start-ups.

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APPENDIX A – PATRTICIPANT INFORMATION SHEET

Purpose of the Study

The aim of the study is to explore the extent to which founders of Non-Profit Organisations (NPOs) prioritised fundraising as a strategic task. My research questions will focus on the initial motivation for starting the NPO, the level of fundraising involvement by the founder and the subsequent transition of the role if any.

Through the research I want to facilitate debate about the importance of fundraising for NPOs and how prioritising fundraising from the onset can lead to greater long-term financial sustainability for NPOs. I intend using the research findings to make practical recommendations for managing the fundraising role in the organisation.

Clarification of concepts

1. **Non-Profit Organisation**

The NPO Act (Act no. 71 of 1997: 3) defines an NPO as: "a trust, company or other association of persons established for a public purpose and of which its income and property are not distributable to its members or office bearers except as reasonable compensation for services rendered".

2. Non-Profit Organisation (NPO) founder

For the purpose of this study an NPO founder refers to an individual/s who formed an organisation to implement programmes with a social purpose.

3. <u>Fundraising</u>

Fundraising is defined as a deliberate, pro-active activity for mobilising both short and long term funding and partnerships to help the organisation meet its stated objectives.

What participation entails

A semi-structured interview will take place between the researcher and the participant. This interview should take between 30-45 minutes and one hour and will take place via Zoom or Skype whichever is considered more convenient. To ensure accurate data collection and transcription and only after you give permission, will the interview be recorded.

This research project has the approval of the University of Cape Town's Department of Social Development Research Ethics Committee. Thus, principles of confidentiality and anonymity have been agreed to and will be upheld throughout the process. Identifiable information about participants will be kept confidential.

APPENDIX B – INTERVIEW SCHEDULE

An exploratory study of the role of Founders of Non-Profit Organisations in the Western Cape with specific reference to Fundraising

The Organisation

1. When was the organisation founded?
2. Was anyone else involved in the founding of the organisation?
3. Is the organisation a registered, compliant NPO?
4. Does the organisation have:

PBO Status?	
Section 18A Status?	
Not applicable	

5. What is the legal status of the organisation?

NPC	
Trust	
Voluntary Association	

A. Motivation for starting the NPO

1. What was your motivation/s for starting the NPO?
2. What informed the vision and mission?
3. Had you been involved in the NPO sector before starting the organisation?
4. If yes for how long? If no, what was your previous experience?

B. Funding the start-up NPO

1. How was the start-up NPO funded?
2. Did you have to make a personal financial investment in the organisation?
3. How easy/difficult was it to register the organisation as an NPO/PBO/for section 18A?

4. How long did it take you to register the organisation NPO/PBO/for section 18A?
5. Did you have an external funding commitment/donor before starting the NPO?
6. Did you manage to secure grants or donations during the first year of operation?
7. Did this cover the organisation's costs in year one?

C. Fundraising Role of the Founder during formative years

1. What was your initial role upon founding the organisation?
2. Did this include fundraising? Why or Why Not?
3. Did you have prior fundraising experience?
4. If you were not involved in Fundraising for the start-up, who in the organisation was?
5. For how long did you perform the fundraising function?
6. Has this role/s changed since the establishment of the organisation?
7. If you were tasked with establishing a new NPO, what would you do different?

Thank you for taking time out to share your views on this research topic with me during this interview. Your experience and contribution is valued.

APPENDIX C – CONSENT FORM

Department of Social Development

Research Study: SWK5001W

I_____voluntarily agree to participate in this research study conducted by Raymond Schuller from the Department of Social Development at the University of Cape Town. I understand that this research study is designed to explore the role of founders of Non-Profit Organisations in the Western Cape with specific reference to Fundraising.

I understand that I am being invited to participate in an interview. In agreeing to participate:

- I understand the purpose of the interview. This has been explained to me, both in writing and verbally. I have had the opportunity to ask questions about this study.
- My participation is voluntary and I understand that I will not be paid for it.
- I understand that I am under no obligation to take part in this project.
- I understand that participation will involve an interview in which I will be asked about my fundraising experience of the Non-Profit Organisation I founded.
- I understand that if I feel uncomfortable in any way during the interview, I have the right to decline to answer any question or to leave the interview session, without giving any reason. This will be done without any consequences of any kind.
- I understand that information disclosed, may be used for education or research without identifying me.
- I understand that in any report on the results of this research my identity will remain anonymous. The researcher will not identify me by name and will disguise any details of my interview which may reveal my identity or the identity of people I speak about. I understand that, where appropriate, a pseudonym will be used in referring to information gathered during the interview,
- Notes will be written during the interview and/or it may be recorded. I can decline to be recorded. I understand that this will be done so that the researcher can accurately

portray my responses to the questions – and that these will be available only to the researcher and will be kept confidential.

- I understand that if I inform the researcher that myself or someone else is at risk to harm, they may have to report this to the relevant authorities.

- I understand that I am free to contact any of the people involved in the research to seek further clarification and information.

- I have read and understand this consent form and participation information sheet provided to me. I have had all my questions answered to my satisfaction.

- I have been given a copy of the concept form.

I hereby agree to participate in the **interview** for this study.

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

Signed: _____ Date: _____