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THE IMPACT OF AN ORGANISATIONAL CAPACITY ASSESSMENT ON NON- PROFIT ORGANISATIONS IN SOUTH AFRICA.

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A mini-thesis submitted in partial fulfilment of the requirements for the Degree of Master of
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Declaration

The impact of an organisational capacity assessment on Non-Profit Organisations in South Africa, is my own work. It has not been submitted before for any degree or examination at any other university. Full reference details acknowledging all sources used or quoted have been provided.

Andre Wagner

Date: _____ 2019

Signed.....



Abstract

The research study investigated the potential impact that organisational capacity assessments can have on the long-term sustainability of non-profit organisations (NPOs). The researcher employed longitudinal research design as the main instrument in the collection of data. Data was collected from four local non-profit organisations in the Cullinan and Bronkhorstspruit areas of South Africa. These organisations were evaluated by means of a questionnaire, which was developed by the researcher.

NPOs can only play a pivotal role in community and social services if management, leadership, governance and other elements of organisational capacity are well developed and continuously strengthened. This is critical for attracting local and international donors who provide crucial running costs and relieve national, provincial and local government departments of the financial burden.

Currently, the South African government supports NPOs in South Africa. The legislative and registration aspects of NPOs are regulated by the NPO Act (Act 71 of 1997) and the Income Tax Act (Act 58 of 1962). *The State of South African Registered NPOs Report* 2010/2011 indicated a growth of the number of registrations to have increased by 8.3%. However, in the same financial year a total number of 468 NPOs were deregistered; 98% of these lost their registration due to non-compliance of regulatory requirements. According to the *State of South African Registered NPOs Report* (2016) the total number of applications received for the financial year was 16 726 (53.7%), however 4 421 (46%) did not meet the requirements of sections 12-13 of the NPO Act, an issue that would definitely affect the existence of non-compliant institutions.

This study highlights common challenges that face many South African NPOs and the specific elements of organisational capacity skills and competencies required to build a sustainable NPO which were presented.

Consequently, the study offers constructive recommendations to address the common challenges which NPOs face and presents some clear and detailed guidelines to ensure NPOs have sufficient organisational capacity and long term sustainability to perform the critical work on the social development and community sectors.

Keywords: Non-Profit-Organisations (NPOs), Organisational Capacity Assessment (OCA), organisational development, accountability and sustainability, longitudinal research, South Africa social development, NGO sustainability, corporate governance, sustainable development, financial resources, service delivery, structured development plans.



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List of Abbreviations

ANC	African National Congress
CB	Capacity Building
CEO	Chief Executive Officer
DSD	Department of Social Development
HRM	Human Resource Management
MDGs	Millennium Development Goals
M & E	Monitoring and Evaluation
NuPITA	New Partners Initiative Technical Assistance
NPOs	Non-Profit Organisations
NSP	National Strategic Plan
NFSD	National Framework for Sustainable Development
OCAT	Organisational Capacity Assessment Tool
OD	Organisational Development
OECD	Organization for Economic Co-operation and Development
PPM	Project Performance Management
SARS	South African Revenue Service
SDGs	Sustainable Development Goals
UWC	University of the Western Cape
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USAID	United States Agency for International Development

Chapter 1

Introduction to the Research

1.1 Introduction

This chapter provides an introduction to the research; background to and rationale of the study; statement of the research problem; and study objectives. The chapter also provides the methodology of the study (design, unit of study, area of study, population, sample of the population, sampling technique, instrument for data collection and data analysis) and limitations to the study and ethics statement.

1.2 Non-Profit Organisations in South Africa: An Introduction

Non-profit organisations (NPOs) are essentially established to meet the needs of a community, specific group in a community and to address economic and social needs of a group or groups of persons. There is a common consensus that NPOs are usually started by people who are passionate about a specific cause, however they frequently do not necessarily have the skills and expertise to manage and lead their organisation. Against this backdrop, it can be argued that NPOs face many organisational challenges.

A report according to the Department of Social Development (DSD) (2017, p. 11) on the most recent state of NPOs in South Africa, states that registration grew “phenomenally, with 172 429 NPOs on the register as at the end of the financial”. On registration, these organisations are expected to meet certain criteria, such as having an institution with clear objectives. However, some of these requirements do not ensure that the organisation is developed to achieve and maintain a sustainable state, considering that their role in the society of complementing government programmes is to support and supplement the services provided by national, provincial and local government.

It is a fact that the nature of NPOs is dependent on funding from both private and public institutions and in most cases will be funded for service delivery and not for organisational capacity building (Jang, & Feiock, 2007). This then creates financial constraints in the NPO sector due to their dependency on donor funding. One major consequence is the loss of competent and highly skilled individuals who seek opportunities elsewhere, impacting not only on the capacity of the organisation, but also on its sustainability.

1.3 Background to and Rationale of the Research

In the context of this study non-profit organisations (NPOs) refer to non-governmental organisations, community based organisations, non-profit trusts and not-for-profit companies. These organisations are all required by statute to register in terms of the Non-Profit Organisations Act (Act 71 of 1997), the Companies Act (Act 71 of 2008) and the Trust Property Control Act (Act 57 of 1988). The registration and establishment of non-profit organisations are illustrated in figure 1 below.

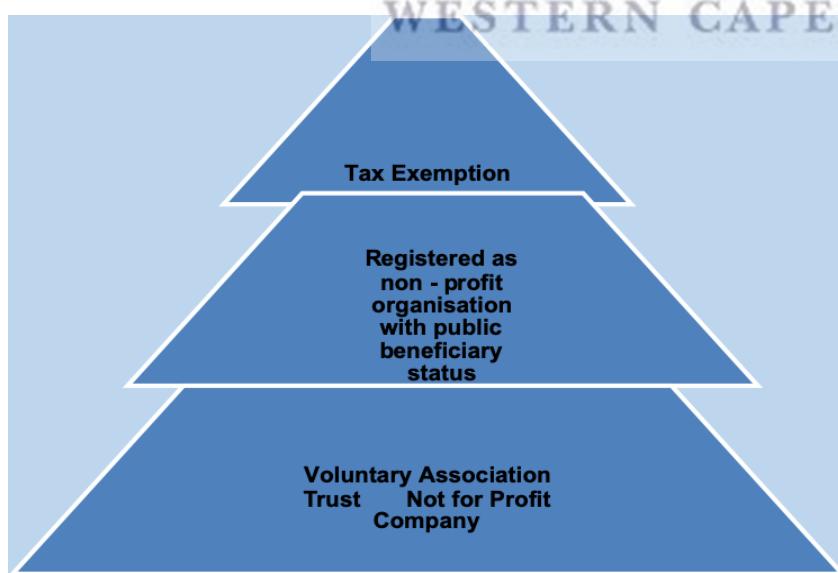


Figure 1: Registration and Establishment of NPOs

In terms of the Income Tax Act (Act 58 of 1962), these organisations receive benefits, such as tax exemption, however, none of the pieces of legislation referred to above require the organisation to either plan for, or ensure long-term sustainability, or to build adequate organisational capacity.

The number of NPO registrations increased from “82,248 in 2011/12 to 155,367 in 2015/16 which translates into an average growth of 80% over five years” (South Africa, 2016, p. 13). Moreover, at the end of the 2017 financial year the report shows that the registration grew even more remarkably, reaching a total of 172 429 NPOs (South Africa, 2017, p. 11).

The figures are a clear indication that the non-profit industry in South Africa is a significant role player providing extensive service delivery, and also acting as a major creator of employment. The Department of Social Development (DSD) State of NPOs Report (2016) highlights the fact that 32% of the total number of non-profit organisations registered is located in the Gauteng Province, which is also where the organisations studied for this research project are located. A comparative synoptic analysis on the growth rate over a period of 5 years (2011/2012 to 2015/2016) in figure 2 below shows a steady increase of the number of organisations registered as NPOs.

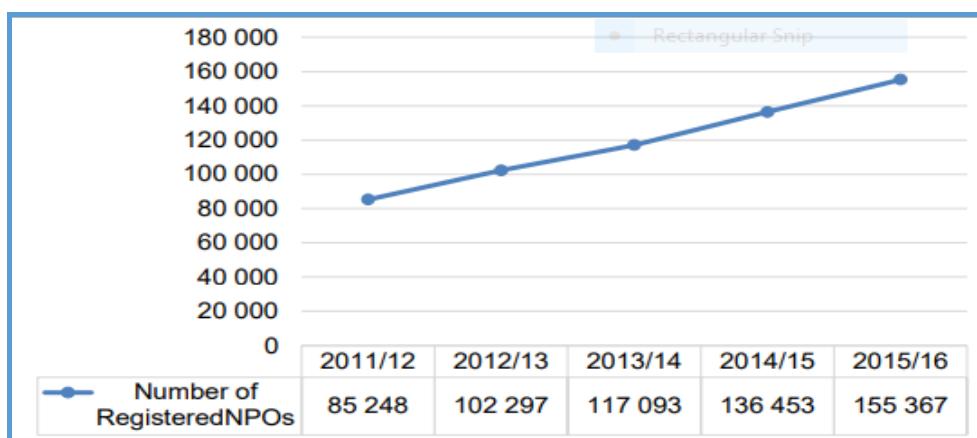


Figure 2: Growth of NPO Registration.

Comparative synoptic analysis on the growth rate of number of registered NPOs over a period of 5 years (2011/2012 to 2015/2016) (South Africa, 2016, p. 13)

It is also important to note that not all NPOs comply with requirements as set out in the Non-Profit Organisations Act (Act 71 of 1997). For example, in the 2011 financial year, 468 NPOs failed to comply with government requirements which resulted in their deregistration; of these 2% of the total number of deregistered NPOs requested voluntary deregistration (Wyngaard, 2013, p. 2). Likewise, the 2016 annual report stated that 241 NPOs were deregistered (South Africa, 2016, p. 8). It becomes clear that NPOs are under serious threat as a result of not being able to comply with the requirements as set out in the act governing these institutions.

According to Volmink and Van der Elst (2017, p. 9) and Mazibuko (2000), the NPO sector contributes strongly towards achieving the objectives of the South Africa National Development Plan (NDP) 2030. NPO work is “positioned as a social change player stakeholder rather than oppositional nongovernment”. For example, a StatsSA Quarterly Labour Force Survey presented statistics showing that the social and community sectors created employment for 3 785 citizens in 2018. The number of NPOs and how they create employment, puts the South Africa government in a position where it can be supported by the non-governmental sector in the achievement of some of the major Millennium Development Goals –as described in the 6th and final Millennium Development Goals Country Report, published by StatsSA (2015, p. 13).

Since NPO’s contribute extensively to community development in the South African landscape, the information in this paragraph pertaining to NPO registration, adherence to regulations, the growth rate of NPO’s and the challenges in this regard, inspired the rational for this research.

1.4 Statement of the Research Problem

Based on the numbers of non-profit organisations registered in South Africa, as published by the Department of Social Development, it is clear that these organisations play an important role in the social and community sectors. Their contribution to employment in specific sectors and services as provided in the table below.

Table 1. Contribution of NPOs to Employment in Specific Sectors and Services.

CLASSIFICATION	EMPLOYMENT	PERCENTAGE (%)
Social Services	26199	34(%)
Development and Housing	15797	21(%)
Religion	8839	12(%)
Health	8723	11(%)
Education and Recovery	8655	11(%)
Culture and Recreation	4069	5(%)
Law, Advocacy, and Politics	1605	2(%)
Environment	918	1(%)
Philanthropic Intermediaries and Voluntarism Promotion	912	1(%)
Business and Professional Association, Unions	402	0.5(%)
International	53	0.06(%)
Not elsewhere classified	3	-
Overall Employment by NPOS	76175	

Summary of NPO sector classification (South Africa, Department of Social Development (2016, p. 14).

As can be seen in the table above, social services represent 34% and community services represent 21% of non-profit organisations, respectively. However, if one assesses the number of non-profit organisations that deregistered in the 2016 financial year, the Gauteng Province had the highest percentage of 43%, an issue that requires further investigation. Reasons for deregistration were identified as: voluntary deregistration, dissolving of organisations and deregistration due to non-compliance.

Against this backdrop, the researcher argues that NPOs play a pivotal role in community and social services. For example, if the management, leadership, governance and other elements of organisational capacity are strengthened for those NPOs in the health sector and basic education, benefits will include improved health care and support in vulnerable communities (Delisle, et. al, 2005; Yeo, et .al, 2018). Furthermore, it becomes crucial for NPOs to attract local corporate and international funders' support to assist in providing much-needed running costs and relieve the financial burden on national, provincial and local government departments. Such forms of assistance provided to NPO services can only strengthen and support government service delivery at the national, local and provincial level. Thus, the research problem can be stated as a study to measure all areas of organisational capacity using an Organisational Capacity Assessment Tool (OCAT) on the sustainability of non-profit organisations, with specific focus on the four case study areas.

1.5 Purpose and Study Objectives

Capacity and sustainability of an NPO determines achievement of set goals and objective, thus a need for a good understanding. The main objective of this study is to measure the potential impact of an Organisational Capacity Assessment Tool on NPOs, and the manner in which organisational capacity and sustainability can be developed and applied. The more specific research objectives of this study are:

1. To measure all areas of organisational capacity in all areas of the organisations.
2. To identify specific elements of organisational capacity required to build a sustainable non-profit organisation.
3. Develop and implement structured development plans and conduct follow-up assessments.
4. Formulate a set of recommendations on areas of strengthening organisational capacity of non-profit organisations.

1.6 Methodology of the Study

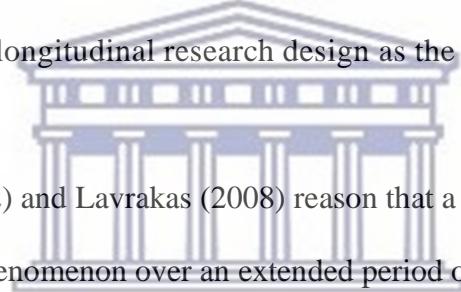
This study attempted to investigate the potential impact an Organisational Capacity Assessment Tool can have on NPOs, and the manner in which organisational capacity and sustainability can be developed and applied.

In order to successfully conduct the study, a suitable methodology had to be adopted. Research methodology can be defined as ways a researcher decides to adopt, to obtain, organise and analyse data, depending on the nature of the research question (Polit and Hungler, 2004, p. 233). It is the methods or means by which the research is conducted. The selected methods should complement each other in delivering data and findings that respond to the set research design (Nieuwenhuis, 2016b). Therefore, methodology should include “the design, setting, sample, methodological limitations, and the data collection and analysis techniques in a study” (Burns and Grove, 2003, p. 488). Rajasekar, Philominathan and Chinnathambi (2013, p. 5) state that

the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. It is also defined as the study of methods by which knowledge is gained, with an aim to give the work plan of research.

1.6.1 Research design

Research design outlines the type of data required, methods applied in collecting and analysis of the data, and how it answers the research question. It becomes the overall plan for connecting the conceptual research problems to the pertinent empirical research (Van Wyk, 2012; Maree, 2016). According to Sousa, Driessnack and Mendes (2007, p. 505), i.e. the research design presents a “framework or guide for the planning, implementation, and analysis of a study”. Yin (2013) postulates that the research design addresses a logical problem and not a logistical problem – in this case, in order to investigate the potential impact an Organisational Capacity Assessment Tool can have on NPOs, and the manner in which organisational capacity and sustainability can be developed and applied, the researcher employed a longitudinal research design as the main instrument in the collection of data.



Babbie (2007, p. 102) and Lavrakas (2008) reason that a longitudinal study allows observations of the same phenomenon over an extended period of time. Miller (1998, p. 27) previously defined longitudinal designs as “repeated tests that span an appreciable length of time”. Moreover, the process allows for gathering of qualitative and quantitative data without outside influence on any combination of exposures and outcomes (Lavrakas, 2008; Caruana, Roman, Hernández-Sánchez, & Solli, 2015, p. 537).

There are various forms of longitudinal research that are normally observational. According to Caruana, et al. (2015, p. 537) examples in the following table below provide two main forms of longitudinal research study.

Table 2. Various Forms of Longitudinal Research are Normally Observational.

Form	Description
Repeated Cross-Sectional	In this type of study participants are largely or entirely different on each sampling occasion.
Prospective Studies	<p>A study in which same participants are followed over a period of time. These may include:</p> <ul style="list-style-type: none"> (i) cohort panels wherein some or all individuals in a defined population with similar exposures or outcomes are considered over time; (ii) representative panels where data is regularly collected for a random sample of a population; and (iii) linked panels wherein data collected for other purposes is tapped and linked to form individual-specific datasets.
Retrospective Studies	It is designed normally when some participants have already experienced events that are of relevance; with data for potential exposures in the identified cohort being collected and examined retrospectively.

Forms of longitudinal research (Caruana, et al., 2015, p. 537).

Deschenes (1990) further discusses four types of longitudinal designs as: cohort studies, trend studies, time series designs and panel designs. In order to differentiate or characterise the four types of designs, consideration is given to the group being sampled, the length/period of time under study, and the number of measurements obtained.

In this research, the type of longitudinal study that was applied was a “trend analysis”.

According to Babbie (2007, p. 103) a trend study examines changes within a specific

population over a period of time. It enabled the examination of changes over time among samples that represented a general population, as highlighted by Deschenes (1990, p. 153).

Babbie (2007, p. 102) further argues that field research projects that involve direct observation and in-depth interviews or discussions, are usually longitudinal; consequently, this type of study is regarded as the most appropriate when reviewing changes over a period of time. In the context of this study, the researcher was the investigator, sampling randomly from a different population over time, with different individuals constituting each sample in a process that was guided by a developed model consisting of seven phases for the study, as presented in figure 3 below.



Figure 3. Model Developed Consisting of Seven Phases for the Study.

Illustration of researcher's model.

According to Caruana, et al. (2015). The advantage of a longitudinal research design, particularly when conducted prospectively in its pure form, presents many benefits, including:

- It allows for high levels of validity;
- the data collected is unique; most uses observational method;

- data collection accuracy is almost always high;
- longitudinal studies can be designed for flexibility; and
- it enables establishing a sequence of events.

On the other hand, some of the limitations include that it is time consuming, there is a risk of gathering data that is not 100% reliable, and compared to other designs such as cross-sectional, they can be more expensive. For the purpose of this study, the researcher has been working with a number of NPOs over a period of time; hence the benefits of which lent itself to use the longitudinal research design.

1.6.2 Unit of analysis

For the purposes of collecting data, the unit of study was constituted of four Non-Profit Organisations (NPOs) in Cullinan and Bronkhorstspruit areas in the Gauteng Province. Data were collected from individual representatives of the organisations as presented in table below.

Table 3. Analysis of Interview Participants.

Interviewee position	Number of people per organisation	Number of organisations	Totals
Board members	2	4	8
Managers / Chief Executive Officers	1	4	4
Heads of departments and senior staff	3	4	12
Representative of funder organisation.	1	4	4
Total			28

Data was collected through interviews using a single tool that was submitted to all the four NPOs. According to Sutton and Austin (2015) and Burns and Grove (2003, p. 373) data gathering entails a precise, systematic collation of information in relation to the research sub-problems, and methods applied include interviews, focus group discussions, participant observation, narratives and case histories. Moreover, secondary data collection involves reviewing existing information that has been collected by others (Vartanian, 2011; Kothari, 2004, p. 95). In this research data were also collected from existing organisations' policies, procedures, records and plans.

1.6.3 Data analysis

Data was analysed thematically considering the qualitative nature of the research. Thematic analysis is the process of “identifying, analysing, organising, describing, and reporting themes in a data set (Braun & Clarke, 2006, cited in Nowell, Norris, White & Moules, 2017, p. 2). This is simply defined by Maguire and Delahunt (2017, p. 3352) as a process of identifying patterns or themes within qualitative data.

1.6.4 Process and ratings

Four organisations in the study underwent three assessments using the single tool. The first and initial assessment was to gather baseline information/current status. The results of the assessment were used to draft a development plan for the organisations. The development plan included mentoring, capacity building and training of key staff. The staff were required to implement knowledge and skills acquired. An interim assessment was conducted, and the same process of mentorship, capacity building and training was followed,

with another period given for implementation. Finally, a final assessment was undertaken to measure the overall growth or lack thereof.

The tool had a rating scale of zero (0), one (1) and two (2), and it made provision for areas that could not be easily measured, to avoid unnecessarily penalising an organisation. Therefore, 0 represented non-compliant, 1 partially compliant and 2 represented compliant in all aspects.

Table 4. The Rating Process

Rating	Meaning	Criteria
0	Non-compliant	There is no policy, procedure or strategy in place. There is no evidence of implementation.
1	Partially compliant	There is a policy, procedure or strategy in place but no evidence of implementation. There is evidence of implementation but no policy, procedure or strategy.
2	Compliant	There is evidence of policy, procedure, strategy and documented implementation is in place.

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1.7 Limitations to the Study

The context in which NPOs operate in South Africa and other parts of the world is challenging and unpredictable. In the process of this study, the researcher faced challenges of continuity as some of the participants were no longer available. Some of the NPOs did not have the documents requested, or deliberately took long to respond to interviews. During the initial stages, some of the NPOs' leadership was unwilling to disclose all relevant information as they thought any negative information might impact on funding. In addition, some of the board members were not full-time employees and had full time engagements elsewhere, resulting in difficulty in setting appointments and scheduling interviews. Furthermore, the

longitudinal research design was time consuming and keeping track over a number of years was difficult and in some cases there were inconsistencies.

1.8 Ethics Statement

The researcher undertook to observe the privacy, anonymity, integrity, confidentiality and voluntary participation of all participants. The study upheld the University of the Western Cape's (UWC) ethical and professional guidelines and at all times respected and safeguarded the rights of participants and institutions. The participants were well-informed on the purpose and objectives of the study and assured of the sensitive and confidential use of the information provided by them. Participants were also issued with this information in writing with contact details of the researcher and his supervisor.

Special care was taken to ensure that no participant felt unfairly coerced or pressurised to participate in the study. In this regard participants were informed both verbally and in writing that they could withdraw at any stage of the study with or without providing reasons for withdrawal. No participant was included in the study without having given formal written consent after having been fully informed about the purpose and objectives of the study. The researcher acknowledged the intellectual property rights of other authors.

1.9 Chapter Outline

Chapter 1 provides the introduction to the study. The overall aim and objectives of the study are outlined. In addition, the methodology of the study is presented. Finally, the chapter also provides the limitations of the study and the ethics statement.

Chapter 2 presents the review of literature. The background to and development of the NPO sector are discussed. Furthermore, the legislative and legal framework within which

NPOs operate in South Africa are provided. Finally, governance models for NPOs are outlined, as well as the components of monitoring and evaluation.

Chapter 3 introduces and disseminates how the Organisational Capacity Assessment Tool (OCAT) functions and elaborates its benefits in improving the operations of NPOs.

Chapter 4 presents findings of the data collated from different respondents through a longitudinal study. These findings are arranged in themes and discussed.

Chapter 5 presents the conclusion and recommendations of the study.



Chapter 2

Literature Review

This chapter provides a review of literature, through description, summary and critical evaluation of relevant material relating to the research questions. This chapter also seeks to position this research within the broader field of study. The literature review broadly focuses on the following: overview of Non-Profit Organisations (NPOs) and their quest for development; the legislative framework for NPOs in South Africa; and codes of good practice for South African NPOs. Furthermore, an analysis on current literature around capacity building in NPOs; and governance in NPOs; Organisational Development and their role in achieving the Sustainable Development Goals (SDGs) is discussed. As per the norm in current development discourse, the role of Monitoring and Evaluation (M & E) in NPOs will also be explored. It is important to note that both the concepts of NPO and NGO will be used inter-changeably in some cases as they refer to similar institutions. Due to limited recent research pertaining to the context of this study, most of the sources predates 2014. This further, motivates the rational for this study.

2.1. Non-profit Organisations and Their Quest for Development

The NPO sector commitment to playing a positive role in the field of social development cannot be undervalued, and it has been invaluable for some time already. A NPO can be defined as a non-governmental organisation, which is comprised of various organisations such as, private voluntary organisations, non-profit organisations and civil society organisations (McGann & Johnstone, 2006). Piotrowicz and Cianciara (2013, p. 69) view NPOs as a “group of people working independent of any external control with specific

objectives and aims to fulfil tasks that are oriented to bring about desirable change in a given community or area or situation". Both assertions in this quote reiterate that NGOs or NPOs, being grassroots organisations, have as their aim to bring about meaningful change to the communities they serve. The World Bank however attempts to specify the functions of NPOs or NGOs. It is also significant to also note the reference to industrial countries and how these organisations are multinational.

According to the World Bank cited in Anbazhagan and Surekha (2016, p. 17), NGOs are diverse and this strains any simple definition.

They include many groups and institutions that are entirely or largely independent of government and that have primarily humanitarian or cooperative rather than commercial objectives. They are private agencies in industrial countries that support international development; indigenous groups organised regionally or nationally; and member-groups in villages. NGOs include charitable and religious associations that mobilise private funds for development, distribute food and family planning services and promote community organisation. They also include independent cooperatives, community associations, water-user societies, women's groups and pastoral associations. Citizen Groups that raise awareness and influence policy are also NGOs.

Will et al. (2018) argue that NPOs are better understood as those varieties of organisations whose primary focus is on function systems other than the economy and politics (such as art, education, religion or mass media, to mention a few). More scholars have associated the NPO sector with social differentiation. By their involvement in various societal problems which are neglected by all the function systems, NPOs not only address "some of the unfortunate consequences of the functional differentiation of society, such as the poor coordination among function systems" (Will, et al., 2018 p. 107) but also improve on the coordination between function systems (Ferreira, 2014). In support, Will, et al. (2018)

claim that, in an effort to deal with how such poor coordination leads to so many societal problems, many non-profit organisations focus their activities on risk areas, such as social inequality and exclusion, or problematic environmental issues.

Moreover, their features for the promotion of social development, sustainable community development, sustainable development, and sustainable consumption make them more appropriate, when compared to the public and private sector institutions (Nzimakwe, 2008, p. 93). This does not however mean that they can't use private sector aspects such as marketing principles (Bezuidenhout, 2017). Davids (2005, p. 70) supports this statement by arguing that such features give them a comparative advantage when it comes to leveraging donor funding for their work, for example, in promoting interests of the poor, engaging in activities focussed on relieving suffering, protecting the environment, providing basic social services and advocating community development (Anbazhagan & Surekha, 2016). This study agrees with Hall's (2010) assertion that non-profit organisations include charitable, educational and religious organisations and have been around for thousands of years.

The development of the NPO sector in South Africa is often regarded as unique and distinct, mainly because its development and operations processes are closely linked to the country's political history (Mazibuko, 2000) in which racial prejudice and discrimination were rooted in society being characterised by an apartheid ideology. Resources and service delivery were made available by the apartheid government along racial lines. According to Motala and Husy (2001), during apartheid, an active and sustainable civil society was necessary to counter the state. Thus, progressive civil society organisations and political movements, such as the African National Congress (ANC) had well established a cohesive popular movement against oppression. Mohamed (2001) states that politicised campaigns were used as venues for raising aid for the human struggle in the communities, factories, urban townships and schools.

These campaigns contributed to many socio-economic challenges that deeply affected the majority of the households and general society. The role of the NGO sector during the apartheid era appeared to have been focused on reaching the marginalised, as NGOs were considered flexible and receptive with a focus on tailored and innovative service delivery interventions (Martin, n.d.; Bourne & Seager, 2000). Immediately after independence, the former President Mandela's administration introduced an NGO policy framework namely, the Nonprofit Organisation Act (Act No. 71, 1997). The Act aims to “provide for an environment in which non-profit organisations can flourish; to establish an administrative and regulatory framework within which non-profit organisations can conduct their affairs; to repeal certain portions of the Fundraising Act, 1978; and to provide for matters connected therewith” (South Africa, 1997, p. 2). Thus, every NGO that hopes to operate in the Republic of South Africa is expected to be registered with the Government authorities. Registration forms a precondition to apply for and access all forms of funding, also to operate within provisions of the Act such as submission of financial reports and to promote accountability (Julie, 2010, p. 16).

Holtzhausen (2013) argues that, in the context of developmental challenges in society, non-profit organisations (NPOs) inherently work toward reducing vulnerability through social welfare, thereby providing a voice to the poor, creating platforms for relationships characterised by mutual trust, and positioning themselves as organisations aimed at changing the face of South Africa’s developmental state. Their value at the advent of democracy has continued, regarding how they access pockets of deep poverty as well as contexts which the state has not reached for various reasons or is unable to reach.

However, NPOs continue to face potential weaknesses that may impact their work negatively, ranging from: “inadequate planning, organisation and management; inadequate staff training; inability to replicate projects and ensure sustainability; inability to collaborate

with other role-players effectively; a lack of coordination in the efforts of NGOs” (Hendrickse, 2008, p. 44). According to Bromideh (2011, p. 197) NPOs handle a complex and diverse range of activities, which expose them to both internal and external management issues. Furthermore, resources mobilisation after economic shocks such as the 2008 economic bust has increased competition for resources among NPOs.

2.2. Legislative Framework for Non-profit Organisations in South Africa

It can be argued that the South African Constitution forms the basis for the current legal framework for Non-profit Organisations’ (NPOs) fundamental rights. According to the South Africa Nonprofit Organisations Act (Act 71 of 1997), an NPO means, “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 with the exception of reasonable compensation for services rendered”. In addition, NPOs also refer to non-governmental organisations, and in the context of this study, they include community-based organisations, non-profit trusts and not-for-profit companies. These organisations are required by statute to register in terms of the Nonprofit Organisations Act (Act 71 of 1997), the Companies Act (Act 71 of 2008) and the Trust Property Control Act (Act 57 of 1988).

Section 15 of the South African Constitution (South Africa, 2016, p. 4) focuses on rights components, such as to freedom of religion, belief and opinion; and Section 18 on the right to freedom of association as vital for civil society formations. Therefore, NPOs create that space on the rights that enables individuals to participate in community groups.

The NPO Act (South Africa, 1997) consists of five chapters that will be summarised in this research. Chapter One of the Act provides a detailed interpretation and objectives of the Act. An example is the interpretation on the meaning of an “accounting officer” in relation to NPOs, as “a person considered in section 60 of the Close Corporations Act, 1984

of South Africa.”. Moreover, the chapter states that the objectives of the Act are to build a culture of encouraging and supporting NPOs’ operations as they play key roles in meeting the diverse needs of the South African population (South Africa, 1997, p. 2).

The number of organisations registering as NPOs has increased since the inception of the NPO Act. Recent statistics indicate that by end of March 2016, there were 153 677 registered organisations compared to the 136 453 organisations registered in 2015 (South Africa, 2016, p. 4). However, recent reports show that some of the organisations do not comply with requirements of the NPO Act, which leads to a non-compliance status. For example, by end of March 2016, the compliancy was at 44% meaning, 56% of the registered NPOs were non-compliant (South Africa, 2016, p. 18). Failure to comply with the Act means that the organisation is operating illegally with its concomitant consequences. Non-compliance, among other things might also mean lack of accountability in terms of the manner in which resources are used and failure to deliver on the objectives set out. It may contribute to their failing to attract donor funding, and beneficiaries may be exposed to further suffering. The question is whether this could be linked to the failure of the NPO Act which in its “current form makes no reference to monitoring and evaluation of NPOs by the Department of Social Development or any other organ of state” (Monyane, 2014, p. 14).

Chapter Two of the legislative framework focuses on “creating an environment in which non-profit organisations can flourish”. Matters relating to the state’s responsibility are delineated. For example, “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”. The responsible minister bears responsibility in establishing a Directorate for Nonprofit Organisations within the national department (South Africa, 1997, p. 3). Thus, all necessary support sought from government institutions need be provided. NGOs should be allowed to operate freely without

facing hostility from the government. Fisher (2003, p. 30) reiterates government's role in creating a conducive environment for NGO operations. According to Fisher's survey of 19 NGO consortia in 16 African countries, coordinating bodies in the sector assist in creating enabling environments for NGOs' operations.

Chapter Three outlines the role of the minister as the political accounting officer. Thus, the minister may prescribe benefits or allowances applicable to registered non-profit organisations, depending on the outcome of a consultation with relevant parties; especially any minister whose department is affected by a particular benefit or allowance. In this case, one key requirement for registration of an NGO is every non-profit organisation that is not an organ of state may apply to the director for registration (South Africa, 1997, pp. 4–5).

In Chapter Four, regulations of the government in relation to NPOs are discussed. Conditions, restrictions or prohibitions in regulations are debated. An important responsibility of the minister and his office is that he/she may enforce any regulation that is essential or suitable in order to achieve the objectives of the NPO Act (South Africa, 1997, p. 11).

Whereas the government solely focus on regulations, regulation of compliance of the NPOs is not sufficient, although an overall support to all NGOs is pertinent.

Chapter Five concludes the Act by concentrating on general provisions on matters relating to offences, penalties, restriction of liability and transitional arrangement. For example, it is “an offence to cause a non-profit organisation, when it is being wound up or dissolved, to transfer its remaining assets otherwise than in the manner contemplated in section 12(2)(0) of the Act” (South Africa, 1997, pp. 11–12). This section is crucial considering the fact that many NGOs may in fact be terminated due to limited funding opportunities, and the necessary steps should be followed as stated in the Act. The section also is necessary in instances where some NGOs in “many countries do not have effective

governance structures and where a board exists, they are rarely effective in providing strategic leadership" (Batti, 2014, p. 59).

The above discussion on the NPO Act of 1997 goes hand in hand with the South African Income Tax Act 58 (South Africa, 1962). In particular, the South African Income Tax Act (Act 58 of 1962) consolidates the law relating to the taxation of incomes and donations. Thus, South African NPOs are exempted from tax due to the nature of their work.

According to the South African Revenue Service (SARS), the state recognises that non-profit organisations play a significant role in society as they undertake a shared responsibility for the social and development needs of the country thereby relieving the financial burden, which otherwise falls on the State. Tax benefits are designed to assist non-profit organisations by augmenting their financial resources and providing them with an enabling environment in which to achieve their objectives. (Pretorius, 2012, p. 1).

Thus, organisations should meet all the requirements stipulated in the income Tax Act (Section 30 of the Act, amended August 2007), and other related legislations to receive or qualify for the exemptions on various taxes and duties.

Some examples relating to tax treatment of NPOs are provided in the quotes below:

Section 10(1) (cN): The receipts and accruals of NPOs are exempt from income tax provided they meet the requirements of the section. The section further makes provision for the partial taxation of receipts and accruals by the NPOs, at the normal tax rates of the form of entity in which the NPOs is conducted to the extent that those receipts and accruals stem from trading or business activities which exceed the limits prescribed in the section, without compromising the exemption which is enjoyed by the NPOs in respect of its public benefit activities. (Pretorius, 2012, p. 1)

Section 18A: Creates a tax deduction in favour of a taxpayer who makes a bona fide donation to an NPO, in the circumstances set out in the section and does not exceed 10% of the taxable income, excluding any retirement fund lump sum benefit and retirement fund lump sum withdrawal benefit of the taxpayer as calculated before allowing any deduction under section 18A or section 18. This section must be read together with Part II of the Ninth Schedule which sets out the PBAs which qualify for the Section 18A tax deduction of donations made to NPOs. The NPOs will have to provide a

receipt to the taxpayer in order for the latter to claim a deduction. (Pretorius, 2012, p. 1)

A good understanding of the NPO Act (Act 71 of 1997) and the Tax Act (Act 58 of 1962) is fundamental to all institutions aiming to be or functioning as NPOs. Apart from capitalising on the benefits, they would also operate within the stipulated laws and regulations of the country. Moreover, NPOs should also operate within the codes of practice as stated by the South African Department of Social Development Codes of Good Practice policy.

2.3. Codes of Good Practice for South African NPOs

The NPO codes were developed as per requirements of section 6(1) (b) (I) of the Non-profits Organisations Act, 1997 (Act No, 71 of 1997). The South African Department of Social Development in consultation with the NGO sector developed a copy containing the codes of practice. The purpose is to facilitate leading and managing processes with a particular focus on, administration, good governance, fundraising and the donor community (South Africa, Department of Social Development, 2001, p. 3).

The codes of practice are categorised according to three sections that are interrelated, as summarised below:

2.3.1 Section A: Leadership and management.

This section outlines requirements for NGOs in terms of setting up a leadership and management team of the organisation, and enforcing of principles. The governing body and staff leadership both have distinctive and overlapping roles and responsibilities to achieve and fulfil the organisation's mission and objectives. Various discussions on the roles and responsibilities of the board of directors are emphasised mainly in chapter three. Furthermore, this section addresses the matters relating to financial management systems for the

organisation. The systems should be put in place to contribute to proper use of resources; considering issues relating to accountability and transparency determine how donors will be contributing their resources to the NGO. The section also calls for clearly developed and defined standards and principles of NGO operations (South Africa, Department of Social Development, 2001, p. 17).

2.3.2 Section B: Fundraising and resource mobilisation.

Fundraising means that funds are elsewhere and approaches need to be explored to access them. Resource mobilisation is a “process whereby resources both financial and non-financial resources are mobilised either externally or internally to support organisation activities” (Batti, 2014, p. 57). According to South Africa’s Department of Social Development (2001, p. 17) an NGO should ensure that it has clear plan for the organisation’s future (mission); effective internal and external communications; is investing in its own growth; is building relationships with its community and supporters, servicing the funders, and sustaining their support. Resource mobilisation and fundraising determines the operations and lifespan of an NGO, considering that a good number of them rely on grants and donations of donors to support their project activities (Batti, 2014, p. 57).

2.3.3 Section C: Roles, responsibilities of donors, and sponsors.

These are outlined and discussed with specific focus on the motive behind donations. Key questions on what motivates donors to give; the donor bill of rights, guidelines for wise giving, guidelines for good grant making, and funding through sponsorship are critical analysed (South Africa, 2001). Donor role and responsibility go beyond provision of resources but also include their being a strategic link in the accountability chain. According to Knox-Clarke and Mitchell (2011, p. 4) “donors have always had an obligation, not only to

ensure that the agencies they funded were accountable, but also to demonstrate their own accountability to taxpayers”. These checks and balances are crucial to avoid duplication of activities and streamlining resources towards those who really need help.

2.4. Components of Capacity Building in NPOs

These components consist of capacity at the individual level, capacity at the organisation level, and capacity at the environment level. Each is briefly discussed under section Capacity Building Framework below:

2.4.1. Capacity building.

Capacity building (CB) is a multidimensional and an abstract concept; yet one of the most commonly used but perhaps least understood concepts in the non-profit sector (Merino & Carmenadoa, 2012, p. 962; Light & Hubbard, 2002). Connolly & Lukas (2002) refer to CB as either a term that is vague as it describes a “wide range of activities, knowledge, and resources that non-profits need to be effective, while others have focused on defining the process of capacity building”. Eade (2005, p. 24); Vernis, Iglesias, Sanz and Saz-Carranza (2006, p. 11) suggest that capacity building is an approach to development, which should not be seen as separate from development, but as a response to the multi-dimensional processes of change. It is also the ability of a non-profit organisation to achieve its vision and mission in an effective manner (McPhee & Bare, 2001, p. 1). In addition, Connolly and Lukas (2002, p. 17) argue that there is “a wide range of capabilities, knowledge and resources that non-profits need in order to be effective”. Eade (2005, p. 35) supports the above arguments in stating that capacity building in a non-governmental organisation can strengthen the organisation to perform its core activities, it can be used in the process of reflection,

leadership development, inspiration, and adaptation. Capacity building can also strengthen the NPO to survive and fulfil its mission and vision.

However, the UNDP (1998) postulates that, when defining CB, we need to consider its role at both community and individual levels. For example, “the process by which individuals, groups, organisations, and communities increase their abilities to: (1) perform core functions, solve problems, define and achieve objectives; and (2) understand and deal with their development needs in a broad context and in a sustainable manner”. UNESCO (2010) further states that capacity building becomes a human resource development, as well as an organisational and institutional development. This study views capacity building holistically; as a process through which individuals, groups or organisations increase their abilities within a set framework for effective and efficient fulfilment of its set goals.

2.4.2. Capacity building framework.

The above section implies that, when assessing capacity building (CB), the discussion needs to incorporate the broader context, which may include three main levels. These are: capacity at the individual level; capacity at the organisation level; and capacity at the environment level, as presented in figure below.

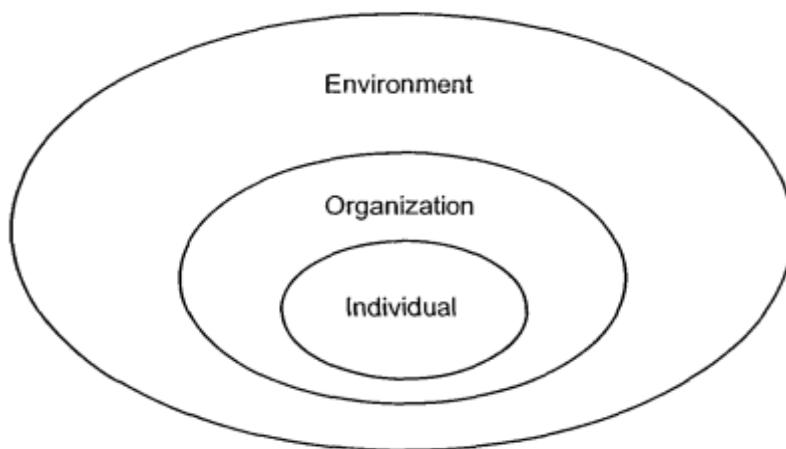


Figure 4. The Three Levels of Capacity Building to be Incorporated

Levels of Capacity (UNDP, 1998, p. 7)

2.4.2.1 Capacity at the individual level. This level is very crucial as it involves the individual's knowledge and skills and ability to set objectives and ensure that they are achieved. Thus, it is the foundation for organisational capacity. Elements such as values, attitude, health, awareness, skills and knowledge are important (Matachi, 2006, p. 6; JICA, 2004, pp. 10–11). Measures both formal and non-formal, such as on-the-job training and education should be in place to ensure a culture of individual development.

2.4.2.2 Capacity at the organisation level. Capacity at the Organisation (CO) level entails all measures or aspects that influence an organisation's growth and performance. Therefore, the individual's capacities are utilised and strengthened in this stage (Matachi, 2006, p. 6).

According to JICA (2004) CO may include human resources (capacities of individuals in the organisation); physical resources (facilities, equipment, materials, etc.); intellectual resources (organisation strategy, strategic planning, management, business know-how, production technology, program management, process management (e.g., problem-solving skills, decision-making process, communications, etc.); inter-institutional linkage (network, partnership, etc.); incentive and reward systems; organisational culture and leadership of managers.

Thus, the organisation under investigation needs to ensure that these aspects are in place.

2.4.2.3 Capacity at the environment level. To establish capacity, the Capacity at the Individual level and Capacity at the Organisation level need a favourable environment or conditions. This requires systems and frameworks necessary for the formation and implementation of policies and strategies beyond an individual organisation. Political,

administrative, legal, technological, social-economic, social and cultural environments are important (Matachi, 2006, p. 6).

2.4.3. Capacity development (CD).

Research shows that capacity development (CD) originated from various lessons learned over a period of more than fifty years of experience in the shortcomings of development assistance. These lessons initiated a search for approaches, strategies and methodologies that were more systematic and integrative in achieving sustainable development (Bolger, 2000, p. 1). Therefore, CD has become a term that is used interchangeably with capacity building. Lopes and Theisohn (2003, p. 21) remark that although the two terms are used interchangeably, capacity development is more comprehensive than capacity building and it is an endogenous process, which involves different levels. Bolger (2009, p. 1) postulates that “CD has two common definitions as a process, or approach, or a development objective ... An approach, or process, e.g. towards reduction of poverty” and as a “development objective, e.g. targeting the development of individual or organisational capacity”.

Capacity development is defined as the process during which efforts are made to educate an individual or groups of people to do something for themselves, or even to do it better than before. It can also be defined as the process of creating new institutions or strengthening existing ones to perform better; improve performance at the individual, organisational and network/sector or broader system level. From a general perspective, it is a term defined as a focus on education and training, or improving individual rights, access or freedoms (UNDP, 2009, p. 5; Bolger, 2000, p. 1).

Thus, CD should aim to transform and empower individuals, leaders, organisations and societies. Positive change is the determinant factor that is guided and sustained by the

beneficiaries. This process is based on the argument that, “people are best empowered to realise their full potential when the means of development are sustainable – home-grown, long-term, and generated and managed collectively by those who stand to benefit” (UNDP, 2009, pp. 5–6).

Lopes and Theisohn (2003, pp. 23–24) describe the three levels, or units of the capacity development process as individual, institutional and societal. In support of these levels, research has been conducted by UNDP (1998), and Hildebrand and Grindle (1994) as cited in Bolger (2000, p. 2), indicating that in summary there are four levels of capacity: individual, organisational, network/sectoral¹ and the enabling environment.

In addition, each of these levels represents a level of inquiry, and a potential entry level for a CD intervention, as outlined below:

- Individuals are regarded social or organisational actors; change at the individual level should be envisaged as part of a broader framework.
- At organisational capacity level, focus is on structures, processes, resources and management issues. There is emphasis on thorough analysis of issues at the organisational level and assessments of how factors in other levels may either constrain or support a process of organisational change.
- The Sector/Network Level reflects an increasing awareness of the importance of coherent sector policies, strategies and programming frameworks, as well as effective coordination within and across sectors. Initiatives at this level can focus on policy reform, improved service delivery, and increased coordination among institutional actors. Traditional ways of doing things in an organisation are an obstacle. Thus, institutional reforms contribute significantly to synergies and encourage effective use of existing capacities.

- The ‘enabling environment’ level can be either enabling or constraining, or a mix of both. It is simply about the broader context in which development processes take place. A good environment can include positively conceived policies and lack of corruption, which have a positive impact on success of an organisation. On the other hand, a constraining environment can be one in which policies are not sound, there are low levels of commitment, a lack of effective coordination, and a poor economic environment (UNDP, 1998; Hildebrand & Grindle, 1994, cited in Bolger (2000, pp. 3–4); UNDP (2009)).

These levels are equal in importance and mutually interdependent (Lopes & Theisohn 2003, p. 24). Consequently, guiding principles of CD should be given attention, so to ensure success in all efforts. These may include the following principles:

- it should be a broad-based participation and a locally driven agenda;
- efforts should be built on local capacities;
- it involves ongoing learning and adaptation;
- requires long term investments; and
- there is need for integration of activities at various levels to address complex problems (Bolger, 2000, p. 2).

The UNDP (2009, p. 11) postulates that, “capacity is not developed in a vacuum and for it to be of use, it must be rooted in a broader development objective; a national development strategy, a plan for economic or social empowerment, or an initiative with a particular theme”. This means that capacity in all its facets and levels is key in the ability of an NPO to meet or achieve its objectives.

The above arguments show that capacity building is very important. However, in cases of economic crisis, such the 2008 economic collapse, most NPOs had to rely on capacity building strategies to survive. These included strategies to expand human capacities

included reassessments, shifting roles geared toward fundraising, strengthening relationships with boards and other alliances and external associations, and relying more heavily on volunteers (Mosley, Maronic, & Katz, 2012).

2.5 Towards Governance in NPOs

Governance is a fundamental concept in the NPO sector. The way an organisation's operations and activities are directed and managed through processes and structures is referred to as governance. Governance provides a clear division of power and establishes necessary mechanisms to ensure accountability among the board of directors, stakeholders, and overall management. It is the “processes, structures and organisational traditions that determine how power is exercised, how stakeholders have their say, how decisions are taken and how decision-makers are held to account” (Gill, 2002, p. 1).

Arnwine (2002, p. 19) states that many good organisations have failed because of problems at the governance level. Mainly because ineffective governance compromises the ability of the management to succeed. Whilst, effective governance, greatly assists the organisation in achieving its mandates. Effective governance has the following characteristics: it is efficient, allows a respectful conflict of ideas, is simple, is focused, is integrated and synergistic, has good outcomes, preserves community assets, and leads to enjoyment and personal reward for the individual board members.

The governance body in any organisation is mainly responsible for oversight. This includes overseeing management and their duties. Brountas (2004, p. 43–44) is of the opinion that the board's principal oversight responsibilities include:

- providing assistance and advice to the chief executive officer;
- selection, recruitment and remuneration of the organisation's senior officials;

- replacement of the chief executive officer and implementing the organisation's succession plan;
- providing strategic advice, strategic direction and monitoring, evaluation and reporting;
- financial performance and compliance with applicable legislation;
- resolving any business or governance conflict or crisis; and
- stewardship of assets.

Brountas (2004, p. 44) goes further and emphasises these as being basic principles of good governance. He makes a very important statement that although governing bodies usually adopt these principles, they are not always applied and are in most cases misapplied. The responsibilities of the governing body cannot be detached from the individual members and the requirement of ethical behaviour, experience and business and financial expertise.

Brountas (2004, p. 44) refers to the five Is of good corporate governance and suggests when these are in place it contributes to the development of an excellent or ideal board. Brountas lists the following as the five I's of good governance: Independence, Integrity, Informed, Involved and Initiative.

The board must be able to make independent decisions and challenge management on any matter, which relates to the day-to-day operations of the organisation. Deloitte (2016, p. 1) found that benefits of an independent board members includes expertise and knowledge in areas where it's much needed including: internal controls, human resources, marketing, finance, tax, and other areas. Therefore, industry exposure gained from other organisations benefits an organisation, considering their decision-making role as a backbone of all legal power and authority in the organisation (Molano-León, 2011). According to Worden (2003) integrity is a term that implies authenticity, truthfulness, uprightness and reliable consistency between word and deed. All decisions and activities of the governing body must meet the

requirement of compliance and honesty, which will ensure that the principle of integrity is adhered to.

Members of the governing body are to ensure at all times that they keep themselves informed of the business of the organisation and make a point of being involved in all the activities of the board. Finally, governing body members should always show initiative and come up with creative ways of ensuring good governance. Arnwine (2002, p. 20) states that board members' involvement should involve setting strategic direction, overseeing management, finances, and quality; ensuring community relationships; establish ethical standards, values, and compliance; and the appointment and monitoring of a qualified CEO. Mallin (2007, p. 124) argues that the governing body must lead and control the organisation and that the success of the organisation is dependent on an effective governing body. Mallin (2007, p. 124) goes further and is of the opinion that the governing body is crucial to ensure good investor or funder relations. The governing body has the responsibility to determine the organisation's strategies, plans and policy framework and most importantly, the monitoring of progress towards the achievements of goals and objectives. According to Mallin (2007, p. 125) boards must achieve three core objectives to perform at their peak. These can be described as:

- Provision of superior strategic direction to ensure growth and prosperity.
- Ensure the organisation is accountable to all stakeholders and the community of beneficiaries.
- Put in place a highly qualified, high performing management team.

Mallin (2007, p. 125) suggests that in addition to governance responsibilities, the governing body also have key duties which include acting within their powers only, adhering to the constitution, prudent judgment, exercising care, skill and diligence, avoiding and declaring conflict and refraining from corrupt activities.

From the discussion presented above, Nordberg (2013, p. 126) summarises the role of the governing body with the opinion that the board's role can be divided into four areas which follow on each other, which are setting direction, marshalling resources, controlling and reporting and evaluating and enhancing, as provided in figure below.

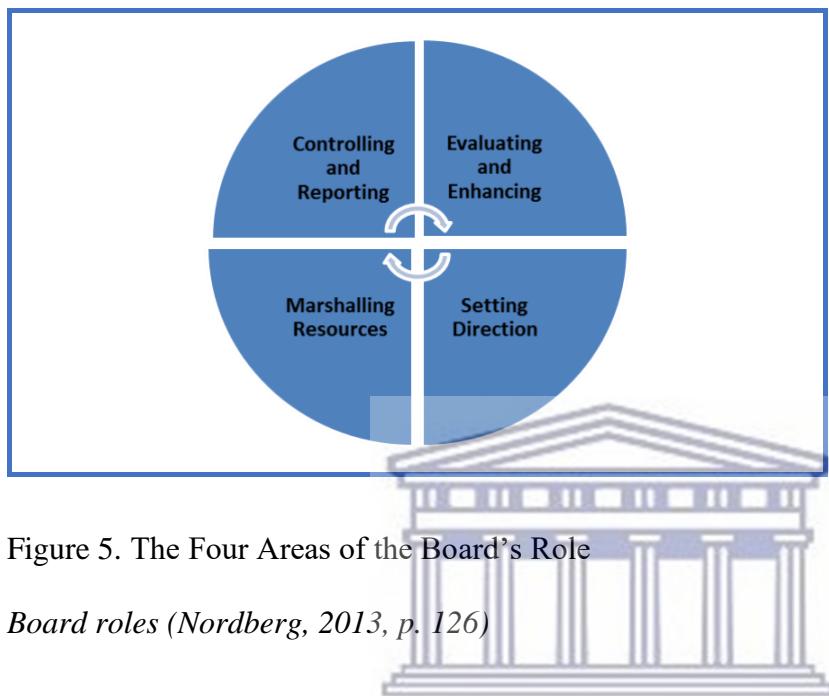


Figure 5. The Four Areas of the Board's Role

Board roles (Nordberg, 2013, p. 126)

Boards of directors have the responsibility to serve as advisors and counsellors for the executive director and must ensure that discipline is enforced in the organisation (Williamson, 2011). Williamson (2011) also maintains that it is important that members of the governing body are available at all times when the organisation is facing a crisis. Williamson also draws attention to the fact the governing body is responsible to always ask discerning questions as they form part of the image of the company.

2.5.1 Corporate governance.

There is a growing trend for NPOs to operate more *like business* hence the call for corporate governance. Proponents for this argue that business-like and professionalised approaches make NPOs more effective and efficient, accountable, and financially

disciplined (Kaplan, 2001). “Effective governance and accountability begin at home. This means every organisation, no matter how large or small, should ensure that the appropriate processes and structures are in place to direct and manage its operations and activities, and their functioning” (Hong Kong Government, 2002, p. 1). Thus, corporate governance is all about a set of principles and practices adopted by a board of an organisation both in private and public sectors. Their role is strategic as they assure key stakeholders that the organisation is managed effectively and with integrity. Their strategic actions are guided by a corporate governance framework that ensures effective monitoring of the NGO’s management by the Board, and the Board’s accountability to its stakeholders (Hong Kong Government, 2002, p. 1).

King (2006, p. 18) describes corporate governance as the way in which companies are directed and controlled. King goes further and states that it can also be defined as processes to help directors discharge and be seen to be discharging responsibilities created by their duties and it is because of this that directors must practice good governance. Good corporate governance requires a director to carry out certain duties. Thus, good corporate governance should ensure the existence of an effective corporate governance system, within an individual company and across an economy as a whole. This fosters a degree of confidence necessary for the suitable functioning of a market economy. King (2006, p. 30), Du Plessis, Hargovan and Bagaric (2011, p. 65) and Fernando (2009, p. 202) describe these duties as the duty of good faith, the duty of care, the duty of due diligence and the duty of skill. Skill refers to the responsibility of making one’s skills available to the organisation. Care refers to the director’s duty to take care of the organisation’s assets as if it was his or her personal possession. Diligence refers to the duty each director has to do his or her homework. Good faith refers to the duty of a director to honestly apply his mind when deciding on the affairs of the organisation.

Hall (2010) argues that the non-profit sector was pushed, and often mandated, to adopt business operating procedures to provide evidence of results and accountability to deep pocket donors and the general public. Against this background, there has been an increased pressure by international organisations on countries, especially those of the South, to implement international standards of corporate governance. These organisations such as the OECD and the World Bank have also developed guidelines for corporate governance (Aguilera & Cuervo-Cazurra, 2009). Thus, all institutions in poor and developing countries have a responsibility to enhance corporate governance structures to deal with issues that contribute to their limited or lack of development and progress.

On the other hand, arguments have been raised against NPOs adopting corporate ways of operating. Since they are not for profit, NPOs depend on a positive corporate image in order to collect and/or gain funding, since they do not offer a product to sell, but rely on people's goodwill and positive perceptions of the organisation (Dyer et al., 2002, pp. 13–17). For Holtzhausen (2013, p. 2), NPOs should be able to create and establish relationships with various stakeholders, particularly donors, by means of managing their corporate identities, thus creating a tool that can enable them to position themselves as organisations that are able to address, alleviate and influence positively the many societal problems which are characteristic to South Africa. Thus, there must be a clear distinction of what entails NPOs and subsequently what they stand for.

As part of attempting to operate NPOs as corporates, King (2017) warns us there is paucity of information on the actual practice on the ground. Using his own examples, he highlights how he became preoccupied by completing paperwork and hitting targets rather than serving the clients' interests: focusing on funder's outcomes rather than participant's needs. Accountability thus shifted from clients toward funders.

2.5.2. Typical non-profit governance models.

It is generally accepted there has been a gradual move towards managerialism of NPOs. Roberts et al. (2005, p. 1849) states that managerialism refers to “knowledge and practices of organisational governance and operations” and is “marked by concepts like accountability, transparency, participation, and efficiency, as well as practices like double-entry bookkeeping, strategic planning, Logical Framework Analysis, project evaluation, and organisational self-assessment”. This has resulted in several governance models being suggested. There is no single model that fits all organisations and decisions should be made regarding which model makes your board effective. Some of the common NGO governance models include operational model, Traditional Management Model, Constituent Representative Model, Policy Governance Model, and Results-based Model (Gill, 2002, pp. 2–3).

2.5.2.1 Operational model. The board participates fully in the management and governing of the organisations affairs. Thus, responsibilities of the Executive Director and the Board are unclear. Its main aim is to create an enabling environment for board and the executive leadership in which to carry out their roles and responsibilities (Gill, 2002, pp. 2–3). It consists of four major components: structure, oversight responsibilities, talent and culture, and infrastructure in relation to interdependencies (Deloitte, 2013).

2.5.2.2 Traditional management model. The board takes the responsibility of delegating operations through committees who are tasked with handling the major work on policies and other issues. However, management functions are delegated to the executive director. These committees are established along functional lines, such as the human resources, finance and programmes; their recommendations are directed to the board for adoption.

2.5.2.3 Constituent representative model. In this approach emphasis is on the non-profit's constituents and their participation in the board; for example, taking part in setting

policies. Thus, publicly elected officials, federations or other constituency-elected boards have the primary responsibility of balancing the interests of their constituents with the best interests of the organisation. Creating power decentralisation and a broad base of participation. On the other hand, a limitation exists around conflicts as common features of a multi-interest group and when not properly and timeously handled, it could damage the board relationships (Bradshaw, Hayday & Armstrong, 2007, p. 10).

2.5.2.4 Results-based model. According to Gill (2002, p. 1) “the executive director is a non-voting member of the board, carries substantial influence over policy making, and is viewed as a full partner with the board. Committees, organised around board responsibilities and lead planning, would guide governance, and monitor and audit performance of the board, executive director and organisation”. United Nations (2017) highlights results-based management and its linkage with the 2030 Agenda for Sustainable Development.

2.5.2.5 Policy governance model. Currently considered a best practice for board governance. In this approach, the board governs simply through policy implementation by monitoring their execution. The policies define the relationship between the board and the executive director, taking into consideration that executive directors have the power to determine the means necessary to achieve organisational goals (Gill, 2002, pp. 2–3; Carver, 2001). According to Bradshaw, Hayday and Armstrong (2007, p. 8) this model puts the focus on a single organisation and distinguishes between the roles of the CEO and the board. Thus, the role of the board is one of stewardship on behalf of its communities. One limitation of this model relates to its limitations to innovate and change, as it borrows generally from classical management theory (e.g. top-down control and rational planning). This is not a very positive to an NGO as their work is complex and needs flexibility in their board governance.

2.6. Organisational Development

Organisational development is defined in a number of ways. According to Cummings and Worley (2008, p. 2), Mehta (2009, p. 10) and Huffington, Cole and Brunning (1997, p. 20) these definitions contain the following elements: organisation development is a management supported, long-range change effort to improve the organisation's ability to solve problems and improve organisational systems and processes through an effective and collaborative diagnosis. Organisation development can also be seen as a well-planned process of change in the culture of the organisation by utilising the technology of behavioural science, research and theory. Furthermore, Cummings and Worley (2008, p. 2) postulate that organisation development is a process which covers data collection and diagnosis, action planning, intervention and evaluation. In addition, Cummings and Worley (2008, p. 2) argue that organisational development is aimed at organisational structure and enhancement, organisational process, strategy and people and culture, which results in an ability of the organisation to renew itself and the development of new and creative organisational solutions for its development.

According to Pedler, Burgoyne and Boydell (1997, p. 234) there is a strong focus in organisational development on a specific organisation and its potential. It involves a single organisational perspective and has a very specific emphasis on the life phases of the organisation. Pedler, et al. (1997, p. 73) also refer to a strategic staircase as a crucial part of organisational development and measurement. In terms of this staircase, the organisation must plan its envisaged achievements effectively over a specific period and have clear monitoring activities in place. In doing this the organisation can ensure a steady flow of growth and improvement.

With reference to organisational development, Singh (2005, p. 189), Anderson (2012, p. 261) and McLean (2009, p. 12) state that it is a planned strategy to bring about

change, it always involves a collaborative approach to change, there is a strong focus on ways to improve and enhance organisational performance, it relies on a set of humanistic values about people and organisations, represents a systems approach and is based on a scientific approach to increase organisational capacity and effectiveness. This is close to the view by Mehta (2009, p. 1) who is of the opinion that organisation development is the process of improving organisations and that this process is cautiously planned and implemented to benefit the organisation, employees and stakeholders. The change process supports improvement of individuals or the organisation as a whole.

According to Mclean (2009, p. 9), organisation development focuses on assuring healthy inter- and intra-relationships and helping groups initiate and manage change. Mclean (2009, p. 9) further argues that the primary emphasis of organisation development is on relationships and the process between and among individuals and groups in the organisation and its primary intervention is influence on the relationships of individuals and groups to affect an impact on the organisation as a system.

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2.7 Sustainable Development Goals Agenda: Locating the Role of NPOs

Globalisation has contributed to increased efforts concerning achieving more sustainable and equitable societies. Since the late 1990s, this shift has been characterised by much emphasis by governments, private institutions, communities and individuals to contribute increased efforts towards building sustainable communities. Against this backdrop, key international frameworks were developed and an implementation period lapsed or is ongoing. These include the eight Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs) which have been a driving force towards a coordinated approach to global and national challenges. MDGs were adopted between 2000 to 2015 with the main intention to free people from abject poverty. In this case the

role of the NPOs remains the same that is, supporting the transmission efforts from MDGs to SDGs by various key role players.

In the post 2015 agenda from 2016 to 2030, the world now focuses on an updated agenda that is made up of 17 Sustainable Development Goals with 169 targets as discussed in the UN website (United Nations, n.d., p. 1). The major objective of this new framework is to address key systemic barriers to sustainable development such as inequality, unsustainable consumption patterns, weak institutional capacity, and environmental degradation that the MDGs otherwise neglected to address in the previous agenda. In efforts to make the right choices now and improve human life for future generations, the SDGs work in the spirit of partnership and pragmatism in a sustainable way. They provide clear strategies and targets for all countries to adopt in accordance with their own priorities and the environmental challenges of the world at large. The SDGs are an inclusive agenda; poverty eradication is one of the targets at the heart of the framework, and the commitment to leave no one behind thus presents a unique opportunity to put the whole world on a more prosperous and sustainable development path (United Nations, n.d., p.1).

The implementation of the SDGs targets demands commitment by the state and other stakeholders. Failure of many states in some countries has led to NGOs being the panacea to poor communities and households. A recent report by United Nations (2016, p. 12) indicates that Goal One presents a challenge on some continents. In 2012, out of every 8 people, 1 lived in extreme poverty; below US\$ 1.90 dollars a day. An end to poverty requires a lot done to bridge the gaps between developed, developing and less-developed nations. In relation to this research, Sub-Saharan Africa has the most people who continue to live below US\$1.90 dollar a day. For this reason, among others, many NPOs operate in the continent.

2.7.1. Sustainable development.

According to Strange and Bayley (2008, p. 24), the term development means the process of growth, progress or developing. In the present context, it is a multidimensional process towards an achievement of better quality of life for everyone. Thus, social development, environmental and economic development, and protection are interdependent and equally reinforcing components of sustainable development. Sustainable development is defined by the United Nations as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Rees, 1989, p. 1). Furthermore, Hunt, Drive and Velasquez (2014, p. 5) have also supported that the context of sustainable development is based on the three pillars and to avoid causing actors from treating them “separately from each other”, the three pillars should be described as dependent on each other.

Society therefore should strive to understand their complexities, connections and interdependence (Strange & Bayley, 2008, p. 24). For example, the political environment of a country determines the status of our societies, yet needs are similar across the globe. Thus, clarification of social sustainability principles forms the basic policy implementation at all levels in the society; the opposite becomes an obstruction (Hunt, Drive & Velasquez, 2014, p. 6).

The many varying stakeholders and groups in SD include: governments; business and industry; children and youth; farmers; indigenous peoples; local authorities; NGOs; the scientific and technological communities; members of the society among others. Their active participation is required to enable sustainable development. De Vries (2015, p. 11) is of the view that a sustainable development framework presented a fresh challenge to all government levels, from national to regional through to local, as the 17 SDGs and the 169 related targets were more specific as compared to Millennium Development Goals. These institutions

needed to redefine certain critical areas including their political/policy goals, governance procedures in terms of institutional frameworks and not to be undervalued was to ensure reporting and monitoring systems frameworks were in place (De Vries, 2015, p. 11). Sustainable Development implementation as argued by Fox and Van Rooyen (2004, p. 12) in all aspects is dependent on the policy framework that governs the implementation.

Efforts by the South African Government regarding developing and implementing SD can be traced to the 2008 Cabinet approval of the National Framework for Sustainable Development (NFSD). Subsequent to this is the National Strategy for Sustainable Development (NSSD) and Action Plan of 2009 - 2014. The NSSD builds on the NFSD and other initiatives by other stakeholders interested in addressing SD issues in South Africa, including government institutions, NGOs, business sector, civil society, and academia. Against this backdrop, SD in the context of South Africa is defined as “the selection and implementation of a development option, which allows for appropriate and justifiable social and economic goals to be achieved, based on the meeting of basic needs and equity, without compromising the natural system on which it is based” (South Africa, 2014, p. 8).

In relation to this research, the NPO sector as a stakeholder continues to contribute towards sustainable development. Through different programmes, functions and roles, communities become empowered, ultimately attaining sustainable development. For example, programme-like microfinance contributes to the economic well-being of communities (Nikkhah & Redzuan, 2010). However, Vivian (1994, p. 167) postulates that, the so-called ‘magic bullet syndrome’ poses a major challenge to NPOs in achieving SD: “the demand made upon them to find simple, neat and comprehensive solutions to complex development problems”.

2.8. Monitoring and Evaluation (M & E) in NPOs

Monitoring and evaluation is both a management tool and a donor requirement.

Monyane (2014, p. 38), regards it also as a tool that measures accountability, as it focuses on stakeholders, sustainability activities and learning from experiences. According to Hunter (2009, p. 5) monitoring and evaluation are defined in different ways based on an organisation's needs. During a life of a project, Hunter (2009) states that the continuous process in which critical and relevant data is collected and analysed, with the primary objective of assessing progress, is defined as monitoring. According to UNDP (2009, p. 8), monitoring "can be defined as the ongoing process by which stakeholders obtain regular feedback on the progress being made towards achieving their goals and objectives".

However, evaluation takes place when a project or activities are completed, characterised by rigorous and independent assessment for purposes of determining the extent to which they are achieving stated objectives and contributing to decision-making (UNDP, 2009, p. 8). Hunter (2009) is in support that evaluation focuses on measuring actual results and their impact against set objectives of services rendered or a project.

There are two types of evaluation; it can be formative (if conducted during conceptualisation or development of an intervention or organisation, with the intention of improving the value or effectiveness of the intervention or organisation) or summative, drawing lessons from a completed intervention or organisation at a later point in time or circumstance. Both types may be applied in an organisation or projects, depending on the nature of the set objectives (Hunter, 2009, p. 6).

The relationship between monitoring and evaluation is complementary (Kusek & Rist, 2004, p. 14). Therefore, proper planning inclusive of a clear outline of the envisioned results determine what is to be monitored and evaluated. A clear results framework strengthens the basis for a successful M and E. Moreover, without careful monitoring, the necessary data is not collected – hence, evaluation cannot be properly carried. Monitoring is crucial, but not

sufficient, for evaluation, as additional data collection and different frameworks should be adopted to provide for the analysis phase (UNDP, 2009, p. 7).



Table 5. The Complimentary Relationship Between Monitoring and Evaluation

Monitoring	Evaluation
Clarifies programme objectives	Analyses why intended objectives results were or were not achieved
Links activities and their resources to objectives	Assesses specific causal contributions of activities to results
Translates objectives into performance indicators and sets targets	Examines implementation processes
Routinely collects data on these indicators, compares actual to target	Explores unintended results
Reports progress to managers and alerts them of problems	Provides lessons, highlights significant accomplishments or programme potential, and offers recommendations for improvements

M & E Complement each other (Kusek & Rist, 2004, p. 14)

As evident in the table above, M and E enhances an organisation's process in extracting relevant information from past and ongoing activities. Such information becomes a broadly useful foundation for an organisation's fine-tuning, reorientation and future planning. Thus, effective planning, monitoring and evaluation, enable an organisation to determine or judge if it is going in the right direction, if it is making progress and if success can be claimed, and how future efforts might be improved (UNDP, 2009, p. 5).

It was discussed earlier that, in South Africa, the NPO Act of 1997 was introduced with the intention of creating an enabling environment that would allow NPOs and other civil society organisations to maintain adequate standards of administration and service delivery. However, a critique of the NPO Act states that it failed to make "explicit reference to monitoring of NPOs by either an organ of state or any private entity, therefore M & E might

not fall within the limit prescribed by law” (Monyane, 2014, p. 24). For example, Chapter 2 of the Act (Section 3) reads, “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”. In this case, there is no clarity or explanation on what is meant by key concepts, promote, support and enhance (Monyane, 2014, p. 24).

2.8.1 Assessing NPO performance.

The section above indicated that monitoring and evaluation is an important component to the functionality of any NPO. This can be done using different assessment tools. In the 1990s, there was significant pressure for enhanced efforts to assess the performance of NGOs. This pressure from inside and outside exposed serious inadequacies in past attempts. According to Fowler (1992), this enhanced pressure was because in early 1980s, a good percentage of the financial resources was derived from the official aid system, overtaking, in terms of rate of growth, their income from public giving. Post-Cold War saw new demands for restructuring of recipient countries by their donors, donor priorities changed for official overseas development assistance (ODA), including a corresponding push on NGOs to alter their role in society. Accountability for resources and performance was important. According to UNDP (1998), NPOs needed to support their claims on cost-effectiveness rather than governments. Furthermore, there is a positive correlation between organisational effectiveness with an ability to learn from experience (Senge, 1990, cited in Edwards & Hulme, 2002, p. 144).

It is also important to acknowledge that the NPOs nature of work makes it difficult if not impossible to be assessed in terms of political support or financial returns, mainly because of lack of readily acknowledged *bottom line*. They provide services to the poor or

needy in the society, which makes it difficult to use financial returns as a measure of their performance. Equally, political processes that are intended to legitimise governments cannot be approved as entities not owned or mandated by those they serve (Fowler, 1989 and Leat, 1993, as cited in Edwards & Hulme, 2002, pp. 147–148). These authors therefore pose the question, “what approach can be adopted to establish the standards against which non-profit organisational performance can reasonably be assessed?”

2.9 Conclusion

This chapter managed to discuss critical literature around the rise and role of the NPOs in South Africa. The role of NPOs is largely to collaborate with other institutions for the general development of communities and countries at large. For them to play this critical role NPOs need to be strengthened and this chapter discussed some of the components of well-functioning NPOs. Various models for good governance in NPOs were also discussed. This is all in an attempt to build strong and sustainable NPOs which carry out their community development mandate. In line with the objectives of this study, this chapter argued that strong and well-governed NPOs lead to positive change in the society. The chapter also argues that good governance should be ensured in efforts to ensure integrity and accountability. This chapter also argues that monitoring and evaluation must remain an integral part of successful NPOs.

Chapter 3

Organisational Capacity Assessment Tool

3.1 Introduction

Non-governmental organisations (NGOs) undoubtedly contribute intensely to the lives of people across the world. Their mandates are deeply entrenched in developing, healing and enabling communities to experience better life for all. It is, however, agreed that in order to successfully achieve goals set out NGOs need to find innovative ways to improve effectiveness and efficiency.

The need to adopt appropriate methodologies to assess the capacity of NGOs and their impact on their beneficiaries has continued to increase since the 1990s. This shift was against the backdrop of how, in the early 1980s, non-profit impact was based on assumptions as to who they were and what their relationship and closeness to the beneficiaries was. This approach of assumption was put into question by governments and donors; at the same time, they were becoming very popular and there was increased funding channelled through them by governments. Donors were concerned about how resources were being utilised; bringing up issues of performance and accountability (Edwards & Hulme, 1995; Adams, 2001, p. 1). So it was that in the 1990s a debate soon began to thrive around how various stakeholders both inside and outside expected accountability for the use of resources by non-profit organisations (Greiling, et al., 2016, p. 212).

Against this backdrop, the Organisational Capacity Assessment Tool (OCAT) was developed as an innovative technique “in response to a need to examine the impact of non-profit capacity-building activities. Moreover, it was based on existing knowledge of organisational development and experience in working with NGOs” (Booth & Morin, 1996,

p. 27). However, based on research, the origin and background of OCAT for NGOs is not very clear. For example, some information links its origin to first having been developed by Pact Inc. in Ethiopia and South Africa in the 1990s (PACT, 2012, p. 6). Another claim is made that “the OCAT was launched ten years ago in 2009 by McKinsey & Company and Venture Philanthropy Partners” (McKinsey, n.d.). Users have continually modified and applied newer versions of the tool (generically known as OCAT) to contextualise its application.

3.2 The Organisational Capacity Assessment Tool

The overall aim of the OCAT is to improve engagement between staff and stakeholders in customising and using tools that can help to measure the unique capacities of their organisation, and guide future development (PACT, 2012, pp. 6–7). Tomas (2002) cited in Cox, Jolly, Van Der Staaij and Van Stolk (2018, p. 7) asserts that the OCAT determines if a non-profit’s existing capacity – that is, “the set of processes, management practices, or attributes” are contributing to or enhancing the organisation’s achievement of its mission. According to Booth and Morin (1996, pp. 3–4), OCAT can be used in whole or in part, as summarised below:

It serves as a diagnostic instrument to determine the stage of organisational maturity and specific changes needed to strengthen an NGO; establishes a baseline measure of the existing structure and capability of an NGO; assesses training needs of the staff of an NGO and provides a framework for a training curriculum; monitors and evaluates progress towards the organisational development objectives of an NGO; serves as a means to educate NGO staff users about the components and attributes of an effective NGO; creates a strong and shared commitment to change within the NGO; complements financial audits and programme impact reports to provide a comprehensive evaluation of the viability or potential for growth

of an NGO; obtains a rapid assessment or ‘snapshot’ of the NGO by administering selective questions; and serves as a basis on which to design improved systems and procedures. Booth & Morin (1996, pp. 3–4) further indicate that OCAT categorises non-profit organisations into four distinct stages of development, namely Nascent, Emerging, Expanding and Mature. Each of these stages is based largely on its capability in seven components of organisation effectiveness. The seven components include Governance, Management Practices, Human Resources, Financial Resources, Service Delivery, External Relations and Sustainability. The researchers also caution that the four stages of development are dynamic and interactive, in that an NGO will be at different stages of development in each of the seven components simultaneously. (Booth & Morin, 1996, pp. 3–4). Figure 6 below provides a summary of the four stages of Organisational Development and Table 6 below presents the seven components of organisational effectiveness.



Figure 6. Summary of the Four Stages of Organisational Development

Four stages of organisational development (Adapted from Booth & Morin, 1996, p. 5)

3.2.1 Four stages of organisational development.

An organisation needs to understand that its OCAT assessment results will vary as per its stage of maturity. A summary of the four stages of organisational development is as follows;

- Maturity stage: This stage indicates that the NGO is functioning and is sustainable, with a diversified resource base and partnership relationships with national and international networks.
- Expanding stage: The NGO has demonstrated a record of accomplishment; its constituency, the government, the private business sector, and other NGOs active in the same sector recognise its work.
- Emerging stage: The NGO is developing some capacity. Functioning structures are in place such as for governance, management practices, human resources, financial resources and service delivery.
- Nascent stage: in this stage, the NGO is in the beginning phase of development. All the components measured by OCAT are in rudimentary form or non-existent (Booth & Morin, 1996, p. 5)

Figure 6 above provides a representation of the four stages. The following section now focuses mainly on the seven generic components of the tool. Furthermore, a brief summary discussion is provided on the 27 sub-components that were evaluated in this research.

3.2.3 The seven components of organisational effectiveness.

An important aspect to highlight here is the meaning and need for organisational assessment (OA). Alexicon (2011, p. 1) defined OA as the “systematic process for obtaining valid information about the performance of an organisation and the factors that

affect its optimum performance”. A statement by Lusthaus and Adrien (1998, p. 5) supports this, indicating that an organisational assessment is implemented to address performance issues. Thus, Fowler, Goold and James (1995, p. 2) refer to OA as not an end in itself, but a means to an end. There is a measure that requires a number of prerequisites to be satisfied to ensure that OA is not a process that contributes to resource wastage, or which gives unrealistic expectations due to lack of commitment.

Research by New Partners Initiative Technical Assistance NuPITA/ USAID (2011) debates that a well-tailored OCAT assists an organisation in “assessing their management systems, service delivery processes, and ensures compliance with donor policies and regulations”. It is against this backdrop that an OCAT was developed to assess the capacity of the four organisations rather than that of individuals. The tool takes a holistic approach to capacity building, supporting the organisations in designing and delivering quality services to clients and beneficiaries and in developing comprehensive systems that meet accepted management standards. In this regard, the tool was used to assess the capacity of three organisations on three occasions during the study. It measured OCAT’s seven (7) components and 27 sub-components. The following section chiefly provides a discussion on the seven components that are outlined in the table below entitled *the seven components of organisational effectiveness*.

Table 6. Seven Components of Organisational Effectiveness

Organisational Capacity Assessment Tool – Components and Sub-Components	
1. Governance Executive committee/board/trustees Vision/mission Constituency Leadership Legal status	2. Management Practices Organisational structure Information systems Administration procedures Personnel Planning Programme development Programme reporting
3. Human Resources Human resource development Staff roles Work organisation Diversity issues Supervisory practices Salaries and benefits	4. Financial Resources Accounting Budgets Financial and inventory controls Financial reporting
5. Mission Competence Sectoral expertise Constituency ownership Impact assessment	6. External Relations Constituency relations Inter-NGO collaboration Government collaboration Donor relations Public relations Local resources The media
7. Sustainability Project/Programme benefit sustainability Organisational sustainability Financial sustainability Resource base sustainability Involvement in NGO fora	

(Booth & Morin, 1996, p. 6)

3.3 Components and Sub-components of the Organisational Capacity Assessment tool.

The tool developed and used in this study assessed and measured the following seven components:

- Governance
- Management practices

- Human Resource Management
- Financial Resources
- Service Delivery
- External Relations
- Sustainability

3.3.1 Governance.

The concept of governance simply refers to the provision of leadership and direction to an organisation (Booth & Morin, 1996, p. 5). According to Bojic (2011), governance is a decision-making and implementation. It entails quality dimensions or principles such as, transparency, accountability and the rule of law, in a specific context. Moreover, governance has different models that are either state-centric or some that are more society-centred (Katsamunska, 2016, p. 133; Muller, 2017). In this case, governance in this research relates to the latter, in which a board of directors, or other oversight body, and management shape the process of governance. In the NPO, the board acquires and protects the organisation's assets and importantly steers the overall policy direction in such a way as to achieve the organisation's mission. In addition, governance also implies upholding an independent oversight of the management and ensuring effective strategic planning is in place to achieve the mission of the organisation (Booth & Morin, 1996, p. 45). Thus, governance of an NGO becomes a collective responsibility.

The balance of power and authority are key ingredients of boards in order to avoid some members dominating the decision-making process. Relevant skills, experience, and diversity in demographics to enable them to operate effectively, should also be in place as, it contributes to good governance (Hendricks, 2008, p. 185). It also makes it easy for each

individual member of the board to take his/her responsibilities seriously and to contribute to the boards overall functioning (Moshman, 2008).

Every organisation needs to have a clearly defined vision statement, mission statement, strategy, goals, and objectives. A vision focuses on what the organisation wants to become; mission focuses on what the organisation is and what values they have; strategy outlines how the organisation will achieve its vision and lastly, goals and objectives gauge organisations success. Darbi (2012, p. 95) postulates that, “mission and vision statements have been overwhelmingly accepted as an indispensable part of the strategic management process for organisations of all types; be it public sector, not-for-profit, private, for profit, a multinational or a small and medium scale enterprise”. Beth (2009, p. 1) in support is of the view that since the vision and missions are part of an organisation’s strategic planning, the board of directors must approve and communicate to the team members and other stakeholders.

Moreover, Hendricks (2008, p. 185) highlights that an organisation’s vision, mission and strategic objectives should be in line with the services it renders to its beneficiaries, and its activities must also reflect and attract sufficient funding (Hendricks 2008, p. 185). In summary, mission and vision statements have a huge impact on strategy and other aspects of organisational performance (Darbi, 2012, p. 95). A pertinent issue that cannot be ignored is the fact that an organisation must ensure it is registered under a country’s legal requirement. For example, legislation such as the Non-profit Organisation’s Act (Act 71 of 1997) in South Africa outlines significant detailed framework for the creation and operation of civil society organisations (Camay & Gordon, 2004). Details on requirements of this legislation have been presented in Chapter Two.

Transparency, accountability, effective management, and rule of law are essential components of good governance (NuPITA/ USAID, 2011). Good governance in NGOs

means responsible management of an organisation's resources (NuPITA/ USAID, 2011). The United Nations Development Programme [UNDP, 1997], cited in Hill (2013, p. 17), states that good governance is comprised of complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their obligations and legal rights, and enable mediation of their differences. Based on this argument, an institution should acknowledge that many actors are involved, forming an interdependent network, in the process of attaining and maintaining good governance.

In summary, governance best practices in an NGO should include the following aspects: a clear vision and mission to drive the organisation; an organisational structure aligned with its mission statement; board members who are involved and capable of guiding the organisation; the organisation is legally registered and compliant with tax laws; and a succession plan is in place (NuPITA/ USAID, 2011, p. 5). Therefore, the OCAT aim regarding the domain of governance would, for example, be to assess an organisation's motivation and stability, and review its guiding principles, structure, and oversight (NuPITA/ USAID, 2011, p. 5).

3.3.1.1 Application theory to the research. In this research project, the tool assessed three organisations in relation to their compliance to the component governance through the lens of its three sub-components, that are:

1. Board / Directors / Trustee Committee: in this sub-component, seven questions were posed. For example, is there evidence that the Board is involved in the policy and procedure framework?
2. Mission and Goals: in this sub-component, seven questions were posed, for example, does the organisation have a clearly written vision and mission statement?
3. Legal requirements: in this sub-component three questions were asked. For example, is the organisation registered according to relevant legislation e.g. NPO?

3.3.2 Management practices.

Management means “getting things done effectively through people” (McLean, 2006, p. 16). According to Ng (2011) management practices is defined as the working methods and innovations that a manager should possess to enhance the work systems. These management practices include introducing schemes for improving quality, new technology, and empowering staff. Modernist management scholars such as Taylor and Fayol argue that, management refers to a rational science in which improvements in efficiency could be shaped by the “right” (sic) changes to structure and process (Lewis, 2006, p. 14). In addition, it involves ensuring that the right management policies are in place to create higher levels of productivity, profitability, innovation, and growth (Bloom et al., 2017). In an NGO set-up, management practices are mechanisms planned to coordinate the activities and facilitate processes within an organisation (Booth & Morin, 1996, p. 5). This requires practical policies to be instituted and adhered to.

From a general context “management is an art and science that encompasses all activities within an organisation” (Eze, 2015, pp. 4–5). It is about managing people and resources in an organisation. Thus, management is a continuous process of putting various activities in place that are needed to achieve a specified and uniform objective (Eze, 2015, p. 34). Thus, it involves more than “administration of business concerns or public undertakings” (Üsdiken, Engwall and Kipping, 2016, need page reference). Management practices are compulsory in every organisation to ensure a smooth running of such an organisational set up. Failure to properly manage, plan and control contribute to failure to achieve set goals and objectives of the institution. Thus, good management practices need to be established (Eze, 2015, p. 34).

Booth and Morin (1996) state that when assessing management practices, a non-profit organisation should focus on its management systems. In this case, management systems refer

to the “mechanisms used to coordinate activities and facilitate processes within the organisation. These systems include planning, programme, information, human resource and personnel administration, budgeting and accounting, financial reporting and control, and purchasing and material provision” (Booth & Morin, 1996, p. 45). It is important to highlight that the planning process entails refining the vision and mission of an NGO and determining the long-term strategies that should be followed to achieve its mission. Planning further focuses on translation of the longer-term strategies into specific SMART objectives (Booth & Morin, 1996, p. 45)

NuPITA/ USAID (2011, p. 11) argue that quality leadership in any organisation determines sustainability and strength of any organisation or institution. An important domain is that which looks into both internal and external functions in an institution, for example, how it plans with staff and stakeholders, and how it guarantees its future financial sustainability (NuPITA/ USAID, 2011, p. 11). Strategic plans need to reflect a mission statement and inform work plans, processes to manage change and seek new opportunities, measures for sharing information and best practices, and clear internal communications structures and staff participation in decision-making (NuPITA/ USAID, 2011, p. 11). Ranasinghe (1999) and Dobre (2013) propose that key aspects of management practices include an institution contribution to customer satisfaction, internal process efficiency, performance improvement and future development.

Management practices in a non-profit organisation face a challenge of bureaucracy due to a lack of adequate management structures or absence of processes (Girei, 2011). This contributes to transparency issues (Adeh, 2004). In support of this statement Smith and Lumba (2008, p. 149) outline a number of factors that influence management practices in an organisation, such as the financial situation, emerging technologies and governmental, economic, political, social and education factors. Maluleke (2012) argues that some

organisations use the administration domain in place of management practices. For example, NuPITA Project used the OCAT to assess different organisations’ “functionality by measuring the quality of their administrative systems. This included assessing their capacity to develop and apply policies and procedures, and the extent of staff knowledge and understanding of these systems” (NuPITA/ USAID, 2011, p. 7). A question was asked regarding identifying whether the staff had full knowledge and understanding of the following: administration, travel arrangements, procurement, fixed assets, and branding/marking (NuPITA/ USAID, 2011, p. 7).

3.3.2.1 Application theory to the research. In this research project, the tool assessed compliancy to the component management practices and its eight sub-components, as outlined in the table below.



Table 7. Assessment Compliance to Management Practices

Assessment: Compliance to Management Practices	
Management practice	Key areas and examples of questions asked
Management Committee	Three areas were addressed e.g. Is the management committee constituted according to the organisation's governing document?
Systems and Procedures	Six areas were addressed e.g. does the organisation have a system of monitoring and evaluating community satisfaction?
Organisational Structures and Culture	Four areas were addressed, e.g. does the organisation have an organogram?
Planning	One area was addressed, that is, is there evidence that management reviews plans and updates them accordingly?
Personnel	Three areas were addressed, e.g. does the recruitment process comply with legislation and does evidence show it is consistently applied?
Programme Development	Three areas were addressed, that is, do plans incorporate monitoring, evaluation and reporting activities?
Administration Procedures	Three areas were addressed, e.g. are procedures and operating manuals reviewed annually and updated as necessary?
Programme Reporting	One broad area was addressed, that is, is management able to prepare activity reports?

Assessment compliance to management practices – key areas and examples of questions asked.

3.3.3 Human resource management.

Human resource management (HRM) is a “strategic and coherent approach to the management of an organisation’s most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives” (Armstrong, 2006, p. 4). Definition supported by Haslinda (2009, p. 180) in that HRM focuses on managing human talents to achieve its overall purpose, that is, achieving success through its

team. This may include staff members, volunteers, donors and board members who have skills, motivation and opportunity to contribute to an organisation vision and mission (Booth & Morin, 1996, pp. 5, 46). Booth and Morin further argue that, mechanisms for job organisation, work allocation, decision-making, communication, conflict resolution and meeting protocol are also a part of human resource management (Booth & Morin, 1996, p. 46). Thus, HRM becomes a continuous process, for the reason that change is constant in an organisation and affects every member (Tyler, 2006).

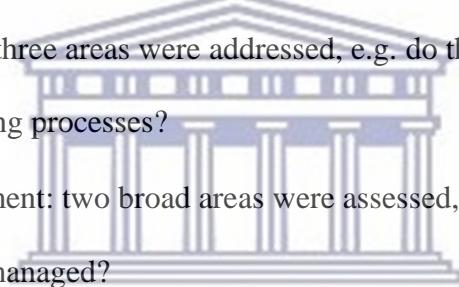
Employees are considered an organisation's most critical assets, because without them, numerous functions in an organisation, including making business transactions, communicating through all forms of media, and dealing with customers, would not be implemented (Haslinda, 2009, p. 180). In addition, staffing focuses on selecting the best people for the job and further enhancing their knowledge, attitudes and skills. In this regard, developing people entails "the work a manager performs to help people improve their knowledge, attitudes, and skills" (Allen 1964, cited in Stretton, 2015, p. 7). Moreover, a team or group development is also crucial, and Lippitt (1982) as cited in Stretton (2015, p. 7) refers to this as efforts to ensure "individuals are being trained as members of a group so that they can learn to function together in their organisational relationship". This should include voluntary staff to run their activities and programmes effectively and efficiently.

According to Batti, (2013, p. 87) organisations are becoming increasingly aware that human resources are important assets. However, when it comes to adopting acceptable HRM practices, in many NGOs it receives less commitment. Batti (2014) emphasises the need for NGOs to commit to staff satisfaction, commitment, development and motivation in order to attain set objectives. An NGO making use of the OCAT evaluates an organisation's HRM status in the following areas: if job descriptions are clearly defined and updated; the organisation has clear recruitment procedures; and approaches for retaining staff; personnel

policies and procedures are clearly documented and supportive; timekeeping procedures are in place to provide data for better planning and budgeting; and whether performance appraisals are conducted and documented annually (NuPITA/ USAID, 2011, p. 9).

3.3.3.1 Application of theory to the research. In this research project, the tool assessed the three organisations compliancy regarding component staff and its four sub-components component that is;

- The Staff Development: four areas were addressed, e.g. is staff development based on needs identified in annual staff appraisals?
- The Staff Management: five areas were addressed, e.g. are policies and procedures in place to guide the management of staff?
- Work Organisation: three areas were addressed, e.g. do the staff members participate in the decision-making processes?
- Volunteers Management: two broad areas were assessed, e.g. is there evidence on how volunteers are managed?



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3.3.4 Financial resources.

Financial resources resort under the broader term of financial management. The latter focuses on how institutions finances are managed, which can have a positive or a negative impact on all management systems and financial matters. Booth and Morin (1996. p. 5) reason that financial resources refer to “resources required for purchasing goods and services needed to conduct an organisation’s affairs, records and accounts for transactions and monitoring and reporting on its financial status. Thus involves adequate resources and necessary cash flow, a diverse resource base and long-term plans for meeting resource needs”. For this reason, financial plans need to be in place and “linked and tailored to each specific organisational goals; and if they are well-functioning and compliant, it attracts key

partnerships and help leverage resources to strengthen sustainability” (NuPITA/ USAID, 2011, p. 13). According to Ott (2001), budgeting, accounting, financial reporting and management control are considered most essential tools for responsible governance, accountability, planning and management in non-profit organisations. Alin et al., (2006) states that good financial practices enhance the effective and efficient use of resources; assist NGOs to be more accountable to donors and other stakeholders; helps organisations to gain donor and beneficiary confidence; the NGO has an advantage in competition for increasingly scarce resources; and they help NGOs prepare themselves for long-term financial sustainability (Alin et al., 2006).

Despite many non-profit organisations having increased their awareness and commitment to fund-raising and other alternative approaches to seek donor commitment, they continue to acknowledge that lack of funds affect their operations (Viravaidya & Hayssen, 2001, p. 1). Lekorwe and Mpabanga (2007, p. 18) added that a lack of financial resources is considered one of the major factors that negatively affect the general operations and sustainability of non-profit organisations, mainly due to a reliance on donor funding. These issues can be addressed through their committing to building strong partnerships with the communities (such as in-kind, fee-for-service) and with the private business sector to generate own funds, and avoid failure of programme/projects if any one of the source ends. According to Booth and Morin (1996, p. 47) non-profit organisations management should be keen to comply with legal, fiduciary, and labour regulation of its operations. For example, South Africa currently has a myriad of laws that govern the non-profit sector as has been presented in Chapter Two.

Thus, the OCA tool can be used to determine if an NGOs financial resources domain objective is being used to “measure the organisation’s ability to develop and apply financial policies and procedures, examined the existence and quality of financial systems, and assess

how well staff know and understand them" (NuPITA/ USAID, 2011, p. 13). Emphasis should be in all categories across the organisation if in compliance with rules and regulations regarding all financial systems, policies, and procedures in the organisation (NuPITA/ USAID, 2011, p. 13). As highlighted earlier in this chapter, the board of directors has a responsibility to ensure that matters of financial resources of the organisation are taken seriously as a requirement for achieving financial sustainability.

3.3.4.1 Application of theory to the research. The tool in this research project was therefore used to determine compliancy within the component human resources and its five sub-components. Thus, how these aspects significantly contribute to sustainability of the organisations under study. The five sub-components included:

- Accounting practices: this section had six areas that were explored, for example, are financial procedures and reporting systems in place?
- Budgeting practices: this section had four areas that were explored, for example, is budgeting linked to annual plans? In addition, is there evidence that the annual budget is implemented and monitored on monthly basis?
- Stock control practices: this section had two broad areas that were explored, for example, do stock control systems exist and are they followed? In addition, are ordering systems in place and being used.
- Financial reporting practices: this section had four areas that were explored, for example, are annual financial statements prepared according to legislative guidelines?
- Diversification of income base practices: this section had three areas that were assessed, for example, is there evidence that the organisation has diversified funding sources for sustainability?

3.3.5 Service delivery.

Fox and Meyer (1995) in Nealer (2007, p. 148) argue that service delivery relates to provision of both tangible goods and intangible services in a community. Booth and Morin (1996, p. 5) are of the view that service delivery in NGO refers to whether existing programmes, projects and services carried out by NGOs are appropriate, most effective and of quality. Service delivery is therefore the most sought indicator of the success and effectiveness of an NGO, postulates Booth and Morin (1996, pp. 5–47).

Researchers acknowledge the crucial roles NGOs offer through many services that address and resolve issues such as those that affect sustainable development, political emancipation and participation of communities (Zaidi, 1999; Yagub, 2014; Mazibuko, 2000). Zaida further acknowledges, “NGOs were considered to be part of the alternative development paradigm because the state, its institutions, and public policy were unable to address a host of issues of underdevelopment”. Non-governmental organisations deliver goods and services to the most vulnerable in our communities. For example, the United Nations High Commissioner for Refugees deals with refugees’ welfare; as compared to governments across the world as argued in Werker and Ahmed (2008).

However, non-profit organisations face many challenges in their commitment to offer services, as highlighted in Hendrickse (2008, p. 44) and Maboya (2016):

- insufficient planning, organisation and management;
- inability to collaborate with other role-players effectively;
- inability to replicate projects and ensure sustainability;
- inadequate staff training; and
- a lack of coordination in the efforts of NGOs.

The above challenges need to be avoided or dealt with appropriately. For example, the Constitution of the Republic of South Africa requires that appropriate structures and

institutions be established, promoting and facilitating intergovernmental relations for effective and efficient service delivery (South Africa, 1996).

According to Booth and Morin (1996, p. 47) when using the OCAT, NGO requirements for effective and efficient service delivery may include the following:

- That Technical and Sectoral Expertise is available on current information about sectoral theory, methods and techniques; skill in applying the information; and access to specialized sectoral assistance when necessary;
- Conducting Impact Assessment: identifying baseline information about the conditions that an NGO program is attempting to address, measurable objectives, and clear indicators with which to monitor and measure the success of a program; and
- Ensuring Constituency Ownership of and Participation in a Program: beneficiaries become partners in all the processes of programme such as; defining the problems, identifying solutions, and choosing appropriate and relevant methods with which to resolve them. Constituent involvement ensures the validity of a service, assure -that real needs are met, and could lead to eventual cost-recovery through community support.” (Booth & Morin, 1996/2001, pp. 5–48).

Worth noting is that some OCAT analyse Project Performance Management (PPM) in place of service delivery. In this case, the objective of the PPM would be to assess “the organisation’s systems for overseeing field activities, for setting standards and monitoring actual performance against them and for setting indicators and monitoring progress toward achieving outcomes” (NuPITA, 2012, p. 65). Moreover, NuPITA states that Project Performance Management best practices in NGOs should ensure that organisations operate with a realistic work plan and budgets. Monitoring and evaluation systems have to be in place to track progress. Also, relevant systems oversee field office administrative and programme operations, service delivery standards are documented and utilised to monitor performance and supportive supervision is provided to staff and partners (NuPITA, 2011, p. 17).

3.3.5.1 Application of theory to the research. In this research project, the objective of the assessment was to determine the organisation’s ability for effectiveness and efficiency of

service delivery. For this reason, the component service delivery and its two sub-components compliancy were evaluated: (i) how the organisation responds to the needs and expectations of the community it serves – for example, does the organisation have the capacity to provide Home Based Care (HBC)? And (ii) the organisation’s ability to network and build relationships – for example, is there evidence of access to and networking with a multi-disciplinary team providing patient care?

3.3.6 External relations.

This component relates to existing collaborations that take place between development partners and the organisation other than in the context in which it carries out its operations (Booth & Morin, 1996, p. 5). These authors further argue that the NGOs should be aware of and respond appropriately to its external context, including the socio-economic forces and political climate, including other forces. Furthermore, to attain strong collaborative supportive relationships within the larger context, the NGO needs to establish a good record of positive accomplishments with their beneficiaries, and a wider network of partnerships with donor agencies, the government and NGOs active in the geographic areas and same sectors (Booth & Morin, 1996, p. 48). However, Keengwe, Mgeka and Adam (1998, p. 3) criticise the relevance of external relations in NGOS, arguing that “NGO’s represent institutional forms governed more by external relationships than relationships within own societies”.

According to an article by Mulgan (2006), there are opportunities for NGOs, funders and governments to achieve more together through collaboration and collective impact. Therefore, stakeholder assessment needs to be undertaken to identify relevant key stakeholders and form beneficial relationships with the environment in which the

organisation operates. It is also important to analyse a description of the dynamics between the identified stakeholders (Carrol & Buchholtz, 2006, p. 71).

The nature of relationships among stakeholders should also be assessed, such, as needs, expectations and interests (Mainardes, Alves & Raposo, 2014, p. 1875). Furthermore, collaboration between an organisation and the government under which it operates should also be assessed. This can be defined as organisations' *joint activity* or *working together* and sharing resources and responsibility for common goals and purpose (Green and Matthias, 1997). Nevertheless, (Mulgan, 2006, p. 4) cautions that collaboration can be frustrating, imperfect and time-consuming.

A media strategy becomes important in the organisation as it promotes good governance (Sharma, 2010, p. 84). Julie (2007) argues that, constant communication of the organisation with its environment on its operations and how it is performing is vital. Thus, NGO long-term sustainability can be enhanced by a media strategy that is clearly identifiable, predetermined and with actual outcomes (Sharma, 2010, p. 84).

3.3.6.1 Application of theory to the research. In this research project, under the component external relations compliancy to the component and its five sub-components were assessed as highlighted below:

1. Stakeholder relations: four areas were evaluated, for example, is there evidence of the organisation's acceptability in the community?
2. Government collaboration: two areas were evaluated, viz., is there evidence that the organisation has regular contact with local government representatives? In addition, is there evidence that the organisation has a plan for advocacy with government departments?

3. Funder collaboration: two areas were evaluated, viz., does the organisation have evidence that they are viewed as credible by funders? Moreover, is there evidence that the organisation has engaged their funders in dialogue regarding service delivery?
4. Local resources: three areas were evaluated, viz., is there evidence that the organisation is supported by the local private sector? Is there financial support from the locals? In addition, is there evidence of local usage and application of local technical expertise?
5. Media: two areas were evaluated, viz., does the organisation have a strategy to work with the media? In addition, is there evidence of the implementation of a media strategy and does the organisation have a strategy to work with the media, for example, newspaper articles)



3.3.7 Sustainability.

Sustainability refers to “achieving success today without compromising the needs of the future” (Boudreau and Ramstad, 2005, p.129) while ensuring that the business of an organisation is kept going at the same time (Colbert and Kurucz, 2007). According to Booth and Morin, (1996, p. 49) sustainability concerns long-term continuation of a project, programme or an organisation, and its status is achievable when emphasis is placed also on the other six components of OCAT discussed above: namely, governance, management practices, human resources, financial resources, service delivery and external relations funding. Hailey (2014) maintains that a sustainable NGO should be in a position to continue to fulfil its mission to offer services to its beneficiaries and supporters over time. Thus, sustainability is an “ongoing process, rather than an end in itself – a process that involves the interaction between different strategic, organisational, programmatic, social and financial elements” (Hailey, 2014, p. 1).

An organisation needs to contribute to strengthening the NGO sector and the viability of individual organisations. Its status can be enhanced through interaction with other stakeholders with similar or shared vision and expertise. Information sharing with umbrella organisations and networks, and participation with other stakeholders in the development process, are also key contributions (Booth & Morin, 1996, p. 5).

Financial sustainability is a key aspect, requiring identification of, and improved access to diversified resources; innovative fund-raising approaches; implementing cost-recovery and incoming generation initiatives; and shaping partnerships with government, other NGOs and the private business sector to assure long-term survival (Booth & Morin, 1996, p. 49).

A responsible management function requires that a succession plan be put in place to avoid failure to continue delivering quality services. Fung (2009) defines succession planning as “the ongoing process of systematically identifying, assessing and developing talent to ensure leadership continuity for all key positions”. Mamprin (2005) concurs with this definition arguing that it entails plans to replace one leader with another. However, succession planning remains one of the challenges that face many organisations (Fung, 2009; Mamprin, 2005).

3.3.7.1 Application of theory to the research. In this research project under the component sustainability, compliancy to the component and its four sub-components was evaluated to establish whether the organisation has:

1. a succession plan for key personnel and volunteers;
2. evidence of awareness and discussion at board and management level regarding change management;
3. evidence that the organisation knows what it costs them to deliver their service e.g. cost per patient/ month; and

4. evidence that the organisation has identified income generation projects.

3.4 Conclusion

This chapter concentrated to some extent on theorising the Organisational Capacity Assessment Tool (OCAT). The tool is widely used by many non-profits as an innovative technique in response to a need to examine their organisational capacity to offer services to their beneficiaries. An introduction background to the tool was provided. However, the entire chapter discussion focused on the tools of seven generic components, viz., Governance, Management Practices, Human Resources, Financial Resources, Service Delivery, External Relations and Sustainability. Moreover, at the end of every component, the researcher highlighted/summarised the twenty-seven components and some of the aspects covered in efforts to assess the three organisations compliancy to the main component and their sub-components. A discussion on the actual findings is discussed in Chapter Four.



Chapter 4

Research Findings and Discussion

4.1 Introduction

This chapter presents the findings of the data collated from different respondents through a longitudinal study on four NPOs, namely: Kids Care, Mmasebambane, Refilwe Orphan Care and Tshepong Disability Centre.

These organisations are located in the Cullinan and Bronkhorstspruit areas of the Gauteng Province (see Figure 7 below). Data were analysed thematically, providing key themes that answered the research questions based on the data gained from the research tool (See Annexure 1) and line graphs presented in support of qualitative findings. A discussion on the assessment scoring steps is presented below in section 4.2.

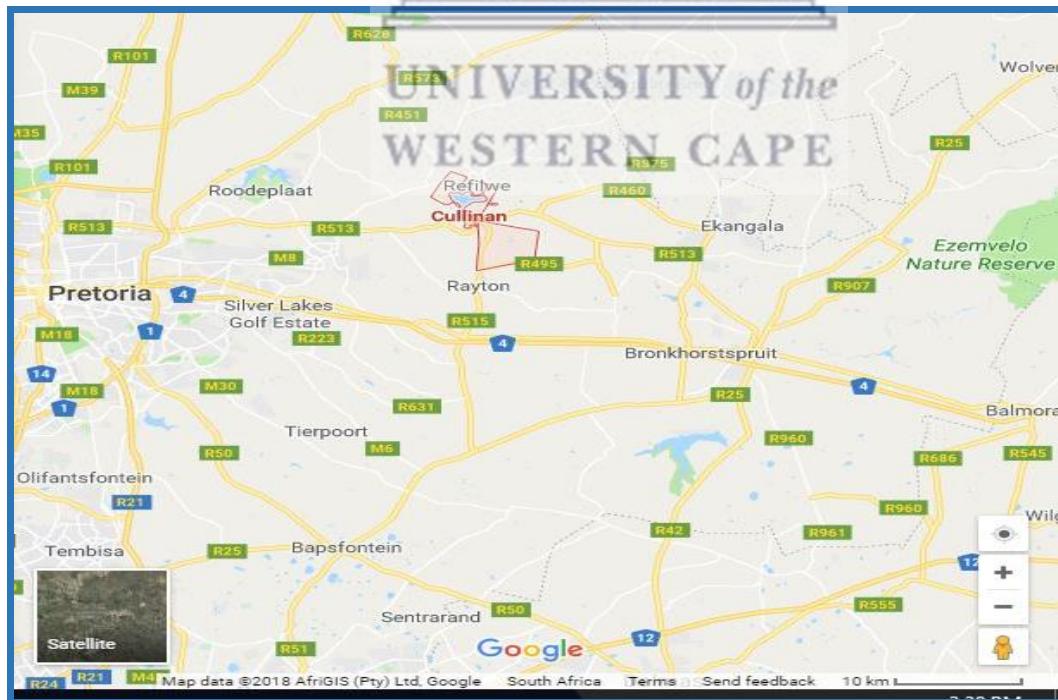


Figure 7. Map of the Cullinan and Bronkhorstspruit Areas of the Gauteng Province

The four organisations were located in the Cullinan and Bronkhorstspruit areas.

4.2 Process and Ratings

The organisations involved in this study underwent three assessments. The initial assessment was aimed at getting a baseline. The results of this assessment were used to draft a development plan for the organisations. The development plan included mentoring, capacity building and training of key staff; thereafter, staff were requested to implement the knowledge acquired. The case-study organisations also went through an interim assessment and the same process of mentorship, capacity building and training was followed with another period provided for implementation. They were consequently taken through a final assessment to measure overall growth, or lack thereof.

The OCAT had a rating scale of zero to two; however, it made provision for areas that were considered not applicable to avoid chances of penalising the organisations unnecessarily. Zero represents non-compliance with the component and sub-components, one represents partially compliant with the component and sub-components and two represents compliance with the component and sub-components. Table 8 below illustrates the rating process.

Table 8. Assessment Tool Rating Criteria

Rating	Meaning	Criteria
Zero	Non-compliant	<ul style="list-style-type: none">▪ There is no policy, procedure or strategy in place. There is no evidence of implementation.
One	Partially Compliant	<ul style="list-style-type: none">▪ There is a policy, procedure or strategy in place but no evidence of implementation.▪ There is evidence of implementation but no policy, procedure or strategy.
Two	Compliant	<ul style="list-style-type: none">▪ There is policy, procedure, strategy and documented evidence of implementation in place.

4.3 Biographical Information

A total of eight board members, two from each of the four organisations, were interviewed. These members had served as board members in the organisations for at least 3 years. Five managers/chief executive officers who had served their organisation for at least 5 years were also interviewed. Furthermore, fifteen heads of departments and senior staff were interviewed. All these participants had worked in these organisations for varying numbers of years, providing their experience and skills to ensure smooth functioning of the respective NPOs. In addition, one representative of funders was interviewed.

4.4 Governance Key to Sustainability of NPOs

One of the key research aims was to assess compliance with and clarity of three components in each organisation, that is, board of directors/trustee committee, mission and goals and their legal requirements. As literature has shown in Chapter Three, for every NPO to be sustainable there should be compliance particularly when it comes to these three components.

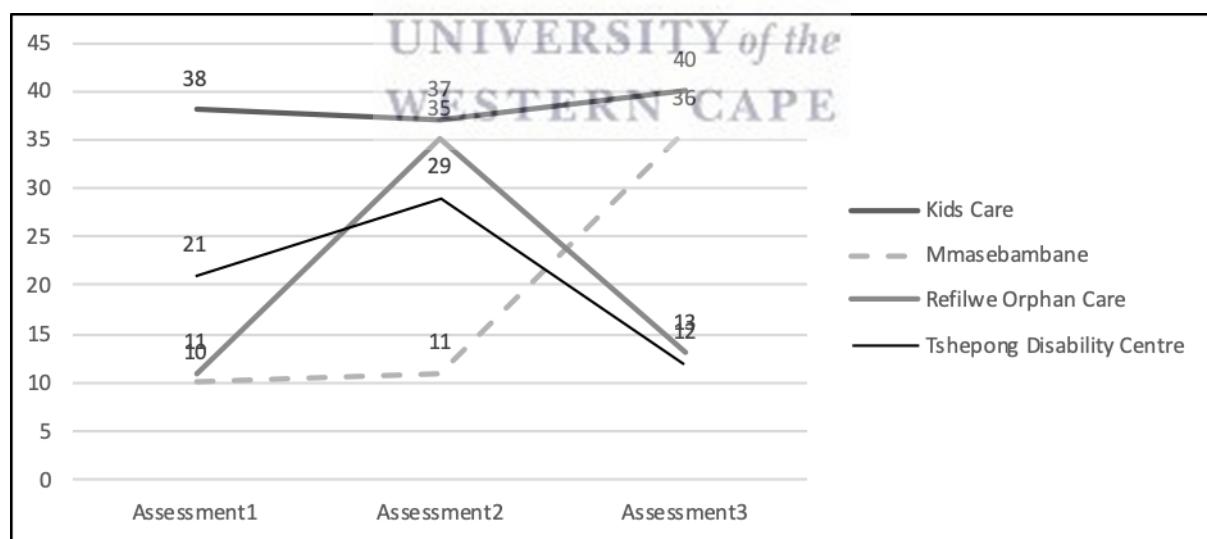


Figure 8. Governance Compliances and Clarity

Scores of the four organisations with regard to governance compliance and clarity

According to Moshman (2008, p. 1) an NPO board is very important as it is “legally, financially, and morally responsible for the organisation”. Figure 8 above clearly indicates that the organisation Kids Care’s levels of compliance were very high; in assessment one it scored 38, in the second assessment it had dropped to 37, and in the last assessment it scored the highest possible level of 40. In terms of the OCAT tool, this shows that the organisation has a solid board/ trustee team in place, their mission and goal statements were clearly defined and adhered to, and their legal compliance was within board and good governance practices.

Research revealed that the organisation Mmasebambane’s first assessment was below average as it scored 10 and there were no governance structures. In the second assessment, it scored 11, still below average. On a positive note, their compliance level rose exponentially before the final assessments, scoring 36. This shift was linked to the fact that a proper governance structure was instituted between the second and third assessment. Proper governance structures such as the board of directors, are crucial to the success and growth of an NPO. Its responsibilities are many, with its main task being to govern and oversee the operations of the organisation by acting as fiduciaries (Moshman, 2008, p. 1). Against a process-based perspective, Zhu et al. (2016) argue that board processes such as outside-board-meeting reviews, information utilisation and board meetings, influence organisational performance.

The Refilwe Orphan Care started out with a lower score of 11 in the initial assessment due to a weak governance structure. A notable improvement on the second assessment was evident with a score of 35. This positive improvement was associated with the strengthening of their governance structure. However, during the third assessment, it was found that the structure had disintegrated, hence reversing their compliance to the lowest, at 13. Researchers including Kim (2003), Abdulkadir (2014) and Baapogmah, et al. (2015) highlight common

challenges that face the NGO sector regarding common obstacles to good governance. These include a lack of professionalism among board members and inefficient financial controls.

The Tshepong Disability Centre showed good governance compliance as it scored 21 in the first assessment. Their compliance improved in the second assessment, scoring a 29. However, in the third assessment the governance structure had collapsed, resulting in a score of 12. The collapse was due to internal challenges within the body of directors. An issue highlighted in Kim's research (2003, p. 1) is that a common obstacle to good governance is a lack of professionalism among board members in an NPO. Bryson (2018) in his recent book postulates the need for NPOs' strategic planning that promotes principles of strengthening and sustaining organisational goals. This encompasses amicably resolving board related issues.

The results above clearly show that good governance in the NPO sector requires commitment in order to have a long-term impact on the sustainability of an organisation. Therefore, effectiveness and sustainability of the board of directors/trustee committee, mission and goals and legal requirements should be acknowledged as an important component in NPOs (Iwu, Kapondoro, Twum-Darko & Tengeh, 2015, p. 9562). Moreover, a board/top management's responsibility is to determine an NPO's effectiveness. This requires board members to be made up of professionals from diverse backgrounds so that they are able to identify new ventures for sustainability (Iwu et al., 2015, p. 9568). From the test scores of all the NPOs, it is clear that good governance is not only important for the day-to-day running of the organisation, but is also supported by literature that indicates that compliance with key components of governance leads to NPOs' sustainability. In this case, when an organisation has a functional board of directors/trustee committee, mission and goals and legal requirements are complied with; the NPO is likely to be more sustainable.

4.5 Management Practices

Management can be defined as a process of ensuring “things are done through others” (Mintzberg 2009, p. 168). Alfirević and Gabelica (2007, p. 25) concur with this definition in that management involves directing people to make efficient and effective use of available resources to achieve set objectives. However, Kaehler and Grunde (2019, p. 7) have recently argued that despite the concept being well-established and familiar among the practitioners and scholars, it remains vague against the backdrop that traditional text books on the subject fail to provide concrete characteristics to define it.

In this research, management practices are defined as activities performed by the managers. Thus, the research focused on measuring the compliance of the four organisations in seven key management practices namely: management committee; systems and procedures; organisational structures and culture; planning; personnel; programme development; administration procedures and programme reporting.

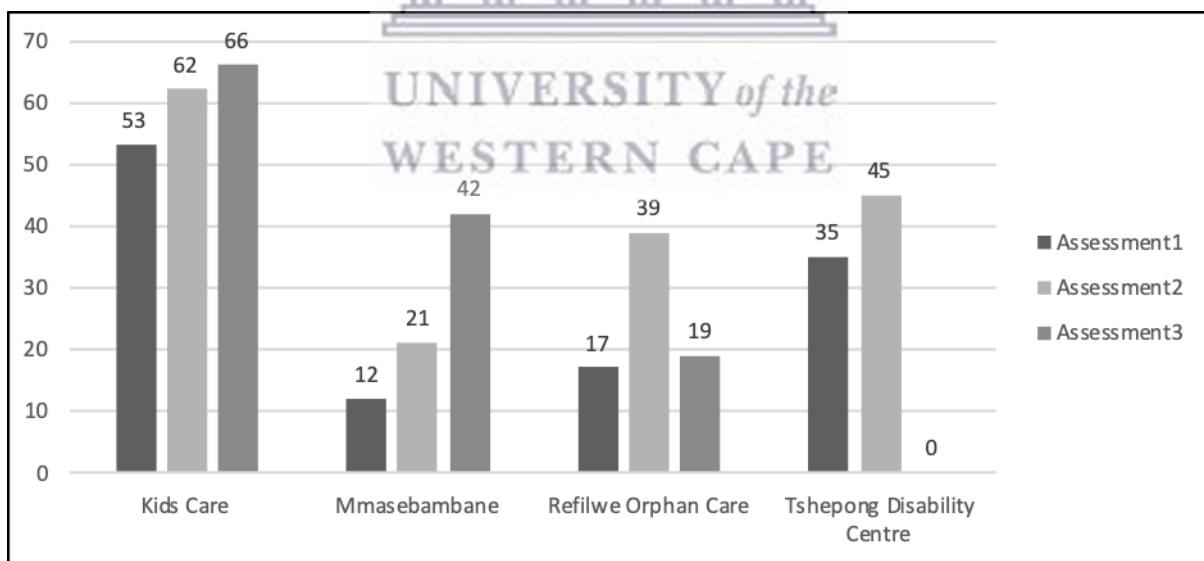


Figure 9. Management Practices

Scores of the four organisations with regard to management practices

All three assessments conducted on Kids Care reflected reasonably high scores in relation to management practices; 53, 62 and 66 respectively. Data showed that the increase in compliance was linked to strong commitment of the board being enhanced, and an enforcement of their systems and procedures. The board as a body offers overall responsibility for governing an organisation by overseeing and controlling its management (Muller, 2016). As shown under the governance section, Kids Care's board and other governance systems scored very high, hence it was most likely to positively influence the management practices. NPOs, in order to function and meet their intended mission and objectives, are required to perform management tasks effectively and efficiently (Lewis, Packard & Lewis, 2012).

Mmasebambane started with low performance in the first and second assessment, scoring 12 and 21 in compliancy respectively. These low scores were linked to the non-existence of the management committee in assessment one. NPOs need management committees that will perform management tasks efficiently and effectively, in order to function and meet their intended mission and objectives (Lewis et al., 2012). By the time a third assessment was conducted, a strong management committee had been established between phases two and three, thereby contributing to an improved score, increasing from 21% to 42%. On a positive note, research revealed that systems and procedures were strongly adhered to through the three assessment phases.

Refilwe Orphan Care scored a low score of 17 during its first assessment. This might be attributed to the lack of a management committee to steer the activities of the organisation as discussed earlier. As an effective board plays key roles such as ensuring that organisational direction and strategy are in place and followed, the lack thereof detracts from the necessary oversight of the CEO and financial resources and a generally low score in terms of management practices (Bryson, 2018). On a positive note, in the

second assessment, it was recorded that a management committee had been partially established, leading to a score of 39, reflecting a positive contribution to its management practices (for example, adherence to the organisation's systems and procedures). However, by the third assessment the management committee had collapsed and their compliance levels slipped back to a score of 19. Board members' ability to take their roles and responsibilities seriously requires commitment. Their mandate is action-oriented which, if properly executed, prevents its collapse (Bernstein, et al., 2015).

Tshepong Disability Centre compliance on the seven key management practices showed positive results in both the first (35) and second (45) assessments. In the third assessment, management principle practices had collapsed completely, leading to a score of 0%. This situation has a very negative effect on the overall organisation's existence. Internal control structures become crucial considering that they are processes, "affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of set objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations (USAID, 2011, p. 28). Board members' ability to take their roles and responsibilities seriously requires commitment. Stated earlier, board activities are action-oriented which, if properly executed, mitigate its collapse (Bernstein, et al., 2015).

The results have shown that where management practices are complied with, there is a likelihood that the NPO will meet its goals and objectives. The formation of a management committee such as at Mmasebambane, did indeed improve management practices, hence the result of a higher score. This implies that for every NPO to be successful, management practices must be adhered to and in most cases management committees must be established, who will steer the day-to-day running of the institution.

4.6 Staffing Matters Compliance

The researcher assessed compliance with regard to staff development, staff management, work organisation and volunteer management.

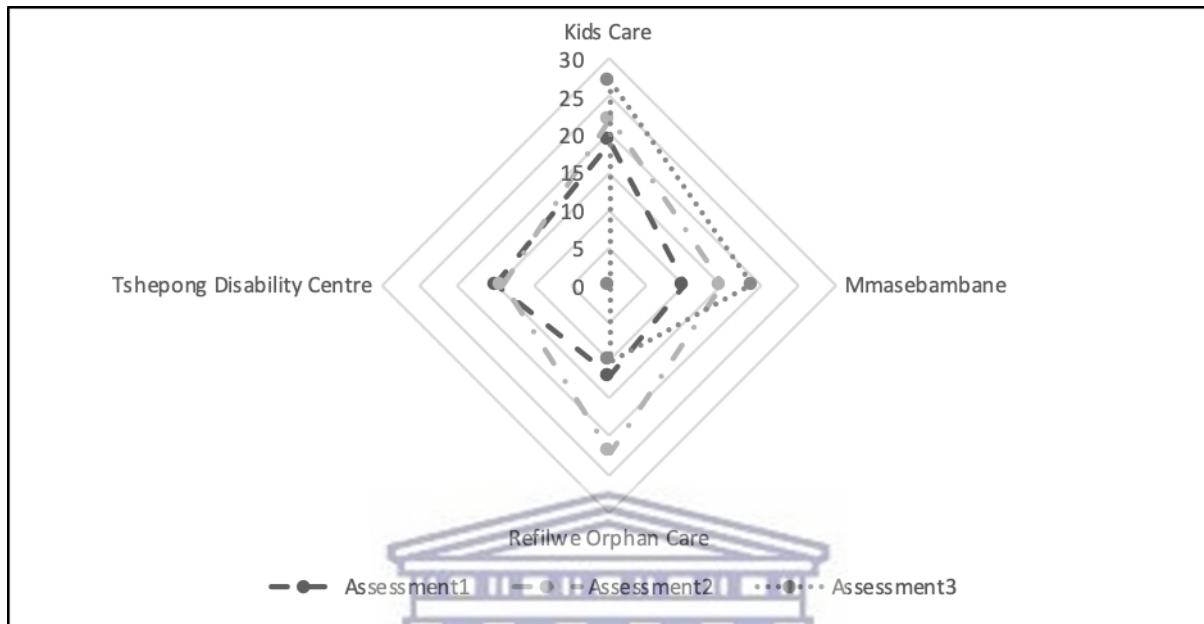


Figure 10. Staffing Matters

Scores of the four organisations with regard to staffing matters compliancy

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Research identified that Kids Care maintained its upward trend in this section with near full compliance in the third assessment. This is a significant improvement from the first assessment where the organisation scored just below 20. Mmasebambane showed some improvement from 10 in the first assessment to 20 in the final assessment. Staff-related issues plagued Tshepong Disability Centre during all three assessments and the organisation did not show any improvement. There is a possibility that the decline in governance and management as seen in the earlier sections could have had this directly negative impact. Recent research by Bartram et al. (2017, p. 1901) focuses on the “the growing importance of human resource management in the NGO, volunteer and not-for-

profit sectors”, and its potential to positively contribute to a healthy work environment and building healthy communities.

While Refilwe Orphan Care showed marked improvement in their compliance between the first and second assessments, these gains were reversed drastically in the final assessment. The biggest improvements in this section were staff development and staff management. *Learning before doing* is advocated by Mann, 1998, as cited in Analoui (2018). Mann believes that good human resource development creates an enabling environment that allows employees to learn along a continuum. Work organisation and volunteer management remained solid for the first two assessments but ultimately collapsed by the third assessment. The drop to just below 10 indicates the serious shock to the organisation.

These results imply that for an NPO to function optimally and increase the possibility of meeting its goals, there is need to strengthen human resources. This can be done through constant skills development and properly aligning duties with the requisite skills. In addition, volunteer services must be fully integrated within the staff complement.

4.7 Financial Resources

The assessment was conducted against five primary financial resource groups, viz., accounting, budgeting, stock control, financial reporting and diversification of income base. Figure 12 below shows the outcome of the four organisations.

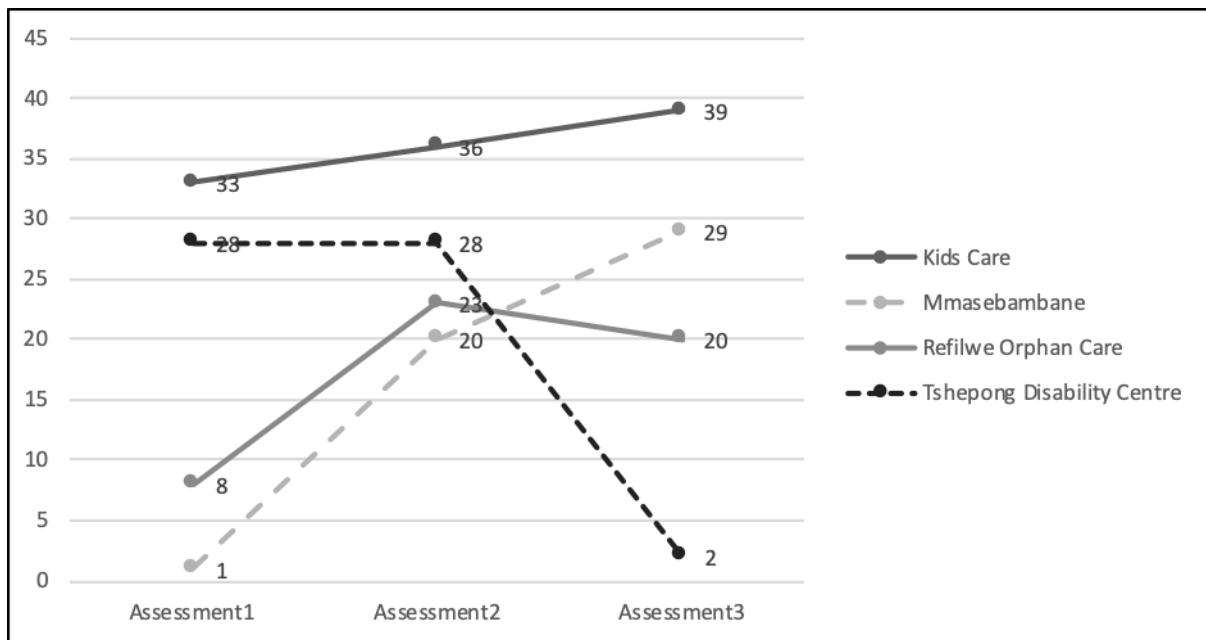


Figure 11. Financial Resources

Scores of the four organisations with regard to financial resources compliancy

Kids Care showed a constant rise in its compliancy with financial resources. It scored 33 in assessment one, 36 in assessment two and the high of 39 in the last assessment. In-depth analysis identified that its major strength was in its compliance with financial controls and wise investment of the available financial resources, in all the three assessments.

Compliance creates transparency and accountability, considering the fact that, “funding sources are often insufficient to meet growing needs and rising costs” in the not-for-profit sector (Viravaidya, 2001). The researcher is of the view that the ability of an organisation to adopt alternative ways of making money through commercial ventures, or investment of the available financial resources creates an organisational sustainability.

Mmasebambane also showed an exponential improvement from scoring just one in the first assessment to 29 in the final assessment. Key improvements that contributed to increased compliance were noted as being good accounting practices such as in budgeting and financial reporting. However, research found that diversification of the organisation’s

income base did not show any improvement throughout the assessment periods. This has a negative effect on the organisation and it contributes to dependency on donors. Davis (2013, p. 1) argues that, “NGO financial sustainability is a key challenge to ensure an effective NGO sector”. Therefore, “holding a mixed portfolio of investments rather than depending on a single investment to meet current and future income needs is necessary for financial sustainability” (Viravaidya & Hayssen, 2001, p. 5).

Refilwe Orphan Care started on a low (eight) compliance score. In the second assessment, an improvement was recorded (23); relating to establishment of financial accounting controls and processes compliance. However, in the third assessment it declined to 20. Research identified that in this last phase, budgeting was the only component that remained stable, whilst others faced challenges.

Tshepong Disability Centre showed a marginal improvement from 26 in the first assessment to 28 in the second assessment, before dropping sharply in the last assessment to just two. The challenges persisted, leading to collapse of financial elements mainly due to a lack of funding. This NPO faced a common dilemma that is most often due to a lack of funds and donations. A lack of funds or inadequate grants and donations affect implementation of current programme needs, or the ability to expand programme activities (Viravaidya & Hayssen, 2001, p. 1).

These findings reiterate the need for every organisation to have “clear, well-documented policies and procedures for financial management that are understood and used by staff members. It allows an organisation to function transparently and promotes integrity and accountability” (NuPITA/USAID, 2011, p. 18). Diversification of resources is critical in order to avoid dependency on donors or donations. As the results have shown; basic financial resources management such as accounting, budgeting, stock control, financial reporting and reporting and diversification of the income base need to be properly controlled. The study has

shown that organisations which score higher on financial resources management are likely to effectively conduct their functions and achieve their goals. On the other hand, those which scored lower, such as the Refilwe Orphan Care, are likely to collapse. The ability to also diversify sources of income will assist in maintaining sustainability and the overall impact the NPO will have on the target community.

4.8 Service Delivery Mandate

The service delivery assessment was done to determine the levels of expertise in the Core Business Home Based Care.

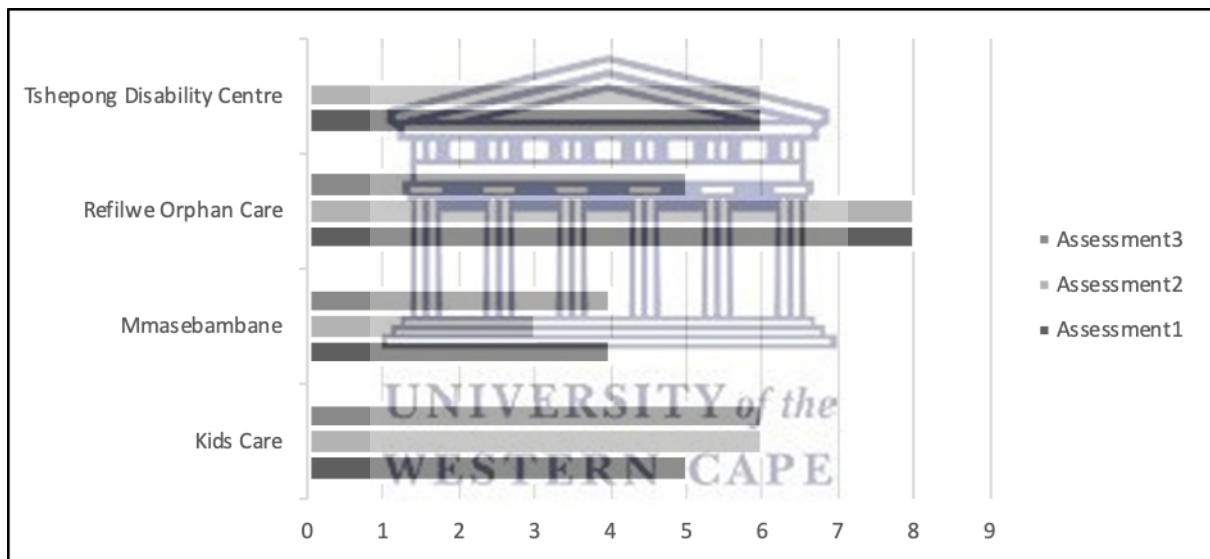


Figure 12. Service Delivery Mandate

The scores of the four organisations with regard to their ability to comply with their service delivery mandate

The study found that the Tshepong Disability Centre maintained an above average score of six in both the first and the second assessments. In assessment three, its ability to render its services had collapsed to just 0. This links to the previous discussion on financial resources, where it was highlighted that this organisation faced serious funding challenges. This is indicative of how NGO managers are required to find ways to increase

their financial security. Considering the fact that funding challenges are well understood by most NPOs, they should respond with appropriate strategies (Viravaidya and Hayssen, 2001, p. 3).

Refilwe Orphan Care started on a strong score in both the first and second assessments, as it maintained a full compliance of eight. However, it lost some ground in the third assessment, dropping to a score of five.

The study found that the organisation Mmasebambane did not fair very well in all three assessments. In assessment one the organisation scored three, in assessments two and three it showed an average score of four, thus in this case the researcher considers that all the assessments scores were weak.

The organisation Kids Care maintained an above average score for the duration of all three assessments. While in the first it scored around five, there was a slight improvement in the last two assessments to six.

Both Refilwe Orphan Care and Tshepong Disability Centre appear to have been more geared toward homebased care as shown by the high compliance scores in the first two assessments. NPOs play critical roles as they provide basic services and implement developmental programmes for needy communities. Thus, their capacity to fulfil multiple roles and functions ought to be acknowledged, valued and supported (Kuye & Nhleko, 2011, p. 99).

When NPOs are established, they are set to fulfil specific mandates. Results of the study have shown that amongst the three organisations, Tshepong Disability Centre's third assessment indicated that they were failing to fulfil their mandate. The implication of this is that once an NPO fails to render services it set out to achieve, its existence is also at stake.

4.9 Status of External Relationships

Assessments were made to determine compliance with regard to levels of external relationships. The categories considered included the following: stakeholder relations; government collaboration; funder collaboration; local resources, and relationships with the media. The figure below shows the overall scores for all the organisations.

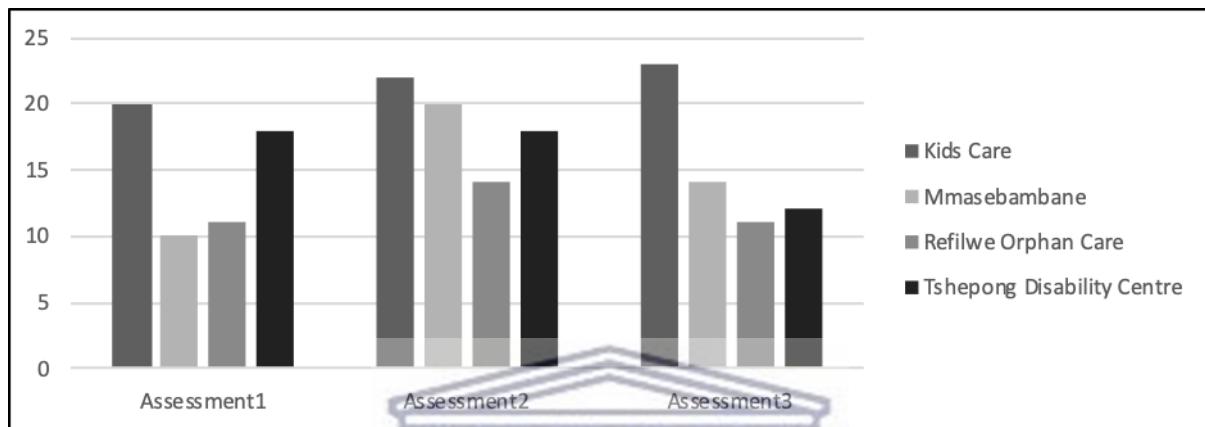


Figure 13. External Relationships

Scores of the four organisations in terms of compliancy with regard to external relationships

Research findings indicate that the organisation Kids Care had built strong relationships across the five categories. The compliance scores were 20, 22, and 23 respectively, mainly because there was strong governmental and funder collaboration during the three assessment phases. Research also found that the organisation had managed to increase their local resources between the first and second assessments. There was also recorded evidence that Kids Care had improved its commitment to media exposure.

On the other hand, Mmasebambane started on a below average score of ten. In the second assessment it scored a 20 and declined to 13 in the last assessment. Further details identified a fair amount of collaboration between the organisation and government and funders. It was also noted that its media strategy had improved in the second assessments, but it then began to fail to meet its mandate by the third assessment.

Refilwe Orphan Care scored 11 and 14 in the first two assessments and declined again back to 11 in the last phase. These weak scores are linked to weak collaboration with the government. On a positive note, research identified a fair amount of collaboration with its donor funders, which led to an increase in their local resources for sustainability of the organisation. On the other hand, this organisation failed to implement a media strategy which had a negative effect on the overall sustainability of the organisation. According to Sharma, an “NGO which can produce a media strategy with clearly identifiable, predetermined and actual outcomes can sustain longer” (Sharma, 2010, p. 84).

Tshepong Disability Centre scored 18 in both the first two assessments. In the third assessment the score dropped to a 12. In-depth analysis showed that the organisation maintained strong governmental collaboration during the three phases of assessment. Moreover, the organisation’s local resources increased between the first and second assessments, although by the third assessment, they had shrunk. Further analysis also showed that its collaboration with funders faced challenges in the third assessment – an issue that can be linked to the organisation’s failure to implement an effective media strategy (Sharma, 2010).

In the general context of this research, it can be seen that the South African social welfare system is characterised by the transformation of services and the need to promote service integration among different stakeholders (Rapoo & Tshiyoyo, 2014, p. 19). Strong external relationships become crucial to ensuring the sustainability of the organisations, and achieving their mandates.

The implication of this is that every organisation must have a well-developed network and be able to collaborate with external organisations. While this has many benefits, it also helps to refine focus and enhances their ability to share experiences in community

development. In addition, this helps to identify gaps, as well as helps to avoid duplicating activities in the community.

4.10 Sustainability of the Organisations

In this research, sustainability is viewed as an organisation's ability to maintain a state of assured continuity of quality activities and services to its beneficiaries. The figure below provides assessment scores on sustainability compliance of the four organisations.

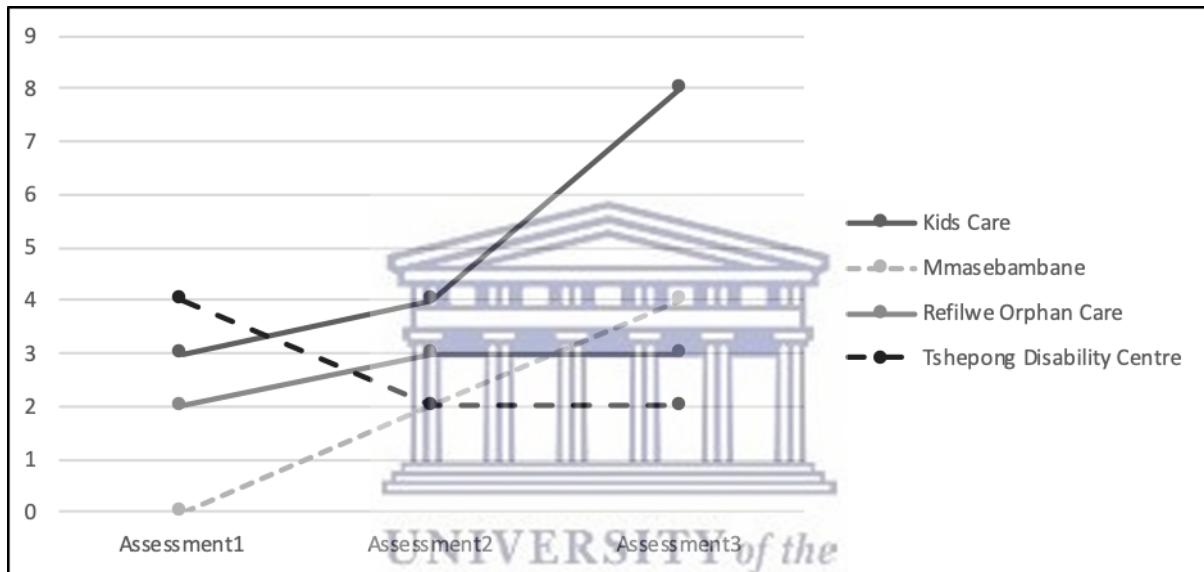


Figure 14. Sustainability of the Organisations

Scores of the four organisations with regard to sustainability compliancy

Research findings indicate that Kids Care's first assessment was very low (three), with a slight improvement in the second assessments scoring a four. In the last assessment, it had achieved a full compliance with a score of eight.

In the initial assessment, Mmasebambane scored 0 on sustainability compliance. By the second assessment, there had been a slight improvement to a score of two. In the third assessment, another slight improvement led to an average score of four. René (2016) argues

that the dilemma in South Africa is that many of its NGOs/NPOs are not sustainable. This is as a result of decrease in participation of many international donors in South Africa.

Refilwe Orphan Care sustainability compliance was below average in the three assessments, with scores of two, three and two respectively. The findings reveal an organisation struggling to succeed in meeting its mandate. Hailey (2014, p. 1) argues that “a sustainable NGO is one that can continue to fulfil its mission over time and in so doing meets the needs of its key stakeholders – particularly its beneficiaries and supporters”.

Lastly, Tshepong Disability Centre’s first assessment score was four. However, in the second and third assessments, a sharp decline and stagnation was recorded as the score remained at two. This shows that the organisation was facing serious challenges regarding its sustainability.

Based on the findings above, the researcher concludes that there is need for these organisations to enhance their efforts in building sustainability. This requires practical strategies that can be undertaken if they aim to continue with their core work and meet their missions, even if external donor funding is withdrawn (Hailey, 2014, p. 1). There are generally some close linkages on all levels, from governance and management to other factors, impacting on the sustainability of the NPOs.

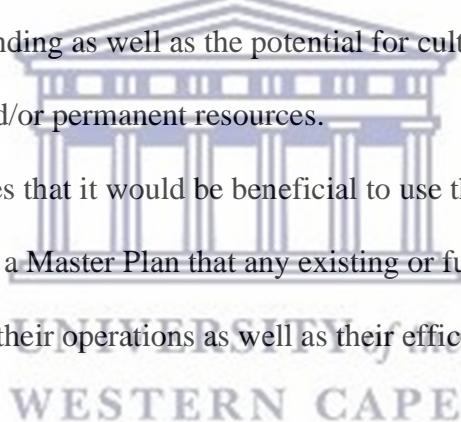
4.11 Conclusion

This chapter demonstrates that governance and management practices in NPOs have a major role to play in their efficiency and sustainability. The study shows that Kids Care and Mmasebambane were doing remarkably well. It is safe to conclude that with a near infinite amount of resources and high quality staff these organisations will nevertheless not be able to function without the proper leadership.

The opposite would also hold true, that with great leadership but without sufficient resources and proper staff an organisation would also not survive. There is a fine balance that would need to be struck between all of these factors. Kids Care and Mmasebambane are very good examples of this balance.

Effective management of available financial resources and external relationships may also lead to further gain in resources, not just financially but in staff as well. It also stands to reason that solid collaboration between the organisations and government as well as funders, will bring greater stability to the organisations. Furthermore, the implementation and maintenance of a good media strategy will bring the organisation to the wider attention of the public and other funders, which will also have a greater positive impact in the long run, opening other avenues of funding as well as the potential for cultivating a greater and more diverse pool of volunteer and/or permanent resources.

The research proposes that it would be beneficial to use these organisations as case studies in order to formulate a Master Plan that any existing or future organisations in this sector could use to improve their operations as well as their efficiency and sustainability.

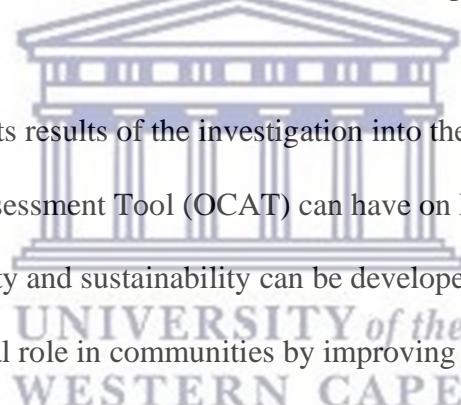


Chapter Five

Summary, Conclusions and Recommendations

5.1 Introduction

The main objective of this study was to investigate the potential impact of an Organisational Capacity Assessment Tool on NPOs, and the manner in which organisational capacity and sustainability can be developed and applied. In order to carry out this investigation, a longitudinal research methodology was used to study four Non-Profit Organisations (NPOs) in the Cullinan and Bronkhorstspruit areas in the Gauteng Province.



This research presents results of the investigation into the potential impact that an Organisational Capacity Assessment Tool (OCAT) can have on NPOs, and the manner in which organisational capacity and sustainability can be developed and applied. Research has shown that NPOs play a vital role in communities by improving the standard of living for all sectors of the society. For example, Anbazhagan and Surekha (2016) emphatically state that NPOs are key to promoting the interests of the poor, engaging in relief activities, protecting the environment, providing basic social services and advocating for community development.

In the South African context, the role played by NPOs is widely appreciated and welcomed as presented in the literature review in Chapter Two and Chapter Three. Since the advent of democracy, there has been a significant growth in the number of NPOs in South Africa. However, this growth has increased the competition for funding as well as put greater pressure on NPOs to maintain existing funding (Holtzhausen, 2013). It is therefore important to ensure sustainability by strengthening the governance and

management of NPOs. This chapter provides a conclusion and recommendations to the study.

5.2 An Assessment Tool for Measuring Capacity in NPOs

In Chapter 3 of this study, it was argued that the main aim of the Organisational Capacity Assessment Tool is to improve engagement between staff and stakeholders in customising and applying tools that can aid in measuring the unique capacities of their organisations, and guide their future development and sustainability (PACT, 2012, pp. 6–7).

In this study, four organisations were measured, namely Kids Care, Mmasebambane, Refilwe Orphan Care and Tshepong Disability Centre. Using set criteria, various areas within the organisations were measured and analysed. (For instance, Kids Care was found to have the highest governance compliance with its scores oscillating between 37 and 40 out of a total possible score of 40.) This showed that organisations which scored highly were most likely to be more stable and have effective leadership.

OCAT is therefore an important tool to measure organisational capacity and find ways to improve sustainability, effectiveness and efficiency.

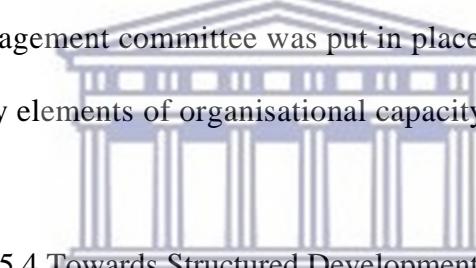
5.3 Elements of Organisational Capacity

One of objectives of this study was to identify specific elements of organisational capacity required to build a sustainable non-profit organisation. Key elements were identified using the OCAT, namely: governance; management practices; compliance with human resources; financial resources; service delivery mandate; stakeholder involvement and sustainability.

The study found that when an organisation scores high on compliance with key governance components, such as having a functional board of directors/trustee committee,

mission and goals and legal structures, this permeates to management. Management in an organisation like this is able to implement clear strategy and can follow the direction of the board to ensure the successful achievement of organisational goals and objectives. It leads to a sustainable organisation with the ability to fulfil its goals and objectives.

Furthermore, the following seven key management practices were analysed: a management committee; systems and procedures; organisational structures and culture; planning; personnel; programme development; administration procedures and programme reporting. Kids Care, which had the highest governance compliance also scored significantly higher in management practices. Mmasebambane which started with low performance in the first and second assessments, scoring 12 and 21, ended up with a higher score after a management committee was put in place. This shows that it is important to identify key elements of organisational capacity and constantly maintain it.



5.4 Towards Structured Development Plans

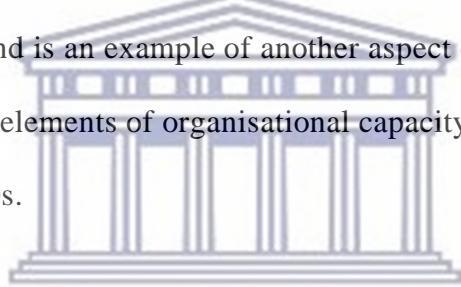
Methodologically, the study conducted a longitudinal study of the four organisations. Over the period of the three assessments, feedback was given to the management of the four NPOs. It was when this study guided the organisation Mmasebambane toward the development and maintenance of clear governance and management practices that its scores improved. This improvement indicates that the organisation was able to put in place governance structures (including a management committee with delegated authority from the board) which developed plans and goals. On the other hand, Tshepong Disability Centre scored very low in the third assessment largely due to the collapse of its management structure.

The importance of sound management principles cannot be overstated. Some scholars have argued that over the years NPOs have developed strong relationships with

public and private institutions, resulting in “managerialism”, which means that the NPOs need more streamlined managerial structures and a higher degree of professionalism (Bezuidenhout, 2017, p. 81); the implication being that when a proper management structure is not in place, the organisation is likely to not meet its goals and objectives.

5.5 Organisational Capacity and Overall Image of the NPO

The seven key management practices mentioned in 5.2 above also add to the overall image of an NPO. As Dyer et al. (2002, pp. 13–17) point out, this is especially important for NPOs which depend on a positive corporate image to raise/secure funding from donors, unlike for-profit organisations which have products to offer. This leads to sustainable organisations and is an example of another aspect of how the identification and implementation of key elements of organisational capacity by organisations leads to them being successful NPOs.



5.6 Monitoring and Evaluation of NPOs

In Chapter Two of this study, it is argued that monitoring is a continuous process in which critical and relevant data are collected and analysed, with the primary objective of assessing progress (Hunter, 2009). Part of the contribution OCAT has made to NPOs is that of monitoring and evaluation. It is widely accepted that NPOs should build a culture of monitoring and evaluation.

Assessments of the four NPOs in the study carried out using the OCAT resulted in Mmasebambane, for example, improving their scores in the subsequent tests. This implies that OCAT can indeed contribute towards proper monitoring and evaluation of NPOs. The tool can therefore contribute to accountability and sustainability in NPOs.

5.6 Recommendations

The organisational capacity assessment tool is recognised for its ability to assist NPOs in assessing critical elements for effective organisational management and sustainability. Furthermore, the tool can help to identify areas that need continuous development and strengthening. It is therefore recommended that:

- i. Management teams of NPOs should be trained on how to use the OCAT in order to improve outcomes.
- ii. The target community or beneficiaries should be equipped to use the OCAT so that assessments carried out can also include the qualitative aspects of development.
- iii. NPOs should adopt a peer regulatory approach in order to promote accountability and sustainability.
- iv. Development needs identified during assessments should be consolidated into a development plan.
- v. Management teams must ensure that development needs are addressed in annual operating plans,
- vi. The Department of Social Development in South Africa, which is the department mandated to manage the registration and de-registration of NPOs, should adopt an organisational capacity assessment tool and use it as part of the approval process for the registration of new NPOs.
- vii. Funders of NPOs should consider making resources available for the developmental needs identified in assessments, so as to contribute towards organisational sustainability.

5.7 Areas of Further Research

This study demonstrated that the OCAT is very important and therefore NPOs in South Africa should consider adopting and utilising this tool.

Further research is needed on the effectiveness of the OCAT on larger organisations.

In addition, it is important to understand how the OCAT can be used in circumstances where it is important to protect vital information concerning vulnerable members of society.

Lastly, further research needs to be conducted into how the OCAT can be incorporated by the Department of Social Development in South Africa within the regulatory framework.



5.8 Final Conclusions

This study illustrates how the Organisational Capacity Assessment Tool (OCAT) can be used for capacity building and improving the sustainability of NPOs. In addition, the tool can be applied over a period of time resulting in improved accountability and tracking of the impact of the NPOs in their areas of social support and the achievement of their mission statement, vision, goals and objectives.

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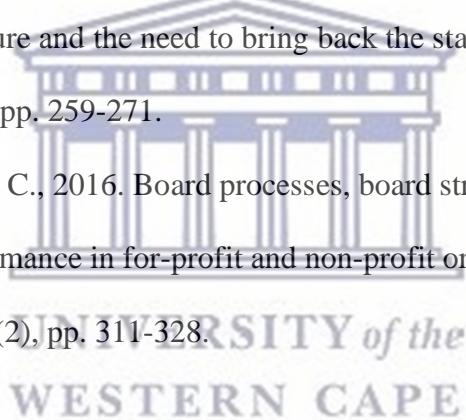
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Annexure A
Information for Study Participants



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Information for study participants

Date: / /20

Study title: The Impact of an Organisational Capacity Assessment on Non-Profit Organisations.

Purpose of the study: The research study is an investigation on the potential impact organisational capacity assessments can have on the long term sustainability of non-profit organisations (NPOs). It will attempt to determine this impact by conducting a longitudinal study on four organisations in the Cullinan and Bronkhorstspruit areas.

Contact details for researcher and supervisor.

Researcher:

Andre Wagner

Email: andre@h pca.co.za/andre@awconsulting.co.za

Contact numbers: 021 531 0277 (T), 083 643 3413 (C)

Supervisor:

Prof. DJ Visser – University of the Western Cape

Email: kvisser@uwc.ac.za

Contact numbers: 021 959 2620.

Annexure B

Consent Form 1



**UNIVERSITY of the
WESTERN CAPE**

Date: / /20

Study title: The Impact of an Organisational Capacity Assessment on Non-Profit Organisations.

Purpose of the study: The research study is an investigation on the potential impact organisational capacity assessments can have on the long term sustainability of non-profit organisations (NPOs). It will attempt to determine this impact by conducting a longitudinal study on four organisations in the Cullinan and Bronkhorstspruit areas.

I confirm that I have been informed about the above study by

I have also received, read (or had explained to me), and understood the study.

I understand that my personal details (any identifying data) will be kept strictly confidential.

I understand that I may, at any stage, withdraw my consent and participation in the study.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

Document to be signed, thumb-printed or marked and dated by:

.....

.....

Participant

Date

Annexure C

Confidentiality Undertaking for Focus Group Members



**UNIVERSITY of the
WESTERN CAPE**

Date: / /20

Study title: The Impact of an Organisational Capacity Assessment on Non-Profit Organisations.

Purpose of the study: The research study is an investigation on the potential impact organizational capacity assessments can have on the long term sustainability of non-profit organisations (NPOs). It will attempt to determine this impact by conducting a longitudinal study on four organisations in the Cullinan and Bronkhorstspruit areas.

I, Andre Wagner (student number 8843036) undertake to keep all information discussed and shared in focus group discussions on the abovementioned study confidential.

Document to be signed, thumb-printed or marked and dated by:

.....

.....

Focus group member

Date

.....

.....

Independent witness

Date

.....

.....

Independent witness

Date

Annexure D

Consent Form 2



UNIVERSITY *of the*
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For the person taking consent:



I have explained the above research protocol to

Contact information of the researcher and supervisor have been given to the participant.

UNIVERSITY *of the*
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.....

.....

Signature of person taking the consent

Date

Appendix E

The OCA Tool (Interactive when in Word document format)¹

ORGANIZATION NAME	Total Score	Hospice Palliative Care Association of South Africa (HPCA) Organizational Capacity Assessment (OCA) Summary					
		Assessment 1		Assessment 2		Assessment 3	
		Score	Actual	%	Actual	%	Actual
		Date					
	218	0	0	0%	0	0%	0
GOVERNANCE	40	0	0	0%	0	0%	0
1 Board / Directors / Trustee Committee	20	0	0	0%	0	0	0
2 Mission and Goals	14	0	0	0%	0	0	0
3 Legal requirements	6	0	0	0%	0	0	0
MANAGEMENT PRACTICES	70	0	0	0%	0	0%	0
4 Management Committee	6	0	0	0%	0	0	0
5 Systems and Procedures	28	0	0	0%	0	0	0
6 Organizational Structures and Culture	8	0	0	0%	0	0	0
7 Planning	2	0	0	0%	0	0	0
8 Personnel	10	0	0	0%	0	0	0
9 Programme Development	4	0	0	0%	0	0	0
10 Administration Procedures	6	0	0	0%	0	0	0
11 Programme Reporting	6	0	0	0%	0	0	0
STAFF	28	0	0	0%	0	0%	0
12 Staff Development	8	0	0	0%	0	0	0
13 Staff Management	10	0	0	0%	0	0	0
14 Work Organization	6	0	0	0%	0	0	0
15 Volunteer Management	4	0	0	0%	0	0	0
FINANCIAL RESOURCES	40	0	0	0%	0	0%	0
16 Accounting	12	0	0	0%	0	0	0
17 Budgeting	8	0	0	0%	0	0	0
18 Stock Control	4	0	0	0%	0	0	0
19 Financial Reporting	10	0	0	0%	0	0	0
20 Diversification of Income Base	6	0	0	0%	0	0	0
SERVICE DELIVERY	8	0	0	0%	0	0%	0
21 Expertise in Home Based Care / Core Business	8	0	0	0%	0	0	0
EXTERNAL RELATIONS	24	0	0	0%	0	0%	0
22 Stakeholder Relations	8	0	0	0%	0	0	0
23 Government Collaboration	4	0	0	0%	0	0	0
24 Funder Collaboration	4	0	0	0%	0	0	0
25 Local Resources	4	0	0	0%	0	0	0
26 Media	4	0	0	0%	0	0	0
SUSTAINABILITY	8	0	0	0%	0	0%	0
27 SUSTAINABILITY	8	0	0	0%	0	0	0

¹ Double click within the sheet to open the full Excel document which can then be edited and other sheets opened.



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