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# BUILDING ORGANISATIONAL SUSTAINABILITY

## A SELF-LEARNING HANDBOOK FOR SOUTH AFRICAN CIVIL SOCIETY ORGANISATIONS

Supported by Deutsche Bank

# Disclaimer

## Deutsche Bank Disclaimer

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# Foreword

Capacitate is a social enterprise contributing to social development and transformation in Southern Africa. Our role is to empower funders, grant managers, development practitioners, government and civil society organisations to achieve their development objectives. Through our five portfolios, we contribute to the development of transformative interventions, strategic & sustainability planning, enterprise development, engagement, monitoring & evaluation and thought leadership. We aim to differentiate ourselves through our dynamic systemic approach, innovation and commitment to quality.


For further information, contact Capacitate at info@capacitate.co.za or visit www.capacitate.co.za

# Foreword

## Authors

Capacitate Social Solutions (Pty) Ltd is a development partnership contributing to social transformation in Southern Africa. Through its consulting services, capacity building and considered use of technology, Capacitate supports donors, grant managers, development practitioners, government and Civil Society Organisations (CSOs) to achieve their development objectives.

The Partnership has five portfolios through which it contributes to the development of transformative interventions, strategic and sustainability planning, enterprise, monitoring and evaluation and thought leadership. Capacitate is set apart by its accountability, innovation, commitment to quality and ability to take on diverse assignments through its extensive network of expert partners.

For further information, contact Capacitate at ***info@capacitate.co.za*** or visit ***www.capacitate.co.za.***

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He is a founding member and director of Capacitate, Engage, the Social Capital Exchange, MediBucks, and Microserve BCD.

Jason has a passion for innovation and aims to leverage his collective experiences to drive positive social and environmental change across the continent.

## Context

The civil society landscape has changed significantly over the past decade with global economic pressures having had a substantial impact on the sector, both directly and indirectly. In addition to tightening economic conditions, the increased sustainability pressure might be attributable to:

- A growing number of Civil Society Organisations (CSOs) entering the market and requesting funding
- The challenging relationship between government and CSOs
- Economic environments now shifting in faster cycles than before, thereby increasing uncertainty for donors and consequently for CSOs
- Reduction in the pool of international funding
- Challenges in accessing large local funds like The National Lottery Distribution Trust Fund
- Shifting trends in funding, in particular international funders focusing on capacity building rather than providing implementation funding
- The need by funders to ensure their own Broad-Based Black Economic Empowerment (B-BBEE) compliance
- The lack of skills and understanding of Corporate Social Investment (CSI) practitioners

A reduction in the availability of funding, both local and international, has meant that CSOs are under increasing pressure to diversify their revenue sources and optimise their operations to survive. Given that these organisations are principally focused on delivering services and support to their beneficiaries, it is perhaps not surprising that the "self-sustainability" level of many of them tends to be low. The tightening economic conditions and changing funding landscape, mean that there is an ever-increasing need to focus on the sustainability of CSOs - each needs to think strategically and act nimbly in order to survive.

## Acknowledgements

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# Overview

## About

This self-learning handbook was produced by Capacitate Social Solutions (Pty) Ltd (Capacitate), whilst developing their online sustainability self-assessment tool, and serves to directly address the resulting capacity development requirements presented by a completed assessment. It provides a foundation on which to build sustainability capacity within Civil Society Organisations (CSOs).

The online sustainability self-assessment tool can be accessed via Capacitate's website: www.capacitate.co.za.

As far as possible, the content has been developed to be accessible and easy to understand. There are, however, a few areas of complexity that may require some level of existing understanding, in the financial sustainability module in particular.

## Purpose

The purpose of this self-learning handbook is to build the knowledge and skills of CSO leaders and managers in order to equip them with the skills required to successfully lead and manage resilient organisations.

It is important to note that sustainability planning links closely with other organisational management concepts that you are likely to be practicing already within your organisation, such as governance, leadership and human resources management, to mention a few.

## Handbook structure

The handbook has been organised into four (4) modules. The first module serves as an introduction to sustainability and addresses the key principles of sustainability planning. The remaining modules align with three broad domains of sustainability:

- Institutional sustainability
- Financial sustainability, and
- Programme sustainability

Each module of the handbook has been formatted as an independent section for ease of use and reference.

There are a number of activities included in the handbook. These activities are an important part of the learning approach and you are encouraged to complete them as part of your learning process.

## Symbols used in this handbook

### SELF-TEST

This sign indicates a self-test activity where you are required to test your knowledge on a particular topic. These activities usually appear ahead of new concepts introduced in the handbook. Completing these activities before going through the content is helpful in assisting you gauge your current understanding of the concept.

### ACTIVITY

This sign indicates an activity that should be completed either individually, whilst working through the handbook, or back in the workplace. These activities are important in order to test your understanding of the concept after going through the content.

### DEFINITION

This sign indicates the explanation of a new concept or term.

### TAKE NOTE

This sign highlights an important idea or area that it is advisable to take note of.

# CONTENTS

# PLANNING FOR ORGANISATIONAL SUSTAINABILITY

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# Objectives

By the end of the module, the learner will:

- Clearly understand what sustainability means
- Recognise why sustainability planning is critical to the organisation
- Define the potential impact of implementing sustainability plans on the organisation
- Develop a plan to lead and implement relevant sustainability activities within the organisation
- Understand how to monitor progress against sustainability objectives set

# Introduction to sustainability

## Overview

Every organisation, in a quest to build resilience and achieve long-term sustainability, needs to think strategically in order to ensure the uninterrupted provision of services to beneficiaries or clients. The implementation of sustainability measures will have an effect on many, if not all, elements within the organisation.

The concept of organisational sustainability is often linked with financial sustainability, and while this is correct, it is important to remember that an organisation must have good governance, strong leadership, strong networks, responsive programmes and community buy-in to be truly resilient.

### DEFINITION OF SUSTAINABILITY

Sustainability, within the context of civil society organisations, is defined as the uninterrupted provision of services to beneficiaries. It is a process rather than a destination and, in many ways, it refers to the health and resilience of an organisation and is something that requires continued attention in order to maintain a state of wellness. Given the potential complexity of defining cross cutting activities to support sustainability, it is essential to take a structured approach and plan the process as thoroughly as possible. The starting point for this structured approach lies in three core assumptions:

- Sustainability planning is most effective when approached from a systems perspective
- Sustainability planning requires a thorough understanding of organisational capacity
- Sustainability planning is a dynamic process

These three assumptions, combined with the understanding that sustainability is more than just a measure of financial position and cuts across almost every aspect of the organisation's operations and strategy; informed the definition of three sustainability domains:

- Institutional sustainability
- Financial sustainability
- Programme sustainability

# Sustainability planning

**DEFINITION OF SUSTAINABILITY PLANNING**

Sustainability planning refers to the organisation's journey to building resilience and ensuring the uninterrupted provision of services to beneficiaries or clients.

## Shifting mind-set

The first, and perhaps most important stage of sustainability planning, is changing mind-set. Without an appropriate change in viewpoint, buy-in for the sustainability planning process will be significantly more difficult.

As a starting point, it is crucial to recognise how the development sector has changed over the last decade, and more importantly how the donor or investor landscape has shifted. The tightening global financial conditions have resulted in a significant reduction in the sources and amounts of funding available to fund, and an increasing need to demonstrate, social impact. With the right mind-set, however, every challenge can bring with it unique opportunities to grow and improve. This is not to say that the reduction in available financial resources from traditional donor or investment sources is a positive outcome of the financial crisis; it does, however, provide significant motivation for organisations to innovate, differentiate and optimise.

Shifting the mind-set within an organisation is, by no means, an easy or simple task. A mind-set or world-view, if you will, is established over a long period and is a result of the collective experiences over that period. As such, it is important to adopt a structured approach to drive the process of sustainability planning within the organisation and manage the changes that will be required. Once this is achieved, you will be in a position to secure buy in for the process of building sustainability going forward.

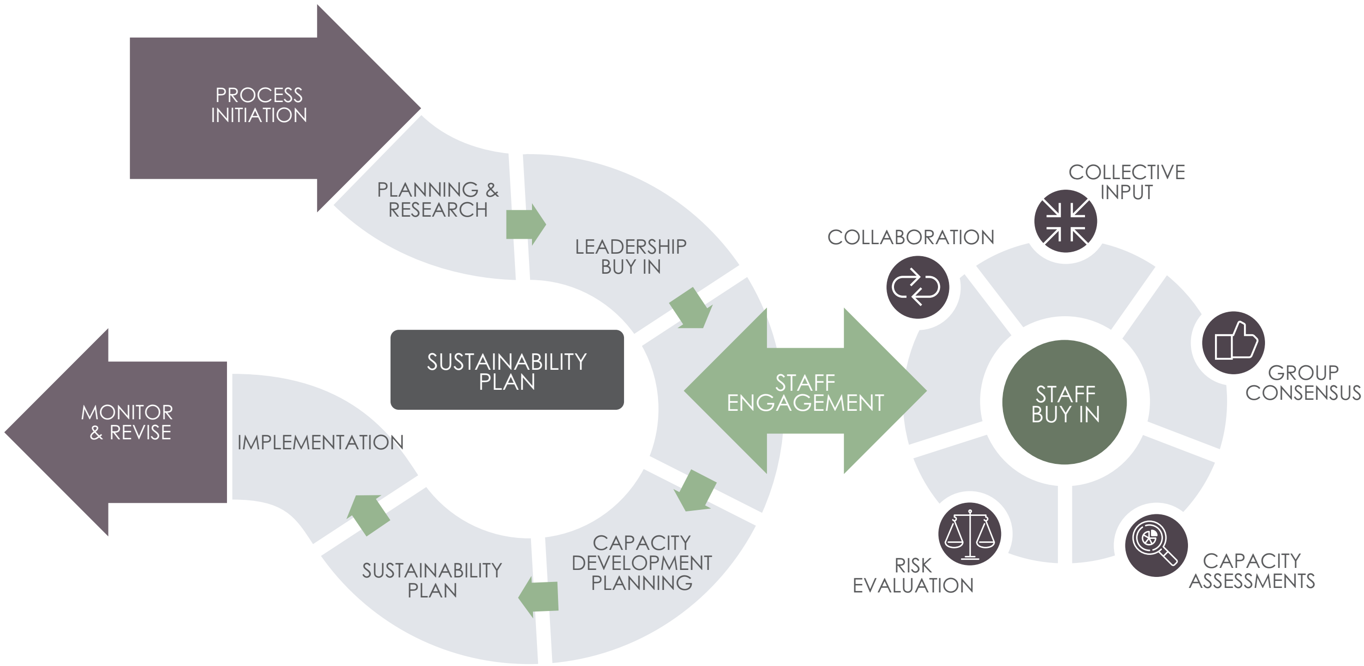
## Sustainability planning process

**Overview**

Sustainability planning is, as suggested, an on-going process. It is something that requires consistent effort to yield positive results. An initial sustainability intervention should be followed by the tracking of performance and regular review and re-alignment of objectives.

The process undertaken can be broken into seven phases:

1. Planning and conducting research
2. Obtaining leadership buy-in
3. Team engagement
4. Capacity development planning
5. Developing a sustainability plan
6. Implementing the plan
7. Monitoring and revising




**Phase 1: Planning and conducting research**

In order to manage expectations, minimise disruption and maximise buy-in; it is important to plan and communicate the sustainability planning process as early as possible. In addition to which, conducting research into the landscape, organisation and available resources in advance will assist in the process as it unfolds. This research can be conducted using experts, speaking with knowledgeable contacts or through desktop research, for example browsing the internet, looking at existing databases, articles or research reports, or making cold calls around competitors or prospects.

**Phase 2: Obtaining leadership buy-in**

It is critical that there is leadership buy-in to the process of sustainability planning, as without support, the process will inevitably stall. The Board of an organisation has ultimate responsibility for its sustainability, although sustainability actions will be motivated for, and execution oversight provided, by the executive team. Sustainability planning is something that needs to be driven by the executive leadership but requires the contribution of the entire organisation in order to be successful. The executive in charge of the organisation, or tasked with sustainability planning (sustainability champion), should sensitise the Board to the organisation's need and wish to embark on a process of sustainability planning and to encourage the participation of Board members. Plans should be discussed with key Board members through the process of their development and then presented to the greater Board for approval, prior to implementation. The sustainability champion should ensure that the entire executive team is informed of sustainability planning progress at all times in order to keep up the momentum and sense of urgency.

**Phase 3: Team engagement**

Becoming more sustainable truly is a team outcome because sustainability cuts across almost every area of the organisation. It is vital that all functional areas of the organisation are included in the process. The team engagement includes:

- Collaboration - broad engagement at all levels of the organisation
- Collective input - contribution by all functional areas
- Group consensus - agreement on priority areas
- Self-assessment - assessment of the current state
- Evaluation - evaluation of risks and gap analysis

A proposed process for team engagement is covered in more detail in the next section.

**Phase 4: Capacity development planning**
The outcomes of the team engagement provide a basis for defining the capacity development requirements of the organisation, in order to build sustainability. A proposed process for team engagement is covered in more detail in the next section.

**Phase 5: Developing a sustainability plan**
The sustainability plan incorporates the capacity development requirements into a broader plan to manage activities and achievements towards improving resilience for the organisation. This topic is covered in more detail in the next section.

**Phase 6: Implementing the plan**
Once the sustainability plan is in place, implementation can begin. This is covered in great detail later in this module - both in terms of change management and success tracking.

**Phase 7: Monitoring and revising**
Sustainability is not a static destination. An organisation will not only need to continually monitor the activities against the timelines and objectives of the sustainability plan, but also constantly revise and update the plan itself as conditions change for the organisation.

## Developing a sustainability plan

**Using this handbook to develop a sustainability plan**
This module on sustainability planning will outline a suggested process for developing your sustainability plan. The ensuing modules will provide valuable content, and help in probing your thinking around sustainability, enabling you to comprehensively populate your sustainability plan document by the end of the handbook.

**Sustainability consultation**
In order to develop a comprehensive and effective sustainability strategy, it is important to incorporate a strong participatory and collaborative approach. This is essential not only to maximise the buy-in of all stakeholders, but to improve capacitation within your organisation and promote ownership of the outcome. It is recommended that sustainability planning be conducted in a multi-stakeholder workshop environment with participation of employees from all levels, and across all functional areas, of your organisation. Other stakeholders or people of influence should be considered for invitation to the workshop to broaden perspectives, and ensure upfront inputs and buy-in to concepts that may be implemented at a later stage. These stakeholders should be strategic-thinkers with good experience and/or a vested interest in the outcomes of the process, and might include: board members, funders, beneficiaries, service providers, partners, key contributors to the conversation, government and experts. It is useful to note that the quality of a think-tank is directly proportional to the composition of the thinkers.

In the workshop, it will be important to introduce participants to key concepts relating to sustainability to ensure everyone is thinking with a sustainability lens on before moving forward.

The next step will be to understand yourself as an organisation in planning for sustainability. The most effective way of doing this is through the collective mapping of your current strategy and context or status. Some useful resources pertaining to the organisation to have at hand for this exercise might include:

- Current strategy and/or business plan and/or other background documents
- A resource matrix or other source document that details the number of current resources at the organisation's disposal, including tangible and intangible assets as well as people. It would be useful to understand what or who is available full-time versus part-time, what is on loan, what is owned and anything else useful about the status of resources listed
- A stakeholder analysis
- A risk analysis

**ACTIVITY**

In order to do comprehensive sustainability planning for your CSO, you first need to really understand yourself as an organisation. As you progress through the handbook, you will be able to complete the below spaces as a precursor to the development of your own sustainability plan.

Your context

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The sector in which you operate: the need you are meeting and how you do it

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Your current scale: how many beneficiaries you serve

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Your stakeholders: for example - Board, staff members, beneficiaries

Your geographical footprint/ market: where do you currently serve - national/local/rural/urban

Your history

Your structure

Your governance

Your needs

Your value

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Your culture

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Your brand

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Your resources: for example - staff, money, buildings, material, equipment

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The following step will be to understand where the organisation is headed, as articulated in the organisational strategy. The group should paint the desired future state in big picture format and the question should be asked whether through your strategy, you will still be addressing a need and relevant?

As a next step, it can be useful for individuals from different functional areas to work in small groups to analyse which aspects of the operation or programmes the organisation should stop, start or continue, before presenting this back to the broader group.

Finally, in preparation for the drafting of your sustainability plan, it would be helpful to collectively conduct a SWOT analysis with a strong focus on sustainability. This should be done using inputs from the mapping of your current strategy and context, as well as, stop/start/continue, exercises.

**SELF-TEST**

You are going to assess sustainability for your organisation in the context of a SWOT analysis. Have you been exposed to this process before? Can you provide a description for the term SWOT?

## What is a SWOT analysis?

A SWOT analysis is a useful way to identify Strengths, Weaknesses, Opportunities and Threats within and outside an organisation.

Take a look at the below description of SWOT:

- Strengths and Weaknesses are usually internal
- Opportunities and Threats are usually external

## How do you conduct a SWOT analysis?

- Take each of the three domains of sustainability (institutional sustainability, financial sustainability and programme sustainability) - one at a time - and using small groups, capture the strengths, weaknesses, opportunities and threats that exist within each domain, within the analysis
- Strengths and Weaknesses are considered internal factors, i.e. related to factors inside the CSO and governing body. Opportunities and Threats are external factors, i.e. related to factors outside of the CSO (within the community, with funders, etc)
- Matching is used to find competitive advantage by matching the strengths to opportunities
- Converting is to apply conversion strategies to convert weaknesses or threats into strengths or opportunities

| STRENGTHS | WEAKNESSES |
|---|---|
| • What are the strong, positive factors within the sustainability domain?<br>• What do you do well?<br>• Advantageous characteristics | • What factors could be perceived in a negative light within the domain?<br>• What does not go well?<br>• What puts you at a disadvantage? |
| **OPPORTUNITIES** | **THREATS** |
| • What opportunities could assist or help your organisation exist in your community, donor market etc?<br>• What can you capitalise on? | • What are the external threats that could have a negative impact on your organisation?<br>• What could cause trouble for you? |

**ACTIVITY**

Using the circumstances of your own organisation, you are required to prepare a Sustainability SWOT analysis using each of the three domains of sustainability. Refer to the following three modules for suggested content inputs.

It is recommended, in the consultation workshop space - if time permits - to develop sustainability objectives, actions, timelines and owners etc based on the map of your current strategy and context, the stop/start/continue exercise and the sustainability SWOT analysis . These can be drafted into a formal sustainability plan at a later stage. The drafting of the plan is detailed in the next section. Drafting your sustainability plan

### Drafting your sustainability plan

The first step to drafting your sustainability plan is to develop a template.

The template would typically include:

- A title page, providing a name for the plan, the name of your organisation and a date
- An introduction describing the context in which your organisation works and the need for sustainability
- The strategic focus of your organisation
- A summarised version of your sustainability SWOT analysis
- A short aim for your sustainability strategy
- A few overarching sustainability objectives
- A sustainability action plan (see below for an example of an action plan)

| SUSTAINABILITY ACTION PLAN | | | | |
|---|---|---|---|---|
| OBJECTIVE | ACTIONS | CAPACITY DEVELOPMENT REQUIRED | RESPONSIBLE | TARGET/S & TIMEFRAMES |
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This template should be completed in its entirety to ensure a comprehensive sustainability plan. It is strongly recommended that the completed sustainability plan be forwarded to the person within your organisation charged with final accountability for sustainability, this may be the chairperson of your board, for approval and preferably final signoff for implementation.

The sustainability action plan should be very detailed and should include actionable responses to areas of opportunity from the map of your current strategy and context, the stop/start/continue exercise and the sustainability SWOT analysis as well as all sections of this handbook.

If your organisation obtains access to the Capacitate online sustainability self-assessment tool (which can be found at ***www.capacitate.co.za***), the report findings can be used to directly populate your sustainability action plan too.

Ideally, all action plans should be prioritised for implementation during a consensus-building process.

## Leading sustainability

In the development of your sustainability strategies, you may want to consider forming a sustainability steering committee who can help drive the implementation of the change.

- The team members should represent a variety of functions, departments and levels in the organisation
- The team members need to have excellent communication skills, have business influence, be committed to the change, know the business and be team players
- The team does not have to be working on the sustainability efforts full time but must be able to focus sufficient attention on the project
- The team may require some team development to provide a common understanding of the business issues that motivated the change and the future state for the organisation
- The team will need to identify roles and responsibilities in the implementation of the sustainability plan. A roles and responsibilities matrix might be considered as a tool for this to ensure clear understanding of the separation between functional roles and this sustainability role in terms of time commitment

## Change management

**Introduction**

**DEFINITION**

Change Management is defined as an approach to transitioning individuals, teams and organisations to a desired future state.

Change management is an important aspect of management that attempts to ensure that an organisation responds to the environment in which it operates.  There are four key features of change management:

- Change is the result of either dissatisfaction with present strategies or inadequacy or inefficiency of the present strategy for future success

- Recognition of the need to develop a vision for a better alternative
- Management have to develop strategies to implement change
- Realisation that there will be resistance to change

Change holds potential for innovation and growth. However, change can also present risk and cause anxiety and uncertainty. Many organisations and individuals experience fatigue due to a range of differing change strategies that are not sustained. Most change initiatives that fail, do so because the people impacted are not adequately considered or managed.

An effective change management strategy should include:

- Leadership development – building change leadership capacity within your organisation
- Change context and clarity - clear communication and sharing of information on the organisation's reasons for change
- Supporting employees, directly or indirectly affected by the change, and providing tools and skills to cope with the change

## Reasons for change

Change is often considered from an organisational perspective: for example, the re-engineering and optimisation of organisational processes, new finance management systems, the move to a new location, the shift towards paperless operations, etc. These are all examples of what organisations initiate to improve performance and enable growth or sustainability. However, all changes impact people and require individuals to do their jobs differently. The success of the change depends entirely on people adapting, and adopting new skills and demonstrating new capabilities.

The world is constantly evolving due to the innovation of technology and globalisation. Objects and process such as social media, mobility and adaptability has impacted and revolutionised the workplace, creating an inescapable need for change, and therefore change management.

With change in the environment comes the need for a repositioning in organisational alignment and through this, change is created. Agility and change resilience is essential for organisations to survive and thrive in the current environment. The ability to manage and adapt to change is vital for all levels of individuals and teams within the workplace.

In the development arena, change may refer to scaling up, scaling down, transitioning within programmes, transitioning across programmes or transitioning out of programmes.

## Benefits of effective change management

The benefits of effective change management can be summarised as follows:

- Change management provides a structured approach to enabling and encouraging the individual transitions required by a project or initiative
- With more effective change management, the probability of meeting objectives in time and in budget increases significantly
- Effective change management results in faster speed of adoption, higher ultimate utilisation and greater proficiency, which all drive higher return on investment (ROI)
- Effective change management helps eliminate many unnecessary 'repeat' costs that can crush a project and destroy return on investment
- Change management is an effective cost avoidance and risk mitigation tool

## Criteria for successful change

Effective change management uses a structured process and the necessary tools for leading the 'human' side of change to achieve the desired outcome.

Change management focuses on leadership at all levels of an organisation. When change management is effective, meaningful and well managed, people feel valued and contribute their value to achieve the desired outcomes. They are engaged and supportive of the change process and work together towards achieving the collective goals.

A successful change management strategy includes:

- **Effective sponsorship (leading the change)**
  Visible and hands-on support from leadership prioritising the change; role-modelling the change; providing clarity and information regarding the change throughout all stages of the process; providing the tools, resources and support needed for the change to be successful

- **Enrolment of management and all employees (stakeholder engagement)**
  When those affected by the change are involved early in the process, through access to information, conversation and consultation, they are enrolled and will support the change, contributing to its success

- **The change agents (the champions of the change)**
  Highly effective and enrolled agents of change are critical to the success of the change initiatives. They need to have change leadership capability, understand the need to motivate, inspire and enrol others in the change

- **Reinforcement of clarity (ongoing effective communication throughout the change)**
  Access to clear information, effective communication and the reinforcement of the clarity on an ongoing basis is essential

- **Effective planning and structured approach (change project scoping and planning)**
  Planning, an organised and a structured approach to the process - including the communication methodology and the use of tools, resources and timelines are vital to the success of the change

## A change model

In a top-down change management approach, management determines the need for change and decides how the rest of the business will work toward achieving the change objectives. Participation in the change on the part of lower-level employees in a top-down change management model is virtually non-existent.

By contrast, the preferred bottom-up change management approach seeks to harvest ideas on how best to achieve the change objectives using the collective brainpower and idea generation from the entire workforce. Employees at all levels assist in developing the mechanisms necessary in order to reach the change goals. This can contribute hugely to improved morale and involvement in the change that they will all be affected by.

**TAKE NOTE**

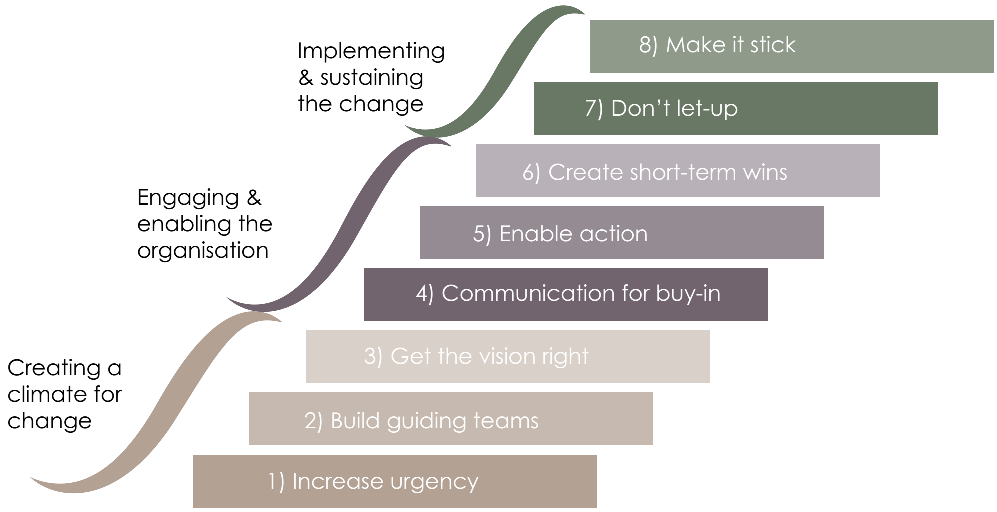
Through using a bottom-up change management approach, employees may still not be happy about the change, but because they were included and their 'voices' were considered, there is greater likelihood that they will support rather than sabotage the change.

This model is intended to act as a guide for those charged with making organisational change work. By using this model, organisations can:

- Help avoid failure and become adept at change
- Improving their ability to change
- Increase their chances of success, both today and in the future

Without this ability to adapt continuously, organisations cannot thrive.

The model emphasises engaging with people at an emotional level because unless people are invested in the change, changes made in the organisational environment cannot be sustained.




**Step 1**
Craft and use a significant opportunity as a means for exciting people to sign up to change their organisation
**Step 2**
Assemble a group with the power and energy to lead and support a collaborative change effort
**Step 3**
Shape a vision to help steer the change effort and develop strategic initiatives to achieve that vision
**Step 4**
Raise a number of supporters who are ready, willing and eager to drive change
**Step 5**
Remove obstacles to change, change systems or structures that pose threats to the achievement of the vision
**Step 6**
Consistently produce, track, evaluate and celebrate small to large accomplishments
**Step 7**
Use increasing credibility to change systems, structures and policies that don't align with the vision. Hire, promote and develop employees who can implement the vision. Reinvigorate the process with new projects, themes and volunteers
**Step 8**
Articulate the connections between the new behaviours and organisational success, and develop the means to ensure leadership development and succession

## Leading and managing change in your organisation

Change within an organisation would generally include three principal phases:

- Preparing for the change
- Managing the change
- Reinforcing the change

### Preparing for the change

To ensure that the change management strategy is appropriate and meaningful, an in-depth understanding of the following is required:

- The nature of the changes that will be facing your organisation and employees
- The practical implications of these changes for all individuals involved
- The individual and organisational barriers to implementing the changes rapidly and/or effectively
- Existing personal, interpersonal and organisational strengths that can be built on

The following preparation activities need to take place prior to the implementation of change:

a. **Stakeholder Analysis:** An internal matrix analysis and mapping of every stakeholder that will be impacted by the change. See below for an example of a framework in which the analysis could take place.

| Internal Stakeholder | Comments |
|---|---|
| Board | |
| Employees | |
| Volunteers | |
| Committee members of remote branches | |
| Beneficiaries | |
| Alumni | |

b. **Impact analysis:** Analysis of each functional area to ascertain the impact of the change and the readiness of the area, exploring what would have to change within the area in preparing for the change. The impact on beneficiaries, processes, products and people would need to be considered. Scenarios and contingency plans would need to be established. A training plan in alignment with the change implementation is a critical part of this phase.

Various tools can be utilised to conduct the impact analysis. Conversation based workshops using World Café Methodology ***www.theworldcafe.com*** (a Whole System process or any other Organisational Development tool) can enrol individuals in the change and build internal capability. Surveys, discussion and focus groups can also be used as tools to gain understanding. As part of an ongoing process, regular impact analysis groups to track progress need to be undertaken. See below for some generic questions one might ask when mapping the impact of change, others could be added based on your specific context:

- **Where is it going to impact?**
  - Is it going to change processes? Does it involve new technology? Will it be self-contained change, or is it going to impact across a number of teams or service areas?
- **Who is it going to impact?**
  - Which people will be most impacted by the change? Some will be directly affected, others indirectly? Some people will need a large degree of support; others will just need to be kept informed of progress. Therefore,

identifying all the interested parties/ stakeholders early in the change process is critical to success

- **How is it going to impact? Areas of impact might include:**
  - *Job design* – are some jobs changing as a result of the change?
  - *Skills development* – do the affected staff require different skills and knowledge to cope with the change? Do the required skills reside in the existing team or will you have to arrange training or recruit?
  - *Team working* – what does the change mean in terms of team working and relationships? Do the teams need to work in a different way? Is there a greater need for collaborative working across teams and service areas? What are the implications for team structure, leadership and the organisation?
  - *Technology* – if the change involves new technology, how will it fit with existing systems? What are the implications of this for your business processes? What training and skills development will be required?
  - *Communication* – how, and to what extent, are different stakeholders going to be affected, and how do you communicate accordingly? For example, who are the key people, without whom the change is unlikely to succeed? How do you secure their buy-in from an early stage in the process?
  - *Workload* – quite simply, will there be more to do? Does it require extra resources, in terms of people, budget, time?
- **When is it going to impact?**
  - When is the change likely to take effect? What else is happening at that point? Will it divert resources away from the 'day' job'? If so, how can you plan to manage this? Can timescales be changed? If not, how do you minimise disruption?

c. **Stakeholder engagement plan:** A plan to engage every stakeholder/area/user, meeting each stakeholder where they are in their level of commitment. See below for an example of a sample framework for an engagement plan.

| Stakeholder | Impact | Importance | Allegiance | AIH | LIH | HIH | MIH | Concerns | Actions |
|---|---|---|---|---|---|---|---|---|---|
| Registrar | High | High | Advocate | | | | | Internal champion and sponsor - needs to succeed | Use for internal promotion of objectives and benefits |
| Faculty Manager A | Medium | Some | Follower | | | | | Worried that new system will cause disruption | Keep informed and positive |
| Faculty Manager B | Medium | Some | Blocker | | | | | Wants to keep existing faculty system | Counter the reasons for low acceptance |
| Admin Staff A | High | None | Indifferent | | | | | Concerned about effect on job | Seek their views on the key issue and address concerns |
| Admin Staff B | High | None | Opponent | | | | | Worried about possible job cuts | Counter the reasons for low acceptance |

**Key: AIH - Against it happening; LIH - Let it happen; HIH - Help it happen; MIH - Make it happen**

## Managing the change

**Implementation plan:** Specific workshops should be held within each functional area, customised to address each area's change requirements, activities and measure their tracking and alignment to the organisations goals. Workshops need to be held in order to translate the Change Strategy into actions with timelines and accountability allocated. Each team or functional area will understand how the organisational change strategy is translated into objectives for their functional area and how they can action and measure this change strategy.

**Change management learning solutions:** Change management learning solutions are training interventions provided to support managers and employees affected directly or indirectly by the change. The learning solution has three levels.

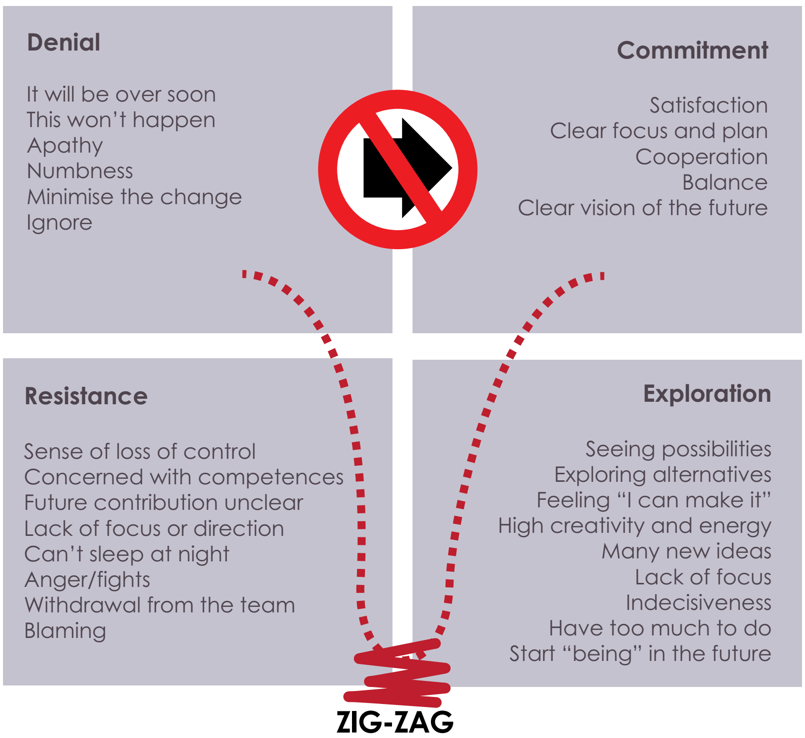
**a) Level 1: Leading change:** leaders and managers who will need to facilitate the change process and provide support to those affected, in addition to managing their own emotional response to the change

**b) Level 2: Managing change:** employees directly affected by the change process who may be redeployed or retrenched will need emotional and practical tools to support them in the transition

**c) Level 3: Navigating change:** employees who are indirectly affected by the change process, remaining in the organisation, and who will have also experienced significant loss and will need help in finding a new vision for their role in the changed organisation, regaining their energy and their productivity

### Understanding people's response to change:

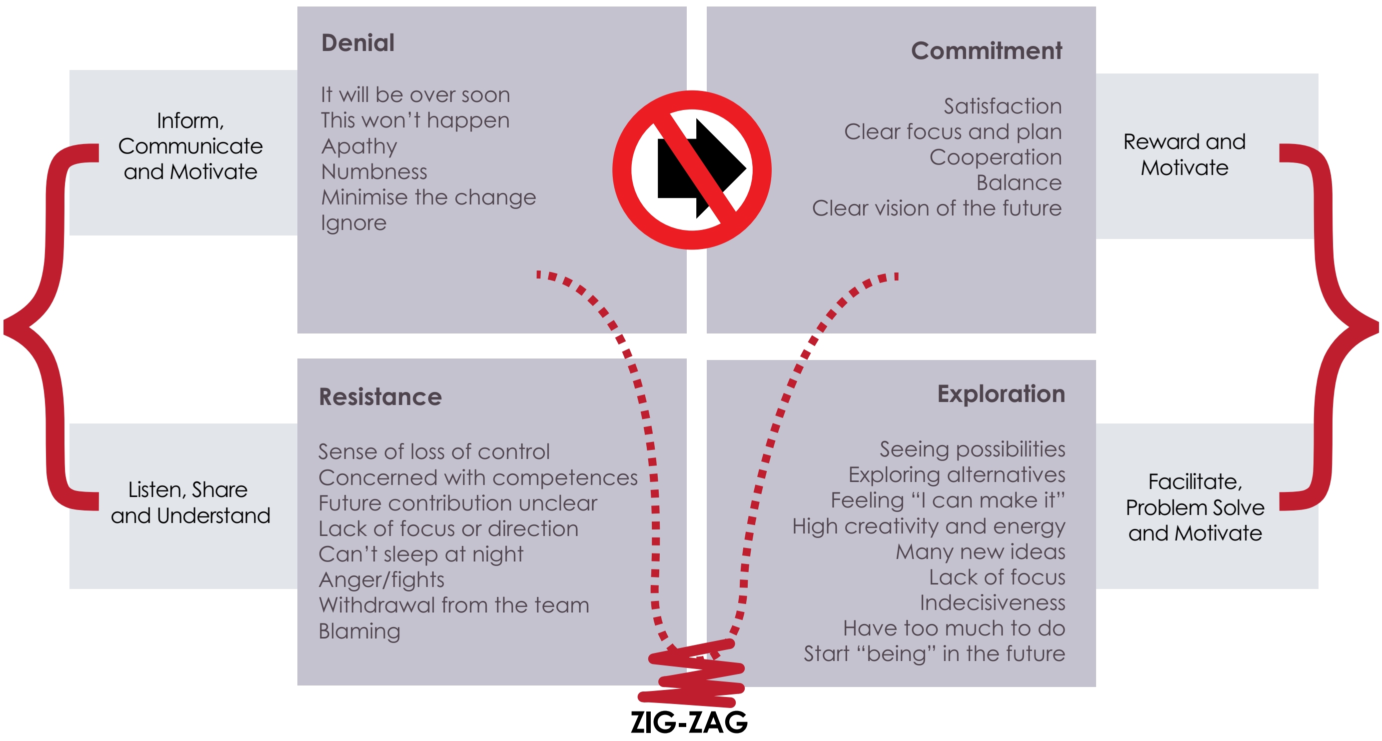
FIGURE 1 - CYCLE OF TRANSITION
The diagram below demonstrates the four phases of transition in response to change:




Adapted from Managing Change at Work by Cynthia Scott and Dennis Jaffe

FIGURE 2 – CYCLE OF TRANSITION

Understanding the leader's role in change: The below diagram demonstrates the practical steps a leader could take in each phase of transition to mitigate the effects of change:




Adapted from Managing Change at Work by Cynthia Scott and Dennis Jaffe

**Reinforcing the change**

Post-implementation plan: Small and large conversation-based focus groups are to evaluate the implementation of the change and to realign any areas that need to be addressed. The change can also be surveyed to assess whether further interventions are required.

Change management needs to take place across the following five stages:

1. Awareness (user has knowledge of the change)
2. Understanding (user comprehends the nature, scope and impact of the change, i.e. understands the context and benefits)
3. Enablement/support (user invests time in planning and investing time learning new roles, skills, processes and procedures)
4. Adoption/commitment (user welcomes the change and articulates commitment to the programme goals)
5. Sustainability/ownership (user articulates the change as an accepted norm and demonstrates sustainable behaviours)

## Barriers to change

The greatest barrier to successful change is employee resistance at all levels. There is a natural human resistance to change. This resistance can lead to a negative impact on the success of the process.

1. Employee resistance; fear of the unknown and having to move outside of their comfort zones
2. Middle-management resistance; perceived loss of power
3. Poor leadership sponsorship; insufficient active sponsorship and leadership supporting and modelling the change
4. Limited time, budget and resources; project teams not having adequate time, budget and resources to complete the change project
5. Organisational inertia and politics; the organisational culture resisting the change initiative

## Budgeting for change management

Sustainability initiatives ultimately require individuals to do their jobs differently. The correlation data is clear: the likelihood of successful implementation of projects and initiatives increases with effective change management. With this correlation in mind, change management needs to be budgeted for in order to be able to be implemented.

To "tip the scale" toward buy-in and investment in managing the people side of change, the benefits of change management must outweigh the cost components.

The costs of effective change management can be summarised as follows:

- Primary costs:
  - Change management resource costs - salary or other compensation for internal change management practitioners
  - Training costs - design, development and delivery as well as materials
  - Communications costs - design, development and delivery as well as materials
- Secondary costs:
  - Consultant costs
  - General overhead expenses
  - Event costs (workshops, group meetings, events, road shows)
  - Change management materials
  - Reinforcement and recognition costs
  - Cost of lost productivity

Methods of providing for the costs of effective change management:

- Allocating costs as a percentage of total project budget
- Allocating costs as a percentage of project FTE (Full Time Equivalents)
- Considering the nature and complexity of the change to scale resource requirements (i.e. a small, incremental change does not require the same change management resources as a large, dramatic change)
- Estimating the work required to complete change management activities (i.e. creating a work breakdown structure of the activities in the methodology and estimating time for completion)

## Sustainability tracking

In the same way as it is important to track the performance of employees in contributing to the strategic objectives of the organisation, it is important to track their performance in contributing to the sustainability objectives of the organisation.

The purpose of sustainability tracking is to tighten the link between strategic sustainability objectives and day-to-day actions. This can be achieved by tasking an individual or department (supervisor) with the responsibility for sustainability success tracking. The supervisor would ensure that the sustainability plan is translated into key performance indicators that reflect particular measurable steps done by particular employees in terms of the organisation-wide performance management system.

Effective goal setting (including timelines), combined with a method to track progress and identify obstacles, contributes to success. Regular tracking of progress against performance goals and objectives also provides the opportunity to recognise and reward employees for performance and exceptional effort, contributing to job satisfaction and productivity.

**TAKE NOTE**

Key to the success of sustainability strategies is linking sustainability activities to the key performance indicators of individuals and regularly tracking their progress. This could be linked to incentives, where appropriate.

# BUILDING INSTITUTIONAL SUSTAINABILITY

capacitate
ENABLING SOCIAL IMPACT

# Objectives

By the end of the module, the learner will:

- Understand matters pertaining to incorporations, registrations and compliance
- Understand what operational delivery is
- Understand what effective resource allocation is
- Be able to evaluate the allocation of current resources and begin to explore opportunities to streamline operations
- Recognise opportunities for partnership and collaboration to share resources and achieve savings though economies of scale
- Recognise the importance of organisational development for sustainability
- Understand some core human resources processes and strategies in relation to sustainability
- Understand what organisational culture is
- Appreciate the value of learning and development
- Know how to improve organisational performance
- Understand how to manage volunteers better
- Have strategies for making better use of the board
- Better understand key marketing and communication concepts
- Be able to position the organisation optimally
- Have the knowledge to develop a framework for marketing and communication activities
- Understand how to raise awareness about the organisation
- Be better positioned to generate investment interest

# Institutional sustainability

**DEFINITION**

In the context of civil society organisations, institutional sustainability can be defined as the ability to survive over time through sound governance practices, strong leadership, positive image, committed human resources and the availability of physical facilities used for operational requirements.

# Governance

## Legal identity

**Trusts**

A trust is an arrangement, detailed in a trust deed, in which an owner invests property and/or funds to trustees (who administer the assets for the benefit of beneficiaries) for a stated objective.

The trust is then governed by the Board of Trustees, who fulfils a similar function to the Board of a private entity and tries to ensure that the trust meets the objectives and the purpose for its formation, which is detailed in the trust deed. The principles of corporate governance are also applicable to the trustees in order to ensure that they act in the interests of the trust and its beneficiaries.

Trusts are regulated by the common law and the Trust Property Control Act 57 of 1988 and are not seen to have an independent legal personality. This means that if there is a legal dispute, the trustees themselves sue or get sued, not the trust itself.

To register a trust, you need a notary public to write and attest your trust deed (a notary public is an attorney with an additional qualification which authorises him or her to certify that documents to be filed in a government registry are authentic). The High Court then registers the trust and controls the appointment of trustees. If any changes are to be made to the trustees, the Master of the High Court must be notified as such. If a trust also registers as a Non-Profit Organisation (NPO), then the trust must comply with the on-going regulatory requirements of the NPO Act of 1997 and the Income Tax Act 58 of 1962.

Trusts have certain advantages as they are flexible and can suit many NPOs, their objectives and situations; and there is a limited amount of public disclosure required. Although trusts do not have a legal personality, it should be noted that trusts that register as NPOs acquire a legal personality through registration.

**Not for Profit Companies (NPC)**

Not For Profit Companies (NPCs) resemble commercial entities; however, they do not have share capital and cannot distribute shares or pay dividends to their members. Instead they are 'limited by guarantee', meaning that if the company fails its members undertake to pay a stated amount to its creditors.

NPCs are governed by the Companies Act in South Africa and do have a legal personality.

You can register an NPC with the Registrar of Companies (Companies and Intellectual Properties Commission), where the proposed name will be approved and then the registration will occur. The registration process can take about four months.

To register an NPC:

- The company's main objective must be the promotion of religion, the arts, science, education, charity, social activity or a communal or group interest
- All income and property must only be used to achieve the main objective and no financial benefit may be given to members or office-bearers, except as reasonable compensation for their work

- A minimum of three incorporators must complete and sign the memorandum of incorporation. A minimum of three directors must be appointed

The Companies Act requires some on-going regulatory requirements for NPCs. These include appointing auditors and informing the Registrar of Companies of any changes to the auditors, a registered address must be provided (and changes to the address need to be provided to the registrar, up to date records of members and directors must be kept (in a prescribed form), the directors' names must appear on all letters, catalogues and circulars distributed or published, directors must ensure that proper minutes and attendance registers are kept of all meetings, the company is required to hold an annual general meeting (AGM) in accordance with the prescribed procedures.

For general information relating to companies, the Companies and Intellectual Properties Commissions (CIPC) website is really helpful: ***www.cipc.co.za.***

For further information relating to the registration of NPC's, visit:
***http://www.cipc.co.za/index.php/register-your-business/companies/register-non-profit-company/.***

It should be kept in mind that NPCs have substantial public disclosure requirements.
An NPC can register as an NPO.

**Voluntary Associations**

A Voluntary Association is created when three or more people enter an agreement (a constitution) to form an organisation to achieve not-for-profit objectives. The agreement can be verbal and does not have to be documented in writing, although it is generally preferable to have it in writing to avoid disputes.  Voluntary associations are governed by common law and the objective must not be for the members to profit. A Voluntary Association can register as an NPO.

**Non-Profit Organisations**

The Non-Profit Organisations Act, 1997 (No 71 of 1997) states that a Non-Profit Organisation (NPO) is defined as a trust, company or other association of persons, established for a public purpose and the income and property of which is not distributable to its members or office bearers, except as reasonable compensation for services rendered.

Civil Society Organisations (CSOs) that are not part of government can apply for registration as an NPO at a Department of Social Development (DSD) office. NPO registration is beneficial because it improves the credibility of and funding opportunities for the organisation, and can provide the CSO with certain tax exemptions. Registration is voluntary and due to the benefits of registering, it is recommended for all CSOs to register and thereafter comply with regulations and compliance criteria.

To register, the organisation must be either a Civil Society Organisation (CSO), Community-Based Organisation (CBO) or a Faith-Based Organisation (FBO).

The process of registering as an NPO is:

- To submit a completed NPO application form at the nearest provincial DSD office, together with two copies of the organisation's founding documents:
  - Trust: Trust deed and letters of authorisation from the courts
  - Non-Profit Company: Certificate of Incorporation and Memorandum of Incorporation
  - Voluntary Association: Constitution

- The founding documents of the NPO must meet the provisions of Section 12 (A-O) of the Non-Profit Organisations Act, 1997 (Act 71 of 1997). If you fail to do that, your application will be rejected. You can submit your application:
    - At your nearest provincial Social Development office
    - Post it to:
      The Directorate, Non-Profit Organisations, Department of Social Development
      Private Bag X901
      Pretoria, 0001
    - Or deliver it by hand to:
      The Department of Social Development
      134 Pretorius Street
      HSRC Building
      Pretoria

Once your NPO is registered, you must submit the organisation's annual report nine months after its financial year-end. The annual report should consist of a narrative report and a financial report.

For more information, contact the Department of Social Development or visit their website at ***http://www.dsd.gov.za/npo/.***

**Public Benefit Organisations (PBO)**

It is important to note that an organisation that has a non-profit motive or is registered as a non-profit organisation (NPO) or Non Profit Company (NPC) does not automatically qualify for preferential tax treatment. An organisation will only enjoy preferential tax treatment after it has applied for and been granted approval as a Public Benefit Organisation (PBO) by the Tax Exemption Unit (TEU) of the South African Revenue Service (SARS).

The conditions and requirements for an organisation to be approved as a PBO are contained in section 30 of the Income Tax Act 58 of 1962, while the rules governing the preferential tax treatment of PBOs are contained in section 10(1)(cN). Section 10(1)(cN) provides for the exemption from normal tax of certain receipts and accruals of approved PBOs. Certain receipts and accruals from trading or business activities will nevertheless be taxable.

Approved PBOs have the privilege and responsibility of spending public funds, which they derive from donations or grants, in the public interest on a tax-free basis. The donations or grants may be received from the general public or directly or indirectly from the State. It is therefore important to ensure that exempt organisations use their funds responsibly and solely for their stated objectives, without any personal gain by any person including the founders and the fiduciaries.

Approved PBO's must continue to comply with the Act and related legislation throughout their existence. This includes the submission of annual income tax returns on an IT12EI form. The income tax return enables the Commissioner to assess whether the approved PBO is operating within the prescribed limits of the relevant approval granted and to determine whether the partial taxation principles must be applied to receipts and accruals derived from a trading activity or business undertaking which does not qualify for exemption.

An organisation which provides scholarships, bursaries and awards for study, research or teaching must comply with the conditions prescribed in Regulation R.302 (published in Government Gazette No. 24941 on 28 February 2003).

**For more information, refer to the SARS as follows:**

1. Tax Exemption Guide for Public Benefit Organisations in South Africa (Issue 4) on SARS website
2. Tax Exemption Unit: TEU - Telephone: 012 - 483 1700, Fax: 012 - 483 170, E-mail: teu@sars.gov.za

### TAKE NOTE

Requirements of a registered NPO

Once registered, an NPO is obliged to comply with various reporting provisions and formalities in terms of the Non-Profit Organisations Act, 1997 (No 71 of 1997), namely the NPO must:

- Reflect its registered status and registration number on all its documents (Section 16(3))
- Keep and preserve accounting records and supporting documentation for the prescribed period. (Sections 17 (1)(a) and (3)
- Within six months of the end of its financial year, draw up financial statements which include a statement of income and expenditure and a balance sheet (Section 17(1)(b))
- Arrange for an accounting officer to compile a written report within two months after drawing up its financial statements confirming that the financial statements are consistent with the accounting records; the accounting policies are appropriate and applied, and that the organisation has complied with the financial reporting requirements of the Act (Section 17(2))
- Submit to the NPO Directorate a narrative report in the prescribed form together with its financial statements and the accounting officer's report (Section 18 (1)(a)) within nine months of the end of its financial year
- Submit to the NPO Directorate the contact details of its office bearers, even if they were reappointed within one month of their appointment; the NPOs physical address for service of documents and notice of any change of address one month before it takes effect, any other prescribed information reasonably required by the NPO Directorate for the purposes of ascertaining whether the NPO is complying with the material provisions of its constitution and the Act (Section 18(1)(b-e))

To support compliance in your CSO, we have included a list of the most relevant laws and regulations governing CSOs in South Africa:

- Non-Profit Organisations Act, No. 71 of 1997
- Non-Profit Organisations Amendment Act, No. 17 of 2000
- Constitution of the Republic of South Africa Act, No. 108 of 1996
- Trust Property Control Act, No. 57 of 1988
- Companies Act, No. 71 of 2008
- Income Tax Act, No. 58 of 1962
- VAT Act, No. 89 of 1991
- Consumer Protection Act, No. 68 of 2008

The above does not constitute an exhaustive list of legislation that is applicable to CSOs.  Accordingly, it is highly recommended that your organisation consult with lawyers to familiarise yourself with all legislation relevant to your context, to understand the annual requirements in terms of that legislation and ultimately to ensure organisational compliance.

## Board, directors and responsibilities

South Africa has had its fair share of corruption and scandals. This has had an impact on the world's perception of South Africa, its business environment and on organisations and public sector institutions in general. In an attempt to create accountable and ethical structures, the King Committee was established and the King Code and Report of corporate governance was created. The committee consulted 103 documents and 44 websites in developing the framework that became the King Code and Report (now on version III) which was published in 2009 by the Institute of Directors.

The King III Code and Report is the recommended document to follow in terms of corporate governance in South Africa. Corporate Governance has become well known as the 'system by which companies are directed and controlled.'

This is especially important in the social sector as donors are becoming more and more concerned with the manner in which CSOs are run and managed, and they want proper management and oversight in place. For donor organisations, they would like to see that their funds get used for the intended purposes in an efficient manner. Thus, complying with the King III guidelines will be a good step in this direction.

**The Principal-Agent Problem**

The guidelines proposed seek to create an effective structure for the organisation that enables effective decision making and removes the principal-agent problem that occurs in organisations. The principal-agent problem arose from thinking around commercial entities, where shareholders would appoint managers to run the businesses in which they had interests. The aim of commercial businesses is said to be shareholder value and it was found that managers were carrying out their management duties in a manner that benefited them at the expense of shareholders. The agents (the managers) were not acting in the interests of the principals (shareholders).

Consequently, the corporate governance framework seeks to add a structure to organisations that ensure that the organisation achieves its set objectives and where possible steers clear of corruption and the principal-agent problem. The philosophy of the King III Code and Report centres around three key aspects:

- Leadership – ethical values of responsibility, accountability, fairness and transparency, and based on moral duties that find expression in the concept of Ubuntu
- Sustainability – this is a key aspect of focus in the Code and Report and, consequently, following the guidelines are seen as adopting practices that positively impact the organisation's sustainability
- Corporate citizenship

The Code and Report provides guidelines in the following areas:

- Ethical leadership and corporate citizenship
- Defining the role and responsibilities of the board
- Defining the role and responsibilities of the audit committee
- Recommendations on the governance of risk
- The governance of information technology
- Compliance with laws, rules, codes and standards
- Recommendations for carrying out the internal audit functions
- How stakeholder relationships should be governed

**Recommendations for integrated reporting and disclosure**

Adopting these principles and complying with the guidelines provides additional confidence to funders that their funds are more likely to be utilised in the intended manner.

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The South African Institute of Chartered Accountants (SAICA) provides a useful archive of the various codes and reports, recording a summary of changes that were introduced between King II to King III. This archive can be accessed at: ***https://www.saica.co.za/Technical/LegalandGovernance/King/tabid/2938/language/en-ZA/Default.aspx.***

It is important to note, however, that copyright for King III rests with the Institute of Directors: ***http://www.iodsa.co.za/?kingIII***.

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# Organisational strategy

A good organisational strategy will allow for a multi-dimensional understanding of the organisation and will give the organisation direction and structure to achieve its goals. Without direction and planning, there can be little cohesion to the activities driving the organisation forward.

## Vision

The vision is the broadest of the subtopics within the space of organisational strategy. The vision of an organisation can be defined as the broadest level of change or action that the organisation would like to see and undertake. This is not to say that the vision does not give direction, but is rather a directed statement that broadly encompasses the larger scale of what the organisation will be involved in. The purpose of the vision is to give the organisation clarity of understanding as to the purpose and core values of the organisation.

The vision can encompass the following:

- A view of the future, incorporating sustainability
- The core values of the organisation
- Reference to the sector or area of work
- The relationship between the organisation and community

The need for a vision is to give an over-arching direction to the organisation and a rallying point from which there can be co-ordinated effort into getting the desired outcome as set out in the vision.

An example of a vision statement might be, 'To empower communities to care for their vulnerable children.'

## Mission

The mission of an organisation is defined by the organisation's vision; it is a statement to guide how the vision will be achieved by way of defining the primary objectives that need to be realised.

The mission can answer the following questions:

- Why are you in the space?
- Who are the people that you are trying to reach or interact with?
- Why are you trying to reach or interact with those people?
- What is the responsibility of the organisation towards the aforementioned people?
- What makes you different?

The mission may evolve as the organisation transforms to better fit the changing conditions on the ground. It should be noted, however, that the mission should once again feed back into the vision of the organisation.

An example of a mission statement might be, 'To empower communities with the knowledge, skills, strategies and self-confidence to form and successfully run their own community based organisations supporting the well-being of vulnerable children'.

## Overarching (strategic) goals

The overarching (strategic) goals of an organisation are a set of objectives that are defined in order to achieve the mission, and ultimately the vision of that organisation. These goals should be created to include the inner workings of the organisation, and should supersede all other goals that exist within the organisation.

The set of overarching goals should be a product of the vision and the subsequent process of creating the mission. The overarching goals should be SMART:

- **S**pecific: Is the desired outcome clearly specified?
- **M**easurable: Can the achievement of the objective be quantified and measured?
- **A**ppropriate: Is the objective appropriately related to the programme's goal?
- **R**ealistic: Can the objective realistically be achieved with the available resources?
- **T**ime bound: Over what time period will the objective be achieved?

With the overarching goals in place, the organisation can measure its progress towards the mission, and ultimately the vision. This measuring process is important as it allows for the re-evaluation of priorities and planning which enables the organisation to rethink concepts.

An example of an overarching goal might be, 'Develop 5 brand new Community Based Organisations (CBOs) using the full capacity development curriculum, and fledge the CBOs with committed and ongoing funding, within 5 years.

**ACTIVITY**

Using the vision, mission, and SMART overarching goals concepts, use the below provided space to capture the Vision, Mission and SMART Overarching Goals of your CSO, and note any shortcomings for possible review later

Vision:
…………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………

Mission: ………………………………………………………………………………………………………
…………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………

Overarching goals: ……………………………………………………………………………………………
…………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………

## Developing an organisational strategy

The organisational strategy speaks to the CSO's overall goals and in effect provides a plan to achieve these goals. The way in which the organisational strategy is developed takes the following into account:

- The differences found between the organisation's current state and the state set out in the vision and mission
- An understanding of what is required to move the organisation from the current state to the desired state

The organisational strategy should provide a structured way to guide the organisation through the transition from the current state to the desired state. This includes defining action plans and specific activities to be undertaken towards the realisation of the goals and objectives. The organisational strategy should translate into a practical process that can be implemented on a day to day basis within the organisation.

## Operational delivery

**Organisational structure**

An organisational structure defines how the organisation manages activities such as task allocation, coordination and supervision. It is also used to operationalise the strategies of the organisation and how the organisation aims to achieve its organisational aims. An organisation can be structured in many different ways, depending on its objectives. The structure of an organisation will determine the manner in which it operates and performs. Organisational structure affects organisational action in two big ways:

First, it provides the foundation on which standard operating procedures and routines rest.

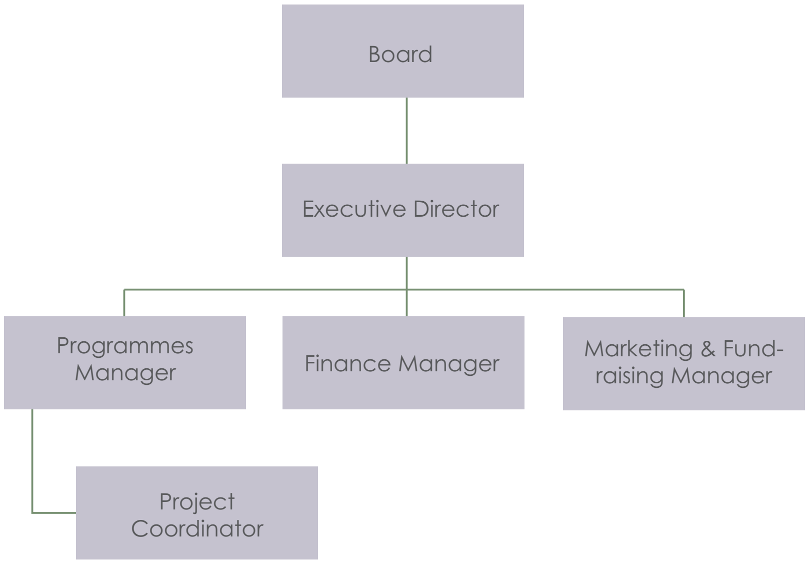
Second, it determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organisation's actions.

A clear and simple organisational structure is more likely to result in good operational delivery and a higher degree of sustainability. There are several different types of organisation structures that either already exist in today's business landscape or are starting to emerge as viable options for the future of work, these include:

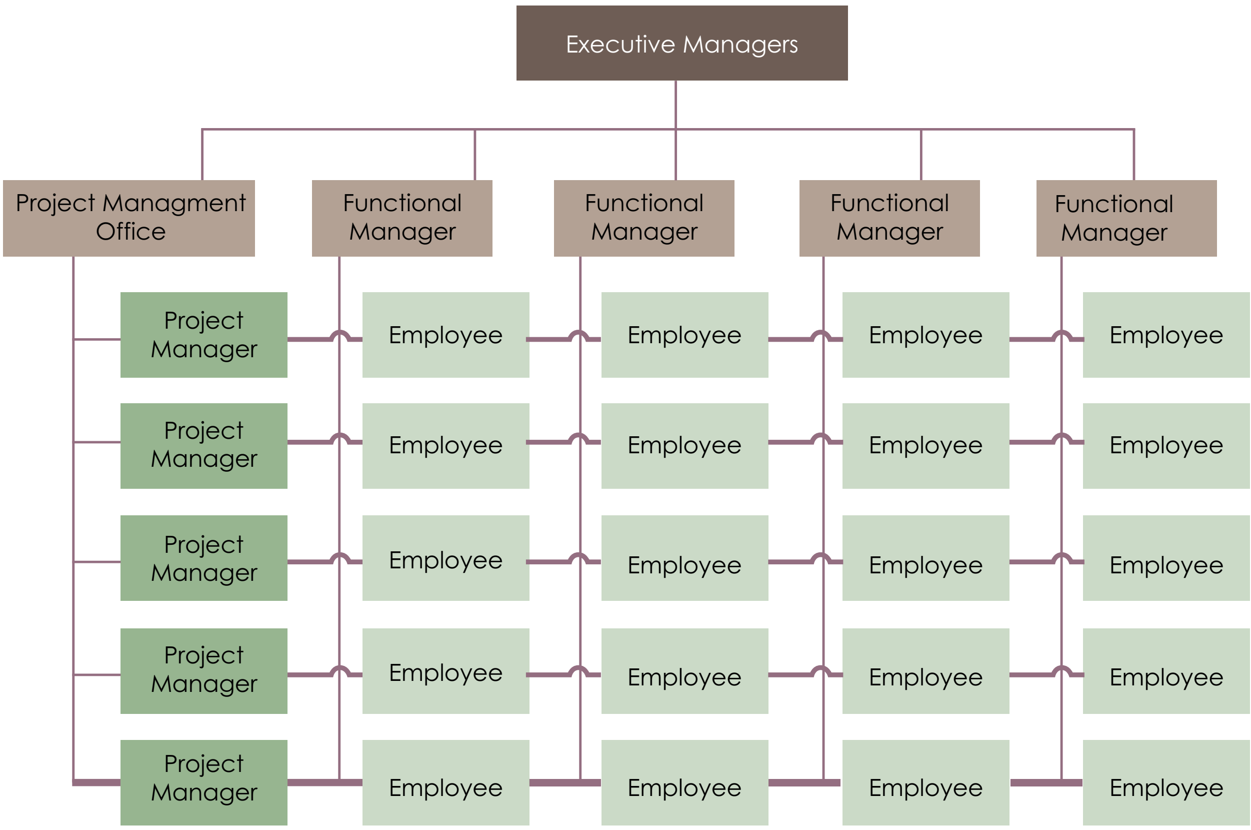
- Line organisational structures
- Staff or functional authority organisational structures
- Line and staff organisational structures
- Committee organisational structures
- Divisional organisational structures
- Project organisational structures
- Matrix organisational structures
- Hybrid organisational structures

These structures are dependent on various factors such as function, geography, division and matrix.

**Example of a line organisational structure**




**Example of a matrix organisational structure**



Recommended reading:
This article provides an excellent analysis of the different organisational structures – their characteristics, features, advantages, disadvantages and uses. ***http://www.yourarticlelibrary.com/organization/8-types-of-organisational-structures-their-advantages-and-disadvantages/22143/***

**SELF-TEST**
Using the afore-mentioned recommended reading, can you identify what organisational structure best fits your organisation? Can you draw your organisational structure? Who makes up your organisation? Who reports to whom?

## Organisational policies

### What is a policy?

A policy is a statement of intent, and is implemented as a procedure or protocol, in providing information about the management system, goals and how the system operates in the company. Policies are generally adopted by the Board or senior management within an organisation, whereas procedures or protocols would be developed and adopted by the leadership of the organisation. All employees must be aware of the organisation's policies. Employees at all levels should know where to access a copy of the organisation's policies and understand what they mean.

**TAKE NOTE**
Organisational policy is necessary from a sustainability perspective to ensure the application of sound governance practices

### Common sections in policies

The common elements of policies are:

- The effective date of the policy – when it came into effect
- The context – describing the background, the organisation and the rationale for the contents of the policy
- Principles – the key principles on which the policy is based
- Roles and responsibilities – all key individuals within the organisation with regard to the policy and objectives, what their roles are and what they are responsible for. Additionally, who the aforementioned are accountable to is also included.
- Monitoring, reporting and performance measurement – how to monitor the implementation of the policy. This section would detail performance indicators, reporting requirements and compliance mechanisms that are in place (some of these may be included as an appendix, but they do generally form part of a policy)
- The last page often captures:
  - The date for scheduled reviews of the policy – usually annually
  - The policy author
  - The policy owner
  - Any policy reviewers

## Internal coordination

Internal coordination or inter-functional coordination, originally stems from the market orientation concept, which advocates that marketing (or any other functional area) is not only the responsibility of a marketing department (Kohli & Jaworski, 1990), but requires the coordinated efforts of different departments to create superior value for customers (or beneficiaries) (Narver & Slater, 1990).

In many organisations there are multiple areas of operation or programme delivery. Unfortunately these different functional areas often operate as silos with a focus on specific delivery outcomes without any linkages to other areas of the organisation's operational delivery. This may result in lost opportunities for economies of scale, shared resources and optimisation of the broader delivery mandate. Achieving greater connectedness of staff across different functional areas for improved delivery, motivation, commitment and innovation can play a significant role in driving the organisational commitment of staff and ultimately retention levels, all of which are key considerations for sustainability, as well as general operational efficiency.

The key to achieving inter-functional coordination is an effectively implemented internal communication plan (see next section).

## Internal communication

Internal communication can be defined as the distribution of strategic messages and information about the organisation, beneficiaries and communities that are served. This would include performance, achievements and other key issues. These internal communications are directed at staff, other internal stakeholders' and board members, and could also include other strategic partners.

Effective internal communication is a critical contributor to organisational health and sustainability. As a tool for facilitating staff engagement, within the context of sustainability, internal communications can contribute directly to:

- Staff cohesion, morale and retention
- Inter-functional coordination
- Operational efficiency
- Brand strength and identity
- Cost containment

A variety of channels may be used including: email, social media, meetings, direct engagement, planned events, face-to-face staff briefings, learning circles (where staff share their experiences) and coffee mornings with the director, team leaders or the rest of the team.

Few organisations have the resources available to appoint a dedicated internal communications resource; in this case the organisation could adopt a networked approach to resourcing - a core team made up of representatives from key teams, such as human resources, finance, marketing/ communications/fundraising and programmes. Champions within each department should promote internal communication priorities and provide content to be communicated through the various channels. Overall responsibility sits with the Executive Director, but everyone has a responsibility for effective communication. What is communicated through your internal communication channels is very important. The content of your communications is important for a number of reasons, in addition to achieving the specific objectives of the message itself, the communication should be:

- Relevant to the particular audience
- Interesting and understandable

- Time appropriate – far enough in advance to act (if required) but not too far in advance to lose significance
- Positioned and prioritised within the broader operational context
- Non-repetitive so as not to dilute the message

When developing your internal communications strategy, it would be important to:

- Focus on strategic communications as a priority rather than tactical or operational matters, as these can be better addressed using operational or project communication processes. If necessary these may be defined separately or as a subset of the internal communications plan.
- Keep communications relevant and interesting
- Closely align your learning and development programme with your drive for effective communication
- Secure expert advice at key moments
- Get staff buy in and participation every step of the way
- Invest in relevant training as required for a select number of internal communication champions across the organisation that can then roll out best practice to colleagues.
- Encourage representation from each department on any internal communication project group to allow for quality insight and buy-in across the organisation

Strategies typically include these headings:

- Title – useful for internal reference, particularly if you have more than one strategy
- Issue/purpose – the business objective it aligns e.g. increasing sales/productivity, reassurance through change etc
- Executive summary – succinct overview for reader. Should include how it will add value, what resources are needed, plus a timeline
- Structure – where the organisation is now, where we want to be and why, how you're going to get there, how you'll know you're there. Plus resources and timings required to deliver it
- The communication objective – why the strategy exists and what it's trying to achieve
- Measurement – how the strategy will define and measure success. Should include what success looks like and what the next steps are
- Key messages – whether for whole organisation, project or part of the company. Should be short, memorable and consistent
- Audience segmentation/stakeholder mapping – who you are communicating with
- Channels – detail the communication channels/methods you will use and when
- Approval process and responsibilities – who needs to sign off the strategy and who the authors are
- Timeline – this is useful to ensure strategy gets underway, it helps outlines expectations all round and is mindful of any key dates or events
- Appendix – any additional information that needs to be considered alongside the strategy but not form part of the main document

Civicus offers a free internal communication toolkit which can be located at ***http://www.civicus.org/view/media/***
CIVICUSInternalCommunicationToolkit.pdf. An example of a completed internal communication strategy can be accessed at example/ Template: ***http://www.allthingsic.com/ic_strategy/***

## Information and Communications Technology

Increasingly Information and Communications Technology (ICT) is becoming a crucial component of enabling operational delivery. Appropriate technology can improve almost all areas of operation within the organisation and certainly across all the sustainability domains. It is thus critical that the ICT infrastructure is maintained and appropriate policies are in place to secure data and business continuity.

In addition to improving operational delivery, the use of appropriate technology can make a significant contribution to differentiating the organisation and providing a competitive edge.

When it comes to budgeting for information and communications technology, the old adage "you get what you pay for", holds true. ICT remains an expensive operational overhead, and as far as possible, an appropriate budget allocation should be made towards maintaining and renewing your ICT infrastructure. An aging ICT infrastructure can reduce efficiency and contribute to the hidden costs of operations. Conversely, an effective ICT infrastructure can significantly improve efficiency and reduce costs.

## Knowledge management and reporting

The basis for knowledge management and reporting is through institutionalising knowledge. Building institutional knowledge within the organisation is establishing a basis for succession planning that extends beyond any individual, but ensures that the organisation is in the best possible position to continue the delivery of services. It is thus a critical component of sustainability planning.

Although the building of institutional knowledge extends across all domains, it should be an explicit focus, something that could be championed by HR or the Executive Director, ensuring that there is emphasis placed on documenting, storing and communicating all policies, procedures, processes, descriptions, templates, training materials, and marketing materials. This should in itself be documented as a policy or explicit undertaking that can be monitored and reinforced.

## Resource allocation

As all organisations operate in the context of limited resources, it is critical for resources to be allocated efficiently to achieve the outcome in a cost effective manner. While this may seem like common sense, we have seen many instances where this is not the case. Many organisational structures begin in a lean and efficient manner, with a few people and assets carrying out a fairly substantial amount of activities. Then, over time, the organisation accumulates more people, more assets and equipment, and the overall efficiency and productivity level drops. This can be for a number of reasons, including a change in organisational culture as the organisation grows - the cultural change can be due to different leaders being recruited, and managers making decisions based on incorrect information.

If resources are allocated inefficiently in private sector entities, the shareholders suffer due to the costs increasing to carry out work for clients and this has the result of decreasing the profit generated and cash position of the business. In social sector organisations, the impact is even greater as this might equate, for example, to children going hungry and uneducated, or people not receiving medical supplies. In these settings, how resources are allocated is also a critical consideration in order to enable a greater amount of social benefit being achieved. Consequently, there needs to be a large focus on efficiently allocating resources within CSOs.

The resources referred to are all those involved in carrying out the organisation's activities and include:

- People or positions (human resources)
- Space
- Money
- Equipment, vehicles and other assets
- Other materials needed to carry out activities
- Technology

In relation to resource allocation, there are a few points worth mentioning in particular:

- Leadership is key - even a perfect resource allocation strategy will fail if not managed well
- True change occurs in response to pain or when an unusual opportunity surfaces
- The best time to plan for resource allocation is when things are going well - not during a crisis
- Leaders should not let today's economic challenge be an excuse for not acting

An ideal approach to resource allocation would include the following:

- A broadly participative resource allocation process
- Work planning, driven by an established vision for your CSO. See example of a work breakdown structure on the next page
- Resource allocation decisions driven by programme priorities, and used to determine what resources (time, money and assets) are needed where. When it comes to prioritising programmes, Dickeson recommends the following ten criteria for use in evaluation (adapted):

1. Importance of the programme to a CSO
2. The external/ internal demand for the programme
3. The quality of the programme outcomes
4. The cost effectiveness of the programme
5. The opportunity analysis of the programme
6. The history, development and expectations of the programme
7. Quality of inputs or outcomes
8. The size, scope, and productivity of the programme
9. The revenue and other resources generated by the programme
10. The costs and other expenses incurred by the programme
11. The impact, justification, and essentiality of the programme

Results of allocations should be assessed regularly and consistently, with emphasis on accountability rather than control.

Dickeson's model for resource allocation suggests the following (adapted):

- Programmes drive institutional costs
- One should add programmes, but rarely subtract them
- Too many "try to be all things to all people"
- There are insufficient resources to do everything well
- Across–the-board cuts lead to mediocrity
- Reallocation of resources is the best option
- Reallocation requires prioritisation

# 2020 Work Breakdown Structure: Area A

## FINANCIAL MANAGEMENT

### Budget 2020

Budget
Prepare
Approve
Actual vs budget

### Funding 2020

**Secure Donors**
Written confirmation
Dates of payment
**Unsecured Donors**
Hedge/mitigate
Follow up: 2 weeks
Written confirmation
**Other Sources of Funding**
Endowment
Lottery

### Annual Financial Statements 2016

Finance
Auditors
Department of Social Development
Check
Sign-off: Trustees

### Cash Flow Management

Reconciliation of bank statements

## CORPORATE GOVERNANCE

### Board Meetings: 4 pa

Agenda
Presentation
Board Packs
Meetings
Minutes
Review Minutes
Action Points

### Trustee Appointment

### Trustee Site visits

Identify
Arrange

### Grant Agreements

Prepare and finalise
Finalise check-list
Check, review documents
Reports for donor

### Regulations / Plans

National Planning Commission
Regulations
Department of Social Development

## OPERATIONS MANAGEMENT

### External Projects

Manage projects re:
Grant approval process
Contracting process
Payment process
Reporting process
Site visits or events
Payment receipts
External industry meetings

There are many resources, but the principle is that these should be allocated to operational activities, projects and/or departments in a manner that maximises their benefit, while decreasing their cost per activity.

***As an example***

*A case involving human resources would be where a child care centre is running with six nurses on duty, but the efficiency levels have not been optimised. If the operational processes were standardised and efficiencies focused on, this may allow the centre to achieve the same or greater benefit with four nurses and not six. The cost of the other two nurses could then be allocated to other activities such as assisting to serve more children, or to maintain equipment that has been neglected due to a shortage of funds. If the nurses' salaries were allocated to providing more medical support, then the capacity of the organisation would also need to be taken into account. If the optimum ratio of nurses to patients is 20, and the average cost of treating a patient is R2 500 per month and nurses earn R27 000 per month (total cost). Then there is now R54 000 that can be re-allocated. Presumably the four nurses in the optimised structure would be operating at, or close to, their capacity. Thus, decisions on how to efficiently allocate these resources are needed.*

*As the plan is to add more patients and provide medical care to more children, another nurse will need to be added. This reduces the amount available to R27 000. If the average monthly cost of providing care to a child is R2 500, then the maximum amount of children that can be taken on is 10 (R27 000 ÷ R2 500 = 10.8; and we can't serve 0.8 of a child). Thus, the addition of a nurse and 10 children will consume almost all of the R54 000 that was available.*

*But, is this the most efficient structure? The 5th nurse is now only operating at 50% of her capacity and there is not funding to take on more children. Thus, the optimal solution in this instance may be to utilise the nurse for additional purposes. When he/she is not attending to children, they can carry out other activities, such as administration functions (which would then reduce some of the administration burden and cost of the organisation).*

The most efficient structure depends on the organisation's activities that it carries out and the amount of attention that certain functions need. In our above example, the nurse may need to be at the facility on a full time basis in order to respond when care is needed for a child. If this was not the case, a part time agreement could be reached with the employee and the remaining available funds could be allocated elsewhere.

The same is true of assets used in the organisation. The assets of the organisation are used to carry out activities. The balance sheet is structured in this manner to reflect this assumption. Efficient organisations are able to utilise lower amounts of assets to generate more activities. The structure of the assets in an organisation will vary depending on what it does and some (e.g. service based organisations) will generally have less assets on the balance sheet than manufacturing type organisations as most of the resources used to carry out the services they provide will be people (which are not reported on the balance sheet).

## Monitoring resource allocation efficiency

It is important for an organisation to monitor the efficiency of different areas, departments and resources used. This is typically done through financial and/or performance metrics. In social benefit organisations, a combination of financial and performance metrics would generally be the optimum way of measuring efficiency; as most purely financial metrics are created more for private sector profit generating organisations.

Financial metrics that may not be relevant include the Asset Turnover (Sales ÷ Total Assets) and Return on Assets (Net Profit ÷ Total Assets) ratios. These ratios would provide little insight into the efficiency of a CSO as CSOs are not in the business of producing and selling stock in many cases (if the CSO does carry out some commercial activities, then these ratios would be relevant, but only to that portion of the organisation). In private sector entities, assets are used to generate products, which are then sold for a profit, whereas in CSOs, the assets are not used to generate revenue (fundraisers generally do this), they are generally used to provide the social benefit that the organisation has undertaken to create.

Consequently, a mixture of measures may be more appropriate. Let's look at the example of an organisation that carries out feeding activities. In this organisation, they do not own the feeding centres and only carry out the activity of delivering and preparing the food. Consequently, the main resources used are food products and staff. Therefore, adequate metrics for this organisation may be human resource cost per child fed (Total Salaries and Wages ÷ Total Number of Children Fed) and food cost per child (Total Food and Distribution Costs per Child ÷ Total Number of Children Fed). These metrics would provide more relevant information for management to make decisions around.

## Re-allocation of resources and downscaling

Some organisations will experience instances where resources need to be re-allocated from existing uses. This may be due to any of the following reasons:

1. Organisational restructure
2. Change in strategic focus
3. Reduction and/or withdrawal of funding

There are many other instances where re-allocation of organisational resources may be necessary. When re-allocating the organisation's resources, a few things are required to be kept in mind for the results to be desirable:

1. Knowledge of which resources are required simply for activities to occur (even at low activity levels) versus those that are required only as the operations increase in scale
2. Knowledge of the market values of assets (in case assets are being disposed of, due to the need to downscale)
3. Knowledge of the manner in which costs behave in the organisation

The knowledge of which key assets are required to operate is always necessary as these assets need to be treated carefully when re-allocating and/or disposing of assets. Hence, this is an area that requires not only decision making on financial aspects, but also on operational aspects. For this to be an effective decision making process, the minds of many individuals in the organisation may need to be used to arrive at the best, most suitable outcome.

The market value of assets is important as this is not the same as the book value listed on the balance sheet. When assets are disposed of, the value stated on the balance sheet (or asset register) is not the value of funds that will be received from the purchasing party. Consequently, in order to plan effectively, the realistic sales value of assets needs to be known as well. In some instances, the values may even need to be discounted to below market value in order to dispose of the asset in a shorter period of time.

The way costs behave in the organisation is critical in decision making around re-allocating resources as the manner in which they are incurred in one activity, may likely be the manner in which they will be incurred in another. However, this may not always be the case for some resources and consequently, the nature in which resources may be used for a new function, or where they are used for more than one function or activity, needs to be understood when planning and making decisions around the reallocation of assets.

For further reading in relation to resource reallocation and headcount efficiency versus across the board cuts, the following is a useful resource: ***http://www.chrs.net/images/chrs_papers/resourcereallocation.pdf***

## Sweating assets

The term 'sweating assets' originated in the private sector and refers to the manner in which the assets are used. The notion of sweating likely arose from the process of working people hard, where the body starts to sweat when physical energy is exerted. The same theme applies in this instance, where sweating assets refers specifically to using an asset close to (or at) its maximum capacity. This enables the entity owning the asset to get the maximum amount of benefit from that asset.

In times where funding may be limited, this is something for the organisation to consider, as existing assets may need to be used more than they were before in order to continue operating while additional funding is sourced. An important point to keep in mind in the sweating of assets and resources is that operating in this manner may have other consequences.

***As an example***
If the asset is a machine used in the production of something utilised in the organisation's operations, sweating the asset means running it for longer than it would normally be run. This would increase the total output of one machine (the organisation may have decided to sell one machine and decrease the number of machines from three to two), but it would also increase the maintenance frequency and the associated costs. Additionally, it would increase the rate at which the machine may need to be serviced and parts may break down more frequently. In short, sweating assets doesn't come without risks.

As can be seen above, the risks involved with sweating assets always need to be assessed. The same is true for the sweating of resources. If you overwork a person, the result is increased stress which can lead to illness and, consequently, absenteeism. This would also likely lead to higher turnover of staff and a decrease in employee morale, which may reduce the working efficiency of employees. Consequently, some knowledge of a resources maximum working capacity should be kept in mind, and this level should not be reached for an extended period of time.

## Operational planning

Efficiency in the delivery of services is a key consideration within the context of sustainability as there are consequences for both the financial position of the organisation and the level of impact achieved through the programmes or services delivered. As such it is important that the operations of the organisation are not only carefully planned at the outset of any programme or project, but are regularly reviewed and adapted to meet changing conditions on the ground and within the organisation. Furthermore, the operational planning for delivery should integrate into the broader operational planning for the entire organisation.

Thus, ordinarily, operational planning for delivery should stem from the overarching organisational strategy. The steps in planning should be as follows:

1. The long-term, 3 to 5 year strategy should be broken down into annual tactical strategies
2. Each annual tactical strategy should be further broken down into key performance indicators for each functional/ management area and assigned to the functional head
3. Detailed activities should be assigned by the functional head to persons responsible within the functional areas, together with associated targets and timeframes. Firstly, a Work Breakdown Structure (WBS) should be developed as illustrated earlier. The WBS can then be used to populate the operations plan using an annual year planner, which either reflects daily or weekly key deliverables

| | Financial Management | Governance Management | Operations Management | Communications Management | Information Management |
|---|---|---|---|---|---|
| Strategic Plan (5yrs) | | | | | |
| Tactical Plan (1yr) | | | | | |
| Operations Plan (Daily) | | | | | |

This operational planning for delivery should also have special consideration of the broader elements of sustainability in terms of cost containment, scalability and effective utilisation of resources. This may include consideration of how to ramp up or cut back on the implementation, depending on the resources available, whilst still ensuring the maximum possible impact.

Organisations are increasingly considering a flexible deployment model. As an approach, flexible deployment demands a deeper consideration of:

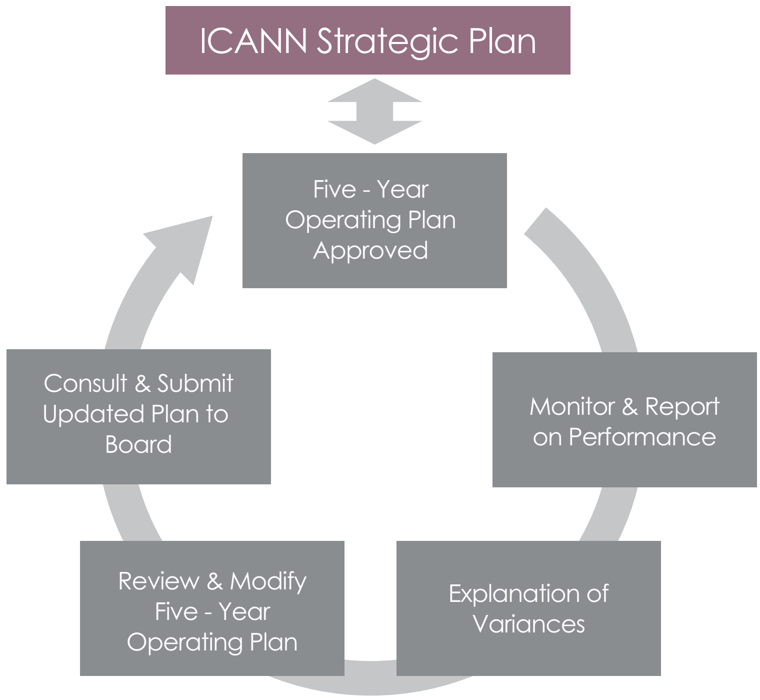
- The cost of implementation: a detailed analysis will ensure that there are no hidden costs that might accumulate, as well as identifying low-cost and no-cost delivery options (see Financial sustainability module)
- Delivery priorities: are there some elements of the delivery that take priority over others?
- Can the implementation be divided into multiple segments that could be delivered independently of each other and if so can these be prioritised by impact and cost?
- Dependencies - are there elements that are inter-dependent?
- Go/no-go: at what point of scale does the intervention lose its value? Most projects need to be delivered at a certain scale to make them worthwhile. It is important to establish this point at the outset to make the decision to "pull the plug" easier, if necessary, at a later stage

Although ideally planned and implemented at initiation, a flexible deployment process can be applied to existing operations.

Sustainability is a critical consideration and should be incorporated whether following traditional operational planning or flexible deployment models.

For an example of a complete planning process and resultant strategies and reports, see: ***https://www.icann.org/resources/pages/governance/planning-en.*** The planning and updating processes have been captured hereunder too.


Updated Process



## Partnerships and alliances

**Collaboration and partnering**

Collaborative forms of working are essential for any CSO. Some organisations have succeeded in sharing knowledge and best practice, although brand identity, funding relationships and intellectual property are often jealously guarded. Partnerships can also provide an opportunity for shared services by consolidating certain common back-office or operational functions, such as financial management and HR. Organisations can also partner for procurement to benefit from bulk buying discounts.

There is still a significant opportunity to improve on effective collaboration and partnering across the social development sector in South Africa. An effective process of competitor and sector analysis could provide a basis for a broader, more cohesive integrated approach to community interventions.

Although collaboration and partnering need not be a formal process, it is usually advisable to follow a structured process to define the terms of engagement with all participants. This can be structured in the form of a memorandum of understanding or in heads of agreement.

**Mergers**

Often, CSOs wait too long before starting to think about mergers. Entering talks about mergers when you are in trouble is not a good idea. The challenge for CSOs today is to see mergers as a way to get stronger in terms of capacity and service thus expanding areas of service, rather than as a sign of failure. It is possible, through mergers, to increase overall efficiency. Boards and executive teams should see mergers and acquisitions as a real option, even when everything is going well. In fact, CSO executives should have a written merger plan, a set of criteria under which they would consider merging with or acquiring another NGO from a position of strength.

Benefits of mergers include harnessing scarce resources and decades of institutional knowledge and leadership, and keeping talent in the non-profit sector.

Mergers, however, are no panacea and require careful consideration by the boards of CSOs. Some of the biggest challenges associated with mergers are:

- Merging brand missions, organisational cultures and personalities
- How CSOs can further their visions, missions and values to the ultimate benefit of their beneficiaries
- Leadership and staffing challenges – allocating roles
- Brand identity
- Reputational considerations
- Philosophy regarding operating efficiency
- Payment of severance packages
- Being sure to engage funders during the planning phase and after the merge

It is possible to innovate through a merger process. More established CSOs could consider things like not-for-profit holding companies that manage multiple NGO brands or bringing on flagship donors specifically to fund CSO infrastructure as part of a merger plan.

## Organisational culture

**DEFINITION**

Organisational Culture, also known as the Corporate Culture, is simply defined as "the way we do things around here" and is shown in:

- The ways the organisation conducts its activities, treats its employees, beneficiaries, and the wider community,
- The extent to which freedom is allowed in decision making, developing new ideas, and personal expression;
- How power and information flow through its hierarchy and how committed employees are towards collective objectives

### Values and culture

Values stand at the very core of human decision-making. When we work in an organisation whose culture aligns with our personal values, we feel liberated. We are able to bring our full selves to work. We not only bring our energy, our creativity, and our enthusiasm, we also bring our commitment to the well-being of our associates and the success of the organisation.

Margulies and Raia (1972) articulated the humanistic values of OD as follows:

- Providing opportunities for people to function as human beings rather than as resources in the productive process
- Providing opportunities for each organisation member, as well as for the organisation itself, to develop to their full potential
- Seeking to increase the effectiveness of the organisation in terms of all of its goals
- Attempting to create an environment in which it is possible to find exciting and challenging work
- Providing opportunities for people in organisations to influence the way in which they relate to work, the organisation, and the environment

The humanistic theory can be briefly defined as: treating each human being as a person with a complex set of needs, all of which are important to their work and their life.

An organisation brand is not just what appears on a label. It's the philosophy shared with customers. The brand conveys the persona, characteristics, values and qualities imbued in a product, why it's unique from the competition. A brand tells a story and can promote the product and can also point to the organisation's mission and culture.

The mission can inform the brand and culture when everyone within the organisation and outside to knows the purpose, desire and focus of the organisation.   The brand is the very tip of the organisation's spear. When potential customers or supporters consider a product or service, an emotional response is evoked, good, bad or indifferent.

Motivated by the culture and driven by the mission, employees can be very much a part of an organisation's brand when they engage with stakeholders in delivering a product or service.

## Talent management

Human resources are without a doubt the most valuable assets that any CSO has. The people that work within the sector deliver services of such enormous value in meeting beneficiary needs that the importance of managing the talent within the organisation is of paramount importance.

**DEFINITION**
Human resources management refers to working with people (staff and volunteers) to achieve the goals of the organisation.

Talent Management is a set of integrated organisational HR processes designed to develop, motivate, and retain productive, engaged employees. The goal of talent management is to create a high-performance, sustainable organisation that meets its strategic and operational goals and objectives. Talent management processes include succession planning and staff retention.

**Succession planning**
Succession planning is the process of training and preparing employees in an organisation so that there will always be someone to replace an employee who leaves. Succession planning includes a skills audit of your current employees to gain an understanding of the skills that exist in the CSO. Succession planning is done mainly for the following reasons:

- To prepare team members for leadership and ensure readiness for new roles as and when needed
- Plan career paths for talented team members – is there room for growth in the structure?
- Risk Management – for example, if the Project Manager leaves, will the Coordinator be able to take over and manage the project?

**Dependence of team on executive director**
Dependence on the executive director by the team can impact sustainability drastically. If, as a result of unforeseen circumstances, the executive director cannot fulfil his or her duties for whatever reasons, does the organisation have a succession plan in place? A succession plan is established to avoid the organisation being left stranded if something was to impact on the executive director's performance. A good succession plan will allow for reliance but not dependence on the executive director. With a good succession plan in place, a smooth transition to a new leader could be expected; whereby fundraising, operations and programme quality would continue without major problems. The senior management team should receive appropriate training to enabling them to fill in during any transition times whereby one or more members or the management team could take on the executive director's role if needed.

**Staff and volunteer retention**
Staff (and volunteer) retention refers to the ability of an organisation to retain its employees (and volunteers).

Retaining ones staff is important for an organisation as you do not want to lose good staff as well as any investment you have made in them, including the time investment to make sure that they are capable at their job and caught up in the organisational culture. What must be understood is that staff retention is dependent on many factors that together make it easier or harder to retain staff. It is also worth noting that each individual staff member is different and as such will react differently to retention strategies – some staff are after the higher remuneration while others want a flexible work environment. Ways in which to retain staff should be discussed with the staff members themselves, a discussion with the staff members as well as the situation of the organisation will dictate the methods which are used.

Retention can be represented by a simple statistic (for example, a retention rate of 80% usually indicates that an organisation kept 80% of its employees and volunteers in a given period). Most people think retention is based on compensation issues, when in reality the drivers go much deeper into the human psyche to the actions and attitudes that make employees and volunteers feel successful, secure and appreciated. As a result, a sound retention strategy should focus on and tactically address four key elements in addition to compensation considerations:

- Performance: Employees and volunteers are often the happiest when their performance is acknowledged by the senior management of the organisation. This includes performance management feedback sessions that that help them gauge personal, team and organisational performance in relation to clear, achievable objectives set. For more detail relating to performance management, visit this website: http://www.whatishumanresource.com/performance-management-cycle
- Communication: Regular communication with your staff will provide you with the insight you need in order to know how your employees and volunteers feel about working with you
- Loyalty: True loyalty is not an enforced requirement but an earned response to the trust, respect and commitment shown to the individuals in your organisation. When you demonstrate loyalty to your employees and volunteers, they'll return it with commitment and loyalty to your organisation
- Impact: People want to work for a winner. What sets your organisation apart from other organisations? How are you as an organisation and as a result, your employees making a difference in your community? Do you have impact stories from your beneficiaries that make your employees want to continue working for an organisation that is making a positive change in the society?

It is widely acknowledged in the development sector that compensation packages are less than competitive when compared with the corporate environment; this is further exacerbated by tightening financial constraints. Some CSOs rely on volunteers in order to carry out their core functions. Under these conditions, organisations should be thinking innovatively to attract and retain staff with other forms of compensation and recognition. This may include:

- Higher leave allocation
- Leave loading (offered in certain countries) – employer pays additional salary when the employee takes their annual leave to compensate for extra expenses during this time
- Leave as incentives
- Leave in lieu of overtime
- Flexible working hours where possible and appropriate
- Well-structured recognition, e.g. volunteer recognition days
- Regular team-building
- Incentives other than leave
- Learning and development opportunities in partnership with donors
- The ability to take sabbaticals

## Compensation management

Compensation Management is a general policy designed to help an organisation maximise the returns on available talent. The ultimate goal is to reward the right people to the greatest extent for the most relevant reasons. The ideal compensation management policy ensures that the best talent will remain with the organisation while attracting new talent and minimising turnover. An effective compensation management policy steers employees toward behaviours that enhance personal well-being and minimise the risk of burnout. Compensation refers not only to extrinsic rewards (salary and benefits) but also to intrinsic rewards (achieving personal goals and more challenging job opportunities). If an employee is dissatisfied with his/her compensation, there is a good chance that the employee will not remain with the company for long. The principles of effective compensation management include:

- Basing performance evaluations on relative results and eliminate negotiations as part of compensation management
- Ensuring that rewards in your compensation management system support the company strategy and values
- Basing your incentive compensation management on rewards, and basing rewards on performance of teams
- Creating a positive peer pressure to perform
- Recognising and celebrating exceptional performance
- Giving everyone a stake in the success

**Compensation benchmarking**

Compensation benchmarking is the process of using internal job descriptions to match to established salary survey jobs in order to identify the external market rate for each benchmark position. Establishing market rates for core positions within an organisation is important for a variety of reasons. Firstly, it guides decision making for pay decisions including hiring, promotions, internal equity salary adjustments, and general compensation budget planning. Because labour costs are the largest cost to any organisation, a solid understanding of the external value of each position allows an organisation to develop an approach for setting overall compensation philosophy, or the level at which the organisation will set salary levels. The ability to balance the need for attracting and retaining talent with the fiscal responsibility of the organisation is a key priority for Executives. Compensation benchmarking provides the information leaders need to define the costs associated with salaries and other compensation components such as profit sharing or bonuses.

The following are types of compensation that can be considered:

- Direct Compensation (basic salary or wage an employee receives)
- Indirect Compensation (fringe benefits an employee receives, such as leave, medical aid, pension scheme, insurance benefits; housing benefits, car benefits)
- Reward (recognition of good work performance, merit increases, financial bonuses, paid holiday)

## Organisational performance planning

Organisational alignment is a process of ensuring all aspects of your organisation are aligned with realisation of its strategy. This ensures that the strategy creates a route to the achievement of the vision and answers the question, "How do we get to the vision?". This strategy is then broken down to manageable chunks of the organisation and captured within specific objectives. These organisational objectives dictate the focus of the different divisions in the organisation. The divisional objectives dictate the focus of the teams. This process ensures alignment and clear direction in the company. The individual deliverables are then drawn up based on what the team should be delivering on. This process results in the appropriateness and effectiveness of the core business processes and the organisational structure designed to manage this. Performance planning includes the governance mechanisms that empower management and ensures accountability, and the setting and monitoring of performance objectives (performance management).

Further reading:
Setting performance objectives and identifying behaviours for success:
***http://hrweb.berkeley.edu/performance-management/cycle/planning***

Performance management check-in and coaching:
***http://hrweb.berkeley.edu/performance-management/cycle/check-in***
Performance management review: ***http://hrweb.berkeley.edu/performance-management/cycle/review***

## Organisational performance culture

Benefits of performance management

| For the Employee | For the Organisation |
|---|---|
| • Increased employee responsibility<br>• Focus is shifted to results rather than behaviour and actions<br>• Production of meaningful measurements<br>• Support for on-going communication, feedback and dialogue<br>• Alignment between individual effort and the organisational strategy | • Improved alignment resulting in effective allocation of resources<br>• Equitable treatment of employees<br>• Focus is shifted to results rather than behaviour and actions<br>• A systems view of the organisation is provided |

## Organisational performance tracking and capacity development

Set up an achievement plan: goal setting does not stop at defining goals. Creating a goal-achievement plan is an essential part of the goal-setting process. To ensure that employees are actively working toward their goals, you need to set up a timeline for what has to be done and when. Additionally, breaking up long-term goals into smaller, more achievable goals can help employees feel less overwhelmed. It is important that the organisation and individual's goals are aligned. In determining alignment, one should refer to source documents such as the organisational strategic plan, tactical plan and operational plan/WBS. Having a visual reminder, like a calendar, of the goals that need to be accomplished for the quarter and year will help motivate employees and keep them on track.

A simple example of such a template might look like this:

| Objective/Goal | Actions | Start/end Date | Q1 review | Q2 review etc |
|---|---|---|---|---|
| Raise the profile of the organisation | Prepare four relevant and well-written press releases that are published in appropriate media by end August | 01 March – 31 August | 1 article written about organisation in local Caxton newspaper on World AIDS Day | N/A |

## Human resources planning

Human resource planning determines human resource needs, such as the kind and number of employees an organisation requires to meet its strategic plans and business objectives. Successful organisations use the strategic process of Recruitment and Selection to find and hire qualified employees to fulfil those needs. Training, development and performance management develops the knowledge, skills and capabilities of the workforce. Compensation Management is essential to ensure that employees are retained and remunerated in alignment with the market.

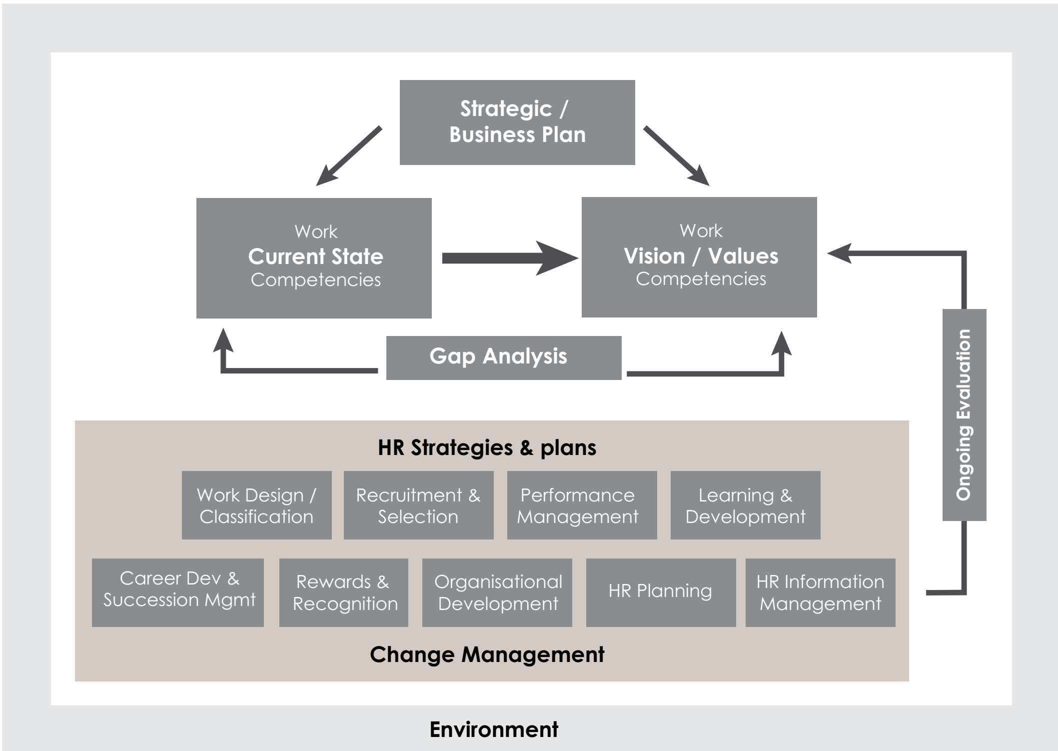
Human Resource Planning is the process of using an organisation's goals and strategy to forecast the organisation's human resource needs in terms of finding, developing and keeping a qualified workforce.

Human Resource Planning can be divided into the following:

- Identifying the work being done in the business (job analysis and job description)
- Identifying the type of employees needed to do the work (job specification)
- Identifying the number of employees who will be needed in the future (forecasting and planning)

The detailed elements that contribute toward human resource planning are laid out in the below graphic.

Human Resource Systems Group
HR Planning & Analysis Model




## Job analysis

Job analysis is the process of evaluating the tasks, duties and responsibilities of a job within an organisation, by asking the following questions:

- What is the employee responsible for?
- What tasks are being performed?

- What decisions are being made?
- What information is needed to enable the work to be done?
- Under what conditions is the job performed?

**Job description**

A job description consists of a brief summary of the job and a brief description of each of the main tasks. It is essential that the content of jobs be on record to support the training of new staff members and knowledge management.

**Job specification**

Job specifications refer to the personal qualities that an employee must possess in order to perform the duties and responsibilities depicted in the job description. The knowledge, skills and abilities relevant to the job are detailed. This includes education, experience, specialised training, qualifications required to perform the job.

**Human resource forecasting**

Refers to the forecasting of the quantity and quality of employees the business is going to need in the future in order to balance the supply and demand. Demand is affected by the business objectives as they determine the number of people needed in order to achieve them. Supply is affected by the Human Resource programmes providing the human resources. Consideration of the labour market, new business developments and economic factors is needed.

## Learning (training) and development

Learning and development should continue throughout an employee’s career.

**Learning (training)**

Training involves providing employees with the knowledge and skills needed to do a particular job or task.

**Development**

Development activities focus on preparing for future work responsibilities whilst increasing the capability of the employee, improving their performance in their current position.

Development methods include:

- On-the-job training (instructions and information given by the employee’s supervisor and/or experienced co-worker through job rotation; coaching; mentoring; apprenticeships and internships)
- Away-from-the-job training (lectures; seminars; e-learning and case studies)

**Team development**

Patrick Lencioni in his book, The Five Dysfunctions of a Team describes trust as integral to a team’s success. He says that teams that have a high level of trust outperform other teams by more than 250%. The trust he describes is a vulnerability-based, built through ‘courage’ and not time.

Healthy, high performing teams are characterised by their willingness to do the following:

- Trust one another
- Engage in unfiltered conflict around ideas
- Commit to decisions and action plans

- Hold one another accountable for the completion of those plans
- Focus on the achievement of collective results

When team dysfunction or toxicity exists, courage is needed, in order to ‘say’ what needs to be said and also to ‘hear’ what needs to be heard between team members.

# Recruitment, selection and induction

## Recruitment

**Internal recruitment**

Internal recruitment is the process whereby vacancies are filled from within the existing pool of employees. This has both advantages and disadvantages as listed below:

**Advantages**

- Reduces disruptions in the flow of business as the candidate is already used to working with others within the organisation
- An internal promotion acts as an incentive to all staff to work harder within the organisation
- There is always a risk attached to employing an outsider who may only be a success 'on paper'
- Internal recruitment also saves the organisation on training periods and time for one to "fit in"
- The cost of recruitment is low (no advertising or agency fees)

**Disadvantages**

- You will have to replace the employee that has been promoted
- The promotion of one staff member may upset another and create personal competition
- Employees tend to think like their predecessors which reduce the opportunity for fresh new ideas

**External recruitment**

External recruitment is the process whereby vacancies are filled by suitable personal from outside the organisation. This has both advantages and disadvantages as listed below:

**Advantages**

- This allows for the possibility of a wider range of talent
- The opportunity to bring in new experiences and ideas into the business (constructive input from an outsider)

**Disadvantages**

- External recruitment may be costly
- Additional effort in training as the person may not be as effective as expected
- Risky because the assessment of candidates can never be perfect
- The morale of existing employees may be negatively influenced

## Recruitment methods

There are a variety of recruitment methods that can be used to find candidates to full a vacancy. Each of the methods has both pro's and con's. Ways in which you can recruit personal are:

- Advertisements
- Private employment/ recruitment agencies
- Referrals from existing employees
- Personal approach (head-hunting)

- Radio, TV and Internet (e-recuiting)
- Sundry strategies (university graduate programmes; career exhibitions; recruitment brochures)

**Successful recruiting**

In order to have a successful recruitment campaign the following needs to be done:

- Ensure the Job Description is fully explained and understood
  - Job title is clear
  - To whom and for whom the employee is responsible
  - Description of the roles and duties for the employee
- Job Specification
  - Highlight the mental and physical attributes required of the jobholder
- Induction and Training
  - Induction for new employees (see additional information on Induction in section below)
  - In-house training (see additional information on Training in section above)
    - Learning skills through experience at work (on-the-job)
    - Learning through attended courses (away-from-the-job)

**Unsuccessful recruiting**

Unsuccessful recruiting is something that should be avoided. The costs of unsuccessful recruitment are as follows:

- Recruitment costs (when using a recruitment agency/consultancy; advertising fees etc.)
- Training costs for the new employee (cost of time for the employee to be trained, cost of time of the coach, trainer and the team manager)
- Poor Performance costs (reduced productivity levels in other members of the team affected by the individual's orientation/learning period)
- Individual stress (impact of a new team member and the influence on others)
- The calculated average annual cost of a new recruit is approximately 1.8 times their annual salary
- In order to prevent high costs from poor recruitment and selection decisions, consider the following:
- Determine the Job Criteria clearly
- Use a Competency Based Interviewing (CBI) Methodology, this minimises the risk of a poor selection due to a questioning technique being based on past behaviours as indicators of possible future performance
  - E.g. Stress Tolerance competence probed through a CBI Question: "Provide a specific example of a stressful situation you have had in a past position. Why was it stressful and what was the outcome?"
  - E.g. Goal Orientation competence probed through a CBI Question: "Describe a situation you have experienced in the past where you worked towards a specific goal. What was the goal, what did you do to achieve it, and what was the outcome?

Although there are never guarantees in recruiting a perfect candidate, CBI Methodology reduces the risk of a poor selection and also the possibility of the candidate providing hypothetical answers that the interviewer 'wants' to hear. It is far more evident whether the candidate has the competency or not, depending on how he/she handled a similar situation in the past.

- Competency based selection - select the candidate who most closely meets the required competencies for the job. Ensure that you keep a record of which CBI questions you asked and a note of the answers received
- Use Panel Interviews – this minimises the risk of subjective decision making based on biases or stereotyping. A panel also

reduces the risk of losing the candidate due to the duration of the recruitment process being extended because of diary availability and the need to schedule a number of interviews before a final decision can be made
- Gain confirming evidence to support intuition - 'gut feeling' is relevant and should be considered, however the selection decision cannot be based on gut feeling alone. Seek confirmatory evidence through CBI questions to confirm (or dispute) your intuition
- Use valid and reliable assessment tools - psychometric assessments; job knowledge tests where relevant can be utilised to support the selection and decision making process
- Use multiple sources of information - make a decision using a variety of tools: application forms; reference checks; knowledge tests; interviews; assessments; experience; qualifications; results)

**Human resources induction**

The new employee needs to go through a process of Induction, also known as Orientation or On boarding. Research tells us that Induction is not a singular, once off task or event, but rather a process that involves a number of activities, tasks and resources. A good induction programme determines how quickly an employee settles into the organisation, as well as how quickly they learn, become productive and develop to their full potential. It is the foundation, which not only engages the new employee but will also pave the way for long-term success.

An induction programme should include the following:

- Introduction of the new employees to their colleagues
- Explanation of the organisation's processes, policies, procedures and rules so that they are aware of the environment within which they work
- Information about the organisation's history, beneficiaries and services
- Practical arrangements such as payable procedures, eating arrangements, benefits and employee's access areas
- The organisational structure and where they fit in
- The possible inclusion of an employee hand-book simplifying and explaining the human resource policies – handed to and signed and received and understood by each new employee. This could include an introduction to the company and it's vision, mission, values and beliefs; office expectations; remuneration policies, leave policies, compliance policies; details relating to the annual/ bi-annual performance review process; and termination policies, inter alia

## Sustainability staffing levels

Building a team to support core sustainability functions is an important consideration when defining an organogram for the organisation and plotting human resource requirements. Generally these positions are some of the last to be filled within an organisation. Typically they would include fundraising or resource mobilisation and marketing. Within the context of core service delivery, these positions are often considered to be 'nice-to-haves' and, given the funding constraints that many organisations operate under, the last to be filled and the first to be cut as funding shrinks. In many ways these staffing resources are the sales arm of the organisation and responsible for taking the organisation to market. When considering long-term sustainability it would be important to recognise that no matter how good your products are (the services being delivered) unless you can 'sell' them effectively they are unlikely to reach a level of consistent penetration and scale that you would want.

## Volunteer management

Volunteers are an excellent resource for CSOs, they provide a significant contribution across the sector in supporting the services that are delivered to beneficiaries. As a resource, they are also subject to the same considerations as financial resources as well as a number of others, in particular it is important to consider the following when working with volunteers:

- Reliability – volunteers may be less reliable because there is no financial incentive and often no contractual obligation
- Quality – volunteers may not necessarily have the right skills or level of competency for a particular task
- Availability – volunteers may not be available when needed by the organisation
- Commitment – volunteers may lose interest in working with the organisation and simply withdraw their services

These considerations are important in particular when building them into programme delivery or core administrative or operational functions. Being dependent on a volunteer can translate into significant risk for the organisation and potentially threaten the continued delivery of services. Wherever possible this risk should be mitigated through formal processes:

- Before accepting volunteers, ensure that they are going to add value to the organisation and not additional burden in terms of management and supervision
- Enter into a formal contract with volunteers
- Clearly define roles, responsibilities and expectations for the volunteer
- Ensure that there is active supervision and oversight of all volunteer activities
- Ensure that there is a plan in place to manage succession or volunteer exit
- Secure critical and sensitive information and manage volunteer access

# The board

## Overview

The Department of Social Development recommends a minimum of three board members and not more than 7. The size of the board however is organisation dependant. Boards should always consist of odd number for voting purposes, to remove the potential for a deadlocked vote. The board is required to hold four meetings a year (quarterly). Board meeting minutes must include all declarations (conflicts of interests), every resolution to date, new resolutions to be dated and numbered sequentially (resolutions effective as of signed date of resolution), any confidential information reviewed in a board meeting has to be noted but not described, board minutes are only valid once they have been signed by the chairperson.

## Board composition

Board composition is very important. It is not very useful to the organisation's holistic needs having four chartered Accountants and one engineer on your board. Board members should bring an array of skills that will be useful in achieving prosperity and sustainability in the organisation. This would mean that the ideal spread of a board should be comprised of members from varying professions and backgrounds.

Be selective in who you approach to sit on the board, key things are experience, reliability, connections, skill set, commitment and track record.

Establish a board Terms of Reference before approaching potential board members with information pertaining to their role within the board, hours expected to be available, what benefits the board member may receive (title/ learning experience).

Although board members within the NPO sector are typically unpaid and go uncompensated, some organisations provide members with a stipend to cover travel costs and other unforeseen expenses. Other benefits the board member may receive include a title, learning experience and personal growth.

It is recommended that a skills analysis is conducted before looking for new board members.

Key skills include finance, management, legal, advocacy, marketing and sector specific skills. This is done to maximise the potential influence the board can have in society as a whole, as well as to utilise their knowledge or expertise within the organisation.

An important factor to consider when appointing a new board member is to look at their network. Although the board is not responsible for funding or fundraising for the organisations (although some organisations do rely on their board for funding), the board has the ability to put the CEO and fundraiser of the organisation in the room with influential and well connected people. Appointing a board member who is not well connected should be balanced out by the skill set they can bring to the organisation.

It may be useful to the organisation to consider the option of having a stakeholder representative within the board composition (no voting rights), to bring the needs of the beneficiaries to the foreground. This will allow for the voice of the beneficiaries to be heard directly within the board meetings.

The below is an example of a matrix that could be used to map the skills of individual Board members. Using this template, the skills of all Board members can be assessed in one sheet.

**The Board Skills Audit**

| Skill | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| Legal | | | | | | | |
| Accounting | | | | | | | |
| HR | | | | | | | |
| Marketing | | | | | | | |
| Sector Specific | | | | | | | |
| B-BBEE | | | | | | | |
| Advocacy | | | | | | | |
| Social Work | | | | | | | |
| Facilitation | | | | | | | |

## Board commitment and contribution

### The role of the board

The board is a body that is tasked to oversee and govern the operations of an organisation. The role of a board can be seen as the following:

- Passing resolutions. A majority vote rule should apply. A special note that a resolution may be passed if the constitution allows for it by written electronic communication if all directors have been given notice and there is a majority vote
- Commissioning and reviewing narrative and financial report
- Demonstrating commitment, including acceptable levels of attendance/ participation
- Setting tasks/ targets for individuals/ sub-committees of the Board
- Evaluating contributions
- Appointing the CEO
- Responsible for strategy performance, sustainability and risks

### Good governance

Good governance refers to how organisations and their boards conduct affairs and manage resources. Governance is the process where decision-making is conducted and where these decisions are implemented.

Good governance means the board will:

- Act in the best interest of the organisation
- Provide ultimate accountability and responsibility
- Manage funds and other assets on behalf of the organisation
- Perform statutory duties
- Achieve financial objectives and advance social objectives
- Provide founders with a return on their investment (non-monetary return)
- Develop strategies to build organisational resilience
- Provide assurance to funders
- Maintain communication between meetings
- Engage in talent management
- Ask the tough questions
- Maintain delegation of authority
- Maintain I.T policies
- Create a crisis management plan
- Maintain directors and officers indemnity
- Interrogate strategy
- Provide guidance and support
- Review organisational compliance requirements and ascertain whether the organisation meets these requirements and make plans to make them if the requirements are not met

Board members should refer to the King III Report, the Trust Deed and Trust Legislation, or other Constitutional Documents and the Companies Act, where specific rights and duties are legally required.

**Board committees**

The establishment of committees within the board alleviates the load of the board, enables the board's expertise to be utilised in the correct manner. The number and type of committees will depend on the needs and size of the organisation.

List of recommended committees:

- Social and ethics committee
- Audit committee
- Funding committee
- Mandates and terms of reference (ToR) committee

**Board effectiveness and director conduct**

- Board evaluations are recommended once a year to review meeting attendance, commitment and usefulness to the organisation
- The board should compose evaluation questionnaires to be handled by the organisation's human resources representative; the organisation CEO should not get involved until the results are tallied, whereby the CEO and the chairman should review the scoring and consider the organisations constitution and implement by-laws to release the underperforming board members
- Disqualification is also deemed necessary whereby a member of the board is found to be delinquent. Delinquency is established when a member is found to have committed misconduct, been deceitful, failed rehabilitation processes and/ or been convicted of a felony
- Remember, board members are held personally responsible when an organisation is liquidated/ declared insolvent. This should motivate the board to work towards keeping the organisation in a healthy growing state

The below is an example of a matrix that could be used to map the value contributed to the Board by individual Board members. Using this template, the value contributed of only one Board member can be assessed per column.

| Board Audit of Value | | | |
|---|---|---|---|
| Board Member Name: | | | |
| Level of contribution | | | |
| Will make a contribution | | | |
| Will contribute services | | | |
| Will help raise money | | | |
| Has access to individuals | | | |
| Has access to corporations/ foundations | | | |
| Has personal wealth | | | |

(Source: Resource Mobilisation:A Practical Guide for Research and Community Based Organisations by the Venture for Fundraising in association with the IDRC, Phillipines, 2009)

The below is an example of a matrix that could be used to map the time and trust contributed to the Board by individual Board members. Using this template, the time and trust contributed by only one Board member can be assessed per sheet.

| Time and Trust Audit | | | |
|---|---|---|---|
| Board Member Name: | | | |
| Time and Trust | Low | Medium | High |
| Stature in the community | | | |
| Leadership potential | | | |
| Will help raise money | | | |
| Influence in the community | | | |
| Communication skills | | | |
| Interest in the programme | | | |

## Board involvement and support

Effective board engagement

Recommended board considerations for effective board engagement:

- Who appoints the board (what does the organisation's constitution state)?
- Will the board members have a fixed term contract or will there be a rotational basis where by board members will need to re-apply to sit on the board?
- The establishment of Board and CEO Mandate/ Terms of Reference to establish who is responsible to whom, and to establish who makes what, decisions in what circumstances. All clauses need to be signed off for legal reasons. Stipulate what CEO can sign off on without any board input.
- Compose a letter of appointment with all duties and requirements stated to be signed by all new board members, along with the organisation code of conduct.
- Compose an induction pack for all new board member to receive with all organisation policies and mandates as previously determined by the board, Code of conduct, ethic.
- Use information about your board, beneficiaries and supporters to write proposals for your organisation, or to market/ communicate about yourself.
- It is recommended that the organisations plans all activities, including all board meetings for the next financial year, before the current financial year ends to allow for board members to commit and schedule in the board meetings far in advance, ensuring the board time to approve budgets and any other planned mandates.

# Marketing

**SELF-TEST**
What do you know about marketing? What methods can you use to market your organisation?

## Defining who you are

The starting point for defining your offering should be in changing your mind-set to recognise the key value that your organisation has to offer partners and funders. From this point of understanding you can begin to develop your value proposition that you are offering to partners and funders. It is important to approach the process with the view of partnership and not charity hand-outs.

Your offering consists of:

- The services that you deliver to beneficiaries
- Your experience
- The organisation's history
- Infrastructure
- Management capabilities
- Implementation team
- The returns that you can provide to your stakeholders
- M&E mechanisms
- The organisation's success to date

Your offering is, in fact, your ***investment proposition***.

But why are we talking about an investment? Why is this term increasingly used within the context of social impact? Social Investment emerged as an evolution of Social Responsibility, where increasingly funders began to look at both justifying and quantifying the money that they were spending within the context of achieving returns and also realising greatest value for money.

Within the funding environment, we need to recognise that we have a number of categories:

- Donor investors – return on investment quantified in scale of social impact, efficiency, effectiveness
- Corporate investors – return on investment quantified in scale of impact, efficiency, effectiveness, branding, marketing and communications opportunities
- Private investors - return on investment quantified in scale of impact and communications received
- Government – contributing to the fulfilment of a legislative or constitutional mandate

It is important to recognise these different categories as it will have an impact on how you create your marketing message about your offering, how you position this message about your offering and how you deliver the message about your offering.

Know the context in which you work

- The overall mission or goal for your organisation
- Why your organisation exists
- Who you intend to benefit
- How you are linked to the intended beneficiary community
- What you are committed to achieving through your work

Know what you do and how you do it

- What are your core competencies and strengths?
- Who are your partners?
- Who else has invested in you?
- What difference does your project/ programme make?
- What makes you a good investment?
- How will you spend money or use resources received?
- How can you show returns to a funder?
- Know your scale, beneficiaries and footprint
- Who do you serve?
- How many do you serve?
- Where do you serve?

Know your past performance (track record), achievements capability and value:

- The funder is always looking for convincing evidence that you have the necessary experience to undertake the project successfully. It is therefore important to keep track of your experiences by adequately documenting your past performance in various projects. Why should a funder trust you?
- For existing organisations, you should be able to present evidence of the following:
    - Previous results and impact of work within the community
    - Good overall management capacity
    - Good financial management and accountability, demonstrated through audited financial statements
    - Technical competence in your particular field.
- If your organisation is new, it will be a bit more difficult to show that you are worth a risk. Nevertheless, you can do so by:
    - Enlisting the written support of credible governance members and patrons
    - Getting a letter from credible accountants to say that you have set up a good financial
    - Management system, with appropriate checks and balances
    - Providing the curricula vitae or biographies of key staff members and/or volunteers, reflecting their track record on similar projects
    - Getting community leaders to vouch for your work

Know your structure and governance. A credible governance structure:

- Includes a board and project manager (titles may vary)
- Demonstrates good overall management capacity
- Demonstrates good financial and operational management and accountability, including preparation of audited annual financial statements. Obtaining unqualified audit reports can be particularly important when pursuing corporate funding

**Presenting your services**

The process of presenting your services or communicating your value proposition begins with understanding what is important to your investors. This will vary for each funding category.

For corporate investors, communicating socially and environmentally responsible practices and policies can result in:

- An improved reputation and competitive advantage for the company. Maintaining a strong corporate reputation goes beyond regulatory compliance. Initiating sustainable, progressive and socially responsible practices helps company improve brand identity and be more competitive
- Improved consumer trust – if a company communicates its positive practices to the public, consumers will be more likely to remain loyal or if they are not presently customers they are more inclined to switch loyalties to the more appealing option
- Increased employee loyalty – when a company communicates its positive attributes to employees, the company often experiences higher productivity, better employee retention, and decreased employee turnover and training costs. Furthermore if the projects supported have specific relevance to the employees or a direct impact on them or their families these benefits are increased significantly
- More engaged investors – companies that communicate their social and environmental initiatives will be more likely to attract investors of all kinds
- Better community relations – companies that have a solid reputation in the communities in which they operate can benefit from stable local relations and strong community support
- Taxation incentives – in most countries companies are afforded an additional incentive to meet corporate social responsibility (CSR) compliance by the government in the form of tax breaks
- Regulatory compliance – in SA this is more significant than many other countries and companies are motivated to meet their social requirements as well as their B-BBEE requirements

It is important to understand that corporates speak a different language to CSOs and have different priorities. These priorities will shape the decisions that they make and also the partners that they support.

For philanthropic investors, alignment with their own personal interests:

- The social impact
- The focus area
- Geographic areas
- Accurate monitoring, evaluation and reporting
- Visibility or activities and impact
- Accountability in realising value for money
- Marketing, communications and brand recognition

Once you have gone through the process of building an understanding of your potential funders, the next step is to packaging your investment proposition. This requires that you consider all the components that your potential investor is interested in.

Key considerations when looking at how you package your investment proposition includes:

- What is the value you provide to an investor? Remember that your organisation serves as implementing agents for social investment
- Highlight your experience and track record in delivery
- Recognise your community credibility and relationships

- Communicate the importance of realising change - understanding your impact
- Include your good governance and accountability structures to give peace of mind
- Clear and consistent Corporate Identity should persist through any communications
- Indicate the branding opportunities and visibility that can be provided through the partnership

The packaging process is how you present your organisation, the value that you have to offer and more specifically, the return on investment that you can provide. It is important to remember that packaging is not a once-off activity, but rather something that should be considered with each potential funder that you are targeting to ensure that you can align as far as possible with their investment imperatives and interests. Also note adapting the presentation of your value should take into consideration shifting trends in the funding landscape.

**Market segmentation and targeting**

The process of market segmentation and targeting is an important part of conserving resources to be efficient and effective in your marketing activities. In essence this means identifying and focusing your energies to get the best possible return, instead of chasing after any and all opportunities. This involves looking at the total landscape, breaking it into segments and identifying those segments that match your organisation best, and once you have identified these segments, targeting specific opportunities within them.

Within the context of CSO marketing there could be three different landscapes to consider:

- Beneficiaries: although we are largely focussing on the marketing and communications for investment purposes it is important to structure your beneficiary communications in a similar way to maximise your exposure and to deliver services
- Clients: these are individuals or groups that may be potentially targeted for your income generating activities
- Investors: understanding and profiling potential funders is critical; it is no good developing a fantastic proposition and submitting to a donor that is not interested in the offering you have

**Positioning and differentiation**

The changes in the global financial situation, combined with consistently growing social issues, mean that there is increasing competition for a limited pool of funding within the CSO arena. The first step in competing in this setting is to acknowledge that there is significant competition and that your organisation will need to have a strong proposition in order to secure support and funding.

Once you have recognised this, the next steps are to:

- Analyse and understand your competitors
- Do a SWOT analysis in relation to your competitors and evaluate your position
- Position your value
    - Credibility
    - Effectiveness
    - Efficiency
    - Experience
    - Alignment
    - Accountability
    - Innovation

### How do we market our organisation (tactics)?

Once you have defined your value proposition and know who you want to target, the next step is to pursue your potential investors. This involves defining the message and channels that you will use (marketing tactics) to reach your market as well as how you will bring them to engage in conversion (call to action).

The marketing tactics you choose to deploy will largely be determined by the available budget. Traditional marketing tactics can be particularly expensive to deliver your message to your targeted audience. These traditional platforms could include:

- Print advertising – newspapers, magazines, local municipality magazines
- Radio advertising
- Promotions
- Television, local TV stations
- Public relations management

Recent innovations in the marketing and communications sector driven largely by technology have seen the emergence of a range of alternative marketing tactics that are generally cheaper to implement and can have the same or even greater impact. These tactics include:

- Developing ambassadors for your organisation and brand
- Advertising in web publications
- Search engine optimisation (SEO)
- Social media
- Guerrilla marketing
- Viral marketing
- Experiential marketing

What is important to consider is that your marketing tactics are integrated into a cohesive strategy that presents your organisation's value in a consistent, dynamic, cost effective way. Your marketing and communications strategy should consider all available tactics and communications channels within your budget, and could include multiple marketing campaigns throughout the year, utilising various marketing tactics.

**ACTIVITY**

What current platforms exist for you to market your CSO?

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What marketing opportunities exist for your CSO that have not yet been explored?

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**Website**

A website is an essential tool in any effective marketing strategy; it is more than just a digital business card, but rather a living promoter of the organisation. At a basic level, the purpose of a website is to make your organisation accessible to anyone that has internet, it serves as the digital face of the organisation, and as such should present the best possible view of who the organisation is and what it does. The sort of information that should be included on your website includes:

- Who the organisation is – give a brief explanation of who your organisation is, your team, board members and supporter should be represented
- What your organisation does - explain what your organisation does, and what each of your projects was created for, how they are run and their goals. As far as possible, you should be showing the differentiating features of your delivery so that you can stand out from the crowd
- Success stories or reports that show the impact your organisation is creating – Show people the impact your work is having, create a story that the audience can connect with and buy into
- The location and contact details of your organisation – This will give people a way to get in contact with you, and find you should they wish to see where you operate
- A "How to help" page where people can read on how they can help/donate – This page will tell people how they can help, be it by donations in kind, monetary donations or simply donating their time. There are a variety of options available to enable the organisation to take online payments
- A gallery page – images can tell a powerful story and visitors to your page are more likely to appreciate the work that you are doing if they can see you in action. With the increased internet speeds, it is now possible to include video and audio clips in your galleries
- Governance and compliance – providing access to your public information is an important consideration when putting your website together. Information like your constitution, annual reports and other public compliance documents will make it easier for potential funders to recognise good accountability and governance

A good website is one that is easy to navigate, and is visually appealing. Be sure to include images that align with your vision and mission and that evoke an emotional response. However, be sure to maintain privacy and confidentiality when using beneficiary images.

In some cases less is more. Be sure not to clutter your website with content, focus on the important message of the good work that your organisation does. This is important as people get frustrated if they have to spend time finding what they are looking for, and as a result may leave your website before they have found what they needed.

Developing a great website takes time and professional skill, as with most things in life, you get what you pay for. As the global face digital face of your organisation, it is advisable to invest wisely in a professionally developed website that will leave a lasting impression with visitors. When commissioning a website it is important to consider the following:

- **Registrations –** if you do not have a website, you will need to register the domain. This may be a .org, co.za, .org.za or a .com. Be sure that these registrations are secured in the name of the organisation and not your developer or a third party. This is an important part of your Intellectual Property
- **Hosting –** where will the website be hosted and what will it cost, are there any constraints around the traffic to the site and additional costs for high volumes of traffic
- **Content –** developing the content for your website can be an onerous task, bear in mind that this is NOT the role of your website developer, you will need to provide them with all the information for them to add into the website. Be sure that the content has been double checked for errors – bad spelling and grammar will reflect negatively on your organisation. Image will also have to be supplied or sourced, if possible try to get some professional photographs taken in a high resolution, this will be useful not only for your website but for other marketing material

- **Managing your supplier –** be sure to define the terms of the contract with your website developer very clearly in writing, including deadlines, roles and responsibilities, all costs and payment terms. Even if the work is provided on a Pro Bono basis it must still be delivered professionally. Remember that a free website that is rubbish is will do your organisation more harm than good. Another important inclusion in the contract should be regarding Intellectual Property, be sure that at all times you remain the owner of all content that is developed as well as the source files
- **Maintenance and updates –** be sure that you are able maintain the content of your website by yourself, having to pay a website developer to constantly update your site can become costly. The most common platform in use today is called a CMS or Content Management System. Designate the responsibility for maintaining the website to a single person that can keep the website up to date and fresh – a stale website can also create a negative impression with viewers of your site. If necessary, ensure that your contract with your provider includes training and support for your internal resource. If you do not have the internal capacity for maintaining your website, then you may wish to contract this function to a third party. It is important to define a clear Service Level Agreement (SLA) for this function to make sure there is consistent support provided

## Marketing in economic downturn

There is some debate about whether marketing and communications spending should be increased or decreased when facing an economic downturn. Indeed, in the face of rising costs and shrinking budgets it would be a natural to cut back on spending on marketing and communications. This is not always the correct path to follow, given that marketing and communications are what drives future funding to a large degree. What is important to consider is shrewd investment. Marketers say it is important to mitigate the impact of an economic downturn by refining target audiences. Assess which segments of potential investors you do not want to target, and focus marketing strategies on investor segments that will produce the greatest return on your marketing investment. Consider how to:

- Hone and refine your messages; highlight the value of your product or service
- Focus on whom not to target
- Stand apart from the crowd and invest in innovation
- Differentiate through innovation with a product or service that performs better than the competition; invest in opportunities that will make you stand out and improve your efficiency

Sustain the brand - the brand should be the priority. If cutbacks are required, ensure that the brand does not lose its prominence or position.

# Communications

**SELF-TEST**
What do you know about a communications plan? Can you list the steps involved in developing a communication plan?

## Communications strategy

A communications strategy provides a structure way to help you and your organisation to communicate effectively. In essence this plan is a definition of the way that you take the messages, developed through your marketing planning, to your market. Your communications plan should form part of your total marketing strategy.

## Drafting your communications strategy

A communications strategy need not be a complex or onerous process to develop. What you should be looking to do is to provide a basic structure to direct your communications. The plan should be a living document that you can evolve and adapt over time. This communications strategy should drive the following desired outcomes:

- Achieving your overall organisational objectives
- Engaging effectively with stakeholders
- Demonstrating the success of you work
- Ensuring people understand what you do
- Changing behaviour and perceptions where necessary
- Presenting a call to action

When drafting your communications strategy there are eight questions that you will need to answer:

1. What resources do you have?
2. What are your goals?
3. Who is your target audience?
4. Who is your audience?
5. What is your time frame?
6. What is your message?
7. What are your channels?
8. How will you measure success?

This basic framework will allow you to manage the distribution of your message more effectively and begin to track the outcomes so that you can focus on those areas that work best.

## Advocacy

Advocacy is linked to your communications strategy and can be described as the act of speaking on the behalf of or in support of another person, place, or thing. An example of advocacy is a CSO that works to help women of domestic abuse who feel too afraid to speak for themselves.

The act of advocacy has been defined as public support for or recommendation of a particular cause or policy.

The main logic of advocacy is simply assisting people to communicate their views and be heard by the relevant people. Advocacy is most likely to be successful when seemingly diverse interest groups band together to circulate common messages and a call for unified action. By combining their voices to deliver powerful messages, advocates can make a real difference. There is power in numbers.

Effective advocacy:

- Raises public awareness
- Enhances the success of programmes
- Represents people's interests
- Promotes empowerment and social reform
- Contributes to democracy
- Increases accessibility of practical help and support
- Builds relationships
- Can assist in raising funds
- Strengthens the trust in, and influence of, civil society

Below are the steps needed to develop your own advocacy strategy, tailored to your circumstances:

1. Define the situation
2. Establish your goal and objectives
3. Identify key spokespeople to represent the organisation and avoid mixed messaging
4. Identify your target audiences
5. Develop key messages to influence your target audience
6. Develop and implement your advocacy plan
7. Engage media interest
8. Monitor and evaluate the effectiveness of your advocacy plan

Tips for successful advocacy:

- Maintain pressure and momentum over the long term
- Pay attention to timing
- Be highly organised and informed
- Be forceful, yet flexible
- Share success with others
- Be visible to politicians and within communities
- Build win-win situations

**ACTIVITY**

Choose a topic that you will use to design a new advocacy strategy for your CSO, using the steps as outlined in this manual. As spokesperson, it should take no more than 10 minutes to present your strategy.

### Public relations

Public relations should be an important part of your communications plan. The image of the organisation and the perception held by the public, of the organisation, can impact substantially on sustainability. The perceptions of the public impact both the ability to secure consistent funding, as well as, the ability to deliver services. In a word, it is about trust. If a community does not trust the organisation it becomes exceptionally difficult, if not impossible to deliver services within that community. Similarly, if the general public (and the donor base that are made up from the general public) do not trust the organisation, they are not likely to contribute to funding their activities. Public relations are about maintaining the image of the organisation and the perceptions of the public to establish and retain that trust. This function is about managing both the good and the bad times in a way that protects the image of the organisation to retain trust and credibility.

This trust can be earned through:

- Consistent delivery or reliability
- Honesty
- Accountability
- Respect
- Effective communication

Public relations are thus a critical inclusion in the broader marketing and communications strategy to define the way in which the organisation engages with the public.

### Developing an Elevator Pitch

An 'Elevator Pitch' is a short summary used to quickly and simply define your service or organisation. It should explain to someone you have just met, in the time span of an elevator ride (30 seconds - 2 minutes):

- Who you are
- What you do
- With whom you work
- Why your organisation is so special

The aim is to engage your audience, be it a potential donor, volunteer or beneficiary. Everyone in your organisation should be part of developing the Elevator Pitch and should know it by heart. The elevator pitch is about selling your proposition anytime, every time.

**ACTIVITY**

Spend a few minutes developing an elevator pitch for your CSO now.

# BUILDING FINANCIAL SUSTAINABILITY

capacitate
ENABLING SOCIAL IMPACT

# Objectives

By the end of the module, the learner will:

- Have been introduced to the concept of a financial sustainability strategy
- Understand the importance of cost analysis and have knowledge of the cost structures of an organisation and how these impact budgeting and sustainability planning
- Know the different budgeting techniques available
- Understand the importance of cash flow projections and analysis in sustainability planning
- Understand the importance of having properly documented financial policies and procedures as well as adequate record keeping and financial systems
- Have a good idea of what assessing the current sustainability of the organisation entails
- Understand the various elements of resource mobilisation
- Be able to identify resource mobilisation opportunities for the organisation
- Know how to develop strategies to capitalise on resource mobilisation opportunities identified
- Be able to plan, design and submit high-quality proposals
- Avoid common pitfalls when writing proposals to mobilise resources
- Know how to manage and understand donor relationships
- Be exposed to alternatives to traditional fundraising
- Explore income generating opportunities for the organisation and the communities in which it works
- Have insight into making optimal use of existing reserves
- Build an understanding of opportunities per the B-BBEE codes, including skills development, enterprise development and ownership

# Financial sustainability

**DEFINITION**
In the context of civil society organisations, financial sustainability can be defined as the ability to continue operating in the short to medium term, even when funding is reduced and/or cut for a period of time.

Finance is arguably the most important consideration for sustainability planning. Good management of the financial position of the organisation is essential for long-term resilience.

Financial sustainability is dependent on an organisation's strategy and operational model allowing enough flexibility and diversification. There are many stories in the non-profit sector of organisations that have been overly reliant on one or two donors and who have had inadequate sustainability plans in place. They have become increasingly exposed, to the extent that some organisations have had to close their doors, leaving thousands of beneficiaries even more vulnerable.

## Developing a financial sustainability strategy

When developing a financial sustainability strategy you need to convince potential funders that their funds will be used properly and will make a difference.

A well-crafted financial sustainability strategy should have the following:

- A roadmap (plan) for the future three to five years
- Insight into the internal strengths of the CSO
- Insight into competitors, the legislative requirements and circumstances in the general environment
- A guide of actions, activities and plans
- A framework for all decisions in relation to financial management and fundraising
- The ability to clarify what is fundamentally important and necessary for the CSO

**What makes up a financial sustainability strategy**
The specific components that make up a financial sustainability strategy will differ from organisation to organisation, depending on what the organisation does. But, in general, a financial sustainability strategy will contain two major elements for all CSOs:

- Revenue diversification
- Funding risk management

**TAKE NOTE**
Organisational policy is necessary from a sustainability perspective to ensure the application of sound governance practices

## Revenue diversification strategy

This strategy aims to reduce the financial risk that the organisation is exposed to by increasing the number of sources of revenue, and thereby reducing reliance on a single source, or only a few. We have seen many instances where organisations are funded by one major donor and perhaps a few smaller ones, and they are operating at a scale that utilises roughly 90% of the cash generated. The risk that these organisations are exposing themselves to is huge. If the major donor withdraws or reduces funding, it will leave the organisation compromised. To avoid this, a CSO should ideally have multiple sources of funding/revenue. This mitigates the risk of the impact when funding is withdrawn, as only one revenue source would be compromised and this should only make up a small proportion of the total revenue.

## Funding risk management strategy

This strategy is prepared in advance and answers the question:

**'What do we do if funding is suddenly pulled out from under our feet?'**

As with most instances in strategy development, a longer term view is required than just that of the current or forthcoming year. The actual timeframe that one needs to view the organisation through will depend on the operating context, but in terms of the sustainability strategy, a minimum of three to five years is recommended. This is for the simple reason, that when one plans only for a short time frame, the risk exposure increases. However, this does not mean that the further into the future you plan, the less risk there will be.

This strategy comprises the strategic objectives, departmental objectives (tactical) and day to day operations (operational) that need to occur should funding be reduced and/or cut, and the CSO finds itself in a situation of limited financial resources.

### ACTIVITY

Brainstorm possible funding risk management strategies

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# Management of finances

## Budget management

**DEFINITION**
A budget:
- Is a spending/ financial plan for a project over a specific period of time
- Tells you how much financial resource the organisation thinks it will need to do its work, where it hopes it will come from and how much money it still needs to find
- Is part of planning - you start with setting your objectives, then you draw up action plans and budgets
- Forces you to plan your spending and your fundraising and to be realistic about what you can afford to do

### Types of budgets

Budgets can be prepared using different methods. Some methods are given below:

| Type of budget | How this works |
|---|---|
| Zero based budget | Zero based budgeting (also known as priority based budgeting) is a system of budgeting where all line items begin with a zero value and then every line item needs justification as to what the figure should be. This is an intensive process and is more time and resource consuming than other forms of budgeting. Consequently the frequency of occurrence is generally recommended to be every few years (3 to 5), with other methods of budgeting used in the periods in between. |
| Incremental budget | Incremental budgeting is one of the most common forms of budgeting found in organisations today. This method of budgeting involves taking the costs incurred in the previous year (or the previous year's budget) and adding on an incremental amount. This incremental amount is usually based around inflation or service provider price increases and you would see a trend of these line items in the budget, generally growing at a more or less constant rate. |
| Activity based budget | This form of budgeting is based on the process of activity based costing (mentioned in the section on cost analysis) and involves the same process of calculating the costs of activities and then calculating the budget, based on the number of each activity that is planned for that financial period. |

**SELF-TEST**
What process do you follow to buy items like stationery, furniture and cars in your CSO?

**Budget and expenditure monitoring**

Budgets are an important means to quantify the expected income and expenditure of an organisation and thus its anticipated financial position over a period of time.

The management team of a CSO need to know how to use a budget for planning and as a means to monitor and control actual income (cash and other donations coming in) and expenditure (cash going out) against these expectations. Expenses should be limited to what has been budgeted for. If actual income received is less than income budgeted, then expenses may need to be cut to ensure that the overall financial position of the organisation remains sound.

Management must put steps in place to ensure:

- Money is only used for approved purposes as agreed and not misused, misallocated or overspent
- Expenditure is allowed only under approved line items: money is only being spent on agreed items
- Income flow matches expenditure outflow: you have enough money coming in to the CSO to support the payments needed for programmes, staff etc
- There must be two signatures for authorising orders and payments and especially for the bank account
- A receipt is issued for all cash paid to the CSO and this is filed and stored in a safe place
- Money banked is checked against receipts
- There is segregation of powers: the person who orders is not the person who pays and the person who receives the money is not the one who banks it
- Contracts are signed and these are kept on file. Payment is made against either a signed contract or signed purchase order
- Bank reconciliations are performed at least once a month for a small organisation and daily in a large one

## Management of procurement processes

The following steps are critical in the management of procurement (buying of goods and services)

- Ensure there is always a paper trail
- Ensure fair procurement processes are followed. This means you are not giving work to your relatives
- Obtain three quotes and file all documentation pertaining to that order
- Purchase orders must be approved before purchases may be made
- Make payments based on invoice received, exact amount to be paid as it appears on the invoice
- Compare invoices with quotes and ensure that you only pay for the goods received

## Record keeping and financial systems

Record keeping is critical for any organisation, particularly when it comes to finances, transactions and measurement systems. The recording of transactions assists us in building the data and information required to plan and inform future budgets and the operations of the organisation. Accurate records of costs inform the cost analysis, which helps us understand the nature of costs and how they occur. This then informs our budgets and planning for the future.

An important aspect about record keeping and the systems that are used for this purpose, is the reliability of the information available, the length of time it takes to access information and the ways in which information can be put together to enable us to make decisions about the future. We obviously need to have these systems in place for accounting and auditing purposes, but the same information put into consolidated, and sometimes different, forms also helps us make the decisions that are critical to our organisations and their sustainability.

## Paper based systems

Paper based systems are mostly used by CSOs. These usually involve the typical accounting books (cash receipt journal, cash payments journal, sales journal, purchase journal, petty cash receipts, petty cash payments, general journal, general ledger, trial balance, income statement and balance sheet). This system involves lots of crossing out when errors are made.

Disadvantages of a paper-based system:

- Peoples' handwriting can be hard to read
- Errors cannot just be deleted
- If the books get damaged, then there are no records of the information that was stored in them
- It is time consuming to get to the right transaction you are looking for if you are not the person that created the accounts
- All calculations are done manually, thus the system is prone to more errors than others

## Computer based accounting systems

Computer based accounting systems have been in use since around the late 80s. These systems include the normal accounting journals and ledgers, but they are all digitised and computed automatically, so the time taken to prepare the trial balance is basically instant. Whereas on paper based systems, this has to be written out and checked, which takes a fair amount of time. The developers of systems such as these try to make the systems user friendly. Training is usually required, but, once you are familiar with the system it is easy to use. Disadvantages of such systems is that training may be required, and being computer based, they require electricity and thus do not work during power failures unless they are running on a laptop with a battery, or the office has an Uninterrupted Power Supply (UPS) to keep running even when Eskom doesn't.

The advantages of the system are:

- It is easy to use once the system has been learned
- Multiple copies of the data can be made and backed up easily for safe keeping in the event of theft, fire etc
- The time taken to access information is significantly quicker than paper-based systems and information can be called up in consolidated formats for a variety of categories and purposes
- The systems can accommodate almost any kind of organisation

## Online computer-based accounting systems

Some accounting software packages have created versions that run on a cloud based system. This provides all of the features of the system just mentioned, but the data is stored on a server in a remote location, so the data can be accessed from anywhere and is automatically backed up. The drawback of this type of system is that it requires an internet connection for use.

## Highly customised computer accounting systems

Some organisations use highly customised accounting systems that are usually created by someone within an organisation, or by a consultant that was contracted to develop the system for the organisation's specific needs. These are usually built in a programme such as Microsoft Excel and require a certain level of expertise to operate. As these are not mass produced (the specific accounting system), they are usually more prone to errors than the aforementioned standardised and mass produced accounting software systems. There is also the risk that some users may edit formulas in cells that they are not supposed to, and this may risk the integrity of parts (or even the whole) of the system.

In some organisations, these systems are advisable as the systems operations do not fit the structure that the other mass produced software systems can manage, and thus they require a more tailor-made solution. The cost of these systems is usually significantly higher.

**What to consider when establishing a financial system**

When considering which system may be suitable for your organisation's needs the following is useful to keep in mind:

- The type of organisation and the structure of operations – how complex and unique must the accounting frameworks be to effectively capture, monitor and control the financial information of the organisation
- Funds available for the purchase of the system – off-the-shelf solutions (for example Quickbooks or Softline Pastel) are cheaper than the custom built systems and will meet the accounting and financial record keeping needs of most organisations
- The type of financial decision making that needs to occur – for some financial decisions, the information in the accounting system is needed in a manner that is not automatically produced by most off-the-shelf accounting systems. Consequently, this information may need to be exported from the accounting package into a programme such as Microsoft ® Excel in order to have it in the right format to enable effective decision making on the particular aspect
- Make sure it is simple and functional – a financial system does not need to be complicated. It simply needs to address the financial and accounting requirements of the organisation in question. Some organisations have developed costly and complex systems when most off-the-shelf accounting packages would have suited their needs

## Fundraising and resource mobilisation

**Resources and needs of your organisation**

Resource mobilisation is one of the most difficult tasks for organisations, irrespective of their size. There is always a lot of uncertainty and vulnerability about being dependant on others in order to function as an organisation. This section seeks to share some different approaches and tips to be more effective and to develop the skills necessary to be better at getting the resources you need to support your organisations vision.

**What is resource mobilisation?**

Funding is one of the largest problem areas for CSOs. Too many of these organisations simply send out emails in the hope of someone in a Corporate Social Investment (CSI) department reading the letter and suddenly opening their purse strings to the CSO requesting the donation. This is not an adequate strategy to raise funds for your organisation. As mentioned earlier, the world of CSOs is becoming more competitive as there are more and more organisations requesting funding and less and less money available, due to the impact of the global economic downturn and the failure of local and international economies to recover. This therefore calls for CSOs to design well thought out strategies on how to mobilise resources. A resource mobilisation plan consists of the following:

- The resources – needs for the organisation (financial, physical, human, systems)
- The mechanisms - means of accessing the resources (proposal writing, bequests, service provision)
- The resource provider – donors

**What are the different types of resources?**

Often resource mobilisation and fundraising are thought to be the same thing – but fundraising is only a part of resource mobilisation.

Money is one of the key resources needed by all CSOs but there are many other resources that are also very important and useful. Different resources include:

- Donations of money
- Donations of material goods (often called donations in kind)
- Free services and facilities

- Technical assistance (skills or training)
- Sponsorship of an event
- Human resources (such as volunteers or free consultancy)

**Developing a resource mobilisation strategy**

The development of a resource mobilisation strategy can be broken down into a four step process:

1. Assess current situation (compare what is needed vs what is available)
2. Identify required resources for project
3. Identify potential sources and strategies for approaching stakeholders
4. Document all activities

These steps form the basis for developing a sound strategy and provide the foundation for defining and managing the on-going function of resource mobilisation.

**Assessing the current situation**

The ability to assess the current situation in order to accurately know yourself is a critical first step in mobilising the resources required by your organisation. This assessment cuts across all functional areas, not only the financial position and should provide a comprehensive picture not only of your specific requirements but also of the value that you are delivering.

**Identifying required resources for a project**

To identify your organisation's resource requirements you need to list all resources needed for the project and conduct a detailed analysis of all cost required to implement your project/ programme.  This analysis should include:

- Salary costs
- Project costs
- Equipment/ capital costs
- Operational/ administration costs
- Cost of monitoring, evaluation and reporting
- Any provisions for contingencies

**Comparing what is needed with what is available**

In order to do a justified comparison of what is needed as opposed to what is available the organisation needs to review and list all resources available. This list should include both financial and non-financial resources and note where they are currently being deployed. It would also be useful at this stage to consider which resources could be re-allocated and which resources cannot be re-allocated. Once the available resources have been defined, these should be compared with the specific needs of the organisation/ project to inform the detail of additional resources required and to fill the resource gap as necessary.

**What constitutes good resource mobilisation?**

Resource mobilisation is multi-layered and not limited to writing proposals. Organisations should constantly seek new opportunities, as well as continuously plan and implement long term strategies to mobilise resources. Day-to-day fundraising, networking, communication, outreach and research should be on going.

Resource mobilisation activities that are well planned and detail oriented should highlight an organisation's effectiveness and are the first steps in building a solid reputation and credibility with stakeholders. Effective resource mobilisers look at each fundraising activity as an opportunity to share the organisation's vision with new audiences and realise that first impressions create a lasting effect; they know that long term relationships and positive credibility amongst stakeholders, are worth the investment that this effort takes, and ensure that the organisation's good reputation is maintained throughout the life of those relationships.

Reporting is a key factor in donor longevity and reporting requirements should always be adhered to. It is recommended that yearly planners be drawn up with reporting schedules and put into place to ensure that donor feedback does not fall through any cracks.

The organisation's donor records should be regularly maintained and updated with status reports that include:

- Date of proposal submitted
- Date and purpose of meetings
- Date and purpose of telephone calls
- Date of reports sent
- Date of sending financial statements
- Date of sending thank you letters and 18a certificates

## An effective resource mobilisation team

The best resource mobilisation strategies are led by people who are genuinely committed to the organisation's causes and are motivated and inspired to set and achieve ambitious goals through innovative approaches. Strong interpersonal skills and an ability to relate to different people and cultures are valuable assets in a resource mobiliser. Resource mobilisers should have excellent interpersonal and soft skills. People who have a background in sales or sponsorship management may prove to have an advantage in resource mobilisation. Effective resource mobilisers actively seek out learning opportunities related to fundraising and the field in which the organisation works, to further their professional development and expand their network. Resource mobilisers who are well-informed, with a broad knowledge of what is going on in the community, with stakeholders and around the world, are well positioned to identify potential partnerships, donors and trends in funding.

A key ingredient to great resource mobilisation is exceptional customer service; donors are people too, and people buy from people. Ensuring that the donor's 'customer experience' is a positive one motivates the donor to return to the organisation's cause, time and again.

## Identifying potential sources of resources and strategies for approaching stakeholders

**The type of potential donor determines your approach**

Donors, like people, come in many forms. Each type of donor has a different way in which you would approach them. Types of potential donors:

**Former donors:**
- The organisation has worked with them before
- The organisation's need to build on existing relationships

**Current donors:**
- The organisation is receiving funding from them
- The organisation need's to nurture and maintain this relationship

**New donors:**

- The organisation needs to sell their cause to them
- The organisation needs to create new relationships

## Funding intelligence

Funding intelligence is about positioning yourself as an organisation to take advantage of all available opportunities for funding. It includes building the organisation's base of information, understanding and having an awareness of trends in the funding market. The nature of intelligence is that it's continuously evolving; it isn't a once-off activity. It is crucial to keep your finger on the pulse.

## Sources of funding intelligence

Funding intelligence sources could include:

- Understanding government priorities, these are mostly informed by research:
  - Government departments and similar institutions
  - The National Development Plan
  - The South African Constitution and Freedom Charter
  - StatsSA
  - Local municipality IDP
  - Sector specific legislation
- The B-BBEE codes, these are of particular importance when pursuing corporate funders
- Millennium Development Goals, as well as what will follow these
- Embassies
- Knowing corporate funding strategies and criteria and their strategic objectives
- Chambers of Commerce

There are constant shifts in the funding sector as funders change their focus areas and explore new funding opportunities. It is important to stay abreast of these shifting trends as well as other developments in your organisation's particular sector.

Being patient, but persistent

- Take a long-term perspective to funder cultivation
  - Funders often need to get to know the organisation and the organisation's cause in order to develop a certain level of trust and familiarity before taking the leap. Patience and persistence will go a long way in developing credibility and a good relationship with the funder
- Follow up
  - After a proposal has been sent to a donor, make sure the proposal has arrived and been received by the funder. After a reasonable period of time, follow up with a phone call or an email. Funders generally do not mind a polite inquiry regarding next steps (ask how the application is doing, and when a response can be expected). It is important, however, not to pester them repeatedly, as they may have a multitude of proposals to review
- Don't be discouraged if some proposals are rejected; rather aim to learn from any unsuccessful proposals. Reflect on the proposal's strengths and weaknesses. If possible, ask the donor for constructive feedback. Then apply any lessons learned to the next proposal
- If your proposal is successful, use this as a starting point to cultivate a partnership with the donor. Be sure to:
  - Thank the funder for the favorable response - show the funder that their commitment and support is valued by the organisation
  - Keep the funder up-to-date on what is going on in the project and/or the organisation- send regular reports and

information that may be of use or interest
- Invite the funder to the organisation's events – even if they may not be able to come
- Meet the reporting requirements of the funder. This means providing the right information (narrative and financial), in the right format, on time
- Be available for meetings with representatives of the funder. Be ready to answer questions, organise field trips or site visits, and/or explain details. Wherever possible, get donor representatives into the field where they can meet the people whom their contribution is impacting

**Sponsorships**

Sponsorships come in many different forms and are not limited to financial donations. Sponsorships may include supporting an event, activity, person, or organisation, either financially or through the provision of products or services.

There are many different ways of acquiring sponsorship, one of the most common being event sponsorship such as dinners, auctions, golf tournaments, or walk-a-thons; the list is endless. Sponsorships are generally considered to provide financial means. Imagine that your organisation is hosting a 'day out' for disadvantaged children, and you are approaching a company to sponsor food and drinks for the children. What will the company receive in return? If your organisation has PBO status, the company can receive a tax exemption. Unless the day is covered by the media in some way the return will mostly be one of the heart, contributing to children's happiness.

It is not ideal to solicit sponsors until you have planned the event or activity to be sponsored, this can include program sponsorship (for example, when a biscuit company supplies biscuits for programme beneficiaries).

The prospective sponsor needs to feel that the opportunity you're presenting to them, is the best use of their limited resources and that they will receive some kind of benefit in return. Unfortunately, there's no such thing as free money. Sponsorship is not just about your needs, but about the sponsor's needs. It is best to try and obtain sponsorship from companies, organisations or brands that seem a natural fit with your event or organisational needs. Sponsors don't need to share your passion for your cause in order to sponsor your organisation; they just need to be able to see a commercial benefit. Aim high as it is better to get one or two big, meaningful sponsorships rather than lots of small ones.

Steps to obtaining sponsorship include:

- Identifying your audience
- Identifying what sponsorship level you require
- Identifying the return for the sponsor
- Making a lot of phone calls
- Sending out a lot of proposal letters
- Cultivating relationships with sponsors
- Cultivating relationships with non-sponsors

Depending on your event, these are a few benefits and returns you might want to consider offering:

- Sponsor banner displayed at event
- Sponsor name announced at event
- Dinner table supported by sponsor (i.e. each person at the table receives a promotional item and literature from the sponsor and the sponsor's logo is displayed at the table)
- Small sponsor banner or logo displayed on podium
- Sponsor name or logo in organisation's newsletter

- Sponsor name or logo in advertisements in newspapers and magazines
- Sponsor ad in program or flyer (ad size can range from business-card size to full page)
- Sponsor logo on organisation's website (can include a hotlink to their site)
- Sponsor logo on t-shirt
- Category exclusivity (a guarantee to sponsors that once they sign on, none of their competitors will be allowed to sponsor)

**Sponsorship letter**

A sponsorship letter is a common channel used for soliciting sponsorship support. This may be the first written contact (after a conversation or meeting) to a funder that asks the funder to fund a specific activity, event or purchase. The contents of this type of letter could include:

- Introduction to organisation
- Reason for writing
- Details of project
- How much is needed and why
- A request for meeting
- Sign off

**ACTIVITY**

You have just been introduced to a potential sponsor for your newly proposed business breakfast series. She is interested in taking your concept to her marketing department for its consideration. She has requested that you write a sponsorship letter to the team requesting financial assistance for the cost of the venues and breakfasts, thereby enabling the proceeds from ticket sales to flow directly to your organisation. You are required to write a sponsorship letter responding to the request by the potential sponsor.

**Mobilising in-kind donations**

In-kind donations can be valuable resources, filling a gap at a crucial time. However, before the organisation even starts fundraising, they should be critically scrutinising the fund spending within the organisations and asking themselves, what can be obtained on the budget as a donation in-kind that will reduce the amount of cash needed?

Normally, in-kind contributions are goods or services that a receiving organisation would need to purchase and are contributed instead by donors/volunteers/partners.

In-kind donations build relationships within an organisation as the provider can support the mission and programmes without investing cash. Keeping a provider informed of what is done with their in-kind contribution encourages them to take on a greater role in programs. Another return on investment for contributors is that donations can be written off for tax purposes.

Examples of in-kind support:

- Goods, like computers, software, furniture, and office equipment
- Services, like meeting space, photocopy and mail services, and administrative/ financial support
- Expertise, like legal, tax, or business advice; marketing and web site development; and strategic planning

**Coordinating fundraising events**

Events are good way to raise money as well as awareness. They are marketing tools and not only "fundraisers" as they have the potential to increase the organisation's database, build brand awareness, create new relationships and improve image. The best way to make the most out of an event financially is to get it sponsored by a current or new donor. They will get the marketing mileage and the event brings in double the income. However, when deciding on whether to organise an event or not, don't be boring! Try new and innovative events that might seem risqué but will draw crowds. Think out of the box! "Charity Events" in South Africa have been around the block a few times, and while they have the potential to bring in income and brand awareness, there is a sense of donor fatigue for these types of things. Perhaps try and bring in an 'events company' who will build their fee into the event costs. Thereby limiting the risk, and fair exchange means you are getting what you pay for! These events include:

- Gala dinners
- Golf days
- Conferences
- Launches
- Markets
- Theatre nights
- Auctions

**Utilising online/ social media**

A way to enhance the organisation's public profile, awareness campaigns, and calls to actions is via the largest media and online platforms in the world, namely Facebook, Twitter, YouTube and Instagram.

Organisations have immediate access to millions of "potential donors" via web based platforms; the question is whether or not the organisation is using these to the best of their ability. The organisation should have a profile which is updated regularly on each of the social media platforms mentioned above. There should be a dedicated person who is delegated to updating these platforms at least once a week. There are tools that can incorporate all the different media platforms on to one system meaning only one message needs to be uploaded and the application will distribute it to all platforms (Hootsuite for example). The organisation's website must also link to their social media platforms so that a consistent message is sent out across all the platforms. Use social media platforms for specific campaigns and "calls to action" as a way to ask a larger audience for what is needed. These social media campaigns should be aligned with the broader marketing and communication plan for the organisation.

**Public speaking**

Public speaking can be the greatest asset to a fundraiser in order to mobilise resources. Often the ability to obtain money or donations, hinges on a representative of the organisation's ability to conduct themselves appropriately within a public platform. Authentic passion is a key element when speaking in public.

Basic tips for Public Speaking:

- Know your audience (who are you talking to?)
- Know yourself and the way you present yourself in public
- Practise your presentation as much beforehand
- Make sure that you feel comfortable in your clothes and look the part
- Feel confident in what you are wearing
- Appear confident by standing up straight with shoulders back
- Get to the presentation well before time so that you are not stressed and unnerved

- Breathe deeply to remain calm
- Make eye contact with the audience and avoid reading straight from your notes
- Body language is important; avoid folding your arms or griping on to the podium
- Be as natural as possible
- Don’t waffle, try to stick to your prepared presentation
- Prepare well as preparation leaves little room for error
- Research and know your topic well
- Have a copy of your talk available
- Avoid exceeding the time allocated to your presentation
- Motivate your audience to action
- Use humour but be careful
- Avoid tired clichés
- Don’t tell dirty jokes
- Avoid using technical language
- Use simple sentences
- Pause and talk slowly for effect
- Avoid using jargon out of context
- Be precise, avoid being vague
- Smile
- Be passionate
- Speak from the heart
- Be sincere
- Be persuasive

**Donor forums**

Donor forums are events where the organisation invites donors to engage in a topic for discussion. This promotes collaboration and builds relationships between the organisation and the donor and amongst donors themselves.

Consider setting up a forum where top donors are asked to join the organisation in discussing a particular topic of interest (trending topic in the sector). This is an opportunity to present the organisations vision and mission, success stories, new goals for an upcoming year, as well as an opportunity to encourage donors to collaborate on funding projects resulting in ‘unity in numbers’. This forum also allows for the opportunity to hear about what donors are doing in their funding space, about what is inspiring them and where they are heading towards. With this information the organisation can ascertain whether their goals are still aligned with the donors.

Funders could host these forums at their offices which will allow them the opportunity to market themselves as well. It is human nature to want to feel valued and by making donors feel like they have contributed towards something, involving them on the specific day of the forum, goes a long way in showing appreciation.

**Site visits**

Take potential donors or stakeholders on a guided tour of your facilities and the areas where you are working, have photos taken and make them feel like they are already part of the solution. A sure way to impress your donors is to arrange a bus from your office to your site and talk to them about your work while you are travelling. Once you arrive at site, make sure the managers there are well prepared for a presentation and tour of the premises. Show your donors why you are the ones they should be investing in.

**Individual giving**

Individual giving allows the general public to make a contribution to the organisation in a simplified manner. There are several forms of individual giving including:

- Loyalty programmes, such as the MySchool programme
- Gifting. In many instances, individuals would prefer to make donations to a good cause in place of receiving a gift. The resource mobiliser has the capabilities to arrange this for the individual and their gift givers. Consider advertising this option on the organisations website, social media platforms and wherever else there is a suitable opportunity

There are essentially two types of individual givers – high net worth individuals and those of more modest means. This section focuses on the latter category, the premise being that if a lot of people commit to (and follow through on) making small regular donations to your organisation such a stream has potential to grow significantly over time. However it is wise not to set out with fundraising as your primary outcome from this activity. Indeed soliciting funds from individuals (as opposed to corporates and foundations) is more about friend-raising, so consider carefully whether you have the capacity and skill within your organisation to carefully nurture and stay in touch with numerous individuals. For example, advice from the Red Cross Children's' Trust who have had good success with Individual Giving (IG) is to touch an individual (e.g. a phone call to say thank you, a mail with a project update, an invitation to an non-fundraising related event) 15 times for every 1 ask! Also approximately only 30% of donors repeat year on year, so the cultivation process is critical. As the fundraising process grows in depth and sophistication, organisations typically raise larger sums from fewer, established donors i.e. cultivation in action.

Another often overlooked reason for running IG campaigns is that they can be very effective at galvanising internal capacity – but only if staff are fully involved in the process. Consider, for example, asking your staff to donate (which can easily be done via a salary deduction) before you start knocking on outside doors.

Individual donors will want to put their money towards a tangible project so carefully consider a) what this could be, b) different tiers that you could create for more generous givers and c) how you will report on the project's progress. Plan these projects carefully and execute one, maximum two a year or you will run the risk that your supports start to perceive that every communication from your organisation is a thinly veiled request for money. And remember that your primary purpose is not to raise money; rather you are building relationships and offering people the opportunity to become a part of something exceptional.

Another way to start building a relationship with individuals is to sell them a product (something under R200) first. This gives you an opportunity to cultivate and develop the relationship and encourage them to become donors. From there they could well become members, major donors and maybe one day legacy givers too.

Evidence seems to indicate that age matters, so consider how reliable your database is and how much information you have about your supporters/ want to start collecting as;

- People aged 25 to 45 typically only give annual gifts
- People who make major gifts are typically over 45, as they make this out of disposable assets
- Ultimate/ mega-gifts are typically made from age 70 on
- 84% of funds are given typically from people above the median age of 53

**Pro's:**

- An IG campaign is a great way to build stronger relationships with, and glean useful information from, your followers/ supporters and volunteers
- It can be an effective way to invigorate staff morale

- An IG campaign offers a great opportunity or reason to clean up your database and keep it clean so that data is as reliable as possible for campaigns in the future
- Income from individuals can be a source of unrestricted funds, depending on what project you decide that the money will be raised for

**Con's:**

- IG requires robust systems, excellent financial monitoring and the capacity for personal follow up and ongoing communications
- Typically only about 30 to 40 percent of people who 'commit' to funding you actually end up following through on this for a range of reasons
- IG is time consuming and resource intensive as it works best when someone picks up a phone – an email request to your database, some Facebook posts and/ or a link on your website will not be sufficient

**First Steps:**

Carefully review your database and ask colleagues to help you determine who can be included in an IG campaign and who should not e.g. HNWI's need a different and even more personal approach.

To summarise, a few good practice principles are:

- Marketing is essential and integration is key
- Ongoing communications is also critical
- Start small and cultivate carefully. Small donors can become big
- The campaign(s) that you run have to be ground in and start with strong support from staff and beneficiaries/ alumni (as well as their families) of yours
- Big budgets are not necessary. Saying thank you need not cost and is essential
- You cannot do this for one year and then stop. The organisation needs to be committed to ploughing this field for two to three years at least

### Payroll giving

Speak to your local businesses (medium sized to large corporates) about a payroll giving system where the employees of companies are able to donate to the organisation on a monthly basis as a small deduction from their salary. This is increasingly common amongst big corporates.

### Crowd funding

Crowd funding is a way of raising funds in small amounts from a large group of people, by using the Internet and social media. There are three sets of people involved in the crowd funding:

- The people or organisations that propose and initiate the ideas and/or projects to be funded
- The crowd of people who support the proposal
- The website (the 'platform') which brings together the project initiator and the crowd.
  Examples of crowd funding websites are ***http://lovetodogood.org.za and 'indiegogo'***

To kick off the process, the person seeking the funds will set up a profile of their project with a crowd funding website and can then use social media to pitch their organisation/ project in order to raise money. The pitch will ask for a donation, giving money or time or other resources to support a cause or initiative. People donate simply because they believe in the cause as they have a social or personal motivation for giving their money and/or resources and expect nothing back, except perhaps to feel good about helping the project. Rewards can be offered to the donor as a token gesture.

An example of such a reward could possibly be a computer screen wallpaper (this costs the organisation nothing and could be a scanned handwritten thank you from a beneficiary).

## Bequests

Bequests, also known as legacies or planned gifts, like all other funding, must be asked for. It is only a small percentage of regular supporters who are likely to proactively include your organisation in their bequests. This kind of request is not an easy one and should be done with the sensitivity it requires, however it is an opportunity that should not be missed. Appoint one person who is soft but confident to discuss things like death and wills. Newsletters should regularly contain bequest information. Don't presume that everyone has a will. Over 40% of South Africans die intestate, without a will. Creating a pamphlet to hand/ send out to supporters, that points out the problems for family members if someone dies without a will, and explains briefly how to go about having a will drawn up, will create awareness of bequests and promote the concept of supporting your organisation's work.

## Funding obtained through offshore fundraising efforts

Setting up an offshore entity to help your organisation solicit funds is an undertaking that should be very carefully thought through. Doing so requires a significant investment of time, effort, money and emotions and returns can only realistically be expected three to five years down the line. Furthermore, international donors/ foundations are typically looking to give a lot of money to a few organisations, because this is easier to manage, and so may require you to have presence in more than one country to be regarded as an investment worthy of support.

**Considerations**

*Location*

- What is the prognosis for the exchange rates between South Africa and the country we are considering?
- Where are there language and historical alliances (these often trace colonial lines)?
- What countries are known to have an affiliation for the work that we do (e.g. Scandinavian countries have a long history of supporting human rights work)?

*Relationships*

- Do we have relationships that we can tap in to? Who will represent us?
- Are these people willing to work on a pro bono basis?
- What is in it for them?
- How much capacity do they have?
- Will these people be willing to take the lead from South Africa, or will they want to run their own organisation, separately?

*Organisational Capacity and Structure*

- Does my organisation have the capacity to maintain an international organisation?
- Are we able to invest money in to this for the first few years?
- Can we wait up to five years for our first return?
- How will our South Africa Board interface with an international board?
- How can we create a structure that reflects parity across all of the offices yet acknowledges that operations live in South Africa?
- Do we have a financial and legal person in South Africa who can be focused on bringing all of the financial and governance tasks together?

**Case Study - Children's Radio Foundation:**
When the Children's Radio Foundation launched in the UK in 2011 Kofi Annan chaired the launch, and spoke about the value of radio in Africa. Since then their efforts in the country have gone from strength to strength, thanks in particular to a well-connected volunteer champion and a high quality paid director who recently came to CRF UK with great experience from Oxfam and other development organizations. Together with an admin assistant and interns that organise top-notch events like an annual 24 hour broadcast on World Radio Day, year-end fundraisers, and on-going capital raising campaigns. They have also found it useful to have someone in the UK who works on programmes so that people who want to work on children and radio issues can raise funding to work with CRF from London on this.

Lessons learnt by the Children's Radio Foundation:

- Don't hire a development director/ fundraiser. This is the first mistake that is frequently made. Funders want to talk to the director, a projects person (probably based in South Africa) or a finance person
- Your international arm needs to be driven by a passionate person who can tell the story well and is internally motivated to do so. Ideally this champion won't require payment as there is something else in it for them (i.e. it meets them at the right time in their life). They will need to spend physical time around programmes so that they can reference this in telling the story and contribute to the deep knowledge necessary to promote the work
- Be wary of hyper investments that change the game but are not sustainable, including multi-year 'game-changer' commitments that will be difficult to replace once the commitment is over
- When it comes to governance and the integration of finances, South Africa must take the lead. The organisations cannot run independently
- Research and consider participating in rating systems (like Guidestar or Charity Navigator). These are helpful in the US particularly because of the tax incentives provided but also require a lot of maintenance
- Consider using an international platform that will process donations on your behalf while you begin building your network in a new country **(e.g. https://www.americanfund.info/ or https://www.ukfundforcharities.org/)**
- Some donors may require you to have at least one year of audited finances before you can apply as they will want to see that you can manage funds and then actually do things
- Set up one 'additional' country office and do it well. It gets incredibly hard to manage multiple organisations when you can have up to four disparate companies (SA, US, UK and the consolidated version). Don't underestimate the requirements for board meetings and resultant coordination required by an executive
- Consult extensively with organisations who are doing similar things and who have learned from already putting those structures in place. There is a great deal that you can learn from them and do together
- Funders take cues from other funders (for example, in the UK, Comic Relief is a leader in this field). They can help to build relationships for you and support you in your efforts. Get them involved in creating your community of individuals in the country where you are trying to set up an office
- Consider 'non-traditional' countries in Africa and Asia – particularly if your programmes have reach there. Some countries will allow you to develop a legal partnership and this allows for funds to be raised without having to set up your own entity i.e. MOUs with implementing partner organisations who are already registered

## International development aid funding

Foreign/ development aid refers to offering assistance, financially and in other ways, to other countries. It is beneficial to both the country giving aid and the one receiving it. Examples of development aid funders are:

- United States Agency for International Development (USAID)
- The United Kingdom Department for International Development (DFID)
- The Canadian International Development Agency (CIDA)

To civil society organisations (CSOs) doing valuable work in South Africa, development aid can offer the following:

- More money than many other funders will often commit to, and regularly over multiple years
- Secure and dependable income
- The ability to use grants to fund infrastructure as well as programming
- The ability to use grants to fund staff salaries and other overheads/ administrative expenditure
- Excellent exposure and networking, often with government too
- Access to research and other information
- Capacity building and organisational development

**Risks:**

There is significant competition for development aid funding and if you are unable to do sufficient upfront research and preparation, the substantial amount of time invested in preparing a proposal may be wasted.

Furthermore, when entering a relationship with a development aid agency, it is important to begin with the end in mind. In order for a CSO to avoid a trap of dependency; sustainability should be fostered at organisational as well as community/ household levels and be planned for in the long-term. Maintaining a close funder/ CSO relationship with shared commitment and respect will go a long way to ensuring that the partnership is mutually beneficial and there can be no unpleasant surprises for either party.

**Government funding**

Many non-profit organisations in South Africa have come to rely on government for their funding. Various departments within government have particular focus areas and have specific programmes and funding requirements. Departments which have extensive funding programmes include the Department of Trade and Industry, Department of Social Development and the Department of Tourism at national level.

There is a key distinction between government and government-related organisations:

- Government includes the three spheres of government, i.e. National, Provincial and Local Government
- Government-related organisations vary in different form but include public entities like ESKOM, SAA as well as other organisations established to carry out government’s mandate and include DBSA, 20+ SETA’s, NYDA, JOBS FUND, SEFA and many more

*(*extracted from the City of Cape Town’s Donor Directory **https://www.capetown.gov.za/en/visitcapetown/Pages/Donordirectory.aspx**)*

Before applying for funding to government or government related organisations for funding, it is important to understand the mandate of the various departments and organisations within government. Each department and organisation has been established with a mandate. For example, a municipality has an exclusive mandate to supply municipal water to residents within their geographic area of jurisdiction. At the national level the Department of Home Affairs, for example, has exclusive responsibility for issuing passports. At provincial level, the Department of Basic Education has a concurrent responsibility with the National Department of Basic Education to carry out the education mandate from Grades R to 12. Due to strict legislation, a sphere, department or organisation within government cannot spend money that does not align with its mandate. For example, the Department of Basic Education may not spend money on, say, public policing. Ensure that the entity you are applying to has a mandate and strategy that is aligned to your organisation’s strategy.

Once you are clear about the government organisations whose mandates align with your own, ensure that you are registered as a service provider on their respective websites.

There are various forms of funding available. Make sure you understand the type you are applying for:

- Grant in aid (GIA)
  - GIA funding is a donation of municipal funds to an organisation or body outside any sphere of government that does not constitute a commercial or business transaction
  - The main objective with this type of funding is to enable non-governmental organisations and initiatives with the greatest potential to plough these resources back into the community, thereby creating a multiplier effect
  - GIA funding aims to support government's strategic priorities, which are outlined in a municipality's Business Plan and encapsulated in its Integrated Development Plan. These priorities include shared economic growth and development, sustainable urban infrastructure and services, energy efficiency for a sustainable future, public transport systems, integrated human settlements, safety and security, health, social and community development and good governance and regulatory reform

- Discretionary funding
  - SETAs are public institutions and are therefore obliged to avail business and skills development training opportunities to all South Africans who meet its requirements. Therefore, all stakeholders and role-players with the requisite capacity and good standing legally may apply for SETA funded interventions
  - Given the special nature of skills development broadly and with regard to SETAs specifically, the discretionary funding is applicable, in the main, to:
    - SETA levy paying companies
    - Non-levy paying companies in the particular sector
    - SETA accredited training providers
    - Non-Government Organisations and Non-Profit Organisations
    - Community-Based Organisations
    - Public institutions including public Technical Vocational Education and Training (TVET) Colleges
    - Trade unions associated with a SETA and/or in a particular sector; and
    - Other role players

- Non-discretionary/mandatory funding
  - For business (i.e. SDL payers) to be eligible to apply for the mandatory grant rebate of 50%, it has to observe the following:
    - Employ 50 or more employees and have submitted a Workplace Skills Plan (WSP) and Annual Training Report (ATR) which is due for submission to the relevant SETA by 30 June each year
  - These are grants that are effectively rebated to businesses that have paid SDL levies

- Tender opportunities
  - All spheres of government procure goods and services through their respective supply chain management channels
  - Organisations can compete to provide services and goods
  - A new tender system was recently introduced and can be found at **http://www.etenders.gov.za/**
  - Companies that can deliver from a national footprint are often favoured, although this is not restrictive and many tenders accommodate this by allowing smaller bodies to tender and by then awarding the tender to multiple parties
  - To be eligible for a tender, you usually have to be registered on the appropriate website as an approved provider and it is good to get this in place for the larger SETA's and municipalities

## Pro's of generating income from government

- Exciting new grant funding opportunities are emerging through government. One example is the Industrial Development Corporation which (now) offers some interesting, even attractive financing models to CSOs working towards building capability in self-income generation
- Accessing government monies can be very easy e.g. the Department of Social Development actively supports CSO's to assist with community care
- Cons of generating income from government
- Government monies can also be impossibly difficult to access. For example, education funds are restricted to public institutions. It is important (as in the first paragraph of point 2) to understand the role of your CSO in the broader context of the government's goals
- Funds can be unreliable. Government institutions are known to pay extremely slowly and often monies, like that of the Lotto and the DTI, are hard to release, placing tremendous strain on a CSO's resources
- Contracts can be cancelled at short notice
- The forms that you need to fill out are typically onerous and the applications windows are often short. You will need to ensure that the staff member who leads these submissions is a fast worker who is detail-orientated

It is therefore very important have cash flow reserves in place and not be too reliant on income via government.

## Corporate social investment funding

CSI is a sub component of Corporate Social Responsibility (CSR) which refers to the overall responsibility towards the business environment in which a company operates. CSR addresses matters associated with triple-bottom line issues that relate to people, planet and profit. CSI funding may incorporate monetary contributions, pro bono services, employee time and resources and gifts in-kind.

**Why corporate social investment exists**

CSI activities are largely driven by moral imperative. In a survey conducted by Trialogue, corporate respondents were asked to rank the factors describing their business rationale for social investment choosing up to three drivers. Most of the respondents (84%) stated that a moral imperative to 'do the right thing' was one of the top three considerations to participating in CSI activities, followed by reputational benefits (60%). In addition, other companies cited the Department of Trade and Industry's Broad-based Black Economic Empowerment Codes of Good Practice as a key driver (44%) rather than industry sector charter obligations (28%).

The company usually seeks to adopt a strong developmental approach, leveraging company resources to impact positively on society, which in turn, has the potential to enhance the reputation of the organisation itself.

**Companies that participate in strategic CSI activities are able to:**

- Make a positive impact on society
- Establish themselves as good corporate citizens
- Enhance their credibility and competitive edge by attracting and retaining investors, clients and employees
- Improve the quality of life of employees, employees' families and their communities, thereby creating loyalty and a level of employee satisfaction
- Provide opportunities for brand exposure resulting in enhancing the company's corporate image which in turn delivers return on investment
- Provide opportunities to align with various industry charters
- Contribute to the stabilising of socio-economic environments
- Draw additional attention to the company's business operations

CSI is a significant, potential source of funding and although in general the same principals of proposal writing apply, there are some specific considerations that warrant mention, for the South African context in particular. Considerations for proposals for CSI opportunities include:

- Line up with specific proposal requirements defined by investors
- Keep your proposal more to the point, generally corporate investors prefer a shorter, more concise submission (+/- 6 pages)
- Stay in line with the return on investment, the proposal appendices become more important, as this is where the certifications and registrations would be included
- Where possible reduce the amount of development jargon. You do not want to frustrate or confuse the potential investor with terms that they are unfamiliar with
- Remember to include your sustainability strategy for the programme or project; corporate investors will draw comfort in knowing that you are not fully dependent on them
- Further to the previous point, be sure to mention other funders and partners. This will add to your credibility and the comfort of the investor

**Ways to attract corporate social investment contributions include:**

- Familiarising yourself with the CSI focus areas of the company
- Highlighting the synergies that exist between your programme and that of the company's CSI department
- Establishing and demonstrating a convincing track record
- Sharing endorsements from previous funders/ partners
- Demonstrating sound proposal and report writing skills
- Preparing realistic and convincing budgets
- Providing evidence of outcomes achieved
- Establishing lasting, genuine relationships

## Return on investment

In addition to realising the social objectives of your programme or project, it is important to consider the needs and perspective of the funder:

- The B-BBEE scorecard points that your organisation can provide
- The section 18A tax benefits that can be realised
- The marketing and communications value that can be provided by the organisation not only at the point of implementation, but also across the organisation's existing communications channels (website, annual report, newsletters, social media etc.)
- Opportunities to involve staff and provide teambuilding and volunteerism
- The funder wants to make an impact or a difference, they want value for their money, and they want the work they fund to be successful
- Some funders may wish to acquire knowledge and understanding of a particular issue, which would make monitoring and evaluation even more important
- There may also be an imperative to share knowledge and understanding of a particular issue and, in so doing, to add value to their chosen interventions
- Other funders may wish to increase their visibility or influence in a particular geographic or programmatic area and would be especially interested in branding and communications opportunities
- Certain corporate donors may have an interest in opportunities for staff to get involved with the programme where appropriate

**ACTIVITY**

What methods of resource mobilisation does your organisation currently make use of?

## Managing and tracking resource mobilisation progress

Good monitoring requires the resource mobilisation team to have a sense of creativity, tact and interpersonal skills. There are different ways of monitoring the actions of resource mobilisation. Here are a few examples:

- Call the contact person
- Send a letter as a reminder
- Send an email
- Meet the contact person
- Ask informally through casual meetings
- Have a friend in the organisation to follow up with the contact person
- Have an influential colleague from another organisation do the follow- up
- Send further information
- Send a greeting card to special events
- Ask other organisations if they have received a reply (if the resource provider follows a specific funding cycle)

Evaluating resource mobilisation strategies and using the experiences in subsequent resource mobilisation can help to:

- Know the winning and non-winning strategies
- Find out the cost of each option for resource mobilisation
- Calculate the cost / income ratio
- Identify hidden costs (staff time)
- Identify the hidden benefits (raising the profile of staff)
- Be on the lookout for early warning and take corrective action if necessary (excessive costs, poor response rates) signals
- Follow the achievement of targets on a monthly or quarterly basis
- Use charts and graphs to show trends (planned and realised monthly achievements over a year)
- Develop the achievements that are not financial (new relationships, new networks, more visibility, lessons learned, etc)
- Prepare reports for management and the Board of Directors
- Learn continuously on the job of mobilising resources
- Use the information collected to reach conclusions and make decisions

## Relationship management

Once potential donors or clients (supporters) are identified, the goal is to get to know them better and convert knowledge into a lasting relationship. In other words, the supporter must be taken as a partner. Resource mobilisation never ends. Its aim is to create a lasting relationship between your organisation and the supporter. People in charge of resource mobilisation must guarantee this relationship by listening carefully to supporters and by involving them as much as possible beyond their donation or contribution, for several reasons:

- To continue deserving the confidence of the supporter and get them to donate other resources
- To report on the use made of the available resources
- To share the results and problems
- To increase the visibility of the organisation

Various methods can be used by the organisation to maintain its relationship with supporters, including:
- Inviting supporters officially on the occasion of major events
- Sending official reports on progress and new publications
- Inviting supporters to field visits organised by your organisation

The most valuable relationships for a CSO are current supporters who do not need to be convinced of your value proposition – they've bought into it already. However, just because they have supported a programme once, does not mean they will do so forever. Supporter loyalty and trust must be earned again and again.

Here are some lessons from TSiBA Education learnt over the course of a decade.

**1. Establish trust**
Do what you say you will do and so it quickly and well. That includes showing your supporters how you understand the challenges they face in their work.

**2 Build credibility**
Demonstrate that you know what you are talking about. That means you need to be knowledgeable and informed about your own organisation's work and impact, the field your organisation works in and your supporter's organisation and sector.

**3. Be the go-to person**
You want to be one person that supporters come to first whenever they have a problem or question about something. Be on your supporter's team.

**4. Stay in contact – but don't be a nuisance**
Many relationship managers are afraid to contact supporters on a regular basis for fear of being annoying. It is a valid concern IF every contact you make is a sales/donation pitch. Gauge the amount of contact a supporter appears comfortable with and stick to a winning recipe.

**5. Know which supporters to focus your time on**
With limited time and capacity you have to maximise the use of your supporter contact. In business, the 80/20 rule usually works: You should be spending 80% of your time with the top 20% of your supporters that bring in 80% of your money. Manage the exceptions wisely.

**6. Be the solution**
You should be able to demonstrate to your supporters, and potential supporters, the benefits of supporting your organisation. Emphasise what you and your organisation will do for them rather than just what you do.

**7. Widen the web of involvement**
Expand the relationship between your organisations – the more people are involved, the more complex the relationship becomes. But the more people are involved, the more links you are securing, thus strengthening ties and gaining a greater chance of repeat support.

**8. Comply with the rules of the deal**
Be accountable for keeping up your end of the bargain. When you do what you do well, supporters do, too; when you succeed, they succeed. Don't promise what you cannot deliver and make sure that your colleagues understand your supporters' expectations.

**9. Mixed messages are messy**
Introduce new information (like a new service) in a way that complements supporters' understanding of your organisation. There is no point in confusing them, in providing irrelevant information or in bombarding them with a deluge of new offerings.

**10. Relationships are between people – not organisations**
Manage relationship handovers slowly and with great care. When referring a supporter to different people on your team to address specific issues, ensure you remain in the loop until the supporter is happy. Appoint gatekeepers to manage communications with major supporters.

**11. Know your supporter's preferences and quirks**
Note what form of communication the supporter prefers (email, phone, etc.) and what issues/results are of greatest interest. Once decided, create written guidelines to discuss and share with your team members.

**12. First responders win supporters**
Be responsive to supporter requests. And respond quickly. Ask questions to ensure you understand what is being requested and when it is due. If a request is unrealistic, be honest and explain why. Submit accurate, complete deliverables on time.

**13. No surprises, please**
Be open and truthful about challenges as well as successes throughout the period of performance. Setbacks and missteps are normal and most supporters understand the challenging environment in which we work. By maintaining an open and collaborative relationship, there should be no surprises.

**14. Take solutions a step further**
Take time to reflect on the approaches that did not have the intended result and note them along with other "lessons learned" that you can compile at the end of a programme / contract. These types of proactive approaches may influence supporter priorities in future years.

Managing relationships with supporters is a job that requires sustained effort and good communication skills. In your organisation, supporters must be regarded as friends. Employees and the board should strive to develop a reliable service, with adequate response to requests for information and assistance to keep supporters informed of the actions taken by your organisation, by helping them achieve their developmental or philanthropic missions while sustaining your organisation. Developing an individualised plan for each major supporter allows them to feel they really contribute to solving problems.

## Proposal writing

**SELF-TEST**
Have you written a funding proposal before? To your mind, what are the most important concepts of proposal writing?

A proposal is one of the ways you can sell your organisation to a donor. It provides information to a potential funder about your organisation and what you plan to do with resources they might give you.

The donor will use this to make decisions, thus the type and quality of the proposal is very important. They will not only look at and judge your organisation on the technical aspects of your proposal (i.e. the soundness) but also on how well you have written the proposal. A funding proposal can be used by agencies, businesses, trusts and government departments. It is not usually directed to individual donors. Ordinarily, your proposal should not exceed 300 words.

The message the person reviewing the proposal should get is "My project is the best means for you, the potential funder, to achieve YOUR mission, goals and objectives."

The proposal is a very important document, for several reasons:

- It will form the basis of the decision by the donor about whether to fund the project or not
- Once it has been accepted by the donor, the proposal becomes the framework of the project, the scope of work, and the basis on which the success or failure of the project will be assessed

In writing the proposal, you commit yourself to a project with particular goals and objectives, and with a particular shape and process.

**Types of proposals**

There are two types of proposals: solicited and unsolicited. Solicited proposals are submitted in response to a request for application by a potential funder. Unsolicited proposals are submitted without a formal request from the funder.

Solicited proposals respond to specific objectives and requirements stated in the request for application and are selected based on the strength of the proposal in relation to other applicants.

An unsolicited proposal is generally a proposal or concept note based on needs identified by the organisation or community, not in response to a specific request for application issued by a funder. Unsolicited proposals are judged on strength of the proposal in terms of uniqueness, value added to the funder's existing partner portfolio, and demonstrated capacity of the applicant.

Some funders do not accept unsolicited proposals and this requirement should be respected. It is for this reason that the organisation must research potential funders and know them well before sending out proposals.

**Why do we write proposals?**

The purpose of a writing a proposal is to persuade the funder to fund your project/organisation. There are several reasons why you may have decided that the best route for raising money for your project is by submitting a proposal to a funder. These might include:

- A large sum of money is needed
- To 'diversify' your funding base and sustain the organisation
- The proposed project fits within a broader framework of regional or national development in which a number of funders are already involved

Secondary motivations for writing proposals might be:

- To increase organisational visibility
- To be active in the market - an unsuccessful application still contributes to awareness about your organisation and activities

It is for these reasons that we pay particular attention to this area of resource mobilisation and why we will go into depth.

**Building a library of source data/annexures**

Successful organisations prepare for resource mobilisation in an on-going manner so that they are not overwhelmed by time pressure during the actual proposal writing. It is advisable for your organisation to build a library of source data/ potential annexures from which information can be drawn, at short notice, to populate proposals. A good proposal should provide a balance between facts/ figures and impact in order to create an emotional connection. Although many documents will originally be acquired in hard copy, it will be helpful for you to store copies of these in electronic format for efficient retrieval.

Your library might include:

- Strategic plans
- Your organisational profile
- Organisational registrations
- Verification of NPO status
- Tax clearance certificate/ exemption from taxes and duties and section 18A approval
- Names, affiliations and qualifications of officers and board members. It is important to have a short biography for each board member, reflecting experience, community links, gender and diversity
- Audited financial statements for the last completed fiscal year
- Current general operating budget and special project budget (if applicable)
- Illustration of clients served (include stories to make your assistance real)
- List of other current funding sources
- Current organogram
- Brief biographies/ CVs of key staff and volunteers who are in place to make the organisation and the project work. Show why they are appropriate for the positions you are proposing
- Articles about your organisation from the media (if any)
- Letters of endorsement from key stakeholders (only a few)
- Diagrams for equipment or building requests (if applicable)
- The organisation's policies and by-laws
- B-BBEE certifications
- Board meeting minutes
- Photographs/ images
- Signed constitution, trust deed or other founding document
- Child protection policy
- Labour compliance documentation

**Before you write your proposal**

There are a number of considerations that every CSO should consider before putting pen to paper in proposal writing.

These include:

- Increasing your visibility as an organisation
- Setting high standards
- Sharing the proposal writing load amongst relevant team members
- Being both focused and adaptable
- Thinking strategically
- Making a personal connection with your potential funder

**Increase your visibility as an organisation**

Doing good work on the ground is important, but it's not enough. Make sure that people know who you are as an organisation and what you are achieving. Where possible, create 'evangelists' for your programme by engaging funders, government officials, church leaders, community leaders, family, friends and others. Use social media to connect with potential supporters and to keep you on their radars.

**Set high standards**

Your reputation is your top fundraising tool and will be preserved and enhanced through solid implementation of your current programme. Make a commitment as an organisation to send out only high-quality, professional proposals and other communications. Where possible, don't compile proposals or other communications under pressure. Meet and exceed the requirements of existing funders and keep them informed of what you are doing and the results you are achieving in order to build and maintain relationships.

**Share the proposal writing load amongst relevant team members**

No one person should be responsible for compiling an entire proposal - resource mobilisation skills should be built within the whole team. Proposal writing capacity can be multiplied by using board members, staff and volunteers. You can also consider using some of your ex-beneficiaries who are academic graduates or local professionals to volunteer their time by writing or proof reading your proposals.

**Be both focused and adaptable**

It is important for your organisation to stay true to its mission and vision. Accordingly, you should not pursue funding opportunities for a project or programme that falls too far outside of your focus area simply because a funder is willing to fund it. Notwithstanding the need for focus, it is crucial that your organisation learn to adapt to trends and developments in the sector - listen, learn and modify your approach to remain relevant and effective.

**Think strategically**

In order to give your proposal the best chance of success, it is vital to understand what the funder needs and wants, and to tailor your approach accordingly. Be confident in the knowledge that you are offering a valuable service. Think of the funder as the 'buyer' and frame your proposal according to what you have to offer. Research the amount of funding that the funder normally awards to partners, as well as how much funding the project will need. Be able to explain the amount of funding you are requesting. Where you are unable to ascertain the usual level of funding made available by the funder, simply request a contribution toward the overall cost.

**Make a personal connection with your potential funder**

Remember, funders are people. They often prefer direct contact with the organisations and projects they fund:

- If you can, set up an appointment. Face to face is almost always better. Please note that some funders discourage personal contact, and this should be respected
- Don't be shy. If you don't know the potential donor, write them a brief email or letter introducing yourself and the programme. You can send attachments that they can read at their leisure. Tell them to expect a call from you for an appointment. Be sure to follow up promptly
- Unless the donor's requirements state otherwise, never ask for a major contribution until you have had the opportunity to speak to the potential donor. Make specific plans to follow up on your visit. Don't just say "We hope to hear from you." Say: "We'll call you the week of such and such, if that fits in with your schedule"
- Invite prospective funders to visit your programme, a site visit will often tell the potential funder more than a lengthy proposal
- Be direct. Show respect for busy people and don't take too much of their time. Getting to the point promptly is an advertising strategy that focuses on low-cost, unconventional marketing tactics that yield maximum results

- Know your organisational goals and be able to communicate them quickly and clearly
  - Plan your message to a prospective funder in advance, and think carefully about what you want them to know about you
  - Prepare a clear and succinct 'elevator pitch' that captures the most important points about your programme
- Make sure someone senior closes the deal. Sending your director or another senior-level staff member to meeting shows that you take the donor seriously

**Identify and understand your funder**

While diversifying your sources of support is vital, do your research and find the right fit. It is better to send out one well-targeted proposal than ten 'scattershot' ones.

**Target the right funding agencies**

There many different kinds of funding agencies active in South Africa. Research is required to know which types suit your work best. It is important for your organisation to know these different agencies and their specific requirements. Examples of different funding agencies include:

- The Government of South Africa, including the Department of Health and the Department of Social Development
- Government parastatals, including the National Lotteries Board and the National Development Agency
- International development agencies such as the United States Agency for International Development (USAID); the United Kingdom Department for International Development
- (DFID); and the Canadian International Development Agency (CIDA)
- International foundations such as the Clinton Foundation, the Bill and Melinda Gates Foundation, and Elma Philanthropies
- Large family foundations
- Small family foundations
- The private sector, including corporate foundations and CSI programmes, and
- Faith based organisations and churches

Each funding agency is an entity in its own right with its own set of rules. Their growth and survival is directly affected by the manner in which their funds are allocated, utilised and managed, as they themselves are accountable to their board of directors and/or the rules and regulations of their government. A good understanding of the donor is vital for obtaining funds and forming a strong relationship.

**Source all potential funders**

Successful organisations conduct donor research on an on-going basis in order to identify any new donors in the country and to stay up to date on donor priorities and requirements, which can change over time. Where can you find this information?

- Networking with other organisations that may have experience with that donor
- Searches via the internet. Visiting the donor website and downloading different documents, such as the strategic plan, annual reports, technical reports, list of current grantees and projects. In some cases you can also subscribe to regular e-newsletters
- Social media platforms.
  For example:
  - Using Facebook you are able to obtain a historical view of funding focus
  - Using Twitter you are able to obtain a snapshot view of funding focus

- Personal contact – contacting the donor directly and speaking with the project officer or country representative. This initial contact is very important. It can set the tone for the whole relationship. These are people with enormous demands on their attention and time. It is therefore important that you plan well for this preliminary meeting, especially if it is the first time that you are interacting with this particular donor.
- NPO networks and information sources such as SANGONet (***http://www.ngopulse.org/***) and Inyathelo (***http://www.inyathelo.org.za/***). The daily newspapers also cover important news items about donors and issues as well as advertisements of request for application or calls for proposals and tenders
- There are various agencies that compile donor directories that can be accessed free or for a minimum fee by CSOs and the general public. These directories are updated regularly and it is important to use the latest version. South African examples include:
    - Greater Good SA funding page, ***http://www.greatergoodsa.co.za/funding/***
    - Donor Directory for Development (for CSOs in Cape Town), ***www.developmentworks.co.za or www.capetown.gov.za***
    - AIDSBuzz, www.aidsbuzz.org
    - Papillion Press and Consultancy local and foreign donor directories, ***www.papillonpress.co.za***
    - abase for potential funders for municipalities, compiled from various sources including ***http://www.mxa.co.za/***
    - Trialogue's annual CSI Handbook on private sector donors. The 16th edition is available for sale on their website at ***www.trialogue.co.za***.
- For international information on foundations and tips on grant proposal writing and budgeting, see the Foundation Center website: ***www.foundationcenter.org***
- For international information on mobilising funds and resources, see the Resource Alliance website: ***www.resource-alliance.org***

**Filter potential funders for appropriateness**

Identify some of the potential funders whose priorities and criteria seem to be a good match for your organisation and understand their commercial objectives. A company will be more interested in investing in projects that are related to their commercial activities. For example, Coca-Cola might invest in water projects and ABSA Bank might fund social inclusion. Ask yourself who their clients are, as corporates are often interested in providing social benefit to their customer (or potential customer) base.

**Profile potential funders in detail**

In order to target the donor with your proposal, you have to know the donor. You can do this by undertaking research as well as networking with other organisations that may have experience with that donor:

- What type of funding agency are they?
- What are their areas of programmatic interest?
- Goals, mission, programme areas etc.
- Which are their areas of geographic interest?
- What projects or organisations has the funder funded in the past?
- What are the funder's eligibility criteria/requirements for partnership?
- When does the funder accept proposals (when is the application window)?
- Application process?
- Application deadline?
- What is the budget cycle (annual, every 3 years, every 5 years)?
- Who is/are the correct person/s to contact, what is/ are their title(s) and contact details and what type of person/ people are they?

- What are their proposal requirements?
  - Format
  - Mode of submission
    - What are their reporting requirements?
    - Whether or not the funder offers in-kind donations (equipment, supplies, etc.) in addition to funding?
    - What is their fiscal year-end? This is particularly useful in the case of corporate funders
    - Are you able to obtain the relevant logo for the funder?

**Aligning with potential funders**

Your project's overall aim (goals, mission and programme areas) must match the overall aim of the funder. If your organisation supports orphans and vulnerable children, it does not make sense to send a funding proposal to a donor focusing on climate change. Where a fit is identified, be sure to meet the practical requirements of the funder regarding proposal format, timing etc.

**Targeting potential funders**

In customising your approach with prospective funders, be sure to understand the following:

- What are their social investment/ responsibility imperatives?
- What is their financial position?
- What budget do they have available?
- What is their application process?
- Who else/ what else do they fund?

Once you have a potential fit, you should build and flesh out your offering as against their profile (and request).

**Building your own funder/ prospect database**

It is a good idea to develop a database of prospective funders that your organisation has researched in the past in order to speed up prospecting in the future. By recording this research, the organisation will be addressing knowledge management in this area. The idea is to capture useful data, per funder, from the profiling section of this guide. Other possible items for inclusion in respect of the prospective funder might include:

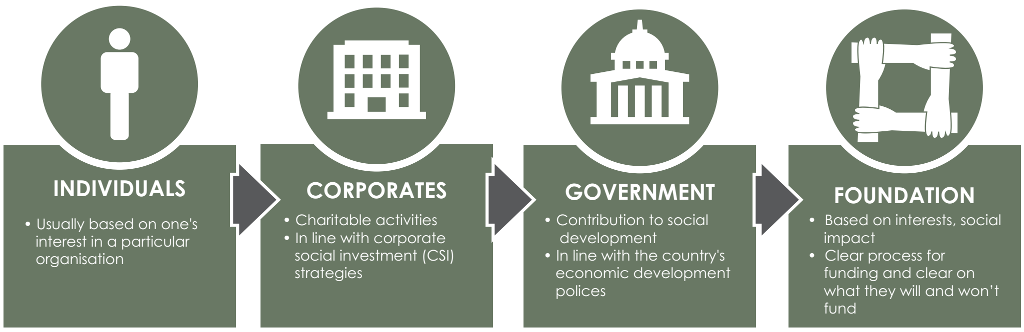
- Physical/ postal address
- Website address
- Origin of prospect/ lead. By this we mean who suggested the prospect? This is worth recording if there is an existing link to the prospect and the originator that could assist in pursuing funding
- Any contact had with the prospective funder
- Amounts and dates of funds actually received in the past
- Value of prospect. A key could be used to rank prospects, for example: high likelihood of funding (1), medium likelihood of funding (2), and low likelihood of funding (3)
- Estimated funding range of prospect
- Comments

**TAKE NOTE**

See **Annexure A** to the module for a step-by-step guide on proposal writing.

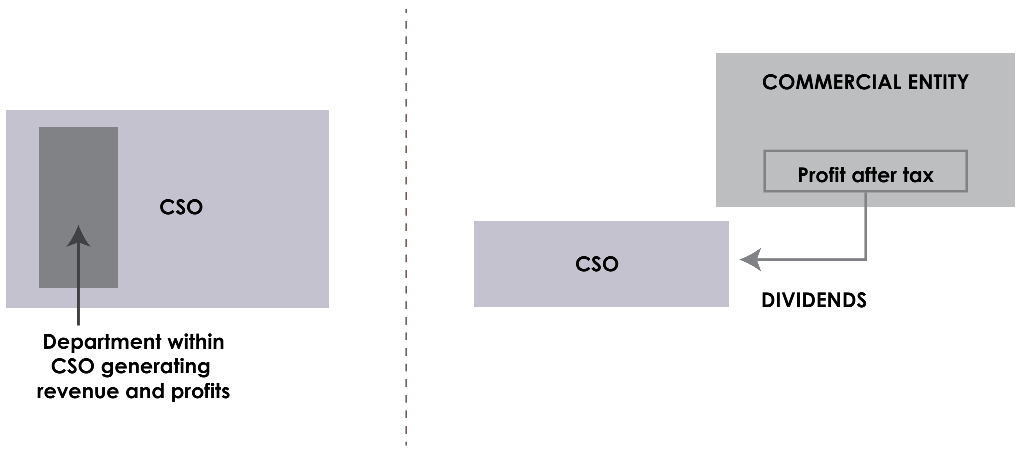
**Donor research**

Researching donors is one of the most important aspects of resource mobilisation. In essence this means that you need to know your donors thoroughly and make sure that your fundraising strategies or plans cater for their requirements. The funding environment has changed from the charitable deeds into strategic activity; therefore it is critical to position your CSO as a funding beneficiary of choice that assists funders realise their own strategic priorities. Funding players can be categorised into four groups being individuals, corporates, government and foundations as indicated below:




## Income generating activities

Earlier in the handbook, we spoke about the need for CSOs to diversify their income streams or sources of funding. One strategy might be through the establishment of income generating activities (IGAs). Some organisations have turned to commercial activities to generate profits and thereby render themselves more self-sustainable. This has been done through both creating an internal department to run the commercial operations and by establishing a separate entity in which the CSO is a shareholder and thus benefits from the cash flows of dividends from the entity. This is illustrated in the diagram below:




Both methods can provide considerable returns provided that the context is right, the management is effective, the commercial department or entity has an adequate value proposition and strategy, and the proper governance measures are in place. There is no reason that a CSO cannot merge its operations to contain both income generating and commercial activities. As an example, a skills development organisation may choose to use the skills it teaches to create a product and/or service that can be sold to the public and/or other businesses. This enables the organisation's beneficiaries to earn an income, develop a new skill and also enables the organisation to become self-funding, where there is no longer a reliance on donations.

In taking the decision to establish a commercial arm or a separate commercial entity, a CSO should read carefully through its constitutional documents to ensure it's not prohibited from doing same. It is also important for a CSO to obtain guidance from an accounting and/or tax expert to ensure that sufficiently detailed records are kept of all for-profit activities such that they are accounted for and taxed correctly, and public benefit organisation status is not threatened.

**The importance of strategy**

When engaging in commercial activities, the strategy of the organisation becomes critical. The reason is that when an organisation partakes in commercial activities, they enter the competitive markets of business and where organisations are able to generate a profit, it is presumed other organisations will follow. Consequently, it is important that the ideas or models that are decided on for organisations to engage in, take account of the market in which they will be operating and the competitive landscape. This is so that they have an idea of who they are up against and what would be required of them in order to be considered a competitor and to gain some of the market.

**Making sure the right people are on the team**

Running a commercial activity requires a different mind-set to that of a pure social benefit organisation. This is because the main objective is now to make as much money as the organisation can (generate revenue), and to retain as much as possible after the service has been delivered (unless the commercial activity involves the social benefit activity, then a trade-off may need to be made) through operational efficiencies driven by a lean and efficient organisational structure. Consequently, you need to think clearly about whether there are the skills and capabilities needed within the CSO to properly carry out these activities or whether other professionals need to be recruited, or outsourced, for a period during the establishment of the profit making portion of the organisation.

**Leveraging physical assets to generate income**

In some instances, the organisation's existing assets and resources can be used to generate additional income. As an example, if all the space in the organisation's office is not being used, then some of this space may be able to be rented out or sublet (if it will be sublet, then this normally needs to be approved by the landlord or the CSO board, depending on who holds the ownership of the building). Another example is where the organisation can consider renting out its hall for local events during the weekends such as weddings, church gatherings etc. Some other assets that might also be rented include chairs, tables, pots, and stoves. Further, if the organisation owns trucks that normally deliver food products and/or medication and they are only used for three days of the week, then alternative, money-generating use can be identified for the times when the trucks are not in use by the organisation.

A different example is an organisation that runs a call centre that provides first line assistance to members of the public that are struggling with psychological issues. This organisation may choose to sell call centre services to companies, were the company provides a list of questions and the answers to provide to their callers. This organisation would need to carry out an analysis of past call volumes and more than likely have some staff dedicated to the psychological service, so that staff members are not spending all their time on the company call centre activities and no longer have enough capacity to answer the calls for psychological assistance. But, even though some methods may require careful planning, the important point is that there are possible ways to use existing assets and resources to generate income for the organisation. As the assets and resources are already being paid for in the existing budget, this is a very cost effective and efficient way to generate additional income for the organisation.

## Asset based socio-economic development

**Co-operatives**

The establishment of IGAs in CSOs sometimes results in several challenges, such as divisions within the organisation, fraudulent activities and the possible disruption of programmes. In order to prevent and curb these challenges, a strategy that can be adopted is to partner with a co-operative (co-op) that will have a full mandate of running business activities and use it as a conduit (channel) for funding. The relationship between the CSO and the co-op must be structured through the use of a memorandum of understanding (MOU). Examples of IGAs include sewing, farming, beading, baking, manufacturing, cleaning services etc. Co-ops do not just provide funding assistance to CSOs but they also create employment opportunities and also contribute to local economy.

**DEFINITION**
A co-op is an autonomous association of persons united voluntarily to meet their economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Adapted from LRC Guide to Social Enterprises in South Africa – 2011

**TAKE NOTE**
When partnering with a co-op, it is advisable to have some of the members of the CSO as members of the co-op to ensure that the interests of the CSO are upheld at all times

### Other income generating ideas

The possibilities, when it comes to income generating opportunities, are endless.  Ideas include:

- Producing and selling goods
- Earning commissions for sales or services
- Offering services aligned with your core programmes e.g. billable child care services
- Packaging training materials/ programmes for commercial purposes, possibly becoming SETA accredited
- Licencing of material/ content
- Supporting the establishment of income generating activities at beneficiary level, to supplement the income laid out by your organisation and encourage economic advancement
- Offering consulting services in line with programme/ expert/ departmental skills
- Special events
- Competitions
- Membership fees
- Renting out equipment
- Renting out your office space

**INDIVIDUAL ACTIVITY**
What IGA opportunities exist for your CSO?

### Selling products

- The most important aspect that you need to consider honestly and carefully if you are thinking about selling products is whether you already have a recognisable and desirable brand, because this is what people are buying. It is important that you have a strong brand with a well-established following of people who want to support you and display your brand. If your brand is not well-established you should think twice about your readiness for retail
- If you do have a well-established brand, you are likely to have loyal followers too. This is particularly important when

you start selling products for the first time as you will require an established and accessible database that you can talk to from the start? Consider whether you database is up to date and if the information therein is reliable. Your success is only as good as your marketing, and database management is a critical first step therein. Being active on social media platforms (such as Facebook and others) is very helpful as well
- Be clear about the market who will buy your product. Consider both ends but know that it is not advisable to go for cheap products which require a high volume of turnover to make a decent profit for you (an alternative if you do produce cheaper items is to sell them as a pack). At the same time you probably don't want to have too many products that can only be afforded by high net worth individuals. Be clear that this is being done for profit and look for products that can be sold with a reasonable and affordable margin built in. Go into retail with clarity about what your minimum would be in terms of a mark-up
- Be sure that you can and will continue this for the long term. Selling products is not something you can dip in and out of
- Familiarise yourself with the Consumer Protection Act which now has some strict conditions (on returns of faulty items, guarantees etc.) and be sure that your offering complies. Preferably stay away from electrical items as the return rate can be high

**Pro's**
- Ironically (because your brand needs to be strong to begin with), the primary benefit of selling products is most probably improved brand awareness. If you are able to sustain it over the long time, this approach will help to establish and deepen loyalty with your supporters
- Selling products provides you with a line of unrestricted funding which is important

**Con's**
- You will not make a lot of money in this way. It is unlikely that many CSOs in South Africa are making millions out of retail. The exceptions to this might be CHOC and Starfish who have well-established brand loyalty
- Traditional retailing requires a set of expertise that you are unlikely to have within your organisation. Therefore careful partnerships with people who do have the requisite resources, skills and experience are advised
- There is the risk of course that you may be stuck holding a lot of stock that you have already paid for in full and cannot move. The best way to minimise this is to find suppliers that do not require a minimum quantity order. Build a trust relationship with suppliers and always order just enough to move as you can always place further orders

**First Steps**
In retail there are essentially three channels:

1. An e-shop. In this popular scenario, you are the retailer
2. Your own physical premises / shop(s). This can be appealing but is not advisable
3. Selling through someone else's premises / shop(s). Worth considering if you can find the right partners who will work with you on good terms

E-shops are popular for many reasons and if you are thinking of going this route you need to carefully consider the different types of software packages and associated payment gateways that are available e.g. PayPal, Thawte, Virtual Card Services or Shop Direct. Consider e-shop. Some packages have user limitations, and the more flexible they are, the more expensive they will be. It imperative that you are able to offer a secure payment gateway; possibly in various currencies if you plan to offer products globally. If you are leaning towards the e-shop route, you will also need to consider whether you want a tracking service or whether you have the staffing capacity to do the necessary follow-ups with customers.

And then, your system is only as reliable as postal service. Consider whether you will courier products and how much this would add to your total cost. Also, if advertising clothing online ensure you are able to provide measurements e.g. for a shirt you can provide chest measurements.

You need to choose your products carefully too. Products need to appeal to people's sense of aesthetic i.e. the reaction you are looking for is "I need this, or this is cool and funky and I like it". Consider upfront how strongly you feel about sourcing South African made products only and what the cost and quality implications of this too might be. Then look for reliable suppliers who are preferably willing to supply on consignment and do not require you to pay up-front for large batches of stock.

**How to conduct market research for a new product or service:**

To conduct market research, one must start off with a question. These questions can be questions such as "What type of new product or service would you like" or "What do you think of this new idea". Once there is a clear question in mind then one can decide on the research paradigm to be used. In most market research, this is a mixed methodological approach using both qualitative and quantitative methodologies. This means that there is a combination of questionnaires as well as interviews/ focus groups being used. The purpose of the questionnaires is to get a wide variety of individuals answers whereas the purpose of the interviews / focus groups are to get a subjective insight into the way that people perceive the questions as well as being free and able to direct questions based on previous responses. Once you have decided on the questionnaires and interview/ focus group schedules, then you will have to collect the data. Once the data has been collected it will then need to be analysed to create some understandings from what was collected.

**Tax**

Lastly, it is important to keep in mind that tax exemptions from the Tax Exemption Unit at SARS are conditional on the type of activities being carried out by the organisation. Thus, if you decide to establish a social enterprise, this may mean that the organisation will now have a tax burden. This is important so that organisations do not commence with profit generating activities, and then think that all of the profits can simply be used in the organisation for the social benefit. Tax professionals and SARS should be consulted on the type of activities being considered to ensure that any tax burden is taken into account during the planning and cash flow projections of the profit making initiative

## Drawing up a reserves policy

**DEFINITION**

In this context, reserves are the unrestricted funds held as the general funds of a CSO, often described as free reserves or that part of a CSO's income funds that is freely available.

Designated funds should be considered when considering the CSO's reserves, although these are not part of the general reserves. Funds need to be properly designated for a defined purpose, which should be explained in the notes to the accounts. Charities may not designate funds in order to present their reserves levels as lower than they really are.

**The benefits of developing a reserves policy**

- It is a key element of the strategic plan – without a clear idea of the reserves you need you may not be able to meet your commitments or start new activities
- It feeds into the budgeting and decision-making process – the policy will act as a benchmark to ensure that you use your funds to good effect. Without this the danger is that if you have high reserves you may take on projects without

detailed planning and with low funds you may be forced to be reactive rather than plan constructively
- It focuses the fundraising activities – the reserves policy will identify your level of need for funds and what they are needed for. This can be fed into the fundraising plans as it is often easier to fundraise for specific items or amounts
- It is necessary for communication with those external to the CSO – the reserves policy helps to demonstrate that the CSO's money is being used to good effect. Funders, beneficiaries, members and the wider public are entitled to know this and that you have good reasons for maintaining or seeking the certain levels of reserves

### Reasons for holding reserves

There are a number of reasons why CSOs may hold reserves and these will depend on the type of activity undertaken by the CSO and how it operates and funds its operations. In general, reasons for holding reserves can be summarised as follows:

- To fund working capital
- To fund unexpected expenditure, for example when projects overrun or unplanned events occur
- To fund shortfalls in income, when income does not reach expected levels

A helpful way for CSOs to view reserves is to see them as the funds they will use to cover expenditure to "buy some time" in the event of reduced income or changes in circumstances. In this way, a CSO may foresee that there is a chance that funding from a particular source will be cut. The CSO will need reserves to fund the committed expenditure whilst they source alternative funding. The judgement of how long they will need to find alternative funding will help to inform the size of the reserve needed for this purpose. For example, the CSO may assess that it would need six months to replace a major source of funding. The reserves level to cover this contingency would therefore need to be the equivalent of six months' funding or expenditure.

### Approaches to developing a reserves policy

There are a number of different approaches to developing a reserves policy. Andrew Hind has successfully summarised these, and the summary below is taken from his text on charity reserves. Hind sets out four different approaches:

- Justifying the status quo

  In this approach to setting a reserves policy, the trustees look at the actual level of reserves (usually relatively high) and create a reserves policy to justify the actual amounts held

- The "Armageddon" approach

  The trustees assume the worst will happen and calculate the level of reserves needed to fund the closure of the CSO's activities, including redundancy pay and the full cost of leases and commitments which would crystallise

- The "actuarial liability" approach

  The CSO assesses its future expenditure commitments and actuarially computes the fund needed to generate sufficient income to cover the expenditure commitments, similar to an endowment fund

- The risk identification approach

  This approach is based on an understanding of the income streams and their risk profile, the degree of commitment to expenditure and the overall risk environment in which the CSO operates

The last approach is the one recommended by Hind and now most commonly adopted by charities. The steps to developing a reserves policy on this basis are described in more detail below.

## Steps in developing a reserves policy

There is no standard formula that you can apply to a CSO's set of accounts in order to establish the correct level of reserves for it. The approach should involve a review along these lines:

- Analysis of existing funds
- Review of future income streams with an assessment of their level of reliability
- Review of committed expenditure and the extent to which this is controllable
- Risk assessment, to identify potential commitments and contingencies, together with the likelihood that these risks will materialise and give rise to new commitments

## Analysis of existing funds

It is important to be clear about what your starting point is i.e. your current level of reserves.

Review the balance sheet for the following:

- Ensure that all endowment and restricted funds have been identified
- Ensure that all your designated funds can be justified and that there are no more to add
- Identify any assets that cannot be readily converted into cash

Whilst technically the reserves funding long term assets such as tangible fixed assets may be unrestricted funds, in reality these are not available for use. It may be appropriate to identify the funding for fixed assets separately to reach an estimate for the free reserves of the CSO.

## Review of future income streams

This review may also need to start with the current position. You start by looking at existing funding, with some assessment of the likelihood of the source of funding continuing. For example, a grant may be certain as it may be a multi-year award. For some charities, membership subscriptions will be a stable source of income, although some allowance may have to be made for non-renewals.

Other risk factors should also be taken into account in assessing the funding sources. An income stream is more at risk if it comes from only one source, such as a major grant. A large number of small donations may have a lower risk profile because the chance that all donors will cease donating is very low. There is a high risk that a few donors will cease donating, but where donations are small the financial impact is minimal. This can be taken into account when reviewing future income streams.

In addition, the loss of income will have a greater impact on the CSO if the source of income forms a high proportion of the overall income to the CSO.

A risk profile of future income streams can be built using the following information:

a) Type of income/ source of funding
b) Current level in R
c) Proportion of total income as %
d) Do you expect the income level to go up or down? Rank as follows:
   - 1 = steady increase – by 10% or more
   - 2 = rapid increase – by 25% or more
   - 3 = static
   - 4 = decline

e) How many different people give under this form of funding i.e. is this a single grant funder or many individuals? Rank as follows:
   - 1 = very many
   - 2 = several
   - 3 = few
   - 4 = one source or funder

f) How certain is the source of income for the future? Rank as follows:
   - 1 = committed for indefinite future
   - 2 = for a fixed period
   - 3 = planning well underway or by implication – e.g. past pattern, verbal assurance
   - 4 = not certain at all

You can multiply out the scores in the categories c) to f) to come to a number which will give the relative reliability of each type of income. Using the above ranking system means that a low score indicates a more reliable source of income. A high score means that there is greater risk attached to the source of income for a combination of reasons.

Using this system of ranking each source or type of funding can help the CSO to produce a table to see the relative reliability of each source of funding and how secure their future income streams are. Clearly a CSO with secure income streams has less need of reserves, whereas a CSO with insecure future income needs higher levels of reserves.

**Review of committed expenditure**

The next step in developing a reserves policy involves looking at the expenditure patterns and the extent to which the CSO can curtail or change the timing of cash outflows. Ideally, a CSO should be timing cash outflows to match the timing of cash inflows. Where this is not possible, reserves may be needed to fund expenditure in advance of income receipts, or expenditure delayed.

You can build up a profile of the CSO's commitments using the following analysis:

a) Type of expenditure

b) Current level in R

c) Proportion of total expenditure as %

d) How significant is that type of expenditure to the CSO's operations? How much does it contribute to the achievement of the CSO's objects? Rank as follows:
   - 1 = unnecessary
   - 2 = optional
   - 3 = essential
   - 4 = core purpose

e) Consider the number of people affected by a decision to cut the expenditure, including beneficiaries, volunteers as well as staff. Rank as follows:
   - 1 = one
   - 2 = few
   - 3 = several
   - 4 = very many

f) Identify the source of funding and score as follows:
   - 1 = general funding
   - 2 = grant
   - 3 = restricted income
   - 4 = contract

Multiply all the scores in c) to f) to produce a number which may be described as the commitment score. Based on the above system of scoring, higher scores indicate a greater degree of commitment to the expenditure line. You can decide how to split up the expenditure, but a balance needs to be achieved between too much detail and insufficient detail. The purpose of this exercise is not to identify the types of expenditure which will be cut first, but to help to quantify the amount that may be needed in reserves to fund expenditure patterns.

**Risk assessment**

Consideration has already been given to some aspects of risk when reviewing the future income streams. This step in developing a reserves policy needs to consider other points that may have arisen when the CSO reviewed the major risks to which the CSO is exposed. In terms of the reserves policy, we are most concerned here with risks that represent a contingent liability or may crystallise into a commitment.

**Drawing the policy up**

Having considered the reliability of income and the extent to which expenditure is committed, as well as the major risks to which the CSO is exposed, the trustees will have gathered a significant amount of information on which to base the policy for their CSO. They should now understand the reasons why their particular CSO needs to hold reserves, rather than the more general reasons that apply to almost every undertaking. They can then consider the range of reserves levels that would be appropriate for the CSO.

**What should the policy cover?**

As a minimum the policy should cover:

- The reasons why the CSO needs reserves
- What level or range of reserves the trustees believe the CSO needs
- What steps the CSO is going to take to establish this agreed level or range
- Arrangements for monitoring and reviewing the policy

In addition, you need to state the actual level of reserves at the year-end in the annual report.

## Investment management

When the commercial activities start generating earnings for the organisation, or if the organisation has reserves built up that are in excess of its working capital needs in the near term, it may be appropriate to use various investment vehicles in order to increase the earnings further by earning interest and/or returns on the capital.

Investment management is a specialist area in finance and it should not be attempted by just anyone. Many people that have decided to try and manage their own investments, without having adequate training and experience, and have landed up in a very bad situation. There are a lot of people that are looking to make a quick return on the stock market, but very few individuals get this right.

Investments have two elements to them, risk and return. Risk can be described as the likelihood that you will receive a certain return on your investment. For example, if you invest funds into a money market account at a reputable and well established bank, then your return is pretty much guaranteed. You will receive your 5% per annum, or whichever rate is offered, regardless of what happens. Consequently, in this scenario there is almost no risk and the return is guaranteed. The rate that you receive for taking no risk is called the risk free rate.

For riskier investments, investors would generally want a higher return than what they can get from a safe investment, such as a money market account. But, we need to pay attention to the term 'riskier'. Increased risk means that there is a chance that you will not get the return you want, and you may in fact lose money. In some instances (in very high risk investments), this may be all the money that was invested.

As we mentioned, this is a specialist area of finance. Consequently, if you do not have extensive experience in investment management and portfolio planning, then we would recommend seeing a financial planner and/or advisor. When working with them, they will develop an investment policy statement that will detail your organisation's needs from your investment portfolio that they will create. This will include the risk appetite that the organisation can handle, the liquidity needs of the organisation (whether the organisation needs cash and how often), the investment horizon (how long funds can be invested for) and the responsibilities of the organisation and the financial planner. They will then structure a portfolio that may consist of some of the following:

- Stocks (shares in companies; also known as equities)
- Bonds
- Foreign exchange currencies
- Derivatives
- Money market funds
- Other investment classes (such as real estate) if applicable to the organisation's needs

Depending on the needs of the organisation, some other forms of investment may be appropriate. One such example is real estate, where a commercial or residential building can be purchased and rented out. However, there are some characteristics that are unique to this type of investment. Namely, (i) the money invested will be tied up for a long time (an illiquid investment), (ii) maintenance of the property will need to be taken into account and (iii) there are risks that the property may not be rented for a while, amongst other risks. Each investment class has its own characteristics and risks that will need to be taken into account. Your financial planner and/or advisor will be able to advise you on the certain types of investments that will suit your organisation's needs.

## Budgeting for fund development

The way in which you budget for fund development in CSOs is the same as for any other commercial activity in the business environment.

The budget should take the following into consideration:

- The major cost elements in order for you to achieve your goal, in most cases the below are key cost elements:
    - Human resources
    - Physical facilities
    - Vision and mission technology/ materials
        - The costs of financing your project
        - Costs associated with sustaining your project

**TAKE NOTE**

Some useful points to remember:

- If sales go up, costs usually go up too
- Some bills are paid monthly, some quarterly, some annually
- Seasonal factors: e.g. electricity bills go up in winter!
- Loan repayments usually include interest
- Depreciation is an expense (cost of replacing equipment)

## Broad-Based Black Economic Empowerment

### The macro-economic context of B-BBEE in South Africa

**Context**

Following the end of apartheid, the South African government identified the need to transform both the private and public sectors to provide for a more inclusive and equitable economy. Historically, wealth, jobs and capital were narrowly concentrated in the hands of the white minority. Targeted policies aimed at transforming the economy were therefore required. The first step in the process of redress was to guarantee the advancement of individuals discriminated against during the apartheid era in the Constitution. Specifically, Section 9 of South Africa's constitution states that measures "designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken".

As early as 1994 the government attempted to formulate policies around black economic empowerment. Through the Reconstruction and Development Programme (RDP) policy framework, the African National Congress (ANC) noted that "the domination of business activities by white business and the exclusion of black people and women from the mainstream of economic activity are causes for great concern for the reconstruction and development process" and that one of the main objectives of the "RDP is to de-racialize business ownership and control completely, through focused policies of black economic empowerment".

### Early empowerment initiatives

Despite acknowledgement of the transformation imperative in the RDP policy, over the decade that followed the government implemented a fragmented "black economic empowerment" policy. Various pieces of legislation were enacted to provide for and encourage black economic empowerment, including:

- Restitution of Land Rights Act (1994). The act sought to provide a legal and policy-based framework for the restitution of land back to communities which had been forcefully dispossessed of land under Apartheid
- National Empowerment Fund Act (1998). This piece of legislation provided for the establishment of a trust for the promotion and facilitation of ownership of business assets and equity by providing for the sale of State Owned Enterprises at a discount to historically disadvantaged people
- Employment Equity Act (1998). The Act required that designated employers (which includes employers with 50 or more employees, companies with turnover greater than that defined for a small business and government and provincial organs of state) ensure equitable representation of previously disadvantaged individuals at all levels of the workforce
- Competition Act (1998). Though this piece of legislation did not relate directly to black economic empowerment, one of the core stated purposes of the act was to "increase the ownership stakes of historically disadvantaged persons"
- Preferential Procurement Policy Framework Act (PPPFA) (2000). The PPPFA provided a policy framework where organs of state were required to use procurement of goods and services through historically disadvantaged individuals as a criterion for procurement. In 2011, this was updated to make way for the utilisation of B-BBEE Scorecards as the means of determining preference points

**TAKE NOTE**

Over and above this legislation, a number of industries adopted sector charters in terms of Sections 9 or 12 of the Broad Based Black Economic Empowerment Act (2003). These charters were adopted in the intervening period between the enactment of the B-BBEE Act and prior to the release of the Codes of Good Practice in 2007. These sector charters, which contain key targets and measures, when gazetted in terms of Section 9 of the Act, have the same legal status as the Code and thus become binding for the industry.

## The advent of B-BBEE

Given the lack of a holistic vision, increasing discontent with the pace of transformation and the need for further intervention to encourage private sector transformation, the BEE Commission was set up in 1998 under an umbrella body representing 11 black business organisations. This commission released a report in 2000 which attempted to broadly define B-BBEE and develop an integrated national B-BBEE strategy.

The broad approach advocated by the BEE Commission's report was adopted by the ANC in 2001 and, following this, the government released the Broad-Based Black Economic Empowerment (B-BBEE) strategy document in 2003. The strategy document described the perceived weaknesses in the B-BBEE process and highlighted the lack of a comprehensive approach to black economic empowerment. The report also recognised that B-BBEE was often centred on highly geared and complex financing transactions allowing for black ownership but little involvement at the management and operational levels.

The strategic document laid the foundation for the Broad-Based Black Economic Empowerment Act (2003), which established a legislative framework for the promotion of black economic empowerment. The act aimed to increase participation of previously disadvantaged persons through the use of transformation charters and codes of good practice, with a Black Economic Empowerment Advisory Council established to advise government on B-BBEE and progress in achieving B-BBEE targets.

The Codes of Good Practice emerged in 2007, provided the implementation framework for B-BBEE, and identified the seven elements of B-BBEE. These include promoting black economic empowerment in ownership, management, employment equity, skills development, preferential procurement, enterprise development and socio-economic development in order to determine the extent to which an organisation conforms to the standards of "good practice". The Codes of Good Practice required that transformation charters be developed to identify the transformation goals and targets for each sector, agreed upon by the major stakeholders in that sector, and which bind all industry players (with some exceptions) to achieving these goals. To this end, a number of "Sector Codes" have been gazetted in terms of Section 9(1) of the B-BBEE Act. These include Agriculture, Transport, Forestry, Construction, Property, Financial Sector, Chartered Accountants and the Property Sector. Furthermore, the Mining Sector has its own set of empowerment legislation, the Mining Charter, which is a result of the requirements of the Mineral and Petroleum Resources Development Act No. 28 of 2002.

Despite the introduction of the B-BBEE Act and the B-BBEE Codes of Good Practice in 2007, which stipulate that a broad approach to B-BBEE is what is necessary to comply with the legislation, there is still a large focus on the Ownership element of B-BBEE. There are various reasons for this, especially the focus on ownership by the procurement aspects of the Mining Charter and that many Government entities and agencies continue to implement an older version of the Preferential Procurement Policy Framework Act which also focuses on ownership compliance in the evaluation and awarding of tenders.

## Overview of the Amended B-BBEE Act and the Amended B-BBEE Codes of Good Practice

In 2013, amendments to the B-BBEE Act and B-BBEE Codes were introduced for public comment. This action was largely in response to a perception of under-achievement by companies with respect to real transformation, the equivocal application of transformation criteria in the awarding of tenders, licenses and authorisations by organs of state and public entities, and the circumvention of B-BBEE by companies via "fronting practices".

The B-BBEE Act amendments that became effective in 2014 do the following:

- Position the B-BBEE Act as the primary instrument for guiding transformation initiatives across the South African economic spectrum, potentially "trumping" other transformation legislation
- Establish a B-BBEE Commission to play an oversight role with regard to B-BBEE and investigate complaints relating to B-BBEE and "fronting practices". This Commission will be able to subpoena offenders and have powers of applying to the Courts to intervene where the B-BBEE Act is not adhered to or a "fronting practice" is reported
- Introduce various criminal offences for misrepresenting the B-BBEE status of an organisation or engaging in a "fronting practice". Penalties for such acts include a fine of up to 10% of annual turnover and/or up to 10 years' in prison for offenders. The organisation may also be banned from contracting with Government and public entities for 10 years
- Create a statutory right for Government and any other public entities to cancel a contract, authorisation or license awarded due to a false BBBEE status
- Impose an obligation on Government and public entities to specifically take the Codes into account in their procurement policies and in issuing any licences and authorisations
- Impose an obligation on listed entities that are South African to provide a report to the B-BBEE Commission on their B-BBEE compliance on an annual basis

The B-BBEE Codes amendments became effective on 1 May 2015. It is widely accepted that there will be a significant drop in the B-BBEE Contributor Status Levels for most companies in the market. This is the case for four main reasons and, in summary, has the following effects:

1. The new weights and targets contained in the Amended B-BBEE Codes significantly increase the level of compliance requirements

2. The number of points required to attain the same B-BBEE Contributor Status Level under the Old B-BBEE Codes is significantly higher under Amended B-BBEE Codes

3. The introduction of Priority Elements in respect to Ownership, Skills Development and Enterprise and Supplier Development has further complexity. If Measured Entities do not meet the respective sub-minimum targets for these Priority Elements, the overall B-BBEE Contributor Status level of the Measured Entity is discounted by one level

4. Each Measured Entity, that is an organisation or organ of state subject to measurement under the B-BBEE codes, is required to be an Empowering Supplier in order for its procurement recognition level to be effective on the scorecard of its customers. This has an additional set of requirements that have to be met by each Measured Entity

No Measured Entities are currently able to attain a scorecard under the Amended B-BBEE Codes. In addition, the majority of companies are obtaining their final certificates under the Old B-BBEE Codes in order to allow for a year's grace period prior to the next round of verifications under the Amended B-BBEE Codes. In preparation for their upcoming verifications, the B-BBEE strategies of most companies are undergoing significant alteration. This creates an opportunity for service providers to present a "full service package" to Measured Entities, in order to relieve some of the pressure in the drive to comply with the Amended B-BBEE Codes.

## Raising contributions from each of the pillars of the B-BBEE Scorecard

**Ownership**

It is possible for CSO's to hold shares in commercial entities and thereby count towards the "black ownership" profile of those entities. This becomes a reality when the beneficiary base of the CSO is comprised of black people in part or in full. The extent of black beneficiaries determines how much of the shareholding owned by the CSO is able to be claimed as being "black-owned".

An example is if an CSO holds 10% of the shares in a company; and also has a beneficiary base that is comprised of 90% black people; the company could claim that it has 9% (90% x 10%) "Black ownership". Given the requirements of the B-BBEE Codes, it is desirable for Measured Entities to retain black shareholding over the long term. The potential benefit to CSOs is that they are able to establish a long-term income source that is passive in nature. However, this does not usually come for free. There are multiple aspects to consider should a CSO wish to position itself to take advantage of the opportunities.

These aspects are focussed primarily on the following:

- The structuring of the shareholding in terms of how the shareholding structure will be composed and the relative benefits and disadvantages of each structuring option
- The legal advice required to ensure that the transaction terms are sufficiently fair and protect the rights of the CSO as a shareholder, as well as to draft any letters, documents and resolutions required to bring the transaction to conclusion
- The financing terms which allow for the CSO shareholder to pay for the shares in the company, if required to do so

Ownership transactions can sometimes be very complex and take significant amounts of time to conclude. In addition, elements which are out of the control of shareholders may come into play and delay any financial benefits that the CSO shareholder may receive. As such, these transactions should not form part of a short-term financing strategy, but are to be considered as long-term prospects.

### Skills development

There is a significant incentive for Measured Entities to attain as many points as possible with respect to the Skills Development as it is a Priority Element. As such, if an CSO has the capacity to deliver on Skills Development, there is an opportunity to access funds from companies in order for them to attain the points required.

This is particularly relevant in the administration of Internships, Learnerships and Apprenticeships into which unemployed people are recruited. This is a new facet of the Amended B-BBEE Codes which was not included in the Old Codes where skilling of the unemployed was only able to be included under Socio-Economic Development. The difference in the new dispensation is that there are a greater number of points available to entities that conduct such activities. Therefore, CSOs which are able to conduct such activities would be well positioned to take advantage of the appetite of Measured Entities in this regard on a commercial basis. In addition, it is also an opportunity for CSOs to manage the bursary programmes that are run by companies for a management fee, if they have access to suitable candidates.

### Enterprise and supplier development

This element of the scorecard is essentially an amalgamation of Preferential Procurement, Enterprise Development and Supplier Development. It forms the bulk of the B-BBEE Scorecard weighting (40 out of an available 118 points) and is thus regarded as the most important element. In addition it is also one of the Priority Elements and therefore will receive much attention from companies in order to maximise compliance.

Under the Amended B-BBEE Codes, Measured Entities are required to procure goods and services from B-BBEE accredited entities on a larger scale than before. This is particularly true in respect of procurement from Qualifying Small Enterprises (QSEs), Exempted Micro Enterprises (EMEs), Black-Owned Entities and 30% (or more) Black Women-Owned Entities. This poses challenges for most companies as there is sometimes insufficient access to such entities. For this reason it is imperative that companies couple their procurement activities with developmental interventions to create suppliers in the categories that they fall short in. This presents the greatest area of opportunity for CSOs to access opportunities. These include:

- Delivery of products and services via Social Enterprises that fit the various supplier criteria (QSE / EME / Black-Owned / Black Women-Owned).
- Delivery of Enterprise Development services to create Social Enterprises
- Delivery of Supplier Development services to enhance procurement performance

It is possible for CSOs to actively supply businesses with these services (or even products) directly as a means to generate income on a sustainable basis. This would require the CSO to obtain a certificate stating its B-BBEE Contributor Status. If the CSO's annual income from both donations and revenues from provision of services or goods is below R10 million, this would be a relatively simple exercise. All that is required to prove EME status is an affidavit. If the CSO is a QSE (R10m – R50m annual income), the process is slightly more onerous.

**Socio-economic development**
The Amended Codes have not materially changed the rules and principles in respect to this element. As such, CSOs will continue to be able to access S-ED funding in the same way as they have previously. Under the new codes, S-ED remains at 5 points, and funders will not need to increase their activities under this section if they are already attaining the full 5 points.

**How to attract potential contributors**
Any potential contributors will be concerned with four primary factors:

1. Does the contribution qualify for the B-BBEE element in question?
2. Does the contribution make business sense to my company?
3. Can I report accurately on the contribution and its effects?
4. Will the contribution improve my corporate image?

In developing a strategy to attract contributors it will be essential to answer the questions above. This can be done by following a few simple guidelines. These are addressed individually below:

- Firstly, it is important to seek approval for your initiative from an accredited Verification Agency. This will provide certainty with respect to whether the contribution will qualify to attain points for the B-BBEE element in question
- Secondly, the commercial angle needs to be considered when developing a strategy. Although not traditionally a CSO speciality, the direction in which CSO fundraising is heading is increasingly commercial in nature. The fundamental principle in this context is a cost-benefit analysis of the proposed initiatives. The benefits may not be monetary in nature and could be intangible. However, it is important to show that there are benefits to the initiative for a potential contributor to be satisfied with the costs to be incurred in execution. The real test in this instance will also be the demonstration of the capacity to execute the initiative by the CSO
- Thirdly, an accurate supporting evidence collation and reporting system which supports the implementation, monitoring and evaluation of the initiative must be in place and demonstrated to the potential contributor in order to provide certainty on the ability of the contributor to report on and therefore verify the contribution
- Lastly, if possible, visual documentation of the initiative is useful to assist the potential contributor to demonstrate to internal stakeholders that the work being done on B-BBEE through the CSO is able to be publicly communicated

If these guidelines are followed there will be few critical elements that the CSO has not touched on in order to attract potential contributors.

**Preparing for B-BBEE verification**

Guidance and practical steps for collecting all the necessary documentary evidence in preparation for B-BBEE verification include three components to any B-BBEE verification. These are:

1. Site visits
2. Sample collection and review
3. 3Validation of supporting information

During site visits, verification agents review the information presented by Measured Entities and request samples of the information to audit. This leads into the sample collection and review process which requires validation of the documentation required to support the claimed initiatives.

The reports generated during the execution of any initiative feed into the site visit and sample collection process. The supporting evidence is therefore required to accompany any report on an initiative to a contributor in order to ensure that it is present should it come up in a sample.

The supporting information is critical to the attainment of points for the relevant element of the scorecard, as the verification agency will not allow entities to score points in its absence.

The supporting documentation checklist is as follows:

**Ownership:**

| Aspect | Required |
|---|---|
| Existence of CSO Entity | Founding / registration documents |
| Financial Performance | AFS of CSO Entity |
| Beneficiary Base | Auditors letter stating black % benefit |
| Management of CSO Entity | List of directors (race, gender, exec, non-exec) |
| Confirmation of Management | Certified IDs of directors of the CSO Entity |
| Independent Chairperson | Letter confirming if Chairperson is independent |

**Skills Development:**

| Aspect | Required |
|---|---|
| *External Training by CSO* | |
| Cost of Training | Invoices for each training initiative |
| Confirmation of Attendance | Attendance register (race, gender) |
| *Learnerships by CSO* | |
| Confirmation of Learner | List of all learners |
| | Copy of the contract for each learner |
| | Certified IDs of each learner |
| | Payslip of each learner |
| Learnership Registered with SETA | Confirmation from SETA |

**Enterprise and Supplier Development:**

| Aspect | Required |
|---|---|
| Confirmation of Value of Supplied Goods and Services | Invoices indicating VAT exclusive rand amounts spent with suppliers |
| Verification of B-BBEE Status | Valid B-BBEE certificate or letter from accountant/ affidavit (if EME) |
| Confirmation of ED/ SD Beneficiary | Valid B-BBEE certificate |
| Confirmation of Beneficiary Turnover | Auditors letter |
| Confirmation Beneficiary is Black | Affidavit from the ED beneficiary |
| Proof of Monetary Contribution | Deposit slip, EFT, cheque stub |
| Proof of Non-monetary Contribution | Hours spent + payslip |

**Socio-Economic Development:**

| Aspect | Required |
|---|---|
| Confirmation of SED Contribution | Letter of appreciation (showing black % beneficiary base) stamped by Commissioner of Oaths |
| Proof of Monetary Contribution | Deposit slip, EFT, cheque stub |
| Proof of Non-monetary Contribution | Hours spent + payslip |

## B-BBEE ownership deals: The TSiBA Case Study

### Overview

It's the age-old debate that CSOs are constantly up against: how to raise money for the cause? A little innovation, along with businesses with the same vision, can translate into win-win partnerships and secure a unique, long-term source of income. In 2007, TSiBA Education launched its own Broad-Based Black Economic Empowerment (B-BBEE) Trust. The TSiBA Education Trust (TET) was created with a focused mandate to build a high yielding endowment fund, thereby reduce donor reliance and ensure the long-term financial sustainability of TSiBA Education NPC for its beneficiaries.

To achieve this goal, the Trust is focused on establishing a select number of mutually beneficial strategic partnerships with both enterprises and individuals alike. It achieves this by positioning itself as a B-BBEE partner of choice for companies seeking empowerment partners in accordance with the Broad Based Economic Empowerment Act, no 53 of 2003 or the revised 2013 Codes of Good Practice and acquiring meaningful equity stakes in small and medium sized companies that require empowerment credentials for sustainability. Aside from securing the required empowerment credentials to operate, the companies in which the Trust holds equity stakes, enjoy the added benefit of witnessing a percentage of their profits being redirected into financing the education of talented black South Africans who would otherwise have been excluded from tertiary education as a result of funding constraints. Thus, partnering with TSiBA Education Trust is an excellent social and economic investment.

### Mechanics

TET is essentially an investment trust, which acquires stakes in a mixture of high growth, highly cash generative small-to-medium sized unlisted South African businesses at very attractive valuations. The objective is generating superior capital investment returns and securing a sustainable dividend flow to fund TSiBA into the future. By holding equity in cashflow generative businesses, TSiBA is able to secure a long term dividend flow into the endowment. The South African Government's imposition of a top-down B-BBEE strategy, which requires traditionally white-owned business to introduce B-BBEE partners at an equity level, has afforded TSiBA an excellent opportunity to secure financial sustainability by generating superior capital and dividend returns from a high-yielding investment portfolio.

TET typically secures loan/vendor finance for its B-BBEE investments. It invests its own capital in tradeable stocks or unit trusts, which generated excellent long term returns.

### Beneficiaries

The named beneficiary of the Trust is TSiBA Education NPC, an association incorporated under section 21 of the Company's Act (Reg. no 2004/005126/08). The Deed of Trust stipulates that all economic benefit derived in the entity shall be utilised solely for the benefit of the black students of the school, pursuant to the Codes on B-BBEE. Accordingly, the Trust qualifies as a "black entity" in terms of the Codes.

### Deal sourcing

TSiBA Education Trust looks to leverage existing TSiBA Education donor relationships, while building new long-term, mutually beneficial strategic partnerships with a handful of corporates and individuals passionate about the future of South Africa. Initially, TSiBA approached its existing donors with whom relationships had been built over long periods of time, and invited them to help build TSiBA's long-term sustainability as an exit strategy for them, and to include TSiBA in their B-BBEE deals. This saw the conclusion of three successful deals, of which one is still in play. TSiBA also invested time and effort in building excellent relationships with a number of exceptional lawyers and investment managers, thereby ensuring TSiBA Empowerment Trust was front of mind when companies indicated to their legal advisors that they were in search of B-BBEE partners. While progress is slow, the response to date has been excellent with corporate partners clearly understanding the value-add of a TSiBA collaboration.

## Pro's and con's

**Pro's:**

- Securing access to a long term sustainable source of income
- Strengthening partnerships with like-minded, passionate corporates and securing places of employment for TSIBA's passionate graduates
- Cross pollination

**Con's:**

- Fostering a culture of entitlement
- Diverting attention away from the core focus on TSiBA Education
- Drawing on valuable human capital and limited resources
- Corporate mindset
- Investment risk

## Investment considerations

- Risk and return profile
- Deal size relative to existing portfolio
- Portfolio diversification and profile
- Potential conflict of interest with existing investments and TSiBA corporate sponsors
- Owner contribution
- Advisory requirement and cost
- Due diligence cost
- Due diligence of finance provider

## Required board representation

More often than not it is preferable to hold the equity as a passive investment and not get involved at a board level. However, when making an investment, it is important to have a say and understand what is going on in the business. TSiBA chooses to have the right, but not the obligation, to appoint a member onto the Board.

## Types of deals:

**Large listed or unlisted corporate deals:**

Typically, these are listed entities with high (>8) P/E multiples. Participation in these deals is highly competitive, and relies on a combination of broad-based empowerment credentials and business development value-add. Given the high valuations of these deals, under normal circumstances they are not affordable to B-BBEE parties, and hence require a high degree of vendor facilitation in order to fund the deal. Typical structures of these deals are Special Purpose Vehicles (SPV's) funded through dividend flows. The payback period is therefore very long, typically 10 years plus, as the payment is reliant on dividend flows, as opposed to direct cashflows of the business. These structures are typically proposed by the vendor, and do not give the B-BBEE parties much scope for alteration of the proposed terms. Cash required from the B-BBEE parties is usually nominal, significantly reducing the financial risk of the B-BBEE parties, whilst resulting in high returns.

Where there is no or very little cash at risk for the B-BBEE partner, other risks would be as follows:

- Non-performance of the company, and hence loan default as a result of inadequacy of dividend cash flows to service loan. In this case, the risk is loss of cash contribution made
- Where the B-BBEE partner is required to provide some security on the loan (e.g. personal sureties, cession of shares),

any default on the loan results in loss of any gains made from the investment, and possible extensive financial loss if the investment is not ring-fenced
- Reputational risk related to the company or failure of the deal itself
- Opportunity cost of not being able to participate in a more lucrative deal in a competing business

**Medium-sized companies (primary target):**
These deals are reliant on a combination of empowerment credentials and own fundraising. The P/E multiples are lower, and offer a higher degree of input in the structuring of deals. Because the parties are putting down their own money, they are in a far stronger negotiating position.

The risks are as follows:

- More significant cash investment required (equity), and therefore higher financial risk
- Non-performance of the company and inadequacy of cash flows to deliver required returns
- Reputational risk related to the company or failure of the deal itself
- Opportunity cost of not being able to participate in a more lucrative deal in a competing business

Example:  CIDA Empowerment and Cambridge University Press South Africa (Pty) Ltd.

- CIDA Empowerment acquired a 25.1% share in Cambridge University Press South Africa in October 2009
- The investment was vendor financed by Cambridge with no risk to the empowerment partner, CIDA Empowerment
- Over and above the equity investment, Cambridge committed to allocating its full annual SED/ CSI spend to City Campus, CIDA Empowerment's Section 18A beneficiary, as well as an Enterprise and Preferential Procurement Spend (equal to 10% of the investment subscription value), directly to CIDA Empowerment
- A post pay down contractual dividend payout ratio was fixed at 25%, ensuring long term yield

Over and above the 'numbers' and annual annuity income generated from contractual CSI, Enterprise Development and Preferential Procurement, Cambridge also committed to donating educational books to CIDA City Campus, and provided internships and employment opportunities to its students.

# Annexures

## Annexure A: Step-by-step guide on proposal writing

**Introduction**

The initial sections of your proposal should introduce your organisation and its work. Content should include:

- Your vision
- Your mission
- Your core competencies and value
- Your history, past performance, achievements and capability
- The scale of your organisation, measured in terms of beneficiaries and footprint
- Your structure and governance

**Problem statement, background, context or needs assessment**

This section of the proposal provides background information and an explanation of why the project is important. It identifies the problem, based on documented facts, and introduces a proposed solution (your project/programme). It also provides programme related contextual information.

This is an important section of the proposal because donors use this information to decide whether the project fits their areas of concern. This means that you need to contextualise your project to show that the problem being addressed fits the donor's concerns, particularly with international donors who may not understand the local context.

A problem statement should meet the following criteria:

- Addresses the funder priorities and guidelines for application
- Includes country, region, province, sub-district or community details (location, population, etc.) as well as resources available
- Includes relevant statistics on issues such as poverty, the economy, employment/unemployment, gender, health, education, environment, etc. Be sure to choose statistics that are relevant to your project and the problem that it aims to address
- Provides a brief analysis or summary of the problem(s) or needs to be addressed by the project
- Is well-referenced, with use of quotes, examples, research data, press articles, anecdotal evidence etc. Be sure that the data you present are accurate and obtained from official documents or well-known sources
- Demonstrates what other organisations and government agencies in the area are doing to address the same problem
- Explains the organisation's strengths and capacity in countering this problem and achieving long-term results
- Is precise and to-the-point
- Project description and impact objectives
- A project will generally have one overall goal and several more specific objectives that contribute to that goal. Both the goal and the objectives should be stated concisely—one brief sentence each
- A goal is a broad impact-level statement of what is to be achieved by the project over a longer-term (3-5 years or more). A goal statement does not include process, approach, methods, activities, etc. Example: "To improve the wellbeing of 5000 vulnerable children in rural KZN"

- An objective is a results-level statement about how the project will make progress toward its goal in a shorter timeframe (perhaps 1-2 years). You will generally have two or more objectives under your goal, depending on the number of problems or needs in your problem statement. Example: "To provide 1000 vulnerable children in two districts of rural KZN with preventive health knowledge and access to primary health care services." A good objective is a SMART objective: Specific, Measurable, Attainable, Relevant and Time-bound

As part of your project description, you should include a technical approach which describes your strategy or plan for accomplishing your goals and objectives and how your activities all fit together to contribute to the goal and objectives. This utilises the logic of "IF…. THEN…."

- If an OVC programme invests money, staff and time, then a life skills curriculum can be developed
- If a curriculum is available, then OVC can learn new life skills
- If OVC learn new life skills, then they can avoid HIV infection
- If OVC can avoid HIV infection, then they will enjoy better health
- If OVC enjoy better health, then their overall wellbeing and quality of life will be improved

In developing your technical approach, tailor the approach to respond to the specific problem that you are addressing and the needs of the people you are serving:

- Describe the target beneficiaries and beneficiary selection
- Present a reasonable scope of activities that can be accomplished within the time and resources of the project
- Discuss the reasons for your strategy and methodology
- Provide successful examples of how the approach has been used in the past, by you or by others, and
- Indicate replicability/ scalability
- Ensure the approach is culturally acceptable

Sometimes the donor will specify a particular technical approach. If no specific approach is suggested, ensure that your approach is carefully researched to incorporate best practices and to effectively address the problem.

A results framework or similar mechanism for monitoring and evaluation should flow from the technical approach. The framework should be consistent with the stated goals and objectives of the programme and help proposal writers ensure that all key programme components have been considered and planned accordingly.

Although results frameworks are usually discussed in terms of monitoring and evaluation, they can be an important tool for helping your organisation to think through the short and long term processes and results of your project as part of your overall conceptual model.

What is it that your organisation ultimately aims to achieve and for which you are prepared to be held accountable?

Work plan/ implementation plan/ programme activities:

The work plan sets out all detailed activities to be completed and links these to the goals and objectives. It gives the reviewer a clear and detailed picture of what the project will look like, how things will work, how staff and volunteers will be utilised, and what resources will be needed.

Begin with your objectives. Describe what precise steps you will follow to carry out each activity under a given objective, including what will be done, who will do it, and when it will happen. The activity section should always flow from the technical approach and support the goal and objectives identified in the development of the conceptual model.

A good work plan should have the following attributes:

- It should be structured and orderly
- Timelines should be clearly defined
- Activities should be clearly defined and, where possible, quantified. For example, if the project activity is a series of workshops, include the number of days, number of sessions per day, range of topics covered, number and type of expected participants, qualifications of trainers/facilitators, plans for disseminating any workshop publications, etc.
- The number of beneficiaries served? How often each beneficiary is served? For how long each beneficiary is served?
- Activities should be organised under each objective and could be laid out as follows:
    - Objective 1:
      - Activity 1:
      - Activity 1.1:
      - Activity 1.2:
- Describe the precise steps needed to carry out each activity, including:
    - What will be done
    - Who will do it
    - When it will happen
    - Participation by stakeholders/ partners/ beneficiaries/ funders

**Resource requirements and justification**

It is important to understand and follow the donor's requirements:

- Recognise what may be acceptable and unacceptable types of expenses, those things that the funder may or may not be willing to fund
- Many funders will have a desired format with a specified level of detail, be sure to comply with their stipulations
- Ensure that you are applying within the funding period of the donor, both in terms of their funding cycles and in terms of the duration for which they will fund, i.e. they may only fund programmes for a single year
- Be sure to follow any other donor instructions or guidance offered
- Use your work plan as a guide. The budget should speak clearly to the activities in the work plan. All activities in the work plan should be included in the budget. Activities not in the work plan should not be in the budget
- Remember to include an appropriate human resource cost allocation to the project (internal staff, external consultants, advisory committee)
- Establish the cost for each item or activity based on sound estimates and calculations
- Get 2-3 independent quotes, when possible, to justify the programme or project line item costs
- Refer to your actual historical costs where possible and appropriate
- It is always advisable to follow your organisation's policies and procedures
- For existing programmes, scrutinise your actual spending over the past year. Look for areas of overspending/ underspending and make any necessary adjustments
- For foreign donor funded projects ensure that a realistic exchange rate is used consistently throughout
- If Value Added Tax (VAT) will be refunded by the South African Revenue Service (SARS), make sure the budget excludes VAT
- Identify and allocate a fair proportion of your indirect costs (sometimes known as overheads). These are generally your operating or administrative costs
- Double-check to ensure that there are no gaps and the budget is accurate and complete. Pay particular attention to any formulas/automatic calculations and make sure they are 'pulling through' correctly

When you submit your budget, you are making a commitment to the donor to implement the project with the stated amount of funding.

Where possible, you should try to include the ‘income’ side of the budget. If your project has more than one source of support, it is in your interest to include these in your proposal budget. Donors often like to see that you are not depending on them for 100% of what you need, this speaks to your sustainability. Types of income might include:

- Funding from other donors
- Revenue from income-generating activities
- Individual donations
- Revenue from fundraising events
- Fees for services
- The monetary value of in-kind contributions

Each donor should pay their “fair share”. As a general rule, this means that if a donor represents 50% of your total organisational budget, they should be paying 50% of your indirect costs. In reality, different donors have different rules on what types of costs they will and will not cover. Many donors prefer to fund only direct costs. If this is the case, you should still do your best to allocate indirect costs as fairly as possible. Whenever possible, frame indirect costs in terms of their necessity or benefit to the project.

**Formal request**

Every proposal should include a formal request where the amount of funding required, both in total and from this particular donor, is stipulated.

**Monitoring and evaluation plan**

Monitoring and Evaluation is often seen as a drudge activity, but it is one of the most important components of your activities. Monitoring and evaluation (M&E) is certainly a critical element of the proposal. It describes how the organisation will track implementation of project activities and assess progress towards the project objectives as well as the overall impact of the project.

The monitoring and evaluation plan should do the following things:

- Explain how you will monitor the project’s performance on an on-going basis
- Describe the critical features of the project and how they will be measured
- Describe how data will be gathered and the process of data analysis
- Tell who will be doing the evaluation and how they were chosen
- Explain any test instruments or questionnaires to be used
- Show how evaluation will be used for programme improvement
- Be sure to link the measurement of impact back to the problem statement
- Describe all evaluation reports to be produced and disseminated

How can you make M&E work for you both in your proposal writing and during implementation?

- Monitoring & Evaluation is a useful resource not only to inform your reporting to the investor, but also to assist with the operational activities and continuously building your marketing collateral
- A well-defined M&E plan will give the investor comfort that they will know how their money is being spent

## Programme sustainability

Sustainability is a critical issue for consideration and at the outset of a project, or even when soliciting funding for the continuation of a programme or project, it is essential to include the consideration around sustainability. Funders are particularly interested in:

- What will happen to the project after the proposed activities are completed?
- How will the project be managed when funded activities are completed?
- How will the project be funded in the future?
- How will beneficiaries/government/ agencies/ communities/ others carry on the work?
- What other materials are needed to support the project long term?
- What plans are in place or what efforts are being made by your organisation to ensure the project is sustainable? This includes plans for further funding and developing additional proposals
- If the project does not continue, what will be the effect on beneficiaries? Will the benefits of the programme be lost, or will beneficiaries be in a better situation long-term as a result of the project?

## Conclusion

Every proposal should have a concluding paragraph or two. This is a good place to call attention to the future, after the implementation is completed. If appropriate, you should outline some of the follow-up activities that might be undertaken, in order to begin preparing your funders for your next request. You should state how the project might carry on with further funding support, but also provide an exit strategy in the event that the project must end. This section is also the place to make a final appeal for your project. Briefly reiterate what your organisation wants to do and why it is of high importantance. Underscore why your agency needs funding to accomplish it. Don't be afraid at this stage to use a bit of emotion to solidify your case.

## Annexures

Annexures are an important part of your proposal and should not be neglected. They should contain additional information, corroborating documents or related materials. It is important to ensure that:

- They are numbered sequentially
- They are accurately referenced in your table of contents
- Any stipulations or guidelines provided by the funder are adhered to. If no guidelines are provided, some annexures are recommended for all proposals - such as your founding document, tax status (S18A certificate), tax clearance certificate, NPO certificate, audited financial statements and B-BBEE certificate - while others may be included at your discretion

## Presentation and style tips

There are a number of elements to consider when writing your proposal:

- The tone.: Adopt an upbeat tone, express confidence and passion/ excitement
- When describing the programme or project use the active voice: "we will do X"
- Avoid jargon where possible, not all funders may have the same understanding of the sector as you do
- Spell out acronyms when first used e.g. Department of Social Development (DSD)
- Where possible you should attempt to use terminology that the funder is familiar with or that you know will resonate with their objectives, e.g. return on investment
- Create a logical structure for the document so that it flows well, ensure that it is easy to read and the key concepts linked together to provide a full picture. Where you have multiple people working on the proposal, ensure that there is consistency and that the sections tie together well

- Where the funder provides a prescribed format or template, ensure that you follow all instructions to the letter, the reason that they provide a template is because they are looking for particular information – ensure that you give them what they want so that they do not have to waste time searching for the requested information
- When completing a funder proposal template you may wish to copy and paste from existing documents – ensure that the content that is being copied and pasted makes sense and answers the questions that are being asked and that any reference to the previous potential funder is removed
- Ensuring that there are no spelling or grammatical errors is essential. Remember that small things, like accurate proof reading, contributes toward the impression that is created of your organisation. Use your computer's spelling/ grammar check and other editing tools to edit drafts as you write
- Your proposal should always aim to be clear, consistent and concise. The funder doesn't want to waste time reading through a rambling narrative
- Keep your fonts, headings, tables, footnotes, spacing, numbering and bullets consistent throughout the document
- Use Microsoft Word to automatically generate a table of contents (TOC). You can find this tool under the "References" tab. Remember to update the TOC every time you make changes to the document
- Always check your proposal and then when you have checked it, get someone else to check it for you. Often a fresh set of eyes will pick up errors and issues that you may have missed. Ideally get someone from outside the organisation to proof read the proposal before submitting, as this will ensure that your message comes across well to someone that doesn't have any preconceived ideas about the organisation. Proposal writing should never sit with just one person

Keep your presentation professional and appropriate, where there is not a prescribed format, you should generally ensure that your proposal includes:

- Title or cover page
- Cover letter
- Executive summary
- Table of contents
- Acronyms/ abbreviations
- Appendices/ attachments
- Relevant, labelled and referenced graphics/ tables
- Bibliography if relevant

### Developing a cover letter

A cover letter may or may not be required, but where possible it should be included with your proposal. This is an opportunity to connect directly with the reader and highlight key points. The letter should:

- Be printed on an organisational letterhead and signed by someone of authority
- Be addressed to a specific person if possible. Avoid "To whom it may concern"
- Very briefly summarise the project objectives and activities
- Include the amount of funding or specific support that you are requesting
- Include the next steps you plan in following up the application
- Not exceed 1page

### Common reasons for proposal rejections

In order to pass the various stages of reading/ review, your proposal must be packaged as per funder requirements, technically detailed, persuasive and correct. You must make it easy for the reader/ reviewer to say "yes" to your proposal. Common reasons for rejection include that the proposal:

- Missed the deadline for submission
- Did not follow the exact guidelines for proposal content, outline and length
- Was not specific or incomplete
- Was not measurable, the impact is vague with no monitoring and evaluation to show impact
- Was not achievable or unrealistic in the defined objectives or outcome
- Was not relevant (not a priority impact area to the funder)
- Was not distinctive/ innovative, remember that many funders receive hundreds of proposals and many organisations are competing for the same pool of funding
- Was not cost effective
- Was not compliant in terms of registrations or qualifying criteria
- Did not demonstrate management responsibility and capability showed poor writing style

**Where a full proposal may not be appropriate**

In some cases it may not be appropriate to submit a full proposal-often it may be necessary to compile and submit preliminary letters before submitting your full proposal. An appeal letter, or letter of introduction, is generally the first written contact (after a conversation or meeting) to a funder that introduces the organisation. In most cases it would be an unsolicited engagement to ask them to consider funding the organisation. It could also ask what else the organisation must do or give to be considered for funding. It is about selling the organisation to the funder in a concise format.

The contents of this type of letter could include:

- Introduction to organisation
- Reason for writing
- Details of project
- How much money is needed and why
- A request for meeting
- Sign off

**Do's and Don'ts of proposal writing**

There are a number of important considerations for proposal writing, those things that you should be doing and those things that you definitely shouldn't be doing:

**The Do's:**

- Write for each funder, make contact with a 'real' person and address the proposal to him or her
- Package your proposal as far as possible to align with the funder's interests or needs, while staying true to your focus and objectives
- Keep it short – not more than 10 pages for the body of the proposal and less if possible
- If you copy and paste from another document, ensure that it makes logical sense and flows within the document
- Demonstrate urgency – substantiate that investment in this work is pressing
- Be current and relevant
- Be passionate and positive – show you care about the work
- Describe how your project and organisation stand out
- Detail innovative solutions
- Describe community buy-in and support
- Pitch the tone correctly – be human rather than academic

**The Don'ts:**

- Submit the same proposal to numerous funders, without personalising or customising it to match their profile, specific focus or requirement
- 'Pad' the budget to include things irrelevant to the project or that are not required for the defined delivery
- Hide information the donor is entitled to
- Use unnecessary jargon
- Repeat yourself
- Be too ambitious (realism is key)
- Fail to address issues of sustainability and impact
- Make the project fit the donor criteria at the expense of what you think needs to be done

## Managing the proposal process and follow up

It is important to understand that proposal writing is a process that includes more than just writing and submitting a document. In addition to the preparation required before writing your proposal it is important to manage the process after the submission. This includes:

- Identifying opportunities – tracking what opportunities are out there
- Qualifying opportunities – does this fit our organisation?
- Tracking outcome – following up regularly on progress with the funder, but be sure not to harass the funder
- Feedback – get feedback from the funder, whether successful or unsuccessful, you want to know why they chose you or why not so that you can keep improving your applications
- Closing off opportunities – both successful and unsuccessful applications should be closed off once the cycle is complete, ideally lessons learnt or feedback from the funder should be recorded and communicated to fundraising and marketing teams
- Record all outcomes in your funder database

# BUILDING PROGRAMME SUSTAINABILITY

capacitate
ENABLING SOCIAL IMPACT

# Objectives

By the end of the module, the learner will:

- Understand sustainability in relation to programme management
- Understand the importance and elements of competitor analysis
- Understand the importance and elements of sector analysis
- Understand the importance of good community stakeholder community relations
- Know what the components of a community profile are
- Understand the importance and application of community needs assessment
- Understand the importance and workings of monitoring and evaluation

# Programme sustainability

**DEFINITION**
Programme sustainability refers to the ability of the organisation to continue providing developmental programmes and services to its beneficiaries with no interruption. A sustainable programme is a result of a financially stable organisation and sound institutional controls.

## Sustainable programme management and delivery of services

Sustainability is a critical issue for consideration from the outset of a programme, when soliciting funding, for the continuation of a project or programme, and it is essential to include the thought around sustainability. Funders are particularly interested in:

- What will happen to the project after the proposed activities are completed?
- How will the project be managed when funded activities are completed?
- How will the project be funded in the future?
- How will beneficiaries/ government/ agencies/ communities/ others carry on the work?
- What other materials are needed to support the project long term?
- What plans are in place or what efforts are being made by your organisation to ensure the project is sustainable? This includes plans for further funding and developing additional proposals
- If the project does not continue, what will be the effect on beneficiaries? Will the benefits of the programme be lost, or will beneficiaries be in a better situation long-term as a result of the project?

## Continued programme relevance

**ACTIVITY**
What type of programmes does your CSO implement?

.................................................................................................................................................

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Who are your beneficiaries?

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How do you identify your beneficiaries?

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What makes your programme stand-out?

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**Competitor and sector analysis**
Competitor and sector analysis are addressed in the learning material relating to marketing and communications. It is necessary, however, to highlight the need for competitor and sector analysis within the setting of programme sustainability for an entirely different set of reasons.

An effective competitor and sector analysis would identify organisations that are delivering the same or similar services to beneficiaries in the same geographic area or with proximity to your delivery areas. This identification could highlight:

- Learning opportunities - what are they doing the same and differently? How can we learn from them to improve our delivery and possibly set ourselves apart?
- Collaboration opportunities - could we be working together to achieve a greater collective impact, and if not, can we ensure that we are not duplicating unnecessarily?
- Shared economic opportunities - could we be sharing resources to reduce the cost of implementation?
- Influence on measure of impact - could their implementation overlap and possibly skew the measurement of our results?
- Sector analysis involves a broader exploration of the operating environment; this would provide insight into other activities and stakeholders that may be active in the area. Sector analysis provides many of the same opportunities for collaboration and economic sharing, but at a broader scale
- Collaboration opportunities – how could we engage with other stakeholders in the community system to extend the benefit and value for the beneficiaries in the long term?
- Shared economy opportunities – could we be sharing resources to reduce the cost of implementation?

These two processes of analysis could form the basis for the structuring of a partnership or collaboration and could make a positive contribution to the sustained delivery of the services that are needed in the community.

## Community stakeholder relations

**Understanding our communities**
Communities are unique and have different ideas, opinions and beliefs. It is important to know the communities that you are a part of. As a CSO, it is vital that you can describe the community you support. The way you engage and build relationships with, depends on how well you know and understand the community and its members.

Learning how to better understand the communities and stakeholders that your organisation engages with, helps build better relations and strengthen networks. One way to learn more about the community is to think about and describe specific traits of the community.

**Community profiling**
Community profiling is one of the methods used to gain a visual understanding of the characteristics of specific communities such as a narrative description of the social environment, population trends, demographics, and socio-economic trends. Community profiles consist of the below information:

- **Physical environmen**t - existing community structures, service delivery facilities, shops and enterprises, natural resources, etc
- **Social environment** - residents' involvement in the social life of the community, social development programmes and structures, social ills, vulnerabilities, disease profile, social networks, formal and informal networks, local community initiatives and support groups, demographics etc
- **Economic community** - including traditional income generating activities such as husbandry and farming, income levels and employment prospects of local residents, educational levels, prosperity, local economic activities, viability of

local shops, social enterprises, local cooperatives etc

- **Political community** - including systems and structures of political representation and local area management, ward councils, tribal authorities, decision making structures, involvement in local decision making, participation in community organisations, community governance etc
- **Personal space** - dwellings
- **Urban** – rural linkages - infrastructure development, behavioural patterns, economic and social linkages, migration etc
- **History of the community** - traditions, conflict, past and current relationships in the community
- **Culture of the community** - beliefs, norms and characteristics of the community and its members
- **Values and attitudes** - the norms of a community, what the members care about

**SELF-TEST**

Have you done community profiling in your community? What are the interesting facts about your community? Do you use these facts to design your beneficiary programmes?

## Identifying stakeholders

### What are stakeholders?

Stakeholders are any person or group that may be affected by an organisation's activities, decisions or policies. Stakeholders are divided into two groups, internal and external stakeholders. Internal stakeholders include volunteers, staff, beneficiaries and board. External stakeholders include donors, the community, other organisations and government.

### Process of identifying stakeholders


## Identifying, understanding and addressing community needs

Any given development intervention is usually based on a clearly identified community need. The programme that is designed and delivered aims specifically to address this need in the best possible way. A fact that is often neglected once the programme is being implemented is that communities are dynamic systems that are in a state of constant change. In order to ensure that the organisation remains relevant, and ultimately to ensure that the intervention remains meaningful and thus sustainable, it is critical to conduct a regular re-assessment of the community needs. The outcomes of this assessment should then be considered against the current and planned interventions and any adaptation or adjustment to the delivery being proposed should be taken. Ultimately this should form part of the on-going monitoring and evaluation activities conducted by the organisation.

**DEFINITION OF A NEED**
A need is a gap between what actually exists and what ideally should exist. In other words, a need is the difference between what is currently happening and what should happen. Think about your community. Are there any needs that exist? - Ervin, A.M. Applied Anthropology: Tools and Perspectives for Contemporary Practice, 2005, 80-81

### Community needs assessment

A community needs assessment is the process of identifying the needs of a community. The process of identifying needs is on-going since communities and the members of the communities are always changing and moving around. A community needs assessment provides an opportunity to gain a thorough understanding of your community. Community needs assessments are also a critical step in conducting community profiling. A needs assessment should be done on an annual basis to ensure that your intervention is still necessary and meeting the community needs in its current form.

### Value proposition – addressing the needs identified

Once you have identified the needs in your community, the next step is to decide on how you're going to address the identified needs. The identified needs most likely cannot be addressed by your CSO alone; you will need stakeholders as referral and implementing partners. Deciding on your value proposition is linked to the development of your strategic objectives that we discussed in the Institutional Sustainability module.

### CSO needs assessment

The main purpose of establishing CSOs is to address community needs, mostly social ills and vulnerabilities. Therefore, the process of identifying your CSO needs is linked to community needs analysis. The only difference is that at an organisational level your needs will be those that help address community needs. For example, you may need volunteers to conduct home visits, funds to buy food parcels and well-trained staff to provide services to your beneficiaries. The process of identifying organisational needs is conducted during strategic planning.

**TAKE NOTE**
Do you know how to conduct a SWOT analysis? SWOT analyses have been discussed in detail in the Sustainability Planning module. You will be able to use the same SWOT analysis tool to analyse the environment of your community.

### Community ownership

Community involvement and ownership of programmes and organisations is something that has been struggled with throughout the world. The question as to how ones gets the buy-in and response from the community is normally answered with the following: " Would you as a community member take ownership and be involved in this programme if you were to remove the knowledge that you currently have." Community buy in and ownership of projects, programmes and organisations has been something that has been tackled in my different scenarios, but is most notably successful in the HIV/AIDS space with participatory interventions. An example that can be used is one by Corbie-Smith et al. (2010) in their usage of intervention mapping with participatory methodologies to gain community ownership of an HIV/AIDS programme in the USA. The structure of the programme was such that all members in the community could interact with the programme at a basic design level – the community was engaged as to how the programme would run, what the aims and outcomes were as well as using the community to make their own internal changes. The result of the usage of the participatory methodology is that the community is actively involved in the programme / organisation as they are receiving and benefiting in a way in which they see as necessary, as well as creating buy-in due to their interaction with the design of the programme as they felt that they were a part of something jointly as a community, not just passive onlookers.

The key elements that can be distilled from this example are that the community needs to be actively involved in the organisation, and not just passive onlookers. By being part of the organisation in an active capacity, as well as having a say, the community will take ownership of the programme or organisation.

## Monitoring and evaluation

Monitoring and Evaluation (M&E) is generally seen as a grudge activity, however it is one of the most important components of your programme. M&E describes how the programme will track implementation activities and assess progress towards the programme objectives, as well as the overall impact of the project.

The monitoring and evaluation plan has been described in detail in the Financial Sustainability module.

**What is monitoring?**

The monitoring of a programme or intervention involves the collection of routine data that measures progress toward achieving programme objectives. It is used to track changes in the performance of the programme over time. Monitoring is an ongoing activity that requires the collection of data at multiple points throughout the programme cycle, including at the beginning to provide a baseline.

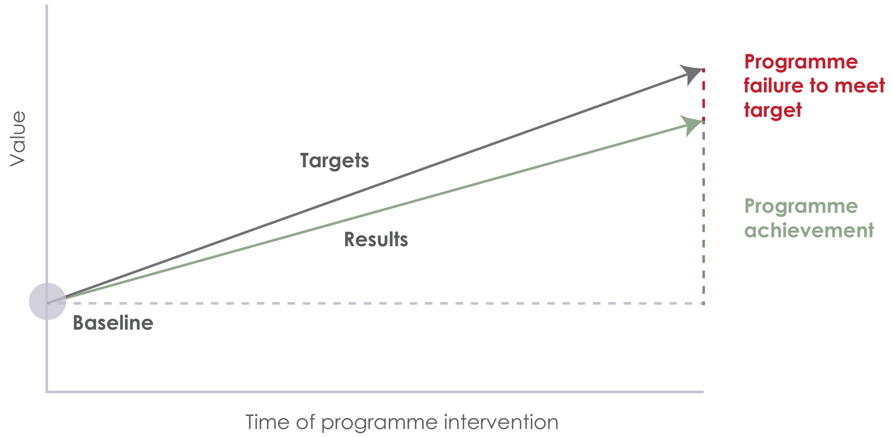
Its purpose is to permit stakeholders to make informed decisions regarding the effectiveness of programmes and the efficient use of resources. Monitoring is sometimes referred to as process evaluation because it focuses on the implementation process. Monitoring is important as it can be used to determine if activities need adjustment during the intervention to improve desired outcomes.

**Why do we monitor?**

- To assess progress made by the implemented activity, are we reaching our targets?
- To get feedback on activities implemented
- Management of programme and personnel performance
- Basis for planning purposes
- Decision making tool
- Basis for evaluation process

**What is evaluation?**

Evaluation involves an assessment of the performance of the programme, project or specific intervention. Evaluation typically refers to a disciplined assessment of programmes, policies and activities based on systematic and objective measurement and analysis, carried out to meet output expectations and reporting.




Evaluation provides more explanatory information to stakeholders to better understand, not only how well programmes and policies are performing, but also the factors to which this performance can be attributed. Some of the questions one might expect to be answered in an evaluation include:

- What were your objectives?
- What have you done?
- How did you do it?
- Was it successful or unsuccessful?
- What lessons were learnt?

## Why bother with monitoring and evaluation?

Without relevance and significance, M&E can be an expensive and wasteful exercise. Measurement must bring value to the project in order to be a sustainable activity. Monitoring and evaluation helps programme implementers:

- Make informed decisions regarding programme operations and service delivery based on objective evidence
- Ensure the most effective and efficient use of resources
- Objectively assess the extent to which the programme is having or has had the desired impact, in what areas it is effective, and where corrections need to be considered
- Meet organisational reporting and other requirements, and convince donors that their investments have been worthwhile or that alternative approaches should be considered

## Benefits of monitoring and evaluation

| ENHANCES IMAGE | ENHANCES PARTNERSHIPS | ENHANCES IMPLEMENTATION | ENHANCES DISBURSEMENT DECISIONS |
|---|---|---|---|
| •Reduces reputational risk to the organisation<br>•Reduces reputational risk to partners and donors<br>•Improves community impression of institution's brand | •Improves quality of the communications with stakeholders<br>•Improves value of communications for stakeholders | •Improves availability of key data for programme management<br>•Improves overall management and implementation | •Improves decision quality<br>•Improves transparency |

## Indicators

Indicators are clues, signs or markers that measure one aspect of a programme and show how close a programme is to its desired path and outcomes. They are used to provide benchmarks for demonstrating the achievements of a programme. These are variables that measure one aspect of a programme or project that is directly related to the programme's objectives. An indicator is generally a value on a scale of measurement (a number, percentage, ratio or fraction) derived from a series of observed facts that reveal relative changes as a function of time.

Some general guidelines for the selection of indicators are:

- Select indicators requiring data that can realistically be collected with the resources available
- Select at least one or two indicators (ideally, from different data sources) per key activity
- Select at least one indicator for each core activity. Do not select too many indicators per area of significant programme focus
- Use a mix of data collection sources whenever possible

## Data sources

Data sources are the resources used to obtain data for M&E activities; these are commonly divided into two general categories: routine and non-routine.

**Routine data** sources provide data that is collected on a continuous basis, such as information about the CSO's nutrition register and daily attendance register. Although these data sets are collected continuously, processing them and reporting on them usually occurs only periodically (a data source, for instance, may be aggregated monthly and reported quarterly).

**Non-routine** data sources provide data that is collected on a periodic basis, usually annually or less frequently. Non-routine data has two main limitations: collecting the data is often expensive, and this collection is done on an irregular basis. In order to make informed programme decisions, programme managers usually need to receive data at more frequent intervals than non-routine data can accommodate.

## Data collection

The M&E plan should include a data collection plan that summarises information about the data sources needed to monitor and/or evaluate the programme.

The plan should include information for each data source, such as:

- The timing and frequency of collection
- The person or agency responsible for the collection
- The information needed for the indicators
- Any additional information that will be obtained from the source

## Data quality

Throughout the data collection process it is essential that data quality be monitored and maintained. Some data quality issues to consider:

- Coverage: Will the data cover all of the elements of interest?
- Completeness: Is there a complete set of data for each element of interest?
- Accuracy: Have the instruments been tested to ensure validity and reliability of the data?

- Frequency: Is the data collected as frequently as needed?
- Reporting schedule: Does the available data reflect the time periods of interest?
- Accessibility: Is the data needed collectable or retrievable?
- Power: Is the sample size big enough to provide a stable estimate or detect change?

## Data use

Collecting data is only meaningful and worthwhile if it is subsequently used for evidence-based decision-making. To be useful, information must be based on quality data, and it must also be communicated effectively to policy makers and other interested stakeholders.

M&E data needs to be manageable and timely, reliable, and specific to the activities in question. Additionally, the results need to be well understood.

## Developing a monitoring and evaluation plan

Every project should have an M&E plan. This is the document that details:

- The programme's objectives
- How these objectives will be achieved
- The procedures that will be implemented to determine whether or not the objectives are met
- How the expected results of a programme relate to its goals and objectives
- The data needed and how this data will be collected, analysed and how this information will be used
- The resources that will be needed
- How the programme will be accountable to stakeholders

M&E plans should be created during the design phase of a programme and can be organised in a variety of ways. Typically, the components of an M&E plan include:

- Introduction
- Programme description and framework
- Detailed description of the plan indicators
- Data collection plan
- Plan for monitoring
- Plan for evaluation
- Plan for the utilisation of the information gained
- Mechanism for updating the plan

The objectives listed in the programme description should be "SMART", see earlier in the handbook (reference)

## Different evaluation approaches

### Logical framework approach

Sometimes called the M&E Framework, the Logical Framework approach is used extensively in the development arena to provide a workable format for M&E and is useful within the context of Community Engagement.

The end result of this approach is developing your own Logical Framework or LogFrame.

There are six key components to the approach:

1. Assessment and planning – planning for M&E activities that will take place during a programme
2. Inputs – the resources invested in a programme
3. Activities – the activities carried out to achieve the project or programme's objectives
4. Outputs – the immediate results achieved at the programme level through the execution of activities
5. Outcomes – the set of short-term or intermediate results at the population level achieved by the programme through the execution of activities
6. Impact – the long-term effect of the intervention

**Theory of change approach**

Logic models and theory of change are often used interchangeably to describe an approach to fulfilling monitoring and evaluation requirements. Although similar in some respects, there are some fundamental differences between the two. A Theory of Change differs from any other method of describing initiatives in a few ways:

1. It shows a causal pathway from here to there by specifying what is needed for goals to be achieved (e.g. you might argue that children attending school a minimum number of days is necessary if they are going to learn).
2. It requires you to articulate underlying assumptions which can be tested and measured.
3. It changes the way of thinking about initiatives from what you are doing to what you want to achieve and starts there.

"A Theory of Change provides a roadmap to get you from here to there. If it is good and complete, your roadmap can be read by others and show that you know how to chart your course." ***www.theoryofchange.org***

**Results Based Accountability™**

Results-Based Accountability™ (RBA) is an alternative approach to traditional M&E. It is a disciplined way of thinking and taking action in communities to improve the lives of children, families, and community as a whole. RBA is also used by funders, government and community leaders to improve the performance of programmes that contribute to population-level results. RBA starts by identifying the end results or desired community conditions and works backwards, step by step, to identify success strategies, policies and programmes.

Further information relating to RBA can be obtained using the following url: ***http://raguide.org/***.

**Social Transformation System™**

STS was developed by Dr. Barbara Holtmann as a systems model and methodology that enables clarity of purpose where there are many diverse stakeholder needs, views and inputs in a community development setting. The STS process highlights factors and processes essential to sustainability and provides a platform for more effective planning and goal setting in vulnerable and fragile communities. The STS is a methodology to:

- Safely embrace the challenge of complex systemic problems
- Envision: "what it looks like when it's fixed"
- Align social investment strategy with business vision and objectives
- Enable everyone to be useful in moving towards a shared vision
- Promote essential, sustainable collaboration based on mutual need
- Conduct participatory, intuitive bench-marking and impact assessment
- Manage multi-dimensional, thematic actions
- Negotiate terms of engagement with delivery partners

- Maximise return on investment; impact in a transformed system
- Adapt and compare similar interventions to many environments

Further information pertaining to Dr Holtmann and her methodology can be obtained using the following url: ***http://www.barbaraholtmann.co.za/about.html.***

For further information pertaining to monitoring and evaluation, it is recommended that you refer to the following as an additional resource, prepared by the World Bank:

Monitoring and Evaluation: Some Tools, Methods and Approaches
***http://lnweb90.worldbank.org/oed/oeddoclib.nsf/24cc3bb1f94ae11c85256808006a0046/a5efbb5d776b67d285256b1e0079c9a3/$FILE/MandE_tools_methods_approaches.pdf***

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