



## LITERATURE REVIEW ON ORGANIZATIONAL PERFORMANCE AND SUSTAINABILITY OF EDUCATIONAL NGOS FOR OBTAINING FUNDING

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### ABSTRACT

The primary goal of this research is to investigate and analyze the key factors that influence the performance and sustainability of non-governmental organizations (NGOs), with a specific focus on how funding may affect NGO performance and sustainability. The educational NGOs chosen for this case are Gerakan Mengajar Desa Indonesia and Mataharikecil Indonesia.

This type of research uses a multi case study to provide a descriptive explanation regarding the associated challenges. The data obtained and collected was from in-depth interview and secondary data.

The findings of this thesis highlight the critical elements required to improve organizational performance and ensure the sustainability of non-governmental organizations (NGOs). The study emphasizes the importance of project initialization, project results, organizational performance, and fundraising in achieving sustainability and enhancing organizational performances of non-governmental organizations. Furthermore, the study confirms that NGOs' sustainability requires a diverse range of funding and revenue streams, emphasizing the importance of financial resilience in navigating the dynamic landscape of non-profit efforts.

**Keywords:** *NGOs, Sustainability, Performance, Funding, Impact.*

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## INTRODUCTION

Non-Governmental Organizations (NGOs) play a crucial role in addressing global challenges, driven by principles of compassion, innovation, and activism. The role of non-governmental organizations assumes even greater significance as they are the mediums to deliver the goods for the achievement of social welfare objectives and their main aim of establishment and functioning in the interest of the public at large with no associated monetary profit (Karanth, 2015).

NGOs, including educational ones, often grapple with financial constraints, donor dependability, and administrative hurdles. The study focuses on the funding dynamics of NGOs, exploring the influence fundings initiatives on their operational strategies, project selection, and long-term sustainability.

The study delves beyond financial considerations to measure the genuine impact of NGOs on communities and causes. Questions arise about whether different funding sources lead to varied impact assessments, prioritization of short-term versus long-term outcomes, and alignment with the values and goals of respective funders. The research seeks to uncover factors influencing NGOs' performance, sustainability, and how funding strategies contribute to these aspects. To analyze their sustainability performance completely, they must consider an extensive number of crucial factors that have a direct impact on their total success. Hence, this research will also talk deeper regarding sustainability more with four pillars from the book best practices for building sustainability of NGOs for social impact and change (Prayogshala et al., 2018).

The goal is to know how important funding to optimize operations and achieve long-term stability. Additionally, the findings aim to guide NGOs in implementing best practices in governance, program execution, and financial management for increased transparency, accountability, and stakeholder confidence.

## LITERATURE REVIEW

### **Funding in Non-Governmental Organization**

Funding is crucial for the sustainability and impact of Non-Governmental Organizations (NGOs) that operate independently of government control. These organizations rely on diverse financial sources, including government grants, private donations, corporate sponsorships, and international aid agencies, to carry out their mission-driven work. The ability to secure and manage funding effectively is key for NGOs to address its goals successfully. Good financial management enables non-governmental organizations to obtain trust and respect of funding agencies, partners, and beneficiaries (Karanth, 2015). NGOs must balance the need for financial resources with transparency and accountability, ensuring funds are used efficiently and align with their objectives. Adapting fundraising strategies in the evolving funding landscape is essential for NGOs to stay resilient and responsive to the changing needs of the communities they serve.

Financial stability not only allows NGOs to maintain independence but also enhances their operations, leadership training, and collaboration with government, commercial sectors, and other NGOs. Improved human resource capacities and strong leadership make NGOs more accountable and effective, elevating their position when seeking diverse financing sources and networking with other stakeholders. Building strong networks and coalitions helps NGOs strengthen technical capabilities and gain access to

diverse financing sources and resources. As some example, the funding could be from CSR Funding or private funding.

### **Non-Governmental Organizations Performance**

NGO performance encompasses how effectively and efficiently an organization achieves its mission, goals, and objectives. Effective leadership in growing NGOs requires diverse perspectives (Bies, 2010; Cornforth, 2002; Drucker, 2012; Maier et al., 2016; Ostrower, 2014; Sanzo-Pérez et al., 2017). It involves assessing activities, resource management, and social outcomes while upholding ethical standards and stakeholder trust. Governance mechanisms, outcome assessments, financial management, transparency, and program delivery efficiency are key approaches to gauge NGO performance.

Outcome and impact assessment measure tangible and intangible changes resulting from an NGO's programs. Financial management focuses on prudent practices, transparency, and resource efficiency. Transparency and governance involve open operations and adherence to ethical standards. Program delivery efficiency assesses how well an NGO carries out core activities and manages resources. Key performance indicators (KPIs) related to program implementation, stakeholder satisfaction, and feedback play crucial roles in performance evaluation. Collecting input from beneficiaries, donors, staff, and partners provides valuable insights into an NGO's strengths and weaknesses, influencing future support.

### **Correlation between Funding in NGOs and NGO Performance**

The correlation between funding and the performance of non-governmental organizations (NGOs) is a crucial topic. In 2023, Nyamekye & Agyepong highlighted financial aspects like asset turnover, profit margin, leverage, and cash flow as key factors in an organization's success. Funding is vital for NGOs, influencing their ability to fulfill their missions effectively. Increased funding may positively impact organizational performance, allowing NGOs to expand, enhance programs, and better serve beneficiaries. However, the relationship is complex, involving effective funding utilization, financial stewardship, and alignment with organizational goals. Understanding this correlation is crucial for strategic decision-making and resource allocation to maximize social impact. Nyamekye & Agyepong (2023) also emphasize assessing performance based on non-financial variables for sustainability.

### **Best Practices for Non-Governmental Organizations**

#### **1. Project Initialization**

One sustainability stage for NGOs is project initialization, involving gathering and assessing project ideas, detailed planning, and NGO preparation (Pfister, 2013). NGO preparation aligns with corporate governance, covering areas like the roles of Boards or Management Committees and staff involvement in management matters. These bodies, responsible for overall governance, ensure accountability, define mission and goals, manage resources, and establish community connections. Staff involvement is crucial for managing staffing matters, and Boards should consult with staff on changes that may impact them, promoting a collaborative approach to decision-making within NGOs.

## 2. Project Result

Assessing project outcomes involves continuous monitoring, evaluation, and review at various project stages, with the best results achieved through repeated measurements throughout. Human Resource Management is crucial in this process, focusing on evaluating leaders and managers within NGOs as they are vital in navigating complex challenges (Ronalds, 2010). Evaluating personnel starts with reviewing manpower planning, addressing immediate and long-term service needs. Succession planning ensures preparedness for turnover, and NGOs should regularly assess and update this plan. Performance appraisal, a transparent and collaborative process, compares employee performance to agreed-upon standards. Hiring the right personnel is essential from the start. After evaluating personnel, the state of projects and the organization is assessed, with a focus on efficient fund absorption for future donor impact. This feedback is communicated to project executives and beneficiaries for ongoing improvement.

## 3. Organizational System

NGOs should integrate project management theory into their organizational systems, emphasizing project management, organizational analysis, and assessing project portfolios for effective performance (Pfister, 2013). To enhance efficiency and resource allocation, NGOs are encouraged to expand management accounting activities, including budgetary control and unit cost computation. Implementing auditing activities like Internal Audit and Audit Committees can improve accountability and financial management for NGOs. When conducting audits, NGOs need to consider their size, type, and services provided. Excellent financial management involves aligning financial plans with a strategic strategy, utilizing tools like a double entry system and international financial reporting practices. Holding comprehensive information on assets and liabilities helps NGOs reinvest to generate more income, make informed decisions, and diversify income from local or foreign sources.

## 4. Fundraising

Funding is crucial for NGOs, and their reliance on contributions makes fundraising essential for their survival. Tracking the total amount raised is vital for assessing campaign efficacy, while donor retention rates and acquisition costs provide insights into donor loyalty and acquisition effectiveness. Engagement indicators, such as event attendance and volunteer participation, reflect donor dedication to the cause and build trust in the relationship (Waters, 2009). Implementing a donor portfolio strategy allows NGOs to establish stronger relationships, leading to increased donor retention, larger donations, and long-term support for their mission. Managing a diverse donor portfolio is essential for tailoring fundraising efforts to different segments, ensuring personalized and effective interactions to support organizational goals.

## RESEARCH METHOD

This study will employ qualitative analysis to provide a descriptive explanation of the challenges involved. Qualitative research focuses on narratives and comprehensive insights, requiring researchers to delve into subjective aspects to grasp the meaning that emerges within the investigation (Yusuf, 2017). It involves using empirical data such as individual experiences, life stories, case studies, interviews, and artifacts. The research will utilize a multi-case study methodology, examining two samples to understand their differences and similarities. This approach helps determine the real value or barriers associated with the research topic.

## RESEARCH SUBJECT AND OBJECT

The subject in this study is from two biggest educational NGOs in Indonesia, Gerakan Mengajar Desa Indonesia Indonesia and Mataharikecil Indonesia. The following characteristics for being the interviewees are:

- a. Chief Executive Officers (CEOs) from Gerakan Mengajar Desa Indonesia and Mataharikecil Indonesia
- b. Finance Managers from Gerakan Mengajar Desa Indonesia and Mataharikecil Indonesia
- c. Human Resource Development (HRD) Manager from Gerakan Mengajar Desa Indonesia
- d. Project Leader from Gerakan Mengajar Desa Indonesia
- e. CSR Funder of Mataharikecil Indonesia (Merck Family Foundation)

As for the object for this research is the activity to reach NGOs sustainability and performance through distinct source of funding; CSR-Funding for Mataharikecil Indonesia and private funding for Gerakan Mengajar Desa Indonesia

## DATA COLLECTION

Key informants, considered crucial sources in qualitative research, play a vital role in gathering information, primarily through interviews. These interviews directly involve participants, capturing their opinions and experiences in their natural social settings. An interview guide, a set of questions, serves as a tool to conduct these interviews, and collect primary data from nine important informants in two educational NGOs. Additionally, secondary data from journals and papers is acquired to complement the study.

## DATA ANALYSIS METHOD

The research employs several strategies to enhance trustworthiness. Prolonged engagement, or long-term observation, emphasizes gathering data over an extended period to build trust. All participant interviews are recorded and transcribed, with data sheets and audio formats carefully preserved for verification. Thick description, involving contextual details, is provided in the study's chapters, ensuring a comprehensive understanding. Triangulation, a method of comparing findings from various investigators, sources, and methods, is utilized to mitigate bias and chance associations. In this research, triangulation involves exploring perspectives from both organizations.

## DISCUSSION AND ANALYSIS

### Project Initialization

Vision and mission are the foundation of an NGO, guiding all its actions and decisions. They serve as crucial anchors, directing the organization's efforts towards specific goals over a three to five-year period. Gerakan Mengajar Desa Indonesia and Mataharikecil Indonesia, for instance, place great importance on their vision and mission. The objectives and planning of these NGOs are deeply rooted in their commitment to increasing the human development index through education and reducing school dropouts. In Project Initialization, it's not only essential to define vision and mission but also to plan the entire structure of the NGO. Both organizations employ OKRs and KPIs to measure progress and identify areas for improvement. NGOs often face challenges in meeting these indicators due to limited resources and unpredictable funding. Documenting plans, such as

Memorandum of Association/Articles of Association (AD/ART) and Standard Operating Procedure (SOP), is crucial for organizational performance. Mataharikecil Indonesia uses a strategic intent as a tool to align actions with its vision and mission, emphasizing a clear hierarchy and communication flow. The CEOs of both NGOs stress the importance of communication, including top-down and bottom-up approaches. The current project initiation aims to instill a systemic approach in NGOs, emphasizing the importance of visionary leadership, documented plans, and effective communication for organizational growth and success.

### **Project Result**

Project outcomes are measurable changes in the community resulting from the project. Sustainability involves ongoing monitoring, evaluation, and assessment of project elements like resources, activities, and impact (Pfister, 2013). In Project Initialization, Gerakan Mengajar Desa Indonesia and Mataharikecil Indonesia articulate the internalization through Objective Key Results, setting indicators for better execution and easy monitoring. Gerakan Mengajar Desa Indonesia employs Standard Operating Procedures (SOP) crucial for achieving objectives, ensuring workflow, and maintaining good performance. SOP understanding is promoted through regular gatherings and annual discussions with leaders and directors. Damar, the Chief of Regional Leader, maintains constant communication through meetings and a group platform. The HRD team monitors volunteers through Sharing is Caring (SIC) sessions. Mataharikecil Indonesia, led by CEO Yasser, uses KPIs and strategic intent, incorporating grand design, guidelines, and communication style. Weekly and monthly meetings, including plenary meetings, ensure communication and coordination. The use of key performance indicators (KPIs) and the ADART method helps maintain alignment between strategic direction and operational execution, fostering positive effects on employees and volunteers' performance (Nyamekye & Agyepong, 2023).

### **Organizational System**

Project Initialization and Project Outcomes are essential, but sustaining an NGO also requires an effective Organizational System. This system ensures the capacity to execute projects smoothly and maintain a balanced project portfolio (Prayogshala et al., 2018). The first focus is on people, emphasizing the importance of selecting the right person in charge through a proper recruitment process.

In Gerakan Mengajar Desa Indonesia, the recruitment involves CV screening and interviews in two phases: open for volunteers and closed for the Master Team. Mataharikecil Indonesia follows a similar pattern with CV screening and interviews, using Behavioral Descriptive Interview tool for creating questions that align with their goals. After selecting the right person, learning and growth are vital for improving personal skills, leading to a more significant impact on communities.

Gerakan Mengajar Desa Indonesia conducts Training of Trainer (ToT) and analyzes needs through surveys to tailor themes. Mataharikecil Indonesia provides training through Matcil Talk, coaching, and emphasizes on-the-job training (OJT). CEOs in both organizations create strategies to foster a positive and family-like atmosphere.

Overall, sustaining an NGO involves building organizational capacity through effective recruitment, continuous learning, financial sustainability, and a supportive organizational culture.

## **Fundraising**

Fundraising is crucial for organizations to achieve their goals, aligning with their strategic plan and supporting specific programs (Prayogshala et al., 2018). While Gerakan Mengajar Desa Indonesia relies on private funding and aims to secure CSR funding, Mataharikecil Indonesia currently depends on CSR funding but still aims for funding diversification. Here, both NGOs are trying to get funding diversification and can't just rely on one funding resources. Hence, funding diversification is important.

Securing CSR funding is challenging and involves creating a transparent proposal that includes vision, mission, programs, budgeting, team performance, and timelines (Okorley & Nkrumah, 2012). Financial sustainability for NGOs involves various factors like staff competencies, strategic financial planning, diversified funding sources, and self-financing (Ochieng, 2016).

Managing CSR funding is essential, with Mataharikecil Indonesia's Chief of Finance, Khansa, focusing on fair distribution and maximizing absorption through innovative strategies. Regular reporting to donors on project outcomes is vital for maintaining interest and ensuring fundraising sustainability (Pfister, 2013). Mataharikecil Indonesia provides quarterly and final reports to Merck, demonstrating program efficiency and impact.

Fundraising serves as a sustainable fuel for NGOs, enabling them to refuel when needed. Establishing good donor relationships and showcasing financial management practices contribute to the financial sustainability of NGOs (Makeche & Chowa, 2023).

## **CONCLUSION**

### **A. Factors Affecting NGOs' Performance**

Organizational performance improvement is achieved by focusing on four crucial pillars: project initiation, project results, organizational systems, and fundraising. These pillars form the foundation for best practices, enabling efficient goal attainment. Prioritizing these pillars in long-term growth strategies is crucial for optimal performance. Project initialization involves clear planning and understanding of organizational elements, impacting project outcomes. Successful project results alignment is vital for organizational success. Organizational systems, including talent management and standard procedures, enhance efficiency. Fundraising involves securing resources and maintaining stakeholder communication. Effective management of these pillars ensures organizational success and sustainability.

### **B. Factors Influencing NGOs' Sustainability**

NGO sustainability revolves around program adjustments, exit planning, organizational systems, and fundraising. Addressing managerial issues, effective project management, and performance monitoring are vital for sustainability. Improved performance in these pillars significantly impacts sustainability. Fundraising, a key element, requires identifying suitable funding streams aligned with the mission. Diverse funding sources enhance financial viability and long-term sustainability.

### **C. Impact of Funding Strategy on NGOs' Performance and Sustainability**

The funding strategy significantly influences NGOs' sustainability. Mataharikecil Indonesia's diversification beyond private funding exemplifies a well-defined funding strategy's critical role. Gerakan Mengajar Desa Indonesia's reliance on private funding shows a linear correlation between funding diversification extent and sustainability. Striking a balance between diversification and focus while selecting funding sources is essential for sustained organizational success.

## SUGGESTION

- Explore strategies used by NGOs in response to changes in funding sources to gain insights into adaptive organizational behavior.
- Conduct future research projects to assess sustainability and well-being of NGOs considering program effectiveness, community involvement, and financial stability.
- Conduct the analysis about the significance among the variables

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