An Insight into NGO Challenges and the Need for Organisational Capacity Building for Malaysian NGOs

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Abstract — this exploratory research was aimed to examine the need for Organisational Capacity Building for Malaysian Non-Governmental Organisations (NGOs). Six Representatives from six different Malaysian registered NGOs across categories and sizes were involved in the study through a judgmental sampling. These representatives were selected by the researcher from a database secured by a former researcher who conducted a research on NGOs. All participants were involved in In-depth interviews. Responses were analysed through Personal Analysis and Rank Order Data Analysis to answer the research objectives. The findings of this current research indicated that Malaysian NGOs were not of any exception from the global phenomenon of reduction of funds. However, most of the NGOs in this research were able to manage the reduction of funds issue by leveraging on untapped sources of revenues. Besides the issue of reduction of funds, NGOs in Malaysia were also having issues on governance and management. However, all the NGOs believed that Organisational Capacity Building intended to help them be more professional, is able to help them address the issues of management and governance within their organisation. Leadership Skills, Proactive Attitude and Strategic Thinking Skills were the three aspects which are sought after for individual development, whilst Strong Leadership, Clear Organisation Structure and Human Resource Management were the three aspects needed to be implemented in NGOs.

Keywords — Malaysian NGOs; Sustainability for NGOs; Organisational Capacity Building for NGOs; NGO Challenges (key words)

I. INTRODUCTION

In executing their roles, many NGOs are relying heavily on public funds from internal fundraising and external funders or donors (Lewis & Kanji, 2009). These two sources of income since many years are widely accepted as many NGOs are Non-Profit (unlike Social Enterprises and Businesses), as they do not receive funds from the government. However, these two mechanisms, especially relying heavily for funding from external donors, has setbacks for the NGOs and its management in the long run. One of the setbacks that is already happening due to the high growth in NGOs number is the limited funds available for their day-to-day operations and projects (Lekorwe & Mpabanga, 2007).

In responding to the above challenge, NGOs are now expected to show “more professionalism” to sustain themselves. According to Amos-Wilson (1996) and Okorley and Nkumah (2012), a sense of professionalism which involves a proper leadership, accountability (good governance) and good management will help NGOs to stand out from the environment which is becoming more competitive. NGOs that stand out from the rest tend to have higher chance as the funds recipients.

Being more professional for NGOs also means practicing the best practices to address dysfunctionality within NGO operation, which eventually will bring sustainability and bring the organization to the next level. This is in line with Ngeh (2010), an International sustainable development expert, who found a lot of dysfunctionalities within NGO operation to be caused by lack of professionalism.

In improving NGO’s professionalism, management as practice and science need to be introduced through management consultancy and training, which is known as organisational capacity building in NGO context (Šešić, 2011). According to Šešić (2011), organisational capacity building can benefit NGO by equipping it with adequate strategies, techniques, logic for long term goals which are necessary to improve management performance and to address immediate challenges such as fund reduction and operational dysfunction.

A. Problem Statement

It appears that there is a demand for organisational capacity building within NGOs although available funds overall are declining for many.

Malaysian NGOs are not exempted from the above phenomenon just as elsewhere (Bikyamasr, 2012). It is very alarming since Malaysian NGOs have very dynamic roles and a distinct relationship with the government. NGOs in Malaysia tend to interact more with its government counterpart to bring in the best for the country, including bringing in good governance (Alatas, 2003). Hence there is a need to examine this phenomenon in Malaysia further and to equip Malaysian NGOs with the necessary capacities through organisational capacity building.

B. Research Objectives

i) Whether Malaysian NGOs are facing similar phenomenon as in reduction of funds, ii) Whether there is a need for organisational capacity building amongst Malaysian NGOs, iii) what are the areas of organisational capacity building that they (NGOs) are looking for.
C. Research Methodology

Through the primary research, at least six Malaysian registered NGOs across different categories were involved. They were involved in in-depth interviews with the researcher. For the secondary research, it was conducted by examining various information from academic journals, newspaper articles, webpages, NGO websites and foundations’ annual reports. The findings of the secondary research were then used for the structure of this paper’s primary research.

II. LITERATURE REVIEW

A. Definition and Characteristics of NGO

Nowadays the term Non-Governmental Organisation (NGO) is a very common and recognized term to describe organisations which are operating to address various social issues alongside the government (Lewis, 2009).

Despite a great debate about its definition, NGOs are often associated with organisations that exist to focus on relieving various social or political issues through different long- or short-term approaches (Cleary, 1997).

In this paper, NGO is defined as an independent voluntary association of people acting together using different approaches to achieve some common social and/or political purpose, other than illegal activities, for-profit and controlled by government.

B. The Development of NGO

The historical evolution of NGO actually can be traced back to 1945 when the term NGO first coined in article 71 of the UN Charter to differentiate different components or sectors in rebuilding the world which was devastated by the World War II. Since then the growth has never been so remarkable like today.

As of November 2012, the precise number of NGOs worldwide is still incomplete, however, developing countries such as Asia, Africa and Latin America are the home of Southern NGOs (a term which is used to refer to NGOs in developing countries in contrast to NGOs in developed countries which are often referred to as Northern NGOs).

In Malaysia there were 45,830 legal registered NGOs in Malaysia per December 2011 (Jabatan Pendaftaran Pertubuhan Malaysia, 2011). Smaller compared to China and India.

C. Challenges Faced by Southern NGOs

NGOs in developing countries are not an exception from various challenges, which may threaten their sustainability. For this paper, only three prominent challenges are going to be examined further for primary research of this paper. Namely these three challenges are: i) Reduction of funds issue, ii) governance issues and iii) management issues.

1) Reduction of Funds

The most prominent challenge is the phenomenon of reductions of funds from foreign donors due to i) recession, ii) skepticism and the need for accountability, and iii) the fact that the recipient countries have been economically better.

Regardless of the reasons, by considering the facts that more than 50% of NGO’s revenue comes from external funders or donors (Salamon et al, 1999) and most of the funds are channeled through NGOs (USAID, 2006, as cited in Werker & Ahmed, 2007), a reduction of funds from foreign donors is a very significant issue for the Southern NGOs which heavily rely on international funds to support their projects and to sustain themselves.

Nowadays, NGOs from developing countries are expressing difficulty in finding sufficient, appropriate and continuous funding for their work.

Recession and ongoing economic volatility is one of the reasons why international aid funding is reduced (Nuffield Foundation, 2012; Global Humanitarian Assistance, 2012).

Beside recession, the other reasons that cause reduction of funds are i) both government and donors are becoming more sceptical on the effectiveness of aids (Thomas et al., 2011), ii) Many NGOs are unable show accountability of its funds (Edwards & Hulme, 1995) and iii) Many recipients country are becoming economically better, hence donors are starting to stop the funds (Nuffield Foundation, 2012).

In Malaysia, as the regular donors have slowly reduced their funding, Malaysia’s largest to smallest NGOs are currently facing. In responding to this situation, many of the NGOs in Malaysia are expected to think beyond relying on conventional sources of income. Some have started looking for other sources of income to survive this situation. From looking for other sponsors or funders who are not affected from the crisis yet (namely two of them, Gates Foundation and Cherie Blair Foundation) to conducting a small food fair and music concert to self-funding.

2) Governance Issue

The second challenge which is faced by the NGOs is the issue of the lack of good governance. Unlike the first challenge, this challenge is perceived as an internal threat for NGO’s sustainability. Interestingly, although this challenge comes from within the NGO, it has a strong correlation with the first challenge, reduction of the funds (Jepson, 2005). Lack of good governance is one of the reasons why there is a reduction of funds from the donors. In other words, when more and more NGOs are not able to be accountable on how they spent their funds (which indicates a lack of good governance) donors will tend to reduce their contribution to prevent the NGOs in abusing the funds. This is in line with the opinion coined by Edwards and Hulme in 1995 and Edwards in 2000 which found that the failure of NGOs to handle the issue of lack of good governance can affect NGOs’ accountability badly in the long run.

3) Management Issue

The third challenge which happens to be another internal challenge is NGO’s management issues. According to Amos-Wilson (1996) and Okorley and Nkrumah (2012), this internal threat arises because management aspect of NGOs is always
underestimated and gets less emphasis. Beyond the fact that there has been a lack of emphasis given to management aspect of NGO, the fact that many NGOs managers possess a ‘purist’ view which sees NGO should be managed with total distinct management ideas, which challenges the existing way of doing things (mainstream management), worsening the management issues within NGO (Lewis , 2000). This type of mind-set hindrances NGOs to take positive aspects of the existing management aspect and modify it to suit the NGO context. Moreover, this kind of mind-set has led NGOs to face a similar management issues which actually can be avoided in the first place.

4) Organisational Capacity Building for NGOs

By acknowledging the scope and forms of organisational capacity building, it can benefit NGOs by better equipping themselves with adequate strategies, techniques and logic for long term goals which are necessary to accomplish the mission they have set out to fulfill, improve management performance and to address immediate challenges such as fund reduction and operational dysfunction (Sešić, 2011). As NGOs increasingly produce their own funding and develop their own professionalised class, it seems appropriate to expose them to greater market forces beyond donor preferences. In Bangladesh, for example, organisational capacity building has increased NGO’s professionalism. Hence NGOs in Bangladesh have taken up prominent positions within the burgeoning ‘third sector’ alongside the governmental and business sectors (Lewis & Sobhan, 1998)

D. Theoretical Frameworks of Organisational Capacity Building

The writer’s own construction (2013) was designed to address this research paper’s objectives easier. Components of each finding and framework will be adapted and modified to suit with this paper’s needs as well. The purpose of the framework for this paper should enhance NGOs’ adaptability in facing challenges from both external and internal sources through talent and organisational development. In developing its talent, NGOs should focus on developing knowledge and skills on leadership, finance, marketing, management, project management, strategic thinking and human resource management. Besides developing the knowledge and skills, NGOs should also develop its talent attitude. Individuals in NGOs should possess an attitude of an active player that has the ability to effect change and progress (proactive and positive attitude). In developing its organisation, NGOs should focus on establishing and executing best practices in area of human resource management, resource management (to ensure accountability), project management and stakeholder management. Besides establishing those areas, NGOs should be led by strong leadership (strong vision and mission and continuous motivation for its people) and clear organisation structure to address the ambiguity of responsibility which may hinder communication.

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<tr>
<th>Individual Capacity Building</th>
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<tr>
<td>Knowledge and Skills</td>
<td>Establishing and executing best practices in area of:</td>
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<td>1. Leadership</td>
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<td>9. An attitude of an active player that has the ability to effect change and progress (proactive and positive attitude).</td>
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<td>Attitude</td>
<td>NGO should be lead and run by:</td>
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<td>5. Strong leadership</td>
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<td>6. Clear organisation structure</td>
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III. RESEARCH METHODOLOGY

A. Research Design

Exploratory research design was used for this paper. Sample was gathered using personal interview to obtain in-depth interview responses towards the following research questions: i) Whether Malaysian NGOs are facing similar phenomenon as reduction of funds, ii) Whether there is a need for organisational capacity building among Malaysian NGOs, iii) what are the areas of organisational capacity building that they (NGOs) are looking for in Malaysia.

B. Sample Population

Representatives from several Malaysian registered NGOs across categories and sizes were involved through judgmental sampling. However, participants who qualified for this study are those who had a managerial role or an official spokesperson of the organisation which has been established for at least three years, have been receiving aid from donors and operating in the Kuala Lumpur area.

C. Questionnaire Design

The design of the questionnaire involved both qualitative and quantitative questions which were designed to answer this paper’s research questions.

D. Research Procedure

All the participants were selected through judgmental sampling regardless their gender and ethnicity. Participants were called and asked politely by the researcher to participate in this current study. Before the participants agreed and gave consent of voluntary participation, participants were told that the study was designed to answer this paper’s three research questions. Moreover participants were also told that the study was specifically designed for those who at least have a managerial role or was an official spokesperson for the
organisation who has been established at least for three years, have been receiving aid from donors and are operating in Kuala Lumpur area. The complete process was estimated to take approximately 30 minutes or more, depending on the situation.

Besides the conventional method of having a face-to-face interview, this study also applied a contemporary method of having an interview session. This method was through online means. The only difference between the conventional method and this online method was on the medium. The second method was convenient and saved more time, which was very appropriate for participants who had very little free time. The online mediums were Skype and via phone.

IV. RESULTS

The In-depth interviews were conducted with six representatives of Malaysian registered NGOs. Representatives’ responses were analysed through Personal Analysis and Rank Order Data Analysis to answer the research objectives.

Four representatives represented Local NGOs and two represented International NGOs which are registered in Malaysia legally even though they were not registered under the Registrar of Societies. They represented NGOs which have permanent staffs ranged from one paid staff to 160 paid staffs and volunteer staffs ranged from two volunteers to 100 volunteers. They represented NGOs which are focused on Disadvantaged Community, Orphanage, Single Women, and Well-Being of children, elderly, family and special needs children. Their roles were Finance Manager, Fund Raising Manager, Public Relation Director, President and Founder.

A. On the Question as to How Do They Sustain Their Organisations

Their responses on how their organisations sustain themselves were many, however all of the representatives admitted that their organisations utilize both internal efforts and external funding to sustain their organisations. Fundraising and collecting fee from programmes are the most common internal efforts to sustain the organisations. While tapping into individuals’ donation, funds from foundations and funds from international institution such as United Nation’s agency are the most common external funding sources.

B. On the Question as to Whether Malaysian NGOs are Experiencing a Phenomenon of Reduction of Funds

Their responses are one, “yes absolutely”. All representatives believed that NGOs in Malaysia (including theirs) are facing a global phenomenon of reduction of funds due to various reasons. Three of the most common reasons are: i) Recession in the donors’ countries, ii) The need for accountability and skepticism over the effectiveness of aids and iii) the economy situation of the recipients’ countries. Six out of six representatives (100%) pointed at the recession which is taking place in the donors’ countries as the main reason to why there is a reduction of funds globally, including in Malaysia, followed by the need for accountability and skepticism over the effectiveness of aids (Four out of six representatives / 66%) and the economy situation of the recipients’ countries (Two out of six representatives / 33%) respectively.

However, interestingly, even though reduction of funds are generally accepted as an issue within the six NGOs, only two representatives (33%) claimed this issue a troublesome threat for their organisations’ sustainability. The rest of the representatives found the situation manageable. They managed the situation through increasing their internal efforts to sustain themselves. One representative mentioned tapping into Corporate Organisation’s CSR initiative which she believes has not been tapped fully as a new strategy to face the phenomenon of reduction of funds.

C. On the Question as to Whether Malaysian NGOs are also Facing Governance and Management Issues

Similar to the response on the question as to whether Malaysian NGOs are experiencing a phenomenon of reduction of funds, all the representatives responded positively, “Yes absolutely”, to the question, whether Malaysian NGOs are also facing governance and management issues. All six NGOs which are involved in this research acknowledged that they are facing these two issues. Lack of fund management and accountability are two most common problems under governance issues while Leadership, Succession Planning and Fund Raising Management are the common problems under management issues.

D. On the Question on the Idea of Organisational Capacity Building for Malaysian NGOs

Following the previous question, all the representatives agreed that organisational capacity building for Malaysian NGOs will help them become more professional and be able to address various issues within the organisation by implementing various standards and best practices of management and governance.

They also believed that with organisational capacity building they can manage the issue of reduction of funds better. Organisational capacity building can introduce them to other alternatives besides depending on external funds alone. Moreover, organisational capacity building is believed to help respective NGOs to stand up from the rest and have a higher chance to be the fund recipient.

One representative, however, highlighted the importance for every NGO which is operating in Malaysia to implement standards and best practices to help them become more sustainable and more impactful. He also coined an idea to put certain standards or best practices into a legal requirement in establishing an NGO in Malaysia.
E. Areas of Organisational Capacity Building

TABLE A. AREAS OF ORGANISATIONAL CAPACITY BUILDING BASED ON IMPORTANCE

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<tr>
<td>(proactive)</td>
<td>5. Stakeholder management</td>
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<td>9. Marketing</td>
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As shown in the above table, the results and the ranks indicated that Leadership skills is the most important aspect in Malaysian NGOs’ Individual capacity building followed by an attitude of an active player that has the ability to affect change and progress (proactive) and strategic thinking. Leadership skills had left marketing, project management and finance aspect far left behind.

As for organisational capacity building, the results and the ranks indicated that making sure that the NGO is led by strong leadership (direction) is very important in Malaysian NGOs’ Organisational capacity building followed by a clear organisational structure and human resource management. Project management, stakeholder management and resource are of lesser importance for organisational capacity building.

The Importance score was determined by the rank of the aspects and the number of respondents selecting an aspect and rank. From a list of aspects, ranks aspects, first, second, third, etc. Importance was calculated by assigning points to the rank for each aspect, with the highest ranking aspect receiving the highest number of points. For each respondent, a first place rank is assigned the maximum number of points, second place is assigned (Maximum-1), third place is assigned (Maximum-2), etc. Then the points were added to determine the importance.

V. DISCUSSION

A. First Research Question

For the question whether Malaysian's NGOs are facing similar phenomenon as reduction of fund or not, according to this research’s findings, similar to NGOs in other developing countries (Baxi & Saikia 2003; Lekorwe & Mpbanga, 2007; Ottka, 2010; Poverty Eradication Network, n.a; Okorley & Nkrumah, 2012), NGOs in Malaysia were also facing similar phenomenon as reduction of funds due to various reasons. Among the three reasons, recession which took place in the donors’ countries was the most common reason. This finding is line and validating the report published by Global Humanitarian Assistance (2012) which found a correlation between economy situations of the donors’ countries to their contribution. Hence, it is very reasonable to notice a significant reduction of funds in Malaysia due to the recession which is taking place in the donors’ countries.

Interestingly, differ from many cases described by Velaphi (2012), most of the NGOs in this research are able to manage the crisis over lack of funding quite well. It indicates they are adapting toward the situation by leveraging or tapping into other sources of revenues which are not tapped fully.

B. Second Research Question

For the question whether there is a need for organisational capacity building among Malaysian’s NGOs, based on this research it is clear that there is a need for organisational capacity building for NGOs in Malaysia. This finding can be seen as a manifestation of one of few reflections done by Amos-Wilson in 1996, which predicted a higher growth for organisational capacity building among NGOs in the future. Various factors are influencing this growth; some of them are due to increase in management and governance issues within NGOs.

Interestingly, looking at management and governance issues within NGOs it seems there are a lot of similarities between NGOs and other sectors, hence points which pointed by Aksel and Baran (2006) and Matias-Reche, Rubio- Lopez and Rueda-Manzanares (2009) are valid. Namely the similar issues faced by NGOs and other sectors: Leadership, succession planning and accountability.

Professionalism which includes implementing best practices and standards seem able to address issues within NGOs, this professionalism is believed can be developed through organisational capacity building. This finding is aligned with Amos-Wilson (1996) and Okorley and Nkrumah (2012) who found that professionalism would definitely have an effect for an NGO’s leadership, accountability and management.

C. Third Research Question

The findings of this research showed that Leadership Skills, Proactive Attitude and Strategic Thinking Skills were the three aspects which are sought after for individual development, while Strong Leadership, Clear Organisation Structure and Human Resource Management were the three aspects which need to be implemented in NGOs.

Leadership seems to be the most important area to be developed further for NGOs and its people. This is in line with to Okorley and Nkrumah (2012); Lekorwe and Mpbanga(2007) and Aksel and Baran (2006). The finding tried to communicate the fundamental role of leadership in addressing other challenges within NGO including funding issues, management issues, governance issues and sense of direction.
D. Implication

The implication of this current research is for Malaysian NGOs to be aware of the phenomenon of Reduction of Funds which are happening globally due to various reasons, Governance issues as well as Management Issues. NGOs are expected to be agile and adapt to the situation. Few NGOs in this research have proven the key for NGO’s sustainability is to always adapt with the environment even though there are still many issues around which may threaten its sustainability.

Another way to ensure its sustainability, NGOs can look for Organisational Capacity Building. Organisational capacity building can benefit NGO by equipping it with adequate strategies, techniques and logic for long-term goals which are necessary. Moreover, the findings of this research can facilitate NGOs who want to do a Training Needs Analysis to find the areas that need to be developed further. They can look first at their Leadership qualities within their people and leadership components within their organisation.

E. Conclusion

In conclusion, the findings of this current research indicated that Malaysian NGOs were not an exception from the global phenomenon of reduction of funds. However, most of the NGOs in this research were able to manage the reduction of funds issue by leveraging on untapped source of revenues. Beside the issue of reduction of funds, NGOs in Malaysia were also having issues on governance and management. However, all the NGOs believed that Organisational Capacity Building intended to help them become more professional is able to help them address the issues within their organisations. Leadership Skills, Proactive Attitude and Strategic Thinking Skills were the three aspects which are sought for individual development, while Strong Leadership, Clear Organisation Structure and Human Resource Management were the three aspects needed to be implemented in NGOs.

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