



## SUSTAINABLE DEVELOPMENT IN SOUTH AFRICA



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# **SUSTAINABLE DEVELOPMENT IN SOUTH AFRICA:**

*How to run successful income-generating projects in women-  
led community-based organisations.*

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# Foreword

This thesis is written as part of the internship program for a Bachelor of Business Administration at Hogeschool Utrecht, University of Applied Sciences in Utrecht, The Netherlands. The main part of this thesis was done in Cape Town, South Africa, at WHEAT Women's Fund, also known as WHEAT Trust, between October 2013 and April 2014. I remain immensely grateful for this organisation to have allowed me to do my internship with them and supporting this research. Not only for allowing me to use the resources at the organisation to achieve my goal, but also for sharing their knowledge with me and introducing me in a completely different culture.

Although I would like to extent my gratitude to the full staff of WHEAT Trust, in particular, I would like to pay special thanks to my company supervisor Celeste Fortuin for guiding me through the process and who encouraged me to continuously challenge myself and constantly assured me that I was on the right track. Besides the fact that I hope that my research has contributed something of value to the organisation and consequently to the organisation's WHEAT Trust supports, I myself have learned so many new things and developed myself so much more, that I will treasure this experience forever.

In addition, I would like to extent my deepest appreciation to my supervising lecturer and mentor from Hogeschool Utrecht, Gerbrand Rustenburg, for his tireless efforts to guide and support me. Providing me with valuable insights and directions he gave me needful guidance to complete the research and write this thesis.

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## Executive Summary

WHEAT Trust is a small organisation which provides financial and other resources to small community-based organisations (CBOs) and women to support local, rural and national initiatives throughout South Africa that would otherwise not have been able to access these on their own. Some of those organisations run income-generating projects (IGPs). WHEAT Trust tries to assist them in becoming successful and self-sustainable organisations, but would like to uphold a more structured conceptual and program framework for sustainable development and empowerment in local context.

This report therefore tries to answer the following question:

*“What should a standardised business model look like for the income-generating community-based organisations WHEAT Trust provides grants to in order to create a more efficient and unified approach to contribute to the sustainable development of low-income communities in South Africa?”*

In order to answer this research question, it is imperative to gain an understanding of the social and cultural phenomena the target group has to deal with. For this purpose, qualitative research is the main strategy used and field research has been conducted among a representative group of CBOs that WHEAT Trust supports.

A set of common problems as experienced by the CBOs were identified and include the following: lack of support from the government; lack of funding and access to credit; marketing; competition; financial management and absence of records; and lack of leadership and planning.

From the research it can also be concluded that the grants provided by WHEAT Trust allow the organisations to overcome financial obstacles, thereby acting as an ‘unlocking’ factor. Whether this is to help an organisation starting a project or to help them grow. More importantly however, all the projects appear to be functioning as a form of empowerment. The women involved in the projects are gaining skills, earning an income and consequently become more confident. Often, women involved in these projects receive the attention, space, tools and

means with which to express and establish themselves as strong individuals and women. Together, the women form bonds amongst each other as well, resulting in much needed emotional support. It is therefore important to note that the effects of the grant making by WHEAT Trust are not solely financial. There are also ‘qualitative effects’, which at some point result in quantitative (financial) effects again.

Research has indicated however that a standardised business model does not exist due to the fact that it has to be adjusted to fit the specific context and application. Nonetheless, there are some imperative elements which are found in the development of any existing self-reliant business model. Most important is the development of a *strategic plan* which helps to dictate a course of action or direction for the future and the best way to go about this and most commonly used is to develop a *business plan*.

Despite the fact that a variety of tools and strategies already exist to guide CBOs in the successful implementation of their IGPs, unfortunately, most of these tools are not applicable to the nice market that WHEAT Trust serves – where limited to no resources are available to support them – or they tend to be overly complicated for the target audience.

The researcher has therefore developed a template, adjusted to the target audience, which allows for a structured development of a business plan and consequently an appropriate business model. This would still contribute to a more efficient and unified approach to contribute to the sustainable development of low-income communities in South Africa. The business plan furthermore forces the CBOs to carry out market research, come up with a tangible market strategy, examine existing competition and requires the CBOs to create basic financial records. Guidance on how to create a proper business plan therefore immediately deals with the main problems experienced by the CBOs WHEAT Trust supports. Due to its thorough and flexible nature, it does not only deal with the main problems identified, but in fact leaves enough space to deal with other problems as well.

There are several ways WHEAT Trust could start using and implementing the business plan template with their grantees. Recommendations include: piloting the model; adding it to the application criteria for a grant; introducing a platform for networking for CBOs stimulating peer learning; making the business plan requirement dependent on the type of grant (the higher the grant, the higher the requirement); and by creating an e-community for the illiterate.

## Glossary of Terms

CBO	Community Based Organisation
DTI	Department of Trade and Industry
DSD	Department of Social Development
HSRC	Human Sciences Research Council
IGA	Income-Generating Activity
IGP	Income-Generating Project
IT	Information Technology
NEF	National Empowerment Fund
NGO	Non-Government Organisation
NPO	Non-Profit Organisation
OUP	Oxford University Press
PLA methods	Participatory, Learning and Action methods
SAB	South African Breweries
SCORE	Service Corps of Retired Executives
SEDA	Small Enterprise Development Agency
SME	Small and Medium Enterprise
USP	Unique Selling Point
WHEAT Trust	Women's Hope Education and Training Trust
ZAR	South African Rand (1 EUR = 14,40 ZAR*)

\*According to Reuters on June 1<sup>st</sup>, 2014.

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# 1. Introduction

WHEAT Women's Fund was founded on August 9, 1998 as Women's Hope Education and Training (WHEAT) Trust. WHEAT Trust invests in education, training and capacity building to foster women's leadership and to empower women to uplift themselves and their communities and to reduce their dependence on the government to find solutions to their problems. As an African Feminist Women's organisation, WHEAT Trust continues to strive for a world in which there is social justice, equality and respect for human rights for women. It is their vision to contribute to a society where all women have access to education, training and sustainable incomes. WHEAT Trust tries to achieve this through promoting a culture of giving, and channelling the support of others to help achieve that. It provides financial and other resources to small community-based organisations (CBOs) and women to support local, rural and national initiatives throughout South Africa that would otherwise not have been able to access these on their own.

WHEAT Trust's grants department is the soul of the company. Through the provision of grants to community women, WHEAT Trust hopes to capacitate women, strengthen them as confident, independent and assertive leaders who can make a difference in their communities and develop a learning culture in their homes and local communities. In order to build successful and sustainable CBOs, WHEAT Trust does not only support these organisations financially, but also when they need to learn new skills that would promote their outreach in a more professional and visible manner.

Applications for grants are open to all women-led groups/organisations throughout the nine provinces of South Africa. Although applications are accepted throughout the year, WHEAT provides grants in three cycles during the year, namely: up to February, up to June and up to September. However, when funds are limited, some applications may be moved to the next cycle to be accommodated. Similarly, when funds do permit it, specific calls for applications can be made periodically.

WHEAT Trust receives its funds from various sponsors, both locally and internationally. Although the main donations come from South Africa itself. These donations are either

received from individual or corporate givings, the latter being the main source of funding for WHEAT.

Currently there are four types of grants WHEAT works with, namely:

<b>Basic Grant</b> (R1,000 – R5,000)	This grant facilitates a process where low income women’s groups/organisations can make a living through small sustainable business enterprises and is focused on bringing women into the economy.
<b>Seed Funding Grant</b> (R5,000 – R20,000)	This grant exists for growing CBOs through technical assistance. It is given to capacitate and enable training for women’s groups/organisations working with violence against women to formalize their CBOs, register them and develop them to the stage that they can apply for formal funding. This may involve multi-granting over a period of time.
<b>Women in Leadership Grant</b> (R5,000 – R20,000)	This grant is available for capacity building through education and training. It is provided to capacitate grass root women to achieve leadership positions in their communities and in their organisations.
<b>Other</b>	Specific calls for grants will always be taken into consideration. When funds permit it and it does comply with the funding areas, support will be given.

As mentioned before, WHEAT’s grants can be accessed by marginalized women from rural, peri-urban areas and townships. It has established some priority funding areas, however. These include:

- HIV and AIDS – prevention, treatment, care and support.
- Sexual and reproductive health/rights for women.
- Sustainable income for women.
- Gender-based violence.
- Refugee women and migrant rights.
- Lesbian women’s groups.
- Environmental sustainability.

Over the past 15 years, WHEAT has supported more than 1,200 organisations. On average, it supports 62 different organisations annually. The difference can be explained by multi- versus single-granting. Some organisations apply for and receive more than just one grant. This is

always spread out over different cycles. As long as the organisations meet the criteria however, there is no maximum stipulated for which they can apply.

### **1.1 Importance of the Research**

WHEAT Trust is a small organisation, which, apart from a key team of eight people for the main functions of the business, is mainly dependent upon the help of volunteers and interns. Though it is great that there are so many people which support the organisation, these volunteers and interns come and go. Many of them which have different backgrounds. As there are many different kinds of CBOs that WHEAT supports, WHEAT actually benefits from this. However, when it comes to the income generating projects (IGPs), even the people with a similar background in business uphold different approaches when it comes to supporting the CBOs with the problems they are experiencing in any area of their organisation.

A standardized business model, which could be used as a guideline for the successful operation of all income generating CBOs, would not only improve the efficiency of WHEAT Trust, as it would not need to create a brand new plan from scratch every time one of the grantees is experiencing problems and thus could use this time for other activities and draw greater benefits from the valuable help of the interns and volunteers, but it would also be beneficial for the CBOs itself as WHEAT Trust tries to create sustainable organisations and the continuity of their business is much better safeguarded when there is one clear policy which can be followed, instead of having to deal with different guidelines every time there are new volunteers and interns.

### **1.2 Research Question**

Based on the above, the research question is:

*“What should a standardised business model look like for the income-generating community-based organisations WHEAT Trust provides grants to in order to create a more efficient and unified approach to contribute to the sustainable development of low-income communities in South Africa?”*

In order to support the research and to get the answer to this main research question, the following sub-questions will be used:

1. What are common problems the small income-generating CBOs are experiencing?
2. What is happening to the money these emerging organisations receive and what is the impact of this grant-making?
3. Which business models are available for community-based organisations?
4. Does the model leave a sufficient amount of space to deal with problems other than the main ones identified?

### **1.3 Audience**

Although the beneficiaries of the results and products forthcoming out of this research is both WHEAT Trust and the CBOs that they support, ultimately the real target audience are the CBOs which are either already running IGPs or considering to start one. More specifically, this translates to marginalized and uneducated women from rural, peri-urban areas and townships. Despite the fact that these women lack the necessary tools and knowledge to function effectively and establish successful IGPs to provide for themselves, their families and/or their community, they tend to be very eager and willing. Limiting institutional context and unable to access any of the existing support networks, this research hopefully contributes to a structured conceptual and program framework for sustainable development and empowerment in local context.

As it is unrealistic to expect unsophisticated, rural women at grass root level to understand the cultural and product requirements of a (sophisticated) market, such as producing products that can be marketable, without any support, the aim of this research is the transfer of knowledge and information, which allow these women to make enlightened decisions and prosper.

## 1.4 Outline of the Research Report

This report will be structured as follows:

- *Chapter 1: Introduction*

This chapter presents background information on the company for whom the research was carried out and provides some background information on the research topic in general. It furthermore outlines the rationale for the research and its guiding research questions. To finish, it describes the audience for whom the research was carried out and how this research hopefully fulfils their needs.

- *Chapter 2: Literature Review*

This chapter explores what is already known about the research problem. What concepts, theories, ideas and models play a role, and how these are defined in literature.

- *Chapter 3: Research Method Strategy*

Chapter three focuses on the research strategy used throughout the study. More specifically, it focuses on the nature of the orientation; the data collection and data analysis process; the target population studied and sampling methods used; any restrictions, limitations but also delimitations that affected the research; and ultimately all ethical considerations for the research.

- *Chapter 4: Findings*

This section presents the main results and data the researcher uncovered while addressing the sub-questions, in order to gradually come to a conclusion for the central research question.

- *Chapter 5: Discussion*

This chapter provides information and knowledge on the topic of this research, which contributes to a better understanding of the overall situation. It also discusses some of the findings as presented in Chapter 4.

- *Chapter 6: Conclusion*

By answering the sub-questions, this chapter presents the conclusion for the central research question of this report.

- *Chapter 7: Recommendations*

This chapter provides advice and offers several suggestions on how to implement the results of this study.

## 2. Literature Review

Although South Africa is 20 years past apartheid, its impact is still felt particularly by those who were disadvantaged by the system such as the women and the poor. Women in South Africa are poor because they are marginalised, discriminated against and excluded from social, economic and political processes (Van Niekerk & Van Niekerk, 2009). The freedoms of women are constrained by their denial of access to employment, productive resources therefore confining them to dependency, poverty and disempowerment. Women agency, defined as “*the ability to define one’s goals and act upon them*” (Kabeer, 1999, p.438), can occur when women are empowered through education, participation in economic and political initiatives, etc. This impacts positively on equality and enhances the participation of women in public action.

South Africa has been embarking on socio-economic development and growth so as to right the wrong of the disempowering system, to facilitate the empowerment of women and hence improve their standards of living (May, 2000). According to May (2000), the reality of poor black and coloured women in South Africa is that of limited access to resources, opportunities and education as well as access to growth and wealth of the country. Furthermore women are constrained from finding employment by their traditional roles of taking care of the family, a lack of appropriate skills and limited employment prospects.

Van Niekerk and Van Niekerk (2009) argue that poverty, lack of employment opportunities and limited income are the driving forces behind the women starting income generating projects. According to Oberhauser and Pratt (2004) women are forming collective economic projects that empower them economically and enhance their financial freedom. Women become entrepreneurs so as to address their financial challenges they have at home hence entrepreneurship provides a means through which the women can address their challenges thereby meeting their needs and those of their families.

According to Herrington, Kew and Kew (2011), there are two types of entrepreneurs: the necessity entrepreneurs and the opportunity entrepreneurs. The survival of small business enterprises is dependent on the type of the entrepreneur. Necessity entrepreneurs are those who are pushed by circumstances to engage in self-employment whereas the opportunity entrepreneurs are those who see an opportunity, a gap and hence choose to be self-employed

as a way of exploiting the gap. Therefore, in some instances women have been driven not only by economic incentives but also by the need to make a difference in their communities (Oberhauser & Pratt, 2004).

No matter how you look at it, small business enterprises are key means towards the economic emancipation of women (Mosedale, 2002). But besides the abovementioned constraints, obstacles faced by women owned enterprises include: lack of access to financial resources; lack of access to lucrative markets; poor marketing and branding; inadequate planning; lack of access to suitable working space; lack of business management skills and abilities; inadequate, inaccurate and non-existent financial records, and; lack of on-going business support (Chigunta, 2002).

The major challenge facing women owned enterprises is lack of access to financial resources to grow their business projects (Chigunta, 2002). The cultural dynamics at play in the lives of women limit their access to assets. Without assets they are unable to seek financial assistance from the mainstream financial system. Furthermore women owned enterprises are said to be low on human capital. The women have none to minimal knowledge regarding the development of business plans, budgeting, time management, managing and reducing costs, stock control techniques and marketing. All these impact negatively on the running of the business projects and there is therefore need for capacity building in the following: skills training, business counselling, mentor support, access to working space, business expansion support and creating support networks (Chigunta, 2002).

In terms of policies, the government of South Africa has put in place a number of policies as well as programmes to support small businesses. The White Paper on 'National Strategy for the Development and Promotion of Small Business in South Africa' was implemented in 1995 by the Department of Trade and Industry (DTI) (2008). The White Paper, mainly sought to target women as the most disadvantaged group.

The DTI also has in place 'The Draft Strategic Framework on Gender and Women's Economic Empowerment'. This policy framework seeks to accelerate the empowerment of women through several interventions. These interventions focus on growing and supporting women entrepreneurship through financial assistance and capacity building with the aim of assisting women entrepreneurs and improve the quality their of initiatives (DTI, 2007). The Department

of Trade and Industry has since established a range of institutions that mainly focus on the promotion of small businesses, which among others include: Khula Enterprise Finance Ltd., a micro-financing institution for Small and Medium Enterprises (SMEs) that provides assistance through various delivery channels like commercial banks, retail financial intermediaries and micro credit outlets. Khula also provides mentorship services (DTI, 2007a). The third institution is Ntsika Enterprise Promotion Agency, which was established to provide non-financial support through a national network of local business support centres.

Jansen, Steenbakkens and Jagers (2007) describe how 'when searching the web in May 2000, 107,000 references to the term 'business model' were found. In June 2004, 2,130,000 mentions were found on Google, while in July 2006 the number of references increased to 602,000,000. The popularity of the concept of business model has grown at a steady pace with the opportunities for businesses to profit from the changing environment, developments in information technology (IT) and the Internet. Few concepts in business today are as widely discussed and as seldom systematically researched as the concept of business models'.

Additionally, they emphasize how 'business opportunities are there to be exploited if organisations opt for an effective business model. But managers, consultants and academic researchers remain unsure of what type of business model to adopt, and in which situations it will be effective. It is important to realise that there is not just one effective business model. Specific contexts, such as different organisational environments and strategies for added value may lead to different forms of effective business models' (Jansen et al., 2007).

A good starting point in order to be able to create an effective business model is to fully understand what a business model exactly is. Despite the fact that there are so many different definitions out there, the one from Ethiraj, Guler and Singh (2002) seems to be rather comprehensive:

*A business model is a unique configuration of elements that consist of the strategy, processes, technologies, and the governance of the organisation. This configuration is formed to create value for the customers and thus to compete successfully in a particular market.*

Ethiraj et al. (2002) furthermore state that 'the challenge when creating a business model is that the concept must be simple, relevant, and intuitively understandable, while not oversimplifying

the complexities of how enterprises function. A structured SWOT assessment of a business model is therefore imperative. It provides a snapshot of where the organisation is at now (strengths and weaknesses) and it suggests some future trajectories (opportunities and threats). This is valuable input that can help design new business model options. SWOT analysis is thus a significant part of the process of designing both business model prototypes and a new business model that eventually can be implemented´.

According to Logue (2011) ´companies and people in emerging markets are tough (the term *developing markets* includes emerging, frontiers, and pre-emerging markets). They have had to work to overcome crises and hardships that barely register in the developed world. They have had to fight for attention on a crowded world stage, but the potential is real in these developing markets´.

Osterwalder and Pigneur (2010) claim that ´prototyping is another powerful tool for developing new, innovative business models. Like visual thinking, it makes abstract concepts tangible and facilitates the exploration of new ideas. While it is less common in business management because of the less tangible nature of organisational behaviour and strategy, it has gained traction. It can take the form of a simple sketch or a fully thought-through concept. Making and manipulating a business model prototype forces one to address issues of structure, relationships and logic in ways unavailable through mere thought and discussion. Only after deep inquiry can an effectively business model be picked to be refined and executed´.

The fact that such a substantial body of literature has been published on the subject of business models is a clear sign of the significance that is attributed to the concept.

### **3. Research Method Strategy**

In chapter 1.2 the main research question for this paper was presented. The sub-questions help to come to a conclusion and answer the central question. At the same time, the sub-questions allow for a structured way of carrying out the research as they function as guidelines. They help in finding useful information and creating a better and complete understanding by tackling the situation bit by bit. All sub-questions will therefore be discussed individually, supported by the use of desk and field research, most of which will be qualitative research, including interviews.

The research will be conducted in several stages. In order to achieve higher validity of the results through triangulation (Guion, Diehl & McDonald, 2013), different research methods will be used in the different stages of the research.

#### **3.1 Orientation**

According to a journal from Oxford University Press (OUP) (2013, Ch. 14, p. 196) on research methods, 'qualitative research is the method of choice when the research question requires an understanding of processes, events and relationships in the context of the social and cultural situation. Instead of generating numerical data supporting or refuting clear cut hypotheses, qualitative research aims to produce factual descriptions based on face-to-face knowledge of individuals and social groups in their natural setting. Qualitative research is useful for obtaining insight into situations and problems concerning which one may have little knowledge of'.

In order to answer the main research question, it is imperative to gain an understanding of the social and cultural phenomena the target group has to deal with. Experiences, meanings and views of the women from community-based organisations involved in income generating projects is invaluable and essential throughout the research. Close collaboration took place to identify problems they are experiencing and opportunities to overcome these. For this purpose, qualitative research is the main strategy used.

## 3.2 Data Collection

### 3.2.1 Desk Research

Desk research (or secondary research) is a vital component of the study and continued throughout the entire research process to collect and examine (up to date) information on the economic environment in South Africa, the position of women in this context, common problems among non-profit organisations and existing business models.

For this purpose, a wide variety of sources have been used to help gain a well-rounded collection of views and to avoid ending up with a limited, biased report. It furthermore enabled the author to develop an independent and well-informed conclusion. Despite the fact that ‘the use of secondary research offers many significant advantages to the researcher, it is important to acknowledge the fact that it comes with some limitations as well. It is consequently important for the researcher to identify, reduce, and manage the disadvantages that are accompanied by the use of secondary research’ (Prescott, 2008). The table below provides an overview from the advantages and disadvantages of desk research.

<b>Desk Research</b>	
<i>Advantages</i>	<i>Disadvantages</i>
Ease of access	Quality of research: validity and reliability
Low cost to acquire	Not specific to researcher’s needs
Clarification of research question/focus	Incomplete information due to fees for full research reports
May answer research question	Out-of-date information due to fast changing markets and industries
May show difficulties in conducting primary research	

**Table 1:** Advantages and Disadvantages of Desk Research. Source: <http://prosandconsofsecondaryresearch.blogspot.nl/>

### 3.2.2 Field Research

In addition to necessary desk research, the study made use of surveys, (one-to-one) in depth interviews and a close working relationship during the time of the study.

During the first month of the research, eight semi-structured interviews were held with the founders of eight different organisations. All eight organisations had been contacted by phone

beforehand to give the possible respondents a briefing on the study, its purpose, objectives and its possible benefits.

The researcher has designed a semi-structured interview schedule as a guide for the interviewing process. Semi-structured interviews are organized around areas that are of interest to the study while enabling flexibility and depth. The interview schedule was designed with the main questions linked to the study objectives. The semi-structured interview schedule is not designed to be followed rigidly by the researcher but to give direction to the interview. (See appendix 1)

Face-to-face interviews provide a more effective method of research and create an environment where participants are likely to speak more frankly and openly. They also allow the researcher to clarify issues and also seek follow up information. All eight interviews were held at the participants' business premise and the questions used in the interview were simple and clear, to ensure that the questions were correctly understood. This way it can be secured that the research measures what it intends to measure and its internal validity will be ensured.

To prepare for the interviews, the researcher gave consideration to the way she was dressed and the tone of language used during the interviews. The aim was for the women of the organisations to feel comfortable enough with the researcher to share their story and to be willing to work together for a longer period of time. This considerations were of particular importance since the researcher did not want come across like a woman from the West trying to tell these people how it is done.

To the first eight interviews a colleague from the WHEAT Trust accompanied the researcher to make sure the organisations would feel comfortable enough opening their doors to an outsider and to support and introduce the researcher into a completely new environment. Although the researcher led the interviews, for one of the visits, the colleague functioned as a translator, as the women from that specific organisation only spoke Xhosa, one of the 11 official languages spoken in South Africa. Whenever additional contact took place between this organisation and the researcher, one of the founder's daughters would be present to translate.

For one of the other organisations, communication was somewhat limited as the founder

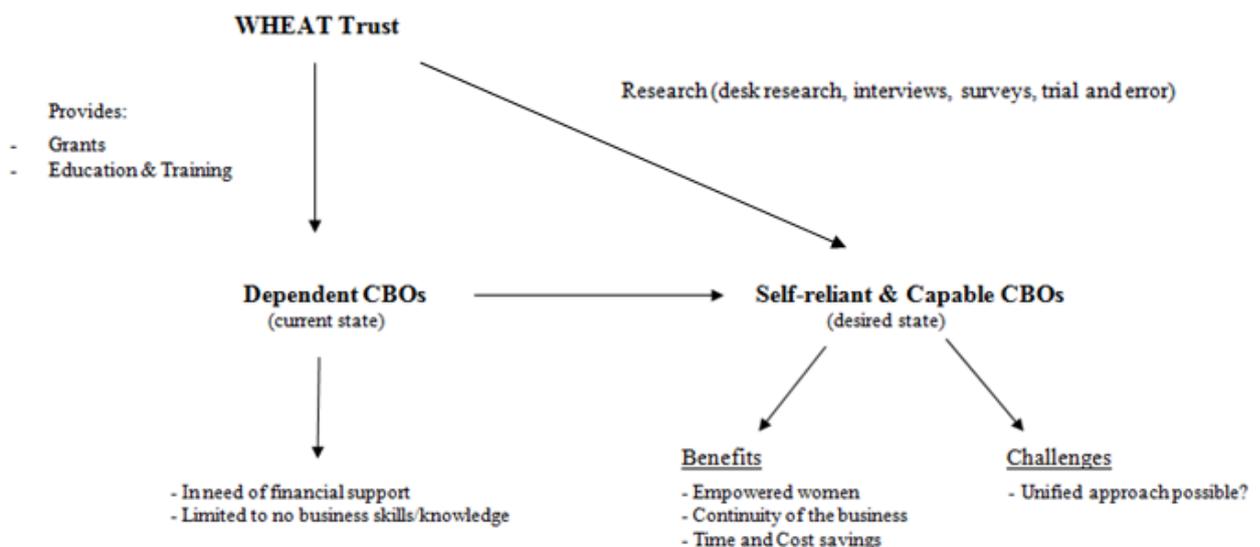
happened to be deaf. With the help of her daughter and sign language, the researcher was still able to establish a proper work relationship.

For all eight interviews the researcher made use of a digital recorder as a data recording aid. This enabled her to pay full attention to the respondents while taking note of body language and any non-verbal communication during the interview process.

After the initial familiarization phase it is important to gain more knowledge and a better and deeper understanding on the roots of those problems. Which relationships, patterns, trends, etc. do exist? From the initial eight organisations that had been interviewed to get a general impression of the problems experienced by the CBOs running IGP, five of them were selected to continue working with on a regular base. Contact took place via e-mail, phone and in person either at the WHEAT office or at the participants’ business premise, which usually was in their own home in a township.

### 3.2.3 Conceptual Model

While carrying out the research, the conceptual model as presented in figure 1 functioned as a guiding instrument to gather and analyse data.



**Figure 1:** Conceptual Model Sustainable Development in South Africa. Source: Self-made.

Table 2 summarises the research methods used for each sub-question.

	<b>Qualitative Field Research</b>	<b>Quantitative Field Research</b>	<b>Desk Research</b>
<b>Sub-question 1</b> <i>What are common problems the small income generating CBOs are experiencing and can a unified approach be used to overcome them?</i>	✓		✓
<b>Sub-question 2</b> <i>What is happening to the money these emerging organisations receive and what is the impact of this grant-making?</i>	✓	✓	
<b>Sub-question 3</b> Which business models are available for non-profit organisations?	✓		✓
<b>Sub-question 4</b> <i>Does the standardised business model leave a sufficient amount of space to deal with problems other than the main ones identified?</i>	✓		

**Table 2:** Applied Researches Sustainable Development in South Africa. Source: Self-made.

### 3.3 Data Analysis

Interviews, discussions, ideas, expressions, interactions noticed, field notes, experiences, viewpoints and data which is available in literature are all units of analysis. In order to explain, understand or interpret the data it is essential to identify key variables and the connections between them. The researcher tried to do so by separating or categorising information according to themes.

For the purpose of the research, not only the data, but the perceptions, attitudes, feelings and experiences from participants had to be analysed as well. In line with the semi-structured interview, preliminary analysis allow the researcher to redesign questions when deemed appropriate.

Drawing conclusions is essential when analysing data. In order to test and/or confirm the findings, the researcher has used some of the following strategies as outlined by OUP (2013, Ch. 14, p. 209):

1. *Checking for representativeness of data.*  
Making sure that all categories of informants had been interviewed in order to get a complete picture and avoiding the pitfall of generalizing from unrepresentative data or events.
2. *Checking for bias.*  
Checking for bias related to the researcher, the informant, or the effect of the researcher on the local situation.
3. *Crosschecking data with evidence from other independent sources.*  
This included looking for independent evidence or counter evidence. Examples include: using different independent informants, using different research techniques to investigate the same topic and using the findings of other similar research studies.
4. *Comparing and contrasting data.*  
To identify the more important variables as well as confirming associations between variables with existing literature.
5. *Doing additional research to test the findings of the study.*  
Trying to replicate the more important findings, to rule out or identify intervening variables, rule out rival explanations and to look actively for negative evidence.
6. *Getting feedback from the informants.*

### **3.4 Population and Sampling**

The field research has been conducted among various CBOs that WHEAT Trust supports and which are running IGPs. Though probability (or random) sampling is preferred, due to the fact that WHEAT Trust is active throughout the nine provinces of South Africa – see figure 2 for a map – and both funds and time to travel were limited, systematic non-probabilistic sampling and theoretical sampling have been used. Systematic non-probabilistic sampling allows ‘to identify specific groups of representative people who live in circumstances relevant to the phenomenon being studied. Theoretical sampling is a form of non-probability sampling in which the objective of developing a theory or explanation guides the process of sampling and data collection. The researcher makes an initial selection of informants: collects and analyses the data and produces a preliminary explanation. After that and based on this explanation the researcher decides what further data to collect and from whom. Once these new data are analysed the theory is refined, and which in turn guides the next round of data collection’ (OUP, 2013, Ch. 14, p. 198).



Figure 2: South Africa and its Provinces. Source: <http://www.places.co.za>

The eight CBOs that have been interviewed during the first month of the study were all selected from the Western Cape area, as this was still within relative travel distance by car but provided a better general understanding of key issues than when only focusing on organisations in Cape Town (which was the home base of the researcher during the study). The eight organisations that were initially interviewed were:

1. Thembaletu Blocks
2. Arise and Shine Disabled Community Project
3. Bethel Women’s Project
4. Masiphumelele Women’s Support Group Network
5. Lathithaa Baking Project
6. Citrusdal Clothing & Art

7. iGaba Consulting
8. Happy Pet

From those eight organisations that had been interviewed to get a general impression of the main problems experienced, five of them have been selected to continue working with on a regular base. These are the first five of the list above and were all situated in or around Cape Town. In figure 3 those organisations have been marked with a red cross. The black cross represents where WHEAT Trust is located.

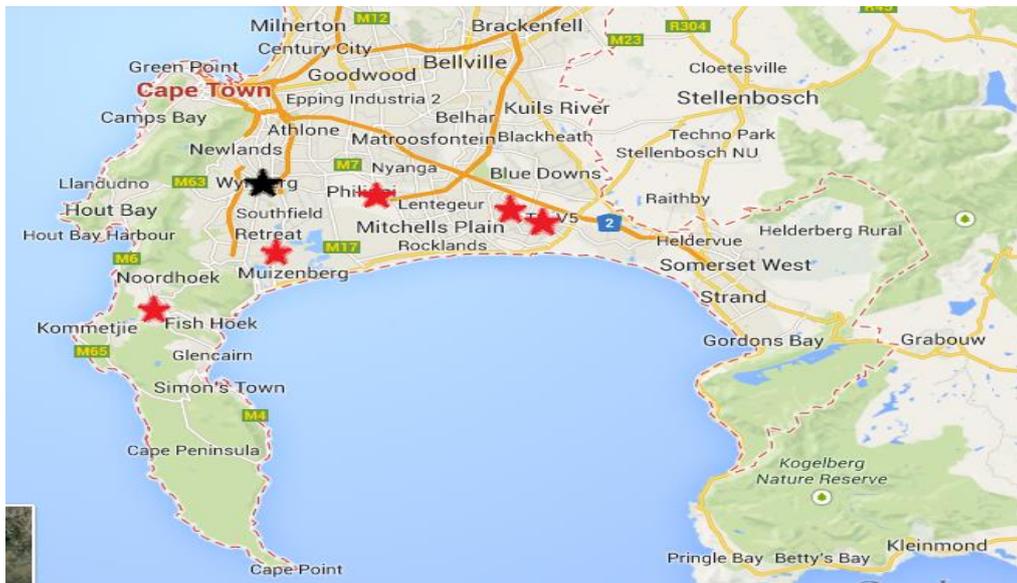


Figure 3: South Africa and its Provinces. Source: <http://www.maps.google.com/>

The population of the study differs per CBO, but initially included all employees. Once it was known which specific departments were in need of help and who the exact people were that are familiar with the problem, purposive sampling has been used as it allowed the researcher to use her own judgement to select the cases that best enabled the answering of the research question.

### 3.5 (De)Limitations

The scope of the research is restricted to WHEAT Trust and the CBOs it chooses to support based on criteria it maintains. The results from the study will therefore not be generalizable for all CBOs in South Africa or other countries, for that matter.

The main limitation this research posed was the time frame. As the research question is fairly extensive and the time available was a mere five months, without compromising the sample size and the quality, the researcher would have liked to assist more CBOs and more employees within the selected CBOs while implementing the results of the research.

### **3.6 Ethical Considerations**

*“Ethics are a set of moral principles that are widely accepted and offer rules and behavioural expectations about the most correct conduct towards experimental subjects and respondent, employers, researchers...”*

De Vos, Stydom, Fouché and Delpont (2011) identify as key ethical considerations: harm to subjects, informed consent, deception of subjects, confidentiality and publication of research findings. The research will take into account the following ethical considerations:

#### **3.6.1 Informed Consent**

With the assistance of WHEAT Trust, the researcher has approached business owners who met the selection criteria by phone to request their participation in the study. The researcher made known to the potential participants the nature and reasons for the research and the first eight organisations which were interested in participating in the study formed the sample. The researcher informed the respondents beforehand of the general nature of the research so that they could make an informed decision about whether to participate in the research or not. The researcher, at first contact with the respondent availed all information verbally pertaining to the study, its purpose, main objectives as well as its possible potential. This enabled the respondents to make informed decisions with regard to participating or not in the study.

In addition, the researcher had to get consent to use a tape recorder for the initial eight interviews, to capture the whole interview for the purpose of paying full attention to the participants. Permission to use the tape recorder was sought at point of first contact with the respondents.

### 3.6.2 Voluntary Participation

Participation in the study was voluntary and under no circumstances were the subjects coerced into participation. The respondents were told before the interview that participation is strictly voluntary. The researcher did not coerce or entice participation in the study.

### 3.6.3 Privacy, Anonymity and Confidentiality

For participants to open up about issues under study it is imperative that privacy, confidentiality and anonymity (if desired) are adhered to. This not only assists participants to open up but they also share openly knowing that what they are sharing will not be used against them and that their identities will remain protected. The recorded interview will therefore only be shared by the respondents, the researcher and the researcher's supervisor. The researcher furthermore enquired about the respondents wish to remain anonymous or not. In addition, before every interview the researcher made it known to the participants that whatever information is shared will remain confidential.

### 3.6.4 Deceiving Subjects

The researcher has been as open and honest as possible with respondents on issues pertaining to the study and its purpose. Under no circumstances has the researcher used any deceptive means to acquire information for the study.

## 4. Findings

As mentioned before, the sub-questions as presented in chapter 1.2 help in finding useful information and creating a better and complete understanding by tackling the situation bit by bit. They help to come to a conclusion and answer the central research question. This section will therefore discuss the findings of each sub-question individually.

### 4.1 Common Problems Experienced

For the first sub-question qualitative desk and field research were used and answers the following question:

*What are common problems the small income-generating CBOs are experiencing?*

Although apparent reasons for failure include factors at a macro level, which the researcher unfortunately cannot change, there are definitely problems which the researcher could assist in. Because while it is important for these projects to operate independently, it is, as explained by Trollip (2001) and Menyuko (2011, p.18) 'unrealistic to expect unsophisticated, rural women to understand the cultural and product requirements of a (sophisticated) market, such as producing products that can be marketable. Therefore, they would not be able to function effectively without some type of assistance, at least at the beginning of such projects'. Besides this, as emphasised by Burkey (1993) and outlined by Menyuko (2011, p. 103), 'the self-reliant participatory development process normally requires an external catalyst to facilitate the start of the process and to support the growth of the process in its early phases'. Menyuko (2011, p. 103) further noted that 'only rarely do participatory development activities arise within the poor themselves without any form of outside stimulus'. They need support from their environment in order to prosper.

Common problems experienced by the income-generating CBOs which are external factors are therefore cannot be altered by the input of the researcher, include:

- *Lack of support from the government.* Although there are some communities that are supported by professional and facilitators to run IGPs, there still are many

which are not served and which are left to cope with poverty themselves.

Unfortunately there are also no effective structures for support of development initiatives in these communities.

- *Lack of funding and access to credit.* The women cannot approach banks because the banking laws contain discriminatory provisions. At the same time micro-finance agencies avoid giving loans to the poorest segment of society, as they usually do not have assets which they can use as collateral and are considered a group with a high risk in loan default. The women have furthermore difficulties in obtaining credit as some of their assets are not registered in the women's own names and they do not have bank accounts either.

Common problems among the CBOs that hinder the success of their IGPs but which in fact can be affected, include:

- *Marketing.* None of the organisations seem to have a tangible marketing strategy and often lack necessary market information. The IGPs are started without testing the market and the marketability of their products, resulting in losses when failing to sell all their produce.
- *Competition.* Currently, most of the IGPs are solely reliant on their community for their business in order for them to generate income. However, a needs analysis never has been performed to explore the viability of the project. Most of the times, the women embark upon these projects with whatever skill they possess or whatever they can find and think they can sell. This is confirmed by Chigudu (1991) and Kadozo (2009, p. 111), who stated that 'women have a tendency to copy what other women are doing without really testing the market'. The researcher also noticed that the women wanted to venture into activities that other groups were doing, such as bead work, even though the market is saturated.
- *Financial management and absence of records.* Most organisations do not keep (reliable) records of their income and expenditures. This can be explained by the fact that they simply do not know how to, but sometimes also due to low levels of literacy. Because of this is, it is difficult to estimate actual losses and profits made. Apart from that, most of the times money is just spend as long as they have it, without thinking about the long-run.

- *Lack of leadership and planning.* There is no strategic plan and a general lack of business management skills. Even though the women most of the time seem to have a good idea what it is they would like to accomplish, they have no idea how to go about this or the importance of formulating a proper plan to achieve their goals.

## **4.2 Effect of Financial Support**

For the second sub-question qualitative and quantitative field research were used and answers the following question:

*What is happening to the money these emerging organisations receive and what is the impact of this grant-making?*

For every CBO included in this study an analysis has been performed on how the grant funds were used and how this has contributed towards the goal of becoming more established and self-sustainable. To create a clearer overview, all expenses have been categorised.

### **4.2.1 Thembaletu Blocks**

Buletwa Moyikwa, the founder of the organisation, started making blocks in her back yard in 2005. Initially, this was for personal use only as she could not afford to buy the blocks needed to finish the building of her house. When the neighbours saw this they requested blocks for themselves and offered to pay for them. Moyikwa took this as an opportunity to make money for herself, as she was unemployed. The word spread out in the community and many more people started placing orders. Due to the increase in the demand, the work load became too much for just Moyikwa. She therefore approached two other women from the community that were unemployed to join the organisation.

The main goal of Thembaletu Blocks is to help people in the community by saving money and time when in need of building blocks. The blocks that they produce are sold at a lower price than well-established competitors and since transport remains an expensive and limited option for many people, this seems like great alternative. Despite the fact that there are numerous competitors in the community itself, Moyikwa is convinced of the quality of her products and decides to go ahead with her plan. No competitor analyses and market research

were carried out, however. Besides the income-generating aspect, Moyika is keen to show that the days whereby women were perceived to only belong in the kitchen have passed. In other words, Thembaletu Blocks is trying to demonstrate that women are just as capable, thereby promoting gender equality.

In 2011 the organisation decided to apply to the WHEAT Trust. This was mainly because Moyikwa noticed that the customers who were placing orders wanted the blocks to be ready immediately. Due to a lack of funds, the organisation did not have the capital to invest in stock itself. Whenever an order was placed, they would use those funds to buy the material needed. By reducing the lead time customer satisfaction would be increased, thereby reducing the risk of compromising the sustainability of the project.

Thembaletu Blocks has received a total of two grants from the WHEAT Trust, of which the first one was received during the second cycle of 2011. The latter one was paid out during a special cycle between August and October 2013, after a generous donation from South African Breweries (SAB). The amounts awarded were 10,000 South African Rand (ZAR) and 20,000 ZAR, respectively<sup>1</sup>. Figure 4 and 5 provide an overview what these funds have been used for exactly.

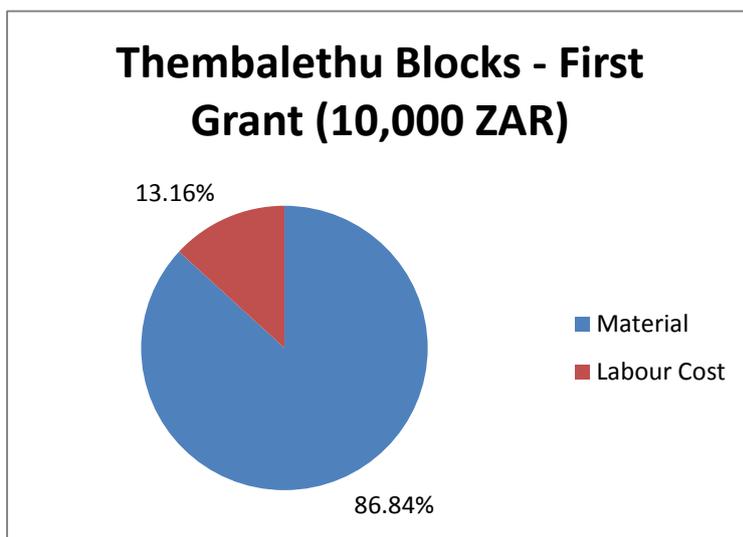


Figure 4: Usage of Funds First Grant Thembaletu Blocks. Source: WHEAT Trust.

Corresponding to the motives of applying for a grant, Thembaletu's first grant was indeed mainly used to purchase supplies for the production of the blocks, such as sand, cement and grit dust. It allowed them to stock up, sell blocks that could be taken home immediately and purchase new materials with the incoming revenue. With inventory at hand, customers are less likely to take their business elsewhere.

<sup>1</sup> \*According to Reuters on June 1<sup>st</sup>, 2014.

The second grant Thembaletu Blocks received allowed the organisation to buy a concrete mixer, which resulted in a huge decrease in the production time. Before the mixer, everything was still being done by hand. This was extremely heavy and time-consuming work. Production per day has increased significantly since this investment, which in turn positively influenced the efficiency of the business, the quality and delivery time of the blocks and thus customer satisfaction. Labour costs were not paid out of these funds, as this now could be done from the revenue of the sales of the blocks.

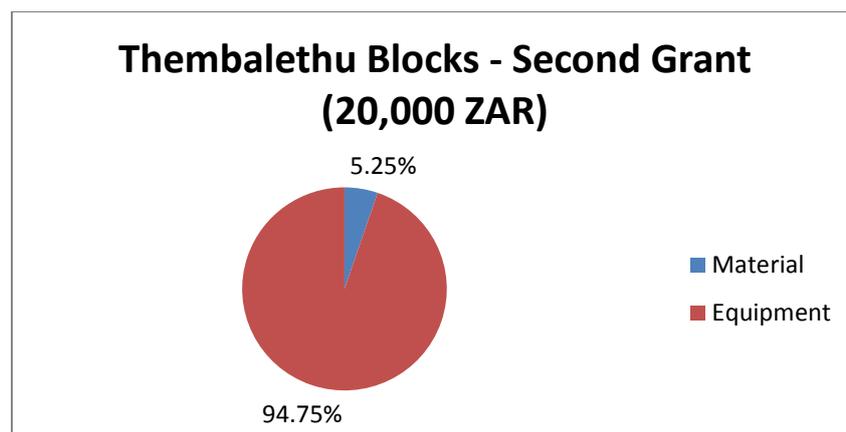


Figure 5: Usage of Funds Second Grant Thembaletu Blocks. Source: WHEAT Trust.

#### 4.2.2 Arise and Shine Disabled Community Project

Established in 2008, Arise and Shine started with a group of six unemployed women who visited sick members of their community. This included people who were infected with HIV/AIDS, tuberculosis, elderly people staying by themselves, disabled people and orphans and other vulnerable children. They cleaned their houses (if applicable) and gave them their medication. This was followed by the launch of a soup kitchen so they could provide them with something to eat as well. It was not until 2010 that they introduced the income-generating aspect to the organisation to sustain their activities by doing craftwork like paper bowls and cups. In 2011, Arise and Shine furthermore started a day-care and youth programmes, such as homework counselling, African dance, music, drama and bible study.

In addition to generating an income, the production and selling of paper bowls and cups function as women empowerment programmes. While enriching the women with these skills, they use the time they work together to create awareness against women abuse and violence.

Just as Thembaletu Blocks, Arise and Shine has received a total of two grants from the WHEAT Trust. The first one they received during the second cycle of 2012 and totalled the amount of 6,500 ZAR. The second one was also paid out during that special cycle between August and October 2013 and equalled the amount of 25,000 ZAR. To see how Arise and Shine has used the funds it received, see figure 6 and 7.

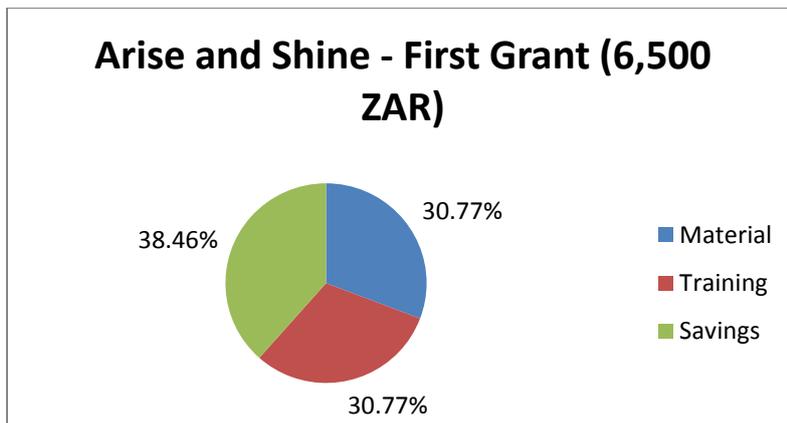


Figure 6: Usage of Funds First Grant Arise and Shine. Source: WHEAT Trust.

Arise and Shine is one of many CBOs which operate from their own home. They have therefore similarly used the WHEAT funds to stock up on materials and stationary needed for the production of their paper cup and bowls, such as paper sheets, glue, plastic, scissors, etc.

In addition to this, Arise and Shine has also allocated a good portion of the money to train women from the community, with the hope of providing them with skills so they can become a part of the organisation and as a result earn an income for themselves and their families. The funds dedicated to this also included the transport for the women to come to Noluvuyo Jordan's house, who is the founder of the organisation. Despite the fact that South Africa is not known for its saving culture, Arise and Shine decided to set apart a significant amount of the funds for later use. This allowed them to save until they had enough to buy a paper cutting machine and tables where the bowls and cups could dry on.

The second grant Arise and Shine received was considerably larger than the first one. Despite this, no real investments were made to improve the organisation's operations. Once again, a large portion of the money was spent on materials and supplies (13,930.90 ZAR). Some of it was used for training purposes (1,600 ZAR). And a good solid 9,469.10 ZAR went straight to the bank again.

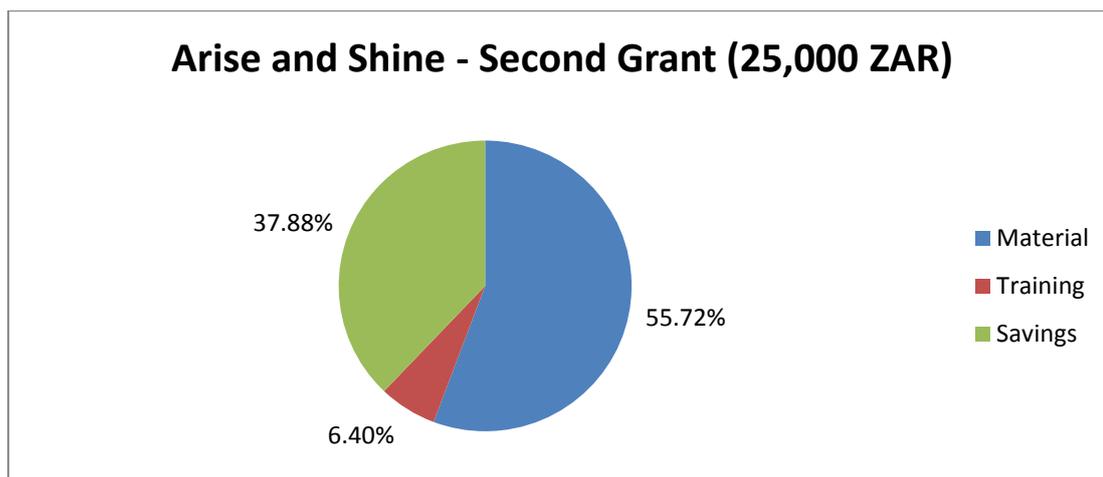


Figure 7: Usage of Funds Second Grant Arise and Shine. Source: WHEAT Trust.

#### 4.2.3 Bethel Women's Project

The same time that Arise and Shine joined the WHEAT Trust portfolio, Bethel's applied for their first grant. During the second cycle of 2012 they received a mere 20,000 ZAR. After this, they received one more grant for the amount of 15,000 ZAR, which was also a part of the special cycle created during August and October 2013.

Bethel's officially started in March 2011 as a non-profit organisation (NPO) endeavouring to serve the local community trying to uplift the standard of living in the townships and informal settlements by focussing on disadvantaged women as well as women struggling with trauma and low self-esteem. Karen Maarman, the founder of the organisation, explains that she has seen so many different types of abuse in her life that she felt compelled to not only bring a change, but to be the change. She is focused on empowering and equipping women to become independent and make sound choices, while at the same time trying to battle the high rate of unemployment in her community. She is convinced that if you teach a women, you educate a nation.

With the abovementioned goals in mind, Bethel's had many (counselling) programmes running in the fight against women- and child abuse and domestic violence. They are trying to reinforce and empower relationships amongst families and develop a stronger social emphasis through compassionate programmes.

Figure 8 shows that Karen Maarman has invested most of the funds that she received from the first grant to set up a hairdressing salon. A skill that she has developed at an earlier stage in her life, which she can now use for her skill development programme. Though the salon is located in her house, in order to run the business in a proper way she needed the necessary equipment to get started. The WHEAT funds allowed her to purchase chairs, basins, mirrors, dryers, trolleys, towels, curling irons, straighteners and, of course, cutting equipment. The remaining 3,350 ZAR was spent on hair products used during the service (such as shampoo, conditioners and wax) and accessories, such as hair extensions and elastics.

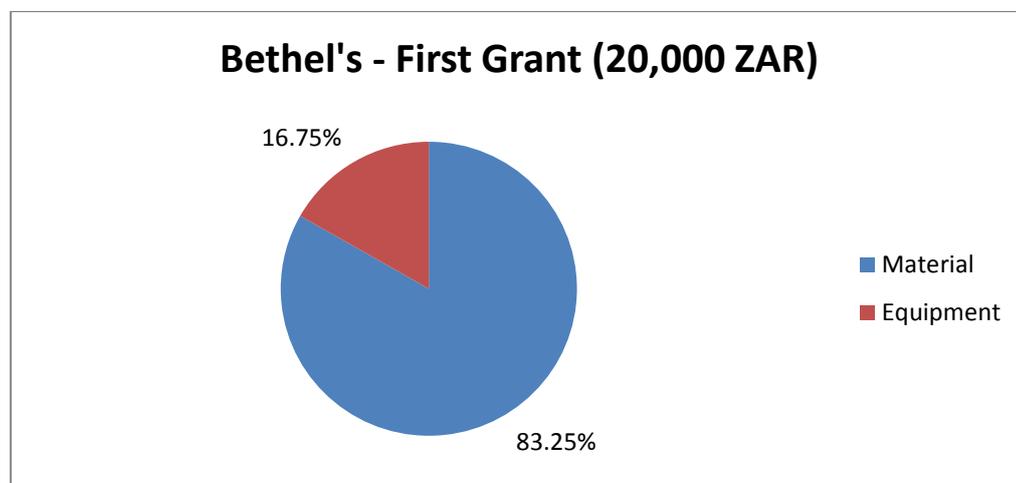


Figure 8: Usage of Funds First Grant Bethel's. Source: WHEAT Trust.

The second grant Bethel's received was mainly used to further develop the project and to invest in the skill development of young girls from the community. A tablet and a computer were bought to increase communication with the outside world and additional materials were purchased. Not all materials that were purchased were for the hair salon, however. Although this is their core activity with regards to income generating projects, Bethel's has also embarked upon the production of some craft- and beadwork. Consequently, they have used some of the funds for this end. Figure 9 also shows that 1,500 ZAR was spent on food. This is for a non-income-generating project Bethel's is running, namely a feeding project for 200 destitute children from the community every Sunday. The operating expense refers to ongoing costs incurred while carrying out the organisation's day-to-day activities and include expenses such as transport, water and electricity bills.

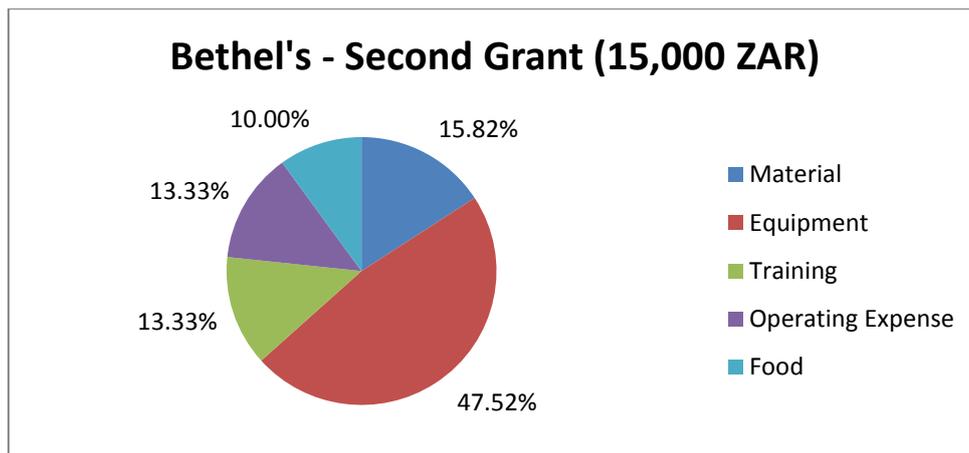


Figure 9: Usage of Funds Second Grant Bethel's. Source: WHEAT Trust.

Though most people would assume that the hair salon business is going so well that Bethel's feels comfortable launching another IGP, unfortunately the contrary is true. Despite the fact that the hair salon is not a complete failure, it is not bringing in sufficient funds for Bethel's to actually make ends fit. They have therefore reached out to other activities, with the hope that the combined sources of income will provide enough funds to not only provide for the women involved in the IGPs and their families, but also to support the non-income generating activities Bethel's provide to the community.

#### 4.2.4 Masiphumelele Women's Support Group Network

Masiphumelele is an inter-cultural support group which holds approximately 20 women and comprises both migrant and South African women. In order to break away from women suffering in silence, the support group provides a safe haven to discuss xenophobia, gender-based violence – both highly prevalent in this community – and any other challenge that they face in their community. The group furthermore assists with the integration of the migrant women into the community. In addition to this dialogue, the groups works to create a sustainable form of income for women in the community.

Masiphumelele joined the WHEAT Trust portfolio during the third cycle of 2011 and has received a total of three grants ever since. Figure 10 shows how their first grant (10,000 ZAR) enabled them to purchase their own sewing machines and materials and stationary needed as there were a few group members who possessed sewing skills and were willing to train the others. These skills allow the women to create garments for their families as well as for profit.

The funds have therefore contributed to the economic and emotional empowerment amongst the women who joined the workshops.

In order to carry out the abovementioned activities, an ‘office space’ needed to be rented. The operating expense once again refers to costs such as transport, electricity and airtime. The miscellaneous account refers to an one-time humanitarian donation to one of the group’s members.

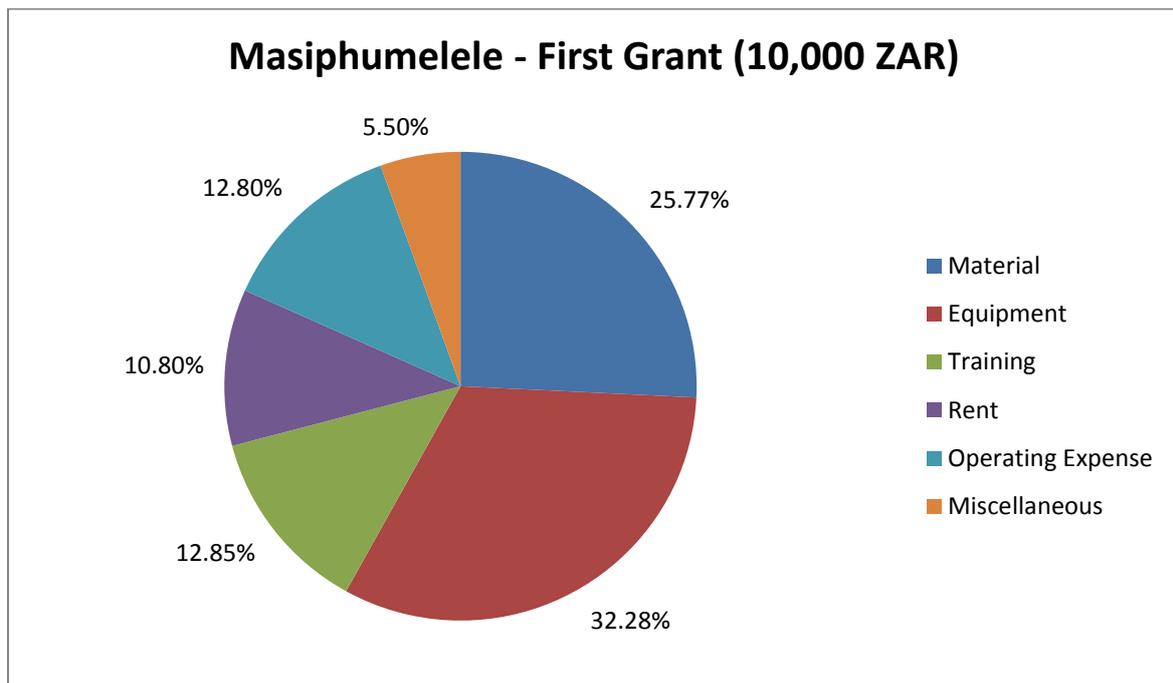


Figure 10: Usage of Funds First Grant Masiphumelele. Source: WHEAT Trust.

During the first cycle of 2013 Masiphumelele received their second grant from the WHEAT Trust, in the amount of 12,500 ZAR. Figure 11 shows how a relatively small amount of this money was used on the purchase of new material (a mere 561 ZAR). This can be explained due to the fact that they still had sufficient stock to work with. In the meantime, one of the group’s members had offered to let Masiphumelele operate from her garage. This would allow them to save money on the rent and hence utilise the WHEAT funds to its full extent. Since the garage did not have a door, but would be storing expensive sewing equipment, a garage door was purchased for the amount of 2,500 ZAR (accounted for under ‘miscellaneous’ in figure 11). The 3,000 ZAR that was spend on equipment was not used to buy another sewing machine but in fact computers were purchased with this money, as Masiphumelele wanted to start offering computer classes to those interested as they believe that it is an important skill to possess in today’s job market. Despite the money invested in the purchase of the garage door,

Masiphumelele felt that as an organisation they need their own place to work from and store their equipment. Especially now that they had plans to start some other income-generating projects, including beading and a vegetable garden. They therefore decided to set some money aside for the potential purchase of a container to function as their new venue to operate from.

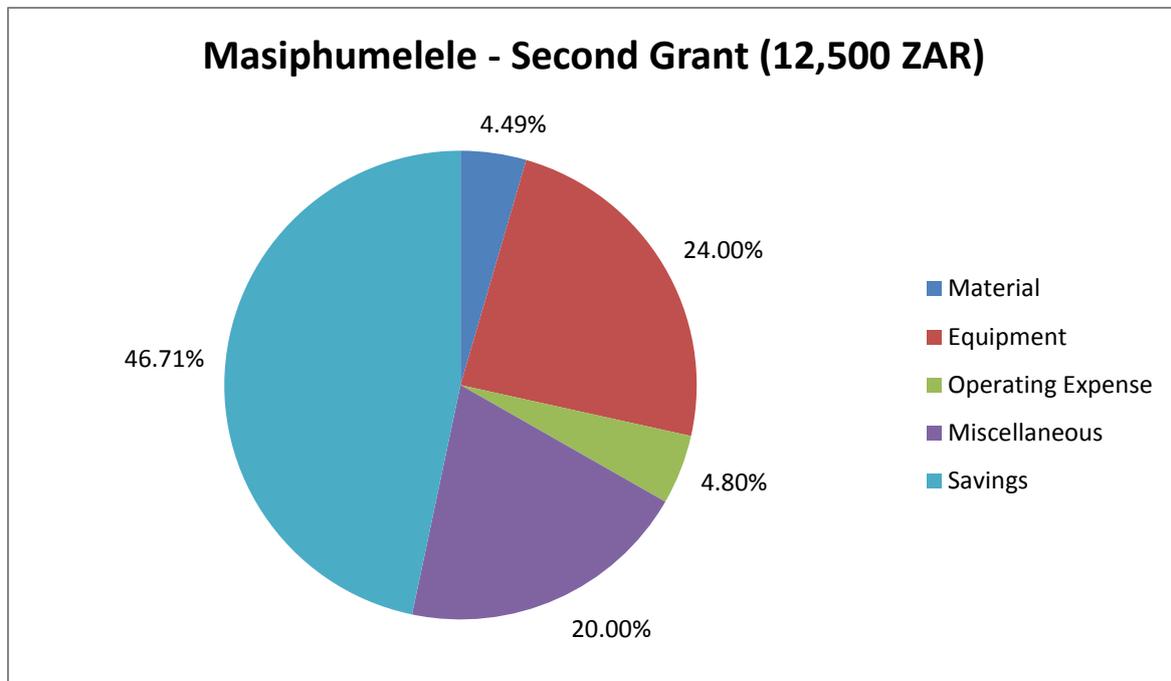


Figure 11: Usage of Funds Second Grant Masiphumelele. Source: WHEAT Trust.

As already mentioned, at the beginning of 2013 Masiphumelele was thinking about launching some new projects for their members. This included a vegetable garden and beadwork. The 20,000 ZAR grant that the organisation received in August 2013 was consequently mainly used for those ends.

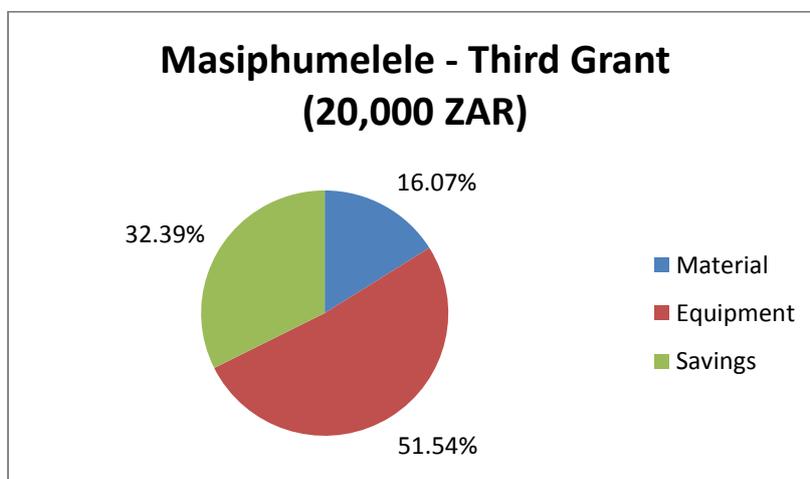


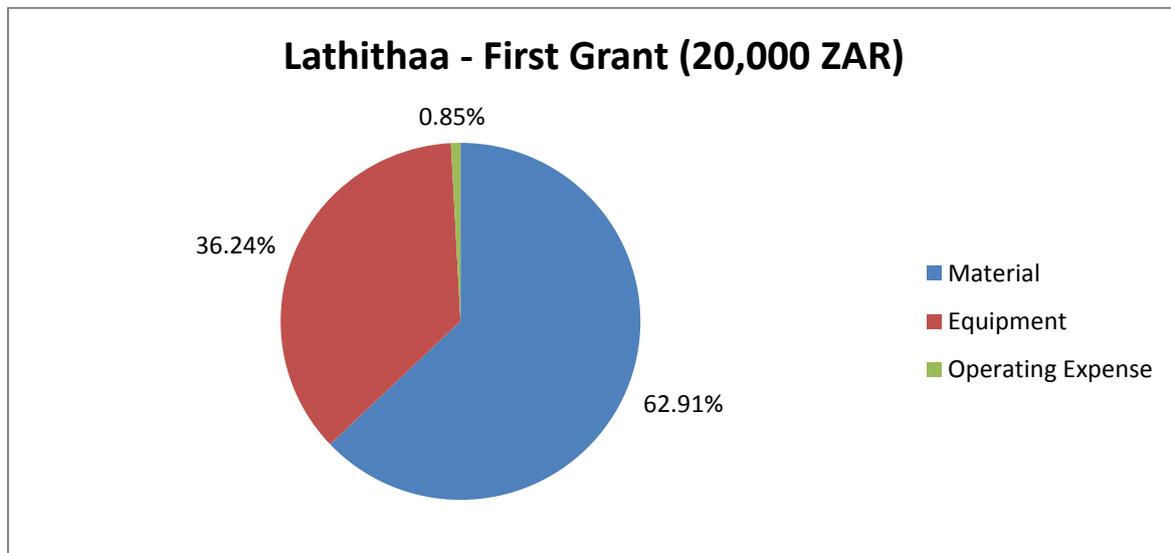
Figure 12: Usage of Funds Third Grant Masiphumelele. Source: WHEAT Trust.

To sustain the sewing project and the computer classes, two new sewing machines were bought and one computer. In addition to this, a lot of garden equipment was purchased such as forks, spades, sprinklers and pipes. To move forward with the new beadwork initiative, over 3,000 ZAR was spend on materials such as beads and elastic cords. The remainder of the funds were saved for later use.

#### 4.2.5 Lathithaa Baking Project

The last CBO included in this research is Lathithaa, which just like Masiphumelele has received a total of three grants so far from the WHEAT Trust. All of them equalled the amount of 20,000 ZAR, of which the first one was received during the second cycle of 2011.

Despite the fact that Lathithaa started the baking project in July 2010, the organisation lacked necessary equipment to sustain and develop their activities. As shown in figure 13 a large portion of the first grant was therefore used to purchase much needed equipment such as a fridge, microwave, mixer, deep fryer and an electronic cash register. Obviously they needed most of this equipment prior to their application to WHEAT as well, but as a home-based bakery they managed. Gaining popularity within their community, unfortunately meant that the devices essentially designed for family-use only, were not adequate to keep up with demand anymore. Apart from a negligible amount used on airtime for the business, all of the other resources were spend on ingredients for the food, such as flower, yeast, sauces, oil, burgers and chicken.



**Figure 13:** Usage of Funds First Grant Lathithaa. Source: WHEAT Trust.

This first grant mainly helped to achieve the goal of Lathithaa to make operations run smoother, by buying the much needed equipment. Because they could use the WHEAT funds for those purposes, members were now able to receive stipends, increase the number of products offered and in a much faster and easier way.

In addition to catering food in the community, Lathithaa is focused on the empowerment and development of women by trying to make them independent and confident about themselves. Whereas before the project was started many women saw themselves as a non-entity and accordingly gave up easily in life, by teaching other women from the community baking skills and joining the catering business, they can now earn an income. The feeling of dignity is what Lathithaa is trying to bring back in the lives of the women involved in the project. By gaining skills they are convinced women will start valuing themselves more.

In order to continue along the positive advancements made with the first grant, the second grant (see figure 14) was mainly used to purchase more equipment and appliances, such a machine ball, rolling table and oven, which makes their work easier and in turn become more productive. The fact that most of the funds went towards the investment of equipment and appliance, shows that Lathithaa has re-invested the revenue from sales into the business by buying the ingredients for the food from that money, since no money was spent on that from the second grant. 960 ZAR was spent on stationary materials, such as take-away boxes, plastic forks and knives, napkins, etc. Because income from sales does not cover all expenses yet, a small portion of the fund was spend on transport, electricity and airtime.

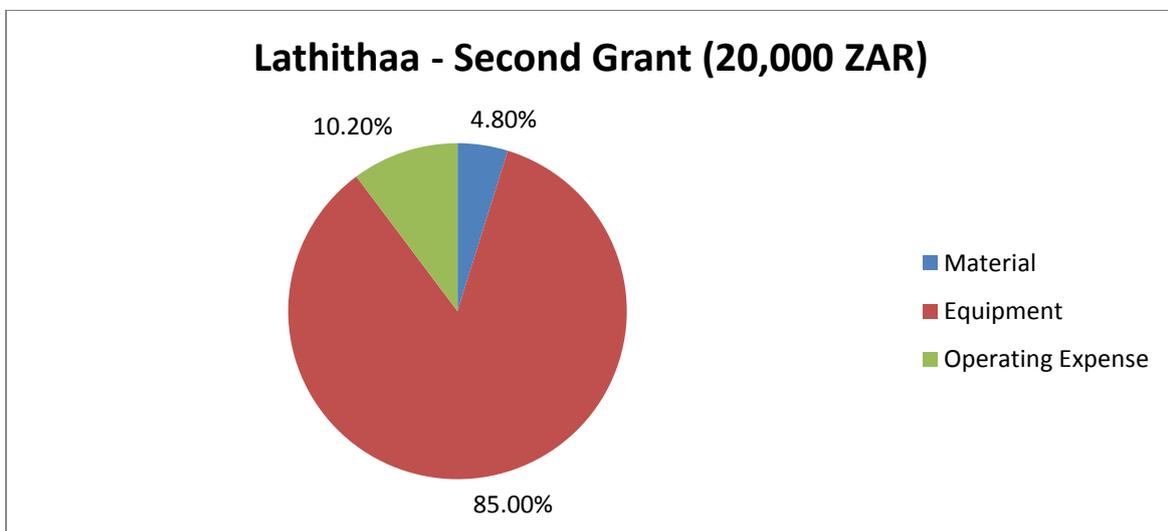


Figure 14: Usage of Funds Second Grant Lathithaa. Source: WHEAT Trust.

The third and final grant Lathithaa received helped them with their goal of expanding, thereby employing and training more women from the community. The women do not receive professional training but learn from each other. The transfer of skills and the investment in appliances had increased service delivery and productivity.

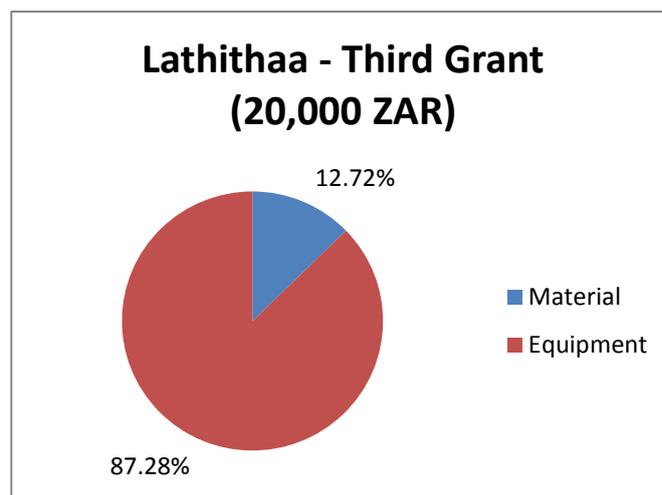


Figure 15: Usage of Funds Third Grant Lathithaa. Source: WHEAT Trust.

#### 4.2.6 Summary

After the detailed description of what the funds these organisations have received have been used on, table 3 provides a quick overview of how much money WHEAT has awarded these organisations in total and what kind of projects it has been used for.

	ZAR	IGP
<b>Thembaletu Blocks</b>	30,000	Housing: building blocks
<b>Arise and Shine Disabled Community Project</b>	31,500	Craftwork: paper bowls and cups
<b>Bethel Women's Project</b>	35,000	Hair salon Craft- and beadwork: earrings, necklaces, bracelets, etc.
<b>Masiphumelele Women's Support Group Network</b>	42,500	Sewing Computer classes Vegetable garden Beadwork
<b>Lathithaa Baking Project</b>	60,000	Bakery

Table 3: Summary Grants Awarded. Source: Self-made.

### 4.3 Existing Models

For the third sub-question qualitative desk and field research were used and answers the following question:

*Which business models are available for community-based organisations?*

A good starting point in order to be able to identify which business models exist is to fully understand what a business model exactly is. Despite the fact that there are so many different definitions out there, the one from Ethiraj et al. (2002) seems to be rather comprehensive:

*'A business model is a unique configuration of elements that consist of the strategy, processes, technologies, and the governance of the organisation. This configuration is formed to create value for the customers and thus to compete successfully in a particular market.'*

As the abovementioned definition indicates, a business model is a UNIQUE constructed and designed approach of how an organisation creates, delivers and captures value in economic, social and cultural context. Therefore, as many business models for CBOs exist as the number of CBOs that are out there. But then why are some successful and self-sufficient while others are not? The answer could be found in the (lack of) frameworks used for strategic planning.

#### 4.3.1 Aiding Tools

There is a large inventory of guides, tools, manuals, approaches and procedures that can be used for developing sound strategies, which contribute to the successful implementation of businesses. The focus of most of these is primarily on for-profit businesses and include – among the most renowned ones – McKinsey's 7S Model, the Business Model Canvas and the Balanced Scorecard. Given the fact that the basic principles in essence remain the same, many of the for-profit frameworks can easily be translated for use by NPOs and non-government organisations (NGOs).

An extensive amount of research has been carried out on organisations and people in emerging markets. The term *developing markets* includes emerging, frontiers, and pre-emerging markets (Logue, 2011). Despite this exhaustive research, there is only a limited amount of products and material available for CBOs. Most of which is focused on participatory methods such as

Participatory, Learning and Action (PLA) methods, which facilitate the participation of people in their own development, or groups working under the guidance of a facilitator. Neither one of these strategies apply to the grass root level communities WHEAT Trust support due to the lack of proper support structures being in place.

A significant amount of the research and tools designed on creating effective CBOs is dedicated on resource mobilization, local resource mapping and partnerships. This can be explained by the fact that many recognise that most organisations cannot successfully carry out their missions alone. Unfortunately, this is the hard reality numerous CBOs do have to deal with. Serving this particular niche market, where limited to no resources are available to support them, these tools are once again not relevant for the grantees of WHEAT Trust. This study focuses on the self-sufficiency of CBOs as project funding is temporary in nature and, as argued by the Canada's International Development Research Centre (2010, p. 5), 'the dependence on it undermine an organisation's ability to pursue strategic priorities and weaken overall organisational capacities'. Reason that there is substantial amount of literature on these specific topics however, is because not all CBOs have an income-generating aspect attached to it and therefore are often perceived as NPOs. Some of the existing tools that focus on mobilising resources and establishing partnerships include:

- *Resource mobilization: A Practical Guide for Research and Community-Based Organisations*. This publication reports on a research project by Canada's International Development Research Centre (2010). It encourages the implementation of capacity building in resource mobilization that helps plan strategically for their sustainability.
- *Mapping Local Resources: A guidebook for ethnic community-based organisations*. This publication was produced by the International Rescue Committee (2011) and focuses on the process of identifying the persons, agencies, and other assets present in communities that CBOs may partner with, or otherwise tap into, in order to help further the organisation.
- *The Community Visioning and Strategic Planning Handbook*. This book was developed by the National Civic League Press (2000) and lays out a framework for successful community planning. It includes a tool for communities to assess their civic infrastructure and reflects a profound faith in the power of collaborative problem solving.

- *Community-Based Organisations: Creating Effective Partnerships*. This article describes key findings from the Partnership Guidebook and the Partnership Tool Kit from the Tamarack Institute (2004) designed to improve the capacity of urban communities and the quality of life for urban people.

Not all manuals and guidelines are completely redundant. A variety of tools and strategies do exist to guide CBOs in the successful implementation of their income-generating projects. Unfortunately, most of these tools tend to be overly complicated and lengthy or they are part of a specific research project, due to which they remain unknown to the majority of people and therefore cannot be utilised to their fullest potential. Some of these tools include:

- *The Community Tool Box*. The Community Tool Box was created to help people build healthier communities and bring about the changes they envision. They provide educational modules and tools to help people work together to make their communities what they dream they can be. They actually provide some valuable guidance on basic business skills and core competencies, even when no other support networks are available, but browsing through the 46 chapters and over 300 sections which cover thousands of pages tend to be overwhelming for the lower educated women running the CBOs. (<http://ctb.ku.edu/en>)
- *Manual and training program for community and economic development*. This practical tool is part of research carried out by the W.K. Kellogg Foundation to support Kellogg grantees in their community-based initiatives and hopefully many other communities around the world that are working towards sustainable initiatives. This specific module – number three out of the four programs developed by the W.K. Kellogg Foundation – is designed to enhance the achievements of CBOs by introducing techniques which target the use of key economic principles. Providing valuable insights, this manual is primarily used by Kellogg's grantees. Counting 200 pages, it also goes too much into-depth for CBOs that still need to learn the very basic principles of business.
- *Community-Based Organisation Management*. A handbook for CBO management, which highlight management skills as proper management contributes significantly to ensuring the effectiveness of the work a CBO carries out. (Chechetto-Salles & Geyer, 2006)

- *Rural Women in Micro-Enterprise Development*. A training manual published by the International Labour Organisation in 1997.
- *Income Generation Activities Manual: Returning “Profit” to IGAs*. Produced by the United States Agency for International Development, this publication introduces a set of tools for identifying and conducting Income-Generating Activities (IGAs) that will be flexible enough to respond to market variations – including the transition from conflict to post-conflict settings – taking into consideration protection, social and environmental concern. The methodology strengthens basic business skills and assists in making sound decision regarding the overall sustainability of an IGA, including its economic viability and social/environmental impact. Although this manual might be the closest product to being developed to suit the socio-economic context of the grass root level CBOs WHEAT Trust support, it is designed to be explained and taught through the use of workshops.

#### 4.3.2 Common Denominators

Despite the fact that a lot of the abovementioned research describes methods including (financial) support, all tools have some imperative elements in common, which should be found in any existing self-reliant business model. Most important is the development of a *strategic plan* which helps to dictate a course of action or direction for the future. According to The SCORE Foundation – previously known as the Service Corps of Retired Executives Foundation – (2010, p. 20), ‘it should articulate the organisation’s goal of financial self-sufficiency and interest in developing a sustainable flow of income unencumbered by funding source conditions. The strategic plans provides a tool for anticipating the external environment, including competition, trends, customers wants and needs. It guides the organisation’s leaders and provides a systematic way for an organisation to express its vision, describe its values and state its mission’. The best way to go about this and most commonly used is to develop a *business plan*.

A business plan articulates what an organisation does and how it will be managed. The SCORE Foundation (2010, p. 14 & 20) outlines how ‘it gives the organisation the means to consider all relevant aspects of good management principles, details of the organisation’s operations and helps to assure successful implementation, growth and prosperity. It is essential in documenting the strategy as it clearly defines the organisation’s goals and objectives and provides a

mechanism for monitoring and evaluating progress'. Although many business plans formats exist, most are structured as follows:

- Executive Summary
- The Mission Statement  
This statement should succinctly state the essence of the entity's reason for being and should relate to tangible outcomes and objectives.
- The Vision Statement.  
This statement outlines an organisation's declaration of company's goals for the future and communicates the core values of the organisation.
- Organisational Information  
This section provides basic information about the organisation and would include the legal name of the organisation, the address, its legal form, the organisational directors and a brief description of the programs, products and/or services offered.
- Personnel and Organisation Structure  
This part describes the management team, key employees and their job descriptions. An organisational chart should be included and outline reporting responsibilities.
- Market Research  
Here, the market and sub-sectors of the market are defined. Environmental, political, economic, technological, social and cultural factors are analysed in order to determine how the organisation can participate in a profitable way, as well as industry trends and competition. It should also describe the obstacles and problems associated with implementing the project.
- Customer Base  
This section defines the target market and includes a geographic and demographic description of those who will be served. It should include their current needs, how the organisation will address those needs and why the market might prefer their organisation.
- Marketing Mix
  - Products or services provided  
In this part of the marketing mix the product or service offered is described in detail. This includes the quality and units of the product/service available. It also specifies how the organisation plans to

meet customers wants and its unique selling points compared to the competition.

- Promotion, advertising and public relations

This refers to the sales techniques which will be employed.

- Place

This section describes the channels which will be used to distribute the product or provide the service to the end user.

- Price

This section stipulates a clearly defined pricing strategy and billing policies.

- Production and Operational Plan

This chapter explains whether the necessary conditions for successful production are in place. This refers both to adequate skills, with an emphasis on quality, as well as the location of the facility and sufficient equipment for the given business activity. This includes inventory and an evaluation process efficiency.

- Financial Plan

This section should describe the organisation's capital structure, outstanding loans and debts. It should illustrate the organisation's current and projected financial status using a cost/benefit analysis. This analysis will give a good indication of how much capital is required to carry out the proposed business activity and when that activity will generate a profit or loss. If possible, it should include an income statement, balance sheet and cash flow statement.

- Major Milestones

This section outlines major program, service or organisational milestones and how the organisation plans to accomplish its goals. A time line and schedule of planned major events should be included.

- Considerations

If applicable, the organisation's grant awards and in-kind support should be articulated here.

- Appendix

While the development of the business plan helps to outline a clearly defined strategy for the organisation it also functions as a *feasibility study*. This should help the organisation determine

the extent of the need, potential pitfalls and controversies, as well as possibilities for successful implementation. It provides a convincing analysis of the potential risks and awards.

#### **4.4 Adequacy and Effectiveness**

For the fourth and last sub-question qualitative field research was used and answers the following question:

*Does the model leave a sufficient amount of space to deal with problems other than the main ones identified?*

Although, as explained in sub-chapter 4.3, a standardised business model does not exist due to the fact that it has to be adjusted to fit the specific context and application, there are certain templates which can be used by the CBOs WHEAT Trust provides grants to which allow for a structured development of a business plan and consequently an appropriate business model. This would still contribute to a more efficient and unified approach to contribute to the sustainable development of low-income communities in South Africa. The business plan furthermore forces the CBOs to carry out market research, come up with a tangible market strategy, examine existing competition and requires the CBOs to create basic financial record. All of this combined helps in formulating a strategic plan and the strengthening of business management skills. Guidance on how to create a proper business plan therefore immediately deals with the main problems experienced by the CBOs WHEAT Trust supports.

##### 4.4.1 Use of Templates

Keeping the target audience in mind – uneducated women from rural areas – these templates could provide valuable information and guidance when drawing up a business plan and highlight important steps to be included. The business plan template provides a framework for making sound decisions, rather than handing out prefabricated answers however. It therefore allows every organisation to be flexible enough and make adjustments as deemed appropriate when any problem arises – being one of the main ones identified or not. If the tools presented in appendix 2 are applied systematically to a specific market and operating environment, individuals and organisations will be able to recognize changes in the market and respond effectively. This is extremely important, because, as stated by Chikina and Silva (2007), ‘what

generates income today may not generate income tomorrow. Supply must be flexible enough to respond to fluctuations in demand. Influenced by their environment, markets change constantly, calling for flexibility and creativity’.

## 5. Discussion

The previous chapter presented the main findings the researcher uncovered while addressing the sub-questions, in order to gradually come to a conclusion for the central research question. This section discusses the results a bit more in depth, which contributes to a better understanding and consequently leads to proper conclusions.

First it is important to note however, that in order to test and/or confirm the findings, the researcher has indeed used the following strategies as mentioned in chapter 3.3 and outlined by OUP (2013, Ch. 14, p. 209):

1. *Checking for representativeness of data.*

All categories of informants have been interviewed in order to get a complete picture and avoiding the pitfall of generalizing from unrepresentative data or events.

2. *Checking for bias.*

No bias was found related to either the research, the informant, or the effect of the researcher on the local situation.

3. *Crosschecking data with evidence from other independent sources.*

Different independent informants were used as well as different research techniques to investigate the same topic and the findings of other similar research studies. No counter evidence was found, unless mentioned.

4. *Comparing and contrasting data.*

Important variables were identified and associations between variables were confirmed with existing literature.

5. *Doing additional research to test the findings of the study.*

6. *Getting feedback from the informants.*

As outlined in chapter 4.1, the main problems experienced by the organisations WHEAT Trust supports and which are running IGPs include the following:

- Lack of support from the government
- Lack of funding and access to credit
- Marketing

- Competition
- Financial management and absence of records
- Lack of leadership and planning

In order to fully understand the problems these CBOs are faced with, it is important to understand its background and where IGPs have originated from.

### **5.1 Origin of Income-Generating Projects**

The concept of IGPs leads back to poverty reduction strategies employed by governments all over the world. Poverty itself is a rather complex concept itself as well, however. It is broad, many definitions exist and consequently there are numerous poverty alleviation initiatives. What they all have in common, however, is that they are aimed at improving the economic and social conditions of people, whether this is the result of external ‘economic shocks and crises or long-term trends – such as racial and gender discrimination, environmental degradation and macroeconomic trends’ –, as stated by May (1998, p. 3). Owusu (2001) noted however, that domestic policy mismanagement, political instability and corruption can also contribute to the intensification of a country’s poverty.

In general, it could be said that poverty prevents people to meet their basic needs as human beings and, as observed by Chambers (1993) and testified by Kadozo (2009, p. 3), includes ‘isolation, material deprivation, dependence and subordination, lack of assets, insecurity and vulnerability to disease and natural disasters’.

Kadozo (2009, p. 15) furthermore states that although ‘South Africa is a relatively rich country, with a strong industrial sector, good infrastructure and a sophisticated ‘modern’ economy, the Poverty Inequality Report revealed that the experience of most South African households is outright poverty or of continuing vulnerability to being poor’.

Faced with the challenge of poverty, many frameworks, policies and strategies have been put into place. And while these programs have brought some relief, poverty has in fact risen in some regions. Fukuda-Parr, Lopes and Malik (2002) argue that this can be explained by Rostow’s Modernisation Theory, which according to Kadozo (2009, p. 4) states that ‘to eradicate poverty, all the poor countries have to do is replicate the stages the rich countries

have gone through'. However, because the mechanisms did not take the local environment of countries into account, practically poverty increased instead. This is in line with Harrison's (1989) observations and interpreted by Kadozo (2009, p. 15) that 'experience has shown that unqualified reliance on market forces as advocated by globalisation to allow the benefits of economic growth to 'trickle down' to the poor is not effective where the underlying institutional context has remained the same. In South Africa, while many of the institutional requirements for efficient markets are present, institutional discrimination has meant that many markets remain strongly influenced by existing positions of power and influence'.

## **5.2 Poverty in South Africa**

In addition to the abovementioned findings, the Poverty Inequality Report furthermore revealed that 'the distribution of income and wealth in South Africa is among the most unequal in the world and many households still have unsatisfactory access to education, health care, energy and clean water' (Kadozo, 2009, p. 15).

According to May (1998), The AfricaFocus Bulletin (2004) and Wright (2008), poverty is not only distributed unevenly among the nine provinces of South Africa, but also geographic and gendered. Kadozo (2009, p. 16) outlines how 'Roberts (2006:104) from the Human Sciences Research Council's South African Social Attitude Surveys concurs with the May's (1998:7) findings that compared with the other racial groups, poverty is concentrated among black and coloured people, which are still way behind in accessing enough food as well as income for their households. The HSRC's surveys also revealed that inequality and poverty were deepening in post-apartheid South Africa'.

Since most of the over-arching poverty reduction strategies did not achieve the development objectives goals, or at least, reach the poor communities where help is needed the most, new initiatives and programmes have been introduced, to suit the socio-economic and political environment.

As stated by Kadozo (2009, p. 34), 'The government has therefore established a number of institutions to provide financial and non-financial support to small enterprises because, as Rogerson (2001:255) aptly observes, the question of improving the urban poor's access to productive income opportunities is of critical significance to poverty and inequality reduction

in South Africa. The Department of Trade and Industry (DTI) (2008:1) has played a central role in this and has under its umbrella for instance the National Empowerment Fund (NEF) and the Small Enterprise Development Agency (SEDA).’

Despite efforts, the abovementioned initiatives do still not reach all groups of society. As testified by Mohr and Fourie (2008) and Hurley (1990), and outlined by Kadozo (2009, p. 24), ‘experience has shown that although economic growth has been achieved, it still has not gone down to the poor. Poor people still do not usually get access to the resources made available, such as credit or business advice’.

In order to really reach the poor, the Department of Social Development (DSD) has made efforts in the implementation of community-based IGPs, aimed at generating income and creating jobs for participants, promoting social integration and cohesion.

### **5.3 IGPs Defined**

As stated by Mafoyane (2002, p. 23), IGPs are difficult to define in a “cut and dried” manner due to various definitions that apply to the term and the wide variety of projects undertaken. Menyuko (2011, p. 12 & 13) explains how ‘the concept of IGP has also been used synonymously with terms such as cooperatives. Cooperatives are defined as any group of people linked together by economic interest. These people undertake a planned economic activity by using their own resources to solve their own economic problems. These cooperatives usually operate as grassroots structures, where the poor engage themselves in production, marketing and social services. Cooperatives have been used as agents for rural socio-economic change for poverty alleviation. The character of cooperatives is to be self-help oriented for the economic betterment of its members (Banturaki, 2000: 11-17 & SA Department of Trade and Industry, 2005: 1)’.

According to Chigudi (1991), there are specific factors that distinguish IGPs from other economic activities. Menyuko (2011, p. 13) critically points out that ‘despite the fact that these are old references, what they observed then is critical in terms of comparisons with the current scenario of IGPs’. Distinguishing characteristics as described by Chigudi (1991, p. 6) and Menyuko (2011, p. 13) include the following:

- The majority of IGPs are undertaken on a part-time basis so that people can continue with other activities;
- Income-generating projects are supposed to supplement an existing income, but they can also be the source of sole income or some efforts at entrepreneurship;
- The individuals who participate in these IGPs own these projects and profit made is shared amongst members according to labour input;
- As these projects operate on the periphery of the formal sector, they function in an environment characterised by poor infrastructure and communication. Sometimes the environment in which they exist is not conducive to generating income.

No matter which form the project may take, the first and foremost reason why IGPs are started is to provide a source of income for the poor and unskilled, thereby reduce poverty and create jobs.

Menyuko (2011, p. 12) describes how ‘in a paper presented at an International Community Development Conference in New Zealand, IGPs were described not only to serve as a method for economic empowerment but also as a practical solution to empowering women and one of the strategies to strengthen women’s positions and personal development because women as actors can drastically change their own lives’.

The way to go about this is through a participatory development approach, which ensures that the participants take part in all stages of the project. As explained by Mafoyane (2002) and stipulated by Menyuko (2011, p. 16), this way ‘the participants are given authority and knowledge to enable them to make choices and informed decisions about their lives and take ownership of their work’.

Unfortunately, due to the size of the country and deficiencies of the social and political system (such as the lack in government coordination and other priorities) in South Africa, there are still many communities that are not served. Kadozo (2009) explains how as a result, civil society structures, such as other development organisations in South Africa and non-governmental organisations, also play a crucial role in supporting poor communities that have no access to the SEDA, NEF or Khula.

#### **5.4 Two Types of IGPs**

As mentioned in the above, various IGPs are established by either government departments or civil society structures. Those IGPs are run by professionals or facilitators, while community members are involved in the execution part of it. As there are countless communities that have to do without this or any other type of support for that matter, many IGPs are in fact started by people from within the communities themselves. The responsibility of success lies completely with the initiators of the projects themselves.

Many of the IGPs that belong to the latter group are established by women. As described by Menyuko (2011, p. 77), Olaimat and Al-Louza (2008) noted that this is because ‘women in general, especially in the developing countries, are more vulnerable to economic and socio-cultural burden of poverty. Women are discriminated against in terms of work access, opportunities, payment, economic safety and lack of basic needs’.

One of the benefits of IGPs which are started by people from within the community itself, is that they know their specific needs best and understand the dynamics and circumstances of the environment they are operating in. Menyuko (2011, p. 19) outlines that ‘it is important to note that the activities tend to be on a small scale and cannot be compared to the larger business sector. They operate within the informal economic environment and use their assets to undertake a wide range of income-earning activities just to scrape together some money. Activities therefore often include vegetable gardens, bead work and other craft works’.

Although IGPs are established to benefit participants financially, there are other factors that motivate people to join and remain in such projects. One of them being moral and psychological support amongst members. Despite the fact that the people engaged in IGPs mostly come from informal settlements, where the standard of living is (extremely) low and they are not financially strong themselves, another reason why IGPs are started is to assist and improve the lives of vulnerable members within the community, something which is characteristic of South African people. Menyuko (2011, p. 79) explains that ‘care, respect and concern for each other within communities are among the overarching values. It is one of the cornerstones of the African culture, which flows from the spirit of Ubuntu. Ubuntu is about the African art of being a true human being through other human beings, and in the Zulu language this is called, “umuntu ngumuntu ngabantu”’. The fact that participants are doing something with their time for a good cause also contributes to their self-esteem.

## **5.5 Niche Market**

Due to the limiting institutional contexts, WHEAT Trust has embarked upon a niche market within the grant-making business. The company supports CBOs set up by women at grass root level, which are not able to access any of the existing supporting networks yet. In reality, this translates to women from rural, peri-urban areas and townships. Not all of the CBOs that WHEAT Trust supports have an income-generating element attached to it. Some are just networks to provide counselling and serve as safe havens, some are institutions to provide information and knowledge about important topics such as HIV/AIDS and sexuality and others provide services to the community, such a crèches, day-cares and after-school homework sessions, but without charging any fees for it. For the purpose of the research, only the CBOs which run IGPs have been included.

Despite institutional shortcomings, grass root development and empowerment can be promoted through coordination, information and other (financial) support activities. It is important to note that there is more to the term empowerment than mere skills transfer. Swanepoel and De Beer (2006) and Menyuko (2011, p. 86) argue that ‘although a skill is critical in empowerment, it is not the primary ingredient in this context. Empowerment refers to political power where a person has a decision-making power. The skill will then serve as an enabling tool needed by an individual to make the decision. Another element that comes into play is the acquisition of knowledge and information, which would enable a person to make enlightened decisions’.

## **5.6 Measurement of Effect**

One of the common problems described as experienced by the CBOs WHEAT Trust supports was a lack of financial management skills and consequently a general absence of financial records. However, in order to comply with the grant criteria, at the end of each cycle the CBOs are required to fill out a report in which, among other things, they have to specify how the grant funds were used, how it helped to achieve their goal and what has changed since they received the WHEAT funds. For the WHEAT Trust, this is both part of their ongoing due diligence system, thereby ensuring that the money has indeed been used for the purposes as stated by the CBOs in their application, but also to see if they qualify for yet another grant if they decide to apply again.

The earlier-mentioned absence of financial records therefore mainly refers to keeping records

about income earned from operations during a specific period of time and how that revenue is spent, due to which it is extremely difficult to estimate actual losses and profits made. Depending on how one defines success and the methods used to evaluate it, the lack of that essential information makes it rather complicated to assess how well the organisation is doing and how self-reliant it really is.

It is important to note however, that the effects of the grant making are not solely financial. There are also ‘qualitative effects’, which at some point result in quantitative (financial) effects again. This refers to the social aspect of the organisations and is also not easy to measure. By focussing and teaching people about the prevention of HIV for example, more people remain HIV-free, resulting in more people that can earn an income. Similarly, by training members from the community, allowing them to acquire new competences and skills, they are more capable resulting in more opportunities to generate a source of income. These are just a few examples from many, which together could have notable effects.

### **5.7 Effect of Financial Support Evaluated**

Overall, the grant-making helped Thembuletha Blocks to be a step closer to their mission and vision of providing blocks to the community at a fair price, while maintaining a sustainable income for the women involved in the project. The organisation clearly has used the WHEAT funds to not just cover basic costs, but to actually invest in the development of the organisation thereby becoming more self-reliant. Thembuletha Blocks does still have to increase marketing efforts in order to uphold the fierce competition in the community.

Arise and Shine on the other hand put large proportions of the grants in the bank. Although it is not a bad thing to save, funds like the ones received from the WHEAT Trust should not just help the organisation pay for its daily costs, but could be put to much better use by investing it in much needed marketing (research). Thereby ensuring the organisation is either reaching the right market for their products or making product developments, so their products are adjusted to the community, to which most organisations are confined to.

With the many projects that Bethel’s has, ideally it would focus on one IGP first, excel at that activity, before taking on a second project. Instead of spending funds on a new project, for which no marketing research has been done either, it could invest those funds on the necessary

marketing for the hair salon. Due to the fact that Bethel's is trying to make ends meet in whichever way possible, revenues from the hair salon are not solely being re-invested into this project but are used to fund the other non-income generating projects as well. Something which is against the basic principle of doing business. More importantly however, it is a rather unrealistic expectation to run a self-sustainable salon like this.

The biggest impact of the grant-making for Masiphumelele was to overcome their financial obstacles to start and implement their project and for the women to receive the attention, space, tools and means with which to express and establish themselves as strong individuals and women. The bonds these women formed and the emotional support they received while manufacturing products to sell has encouraged and enabled them to continue open discussions on gender violence, working towards the bigger goal of eliminating xenophobia and gender discrimination in South Africa.

The fact that most of the funds Lathithaa received went towards the investment of equipment and appliances, shows that the organisation is really looking to grow and develop. It also shows that they have re-invested the revenue from sales into the business by buying the ingredients for the food from that money, since almost none of the money was spent on that. Besides these accomplishments, the project has also empowered the women involved by gaining baking/cooking skills, earning an income and becoming more confident.

From the above discussion and the findings as presented in chapter 4.2, it can be concluded that the grants provided by WHEAT Trust allow the organisations to overcome financial obstacles, thereby acting as an 'unlocking' factor. Whether this is to help an organisation starting a project or to help them grow. In order to really move towards a more self-reliant and self-sustainable environment, it is important for the CBOs to not just spend the money there where there are still bills to be paid, instead, they should really give it some thought and try to identify opportunities which will benefit them in the long-run as well. More importantly however, all the projects appear to be functioning as a form of empowerment. The women involved in the projects are gaining skills, earning an income and consequently become more confident. Often, women involved in these projects receive the attention, space, tools and means with which to express and establish themselves as strong individuals and women. Together, the women form bonds amongst each other as well, resulting in much needed emotional support.

Despite the fact that all organisations make some key investments with the money as received from WHEAT, all projects do seem to be lacking fundamental marketing efforts in order to see their projects succeed.

### 5.8 The Business Plan

To be effective, competitive and sustainable, CBOs must not only be caring and creative, they must run their operations as businesses. As The SCORE Foundation (2010, p. 6) explains, ‘without financial self-sufficiency, CBOs cannot choose their direction or concentrate on their mission. Instead, they remain subject to the demands of finding their funding sources and in turn meeting donor demands. As a result, in today’s world, financial self-sufficiency is nothing less than a critical requirement for CBOs and, together with strategic planning and marketing, their highest priority’.

The business plan is an essential tool when designing the organisation’s business model. Figure 16, 17 and 18 show how it incorporates most elements from the frameworks that exist in assisting business to generate a business model. Despite the fact that every framework has its own approach they all function as a guideline to create a blueprint of the chosen strategy. The processes described in the business plan form the foundation upon which the organisation can identify its strategic opportunities, maximize its resources and move toward an environment of financial self-sufficiency.

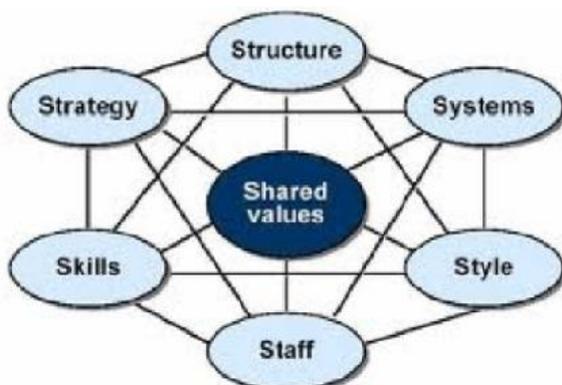


Figure 16: McKinsey's 7S Model. Source: <http://www.valuebasedmanagement.net/>

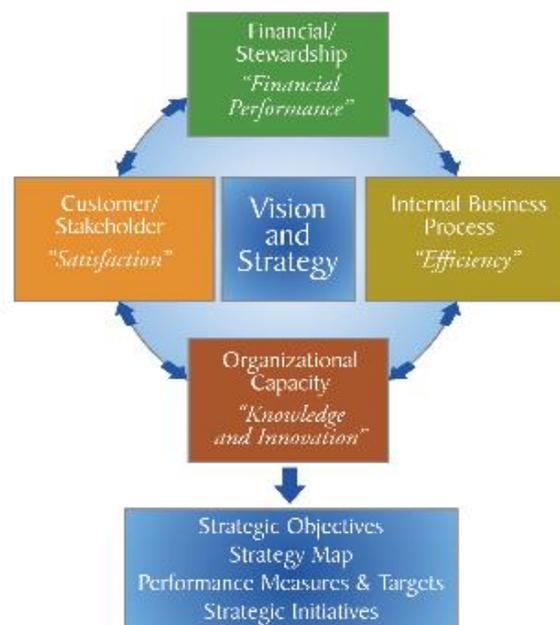


Figure 17: Balanced Scorecard. Source: <http://www.balancedscorecard.org/>

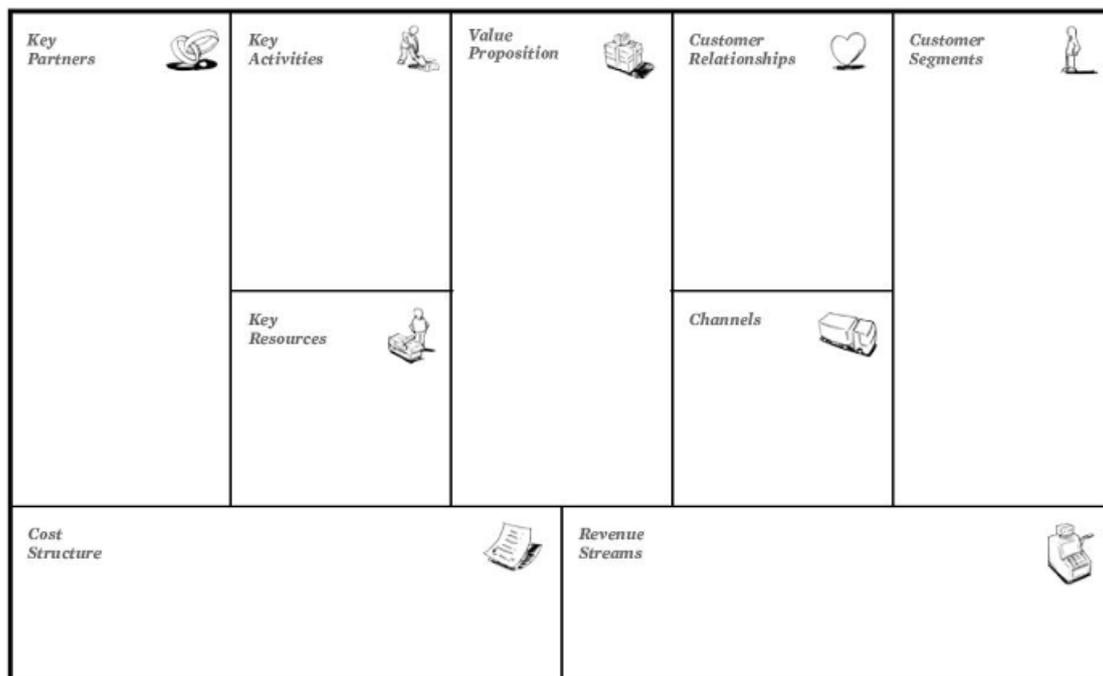


Figure 18: Business Model Canvas. Source: <http://www.businessmodelgeneration.com/>

## 5.9 The Golden Circle

The concept of a business plan is supported by Simon Sinek’s approach of ‘Starting with why’. Sinek (2011) argues that while every organisation knows what they do and some know how they do it by referring to their unique selling point (USP), very few organisations actually know why they do what they do. Opposed to the majority of people who automatically assume that ‘why’ refers to making a profit, ‘why’ actually refers to the intrinsic motivation of any organisation. Sinek states that making a profit is simply a result. According to him ‘why’ refers to the purpose, cause and belief of the organisation. Why does the organisation exist and why should anyone care?

Figure 19 shows how most organisations start working the circle outside in – from what to how to why. In order to run a successful income-generating project, or any business for that matter, Sinek (2011) states that one has to communicate from the inside out. He came to this conclusion as research showed him that people do not buy what you do, people buy why you do it. Something which is of utmost importance for all organisations that WHEAT Trust supports. All of those organisations have very clear reasons for what it is they are trying to do and,

keeping Sinek's golden circle in mind, the business plan template will help them develop a sound plan in doing so.

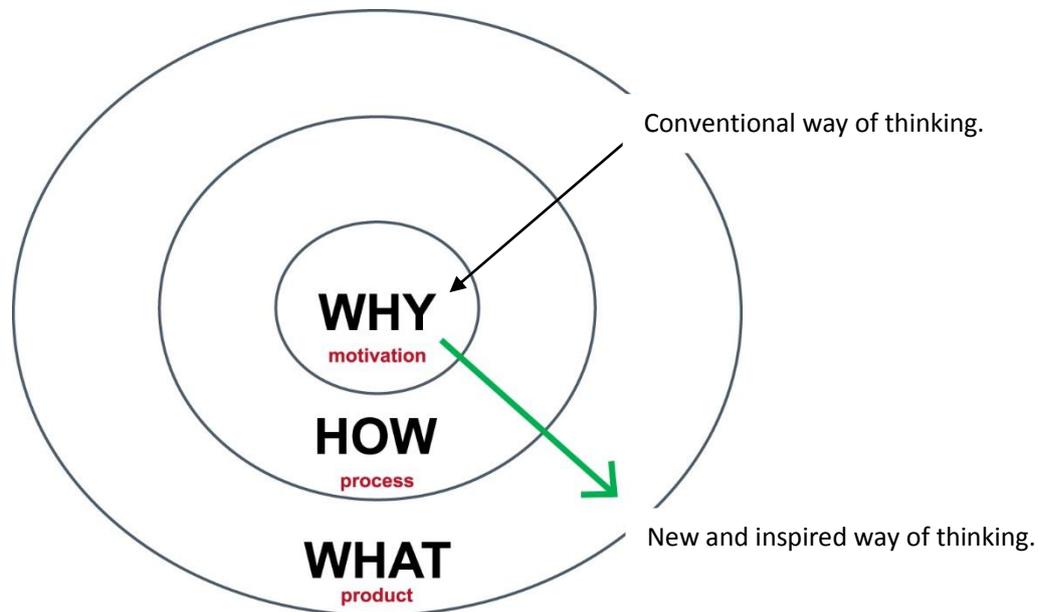


Figure 19: The Golden Circle. Source: <http://www.boscoanthony.com>.

## 6. Conclusion

The central research question for this study was the following:

*“What should a standardised business model look like for the income-generating community-based organisations WHEAT Trust provides grants to in order to create a more efficient and unified approach to contribute to the sustainable development of low-income communities in South Africa?”*

In order to support the research and gradually get the answer to this main research question, the following sub-questions were used:

1. What are common problems the small income-generating CBOs are experiencing?
2. What is happening to the money these emerging organisations receive and what is the impact of this grant-making?
3. Which business models are available for community-based organisations?
4. Does the model leave a sufficient amount of space to deal with problems other than the main ones identified?

Based on the above discussion and the results from the research, it can be concluded that there are in fact common denominators among the CBOs keeping them from fully reaching their potential, but which are avertable. As outlined in chapter 4.1, the main problems experienced by the organisations WHEAT Trust supports and which are running IGPs include the following:

- Lack of support from the government
- Lack of funding and access to credit
- Marketing
- Competition
- Financial management and absence of records

- Lack of leadership and planning

Most of the times, the women from these organisations embark upon projects without any knowledge about (small) business dynamics. There is a general lack of knowledge on how to run a project, lack of skills when it comes to product development, marketing, finance, leadership and planning in general. Most of the time, the women are even unaware of the need of basic information on resources needed for the projects, since there is no clearly structured long-term vision. All of which leads to unrealistic expectations about the feasibility and sustainability of the projects.

Despite the abovementioned shortcomings, grass root development and empowerment can be promoted through coordination, information and other (financial) support activities. The effect of the grant-making is important to acknowledge however and appears to be much more than a simple capital injection to get the IGPs off the ground.

From the discussion in chapter 5.7 and the findings as presented in chapter 4.2, it can be concluded that the grants provided by WHEAT Trust allow the organisations to overcome financial obstacles, thereby acting as an 'unlocking' factor. Whether this is to help an organisation starting a project or to help them grow. In order to really move towards a more self-reliant and self-sustainable environment, it is important for the CBOs to not just spend the money there where there are still bills to be paid, instead, they should really give it some thought and try to identify opportunities which will benefit them in the long-run as well. More importantly however, all the projects appear to be functioning as a form of empowerment. The women involved in the projects are gaining skills, earning an income and consequently become more confident. Often, women involved in these projects receive the attention, space, tools and means with which to express and establish themselves as strong individuals and women. Together, the women form bonds amongst each other as well, resulting in much needed emotional support.

Despite the fact that all organisations made some key investments with the money as received from WHEAT, all projects do seem to be lacking fundamental marketing efforts in order to see their projects succeed.

According to Jansen et al. (2007, p. 25) ‘business opportunities are there to be exploited if organisations opt for an effective business model. But managers, consultants and academic researchers remain unsure of what type of business model to adopt, and in which situations it will be effective. It is important to realise that there is not just one effective business model. Specific contexts, such as different organisational environments and strategies for added value may lead to different forms of effective business models’.

A thorough socio-economic assessment and profile of the target group should be made before a business model can be designed. The particular ‘life situation’ in a specific area has to be taken into account. Especially since the CBOs from WHEAT Trust are different from a stable economic and political environment and therefore require individually adjusted strategies.

There are many tools to help develop a framework for an organisation’s business model. A business plan fulfils a central role in this. It articulates well developed policies and procedures and, as stipulated by The Danish Refugee Council (2008), ‘include performance standards to reinforce efficiency, effectiveness, sustainability and impact’. However, it is equally important that the chosen methods and strategies are flexible.

Osterwalder et al. (2010) explain that ‘the challenge when creating a business model is that the concept must be simple, relevant, and intuitively understandable, while not oversimplifying the complexities of how enterprises function. Only after deep inquiry can a effectively business model be picked to be refined and executed’.

The fact that such a substantial body of literature has been published on the subject of business models is a clear sign of the significance that is attributed to the concept. The importance of a business plan is not new either. Unfortunately, many people tend to overlook this when embarking on income-generating projects. This includes the employees from NGOs and NPOs to assist CBOs, facilitators from government departments as well as grant-making organisations. They feel drawing up a business plan is too advanced for the small-scale projects they are launching. The women involved in the project themselves, they simply lack the knowledge of basic business skills and therefore have no clue about procedures like these involved nor how to go about it.

A business plan template, adjusted to the target audience, does not have to be complicated in use at all, however. The processes described in the business plan form the foundation upon which the organisation can identify its strategic opportunities, maximize its resources and move toward an environment of financial self-sufficiency. Due to its thorough and flexible nature, it does not only deal with the main problems identified, but in fact leaves enough space to deal with other problems as well.

As long as the business plan template is distributed properly and implemented accordingly, it allows for a more efficient and unified approach to contribute to the sustainable development of low-income communities in South Africa. Recommendations on how to go about this can be found in the next chapter.

It is important to note that the business plan template is designed in such a way that the target audience will be able to work with it independently. The template explains everything in a detailed, yet simple way and guides the reader every step of the way. As outlined by the United States Agency for International Development (2007), who has experience in developing similar tools ‘it should be made clear that the template does not provide answers or advice on specific business activities. It does not disclose which IGPs will be profitable for the very simple reason that it cannot. Perhaps the biggest mistake of organisations promoting IGPs is the assumption that an activity will be profitable and sustainable because it has succeeded elsewhere. The reality of markets, regardless if they are big or small, in stable or volatile environments is very different’.

## 7. Recommendations

Based on the findings of the research it can be concluded there is no such thing as a standardized business model but that there are many tools to help develop a framework for an organisation's business model. A business plan fulfils a central role in this. It articulates well developed policies and procedures and, as stipulated by The Danish Refugee Council (2008), 'include performance standards to reinforce efficiency, effectiveness, sustainability and impact'.

The importance of a business plan is not new either. Unfortunately, many people tend to overlook this when embarking on income-generating projects. This includes the employees from NGOs and NPOs to assist CBOs, facilitators from government departments as well as grant-making organisations. They feel drawing up a business plan is too advanced for the small-scale projects they are launching. The women involved in the project themselves, they simply lack the knowledge of basic business skills and therefore have no clue about procedures like these involved nor how to go about it.

As long as the business plan template as provided in appendix 2 is distributed properly and implemented accordingly, it allows for a more efficient and unified approach to contribute to the sustainable development of low-income communities in South Africa. The business plan template, which is adjusted to the target audience, is not complicated in use at all. The processes described in the business plan form the foundation upon which the organisation can identify its strategic opportunities, maximize its resources and move toward an environment of financial self-sufficiency.

There are several ways WHEAT Trust could start using and implementing the business plan template with their grantees. These methods include the following:

1. *Pilot*

Before WHEAT decides to fully incorporate and implement the business plan template it could decide to first pilot the model with a few of their existing grantees. This allows WHEAT to first assess how effective and user-friendly it truly is in the field, with the organisations for whom it is meant. This technique does not involve any extra cost for WHEAT, as the organisations themselves are

the ones who will have to create a business plan. From WHEAT, there only needs to be a minimum of one person who will understand the template and is willing to answer any questions the organisations might have about it.

2. *Add it to the application criteria*

Every time a new organisation which is running or looking to establish an IGP applies for a grant, WHEAT Trust could add the business plan to the application criteria as stipulated on their website. This requires the CBOs to really reflect upon that what it is doing and since the template is designed in such a way that the organisation should be able to carry it out themselves, no additional cost would be involved for WHEAT Trust this way.

3. *Introduce a network platform*

Based on the idea of co-operatives, WHEAT could open their doors, once a month for example, where the CBOs could come together and discuss the business plan. Each organisation still needs to create a business plan themselves, but since research showed that there are common problems among the CBOs, these sessions could help each organisation individually by learning from their peers. This option would also not involve any costs for WHEAT, as no special venue needs to be arranged and the organisations run the meetings themselves.

4. *Business plan requirement dependent on type of grant*

Since the template as designed is fairly extensive, WHEAT could also choose to use a simplified version for different types of grants. Small and single grants versus large and multi-granting. In other words, the higher the grant, the higher the business plan requirement. This again should not involve any extra cost for WHEAT Trust as it merely involves distributing a different version of the template.

5. *E-community for the illiterate*

Keeping the target audience in mind, it is only fair to assume that a substantial amount of the women involved in the organisations are experiencing some degree of illiteracy. Despite the fact that not everyone may know how to write, everyone is capable of communicating verbally. A good idea might therefore be to place an

oral version of the business plan online. This could be supported by adding success stories of other organisations and their experience with it, but also the chance for other organisations to pose any questions they might have. Since WHEAT already has its own website, this should not involve too many costs. An oral version of the template has to be created by the marketing and communications officer, as well as a follow-up on the organisations who have used the template and which are willing to share their story online. All in all, this should not be too time-consuming – a maximum of a day's work – and therefore costs for this option should be minimal as well: 350 ZAR\*.



\* Figure based on the current salary of the marketing and communications officer from WHEAT Trust.

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# Appendix 1: Questionnaire

Objective 1: women's description of themselves and their current circumstances.

- 1) Please tell me about yourself
- 2) Please tell me about your business
- 3) What activities are you currently involved in? (ALL activities)
- 4) Is the business you are running the only source of income for you and your family?

Objective 2: experiences and views of the micro business engaged in.

- 5) What motivated you to start a business? Income generation or to address community needs?
- 6) Why did you choose to embark in that particular business?
- 7) What kind (if any) research did you do before starting your business? Did you take into account your personal strengths/skills?
- 8) What are the key strengths of your business, what makes you stand out from the rest?
- 9) What skills do you have with regard to running a business? (Including bookkeeping, business planning, budgeting, etc)
- 10) What do you like about the business you are running?
- 11) What do you consider to be the main challenges you face as a business?
- 12) How do the people in the community feel about the organisation? Feedback from clients?
- 13) If applicable, how does your husband feel about you running a business/working?

Objective 3: Expectations of current business

- 14) Is the business you are currently running, the one that you really want? Does it offer you satisfaction? (plans to diversify or stop?)
- 15) What do you expect from your business enterprise?
- 16) What are the obstacles that have prevented you from expanding your business?

Objective 4: Short-term and long-term aspirations

- 17) Where would you like your business to go?
- 18) What are your short-term goals regarding your business? (one year)
- 19) What will need to happen for you to achieve your aspirations?
- 20) What kind of support would you like to have?

Objective 5: support of WHEAT Trust.

- 21) What are your views of the WHEAT Trust?
- 22) How did the grant you obtained from WHEAT Trust affect your business?
- 23) What other assistance do you think WHEAT Trust can offer you to improve your business?

## **Appendix 2: Business Plan Template**

See next page.

# Business Plan

## **OWNERS**

### **Your Business Name**

Street Address

ZIP Code, City

Province

Telephone

Fax

E-Mail

# Executive Summary

Presents a quick overview of the entire business plan. It explains the fundamentals of the income-generating project and includes the main goals and central points of every section included in the plan.

As it is a summary, this section is to be written last. It should be enthusiastic and grab the reader's attention, but at the same time be professional and concise. All in all, the executive summary should be less than two pages.

Guiding questions include (but are not limited to):

- What is your organisation's history and purpose?
- Who are the owners and how is it structured?
- What is your product/service and why?
- Who are your customers?
- What are your unique strengths and advantages?
- What does your marketing mix look like?
- Are all the necessary conditions for successful production in place?
- How are you financially organized?

It might be easiest to go through every section included in the business plan and write a small summary about that part.

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# 1. Organisational Information

This section provides basic information about the organisation and includes the following:

1. *Legal name of organisation*

.....

2. *Address of organisation*

.....

3. *Legal form of organisation*

.....

4. *Subsidiaries owned/affiliate organisations*

.....

5. *Organisational directors*

.....

6. *Programs, products and/or services offered*

.....

7. *Licenses, certification, credentials and accreditation*

.....

(If required to carry out operations.)

## 2. The Mission Statement

A mission states the purpose of an organisation and describes that what it wants to accomplish in the wider environment. It should succinctly state the essence of the entity's reason for being and should relate to tangible outcomes and objectives.

A clear mission statement acts as an 'invisible hand' that guides people in the organisation, so that they can work independently and yet collectively towards overall organisational goals. It should furthermore be market-oriented, so that it defines the business based on satisfying basic customer needs.

Avoid making the mission too narrow or too broad. It is important to keep in mind that the mission should be:

- Realistic
- Specific – it should fit your organisation and no other. Try to avoid generalities.
- Based on distinctive competencies
- Motivating – it should give people something to believe in. This includes the employees of the organisation.

Most of the time, a mission statement can be formulated in 30 words or less. Guiding questions include:

- What business are we (in)?
- For whom do we do it?
- What is the benefit?
- What do consumers value?
- What makes us special?
- What sort of business are we?

This last question guides the strategy and structure of the organisation. Companies aiming at *cost leadership* seek efficiency. These contrast with *differentiators*, who aim to make profits by inventing products, whose uniqueness gives a competitive edge. *Focused* companies concentrate upon being the best at serving a well-defined target market. They succeed by tailoring their products or services to customers they know well.

In other words: why do we do what we do? What, for whom and why?

### 2.1 Goals and Objectives

After the mission has been formulated, it needs to be turned into strategic objectives to guide management. The mission states the philosophy and direction of an organisation, whereas the strategic objectives are measurable goals. Goals can be considered destinations; there where you want your organisation to be. While objectives are progress markers along the way to achieving your goals.

The mission leads to a hierarchy of objectives and each employee/manager should have objectives and be responsible for reaching them.

### 3. The Vision Statement

Visions exist to guide the missions. This statement outlines an organisation's declaration of company's goals for the future and communicates the core values of the organisation. (*Values* are guiding beliefs about how things should be done.)

While the mission statement's prime function is for internal use as it talks about the present leading to the future by explaining HOW you intend to get there, a vision statement talks about the future and outlines WHERE you want to be. It lists where you see the organisation years from now and it focuses on values rather than bottom line measures. For employees, it gives direction about how they are expected to behave and inspires them to give their best. Shared with customers, it shapes customers' understanding of why they should work with the organisation.

The vision should be:

- Clearly defined and lack ambiguity – so that everyone knows where the business is ultimately headed.
- An equilateral triangle of winners – it should create value for the organisation, the customers and the employees.
- Inspiring – it should energize and motivate people inside and outside your organisation. Try to come with a memorable and engaging expression.
- Simple – so that it is easily communicated and people can remember it.
- In alignment with organisational values and culture.

Keeping those things in mind, everyone will have a clear understanding of the road your organisation will take and what it is you expect to accomplish. It will function as a living thing that guides your organisation and your employees.

The most important guiding question when creating a vision statement would be:

- Where do we aim to be in five years from now?

## **4. Personnel and Organisation Structure**

This part describes the management team, key employees and their job descriptions. List all the titles of key managers and employees and attach concise job descriptions. An organisational chart should be included and outline reporting responsibilities. In case additional staff members and/or training is required, you also list that here.

## 5. Market Research

Before starting a business, no matter how small-scale, it is important to define the market and sub-sectors of the market the organisation will be operating in. In order to determine how the organisation can participate in a profitable way in the chosen market(s), it is important to analyse the environment of th(os)e market(s). Gaining insight and an understanding of the setting in which the organisation will be active is of crucial importance to effectively adjust strategic decisions to any opportunities or threats that may exist and consequently influence how successful the organisation will be.

### 5.1 The Environment

The DESTEP-analysis is a systematic examination of the Demographic, Economic, Social & Cultural, Technological, Ecological and Political & Legal elements of the macro environment. Each of these factors will have some effect on the organisation, one way or the other. You can use the table below to systematically analyse each of these factors.

<b>Demographic</b>	<i>Describe the most important demographic characteristics and trends for the market the organisation will be active in. Include population size, density, growth, location, age, sex, race, education, occupation, household income, origin and other statistics you think need to be included.</i>
<b>Economic</b>	<p>The economic environment consists of factors that affect consumer purchasing power and spending patterns.</p> <p><i>Describe the economic climate and most important market characteristics. Include economic variables such as: income distribution, cost-of-living, unemployment, cyclicity, growth perspectives and any other relevant information.</i></p>
<b>Social-Cultural</b>	<p>The social-cultural environment is made up of forces that affect society's way of life and the market that the organisation operates in.</p> <p><i>Describe the following points to see how cultural characteristics influence the society and market that the organisation plans on serving: basic beliefs, standards, customs, morals, norms and values, perceptions, preferences, behaviour, level of education, religion, lifestyle, social trends and communication.</i></p>
<b>Technological</b>	<p>Technological aspects describe all developments and innovations the organisation has to respond to in order to keep up with customer demands and competition.</p> <p><i>Describe how the use of technology or lack of necessary technology affect the organisation. Include the use of computers, software or machinery, technological developments which can lead to new or improved products (innovation), new market opportunities, how technology is used for communication purposes and supply of information, the extent to which technology has affected your market and how the general lifestyle in your market is influenced by the use of</i></p>

	<i>technology, trends and whether you possess the proper technical tools and skills to carry out your business.</i>
<b>Ecological</b>	<p>There are numerous factors in the area of the physical surroundings and the environment which not only can affect the organisation, but which are important to keep in mind for good and responsible social marketing.</p> <p><i>Describe natural resources that are needed as inputs or that affect the proposed activities. Think about raw materials, quality of water, climate, sustainability, safety, cost of energy, waste/garbage, environmental regulations and transport.</i></p>
<b>Political</b>	<p>The political environment consists of laws, government agencies and pressure groups that influence and limit various organisations and individuals in a given society.</p> <p><i>Describe all political-legal factors that may affect the organisation. Include political climate, legislation, licenses, funds and support, subsidy schemes, (non-)government programs or other initiatives.</i></p>

While analysing the environment the organisation will be operating in, it is important to keep in mind that while there is probably a lot to say about it, not all of it is relevant for your specific business. Try to really focus and limit yourself to issues that will have an influence on the proposed business activities.

## 5.2 The Competition

Once all these points have been thoroughly analysed it is time to move on to a competitor analysis. You must know what differentiates you from other organisations. Analysing the competition furthermore helps identifying gaps in products and/or services and areas in need of improvement.

You need to find out all you can about your competitors in order to plan effective competitive marketing strategies. You need to compare the products, prices, channels and promotion used by them. This allows you to find areas of potential competitive advantage and disadvantage and allows the organisation to prepare against competitor's actions.

Besides knowing who the organisation's competitors are, it is important to know:

- What their objectives are.  
Try to find out what each competitor seeks in the marketplace and what it is that drives their behaviour. Knowing a competitor's objectives reveals whether it is satisfied with its current situation and how it might react to competitive actions.
- Which strategies they use.  
Try to find out the details of each competitor's manufacturing, buying, financial and other strategies. This includes product quality, features and mix, customer services, pricing policy, distribution coverage, sales force strategy, and advertising and sales promotion programmes.
- What their strengths and weaknesses are.

- What their reactions patterns are.  
A competitor's objectives, strategies and strengths and weaknesses explain its likely actions and its reactions.

You can use the table on the next page to compare your organisation with the organisation's main competitors. In the example, it lists only two competitors. Feel free to add as many as you think is appropriate. It furthermore states some key competitive factors. Since these may vary from one market to another, you may want to customize the list of factors.

In the column labelled "Me", state how you honestly think the organisation will stack up in customers' minds. Sometimes it is hard to analyse our own performance. Try to be very honest here. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of the organisation's strong and weak points.

Now analyse each major competitor. In a few words, state how you think they compare. In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

<b>FACTOR</b>	<b>Me</b>	<b>Competitor A</b>	<b>Competitor B</b>	<b>Importance to Customer</b>
Products				
Price				
Quality				
Selection				
Service				
Reliability				
Stability				
Expertise				
Company Reputation				
Location				
Appearance				
Sales Method				
Credit Policies				
Advertising				
Image				

Once you have completed the table above, write a short paragraph outlining the major strengths and weaknesses of the organisation and its competitors. Here you should also identify the organisation's competitive advantages and disadvantages.

## 6. Customer Base

This section defines the target market and includes a geographic and demographic description of those who will be served. It should include their current needs, how the organization will address those needs and why the market might prefer your organization.

A lot of the quantitative and qualitative data used for the DESTEP-analysis in the previous chapter will help describe the target market. It is important to note however, that there might be a difference between the market that you are operating in (the macro-environment as analysed in chapter 5) and the people that you decide to serve. A target market consists of a set of buyers who share common needs or characteristics that the organization decides to serve and it could be that the organization's product or service is aimed at selected groups of people within the market as a whole.

Try to be as detailed as possible when describing the customer base. Keep the questions “*Who are our customers?*” and “*Who do we want to reach?*” in mind, at all times. Below you can find some examples of variables which you could include:

- Geographic factors - think about the neighbourhoods and cities the organization wants to operate in and focus on. If possible, include statistics such as the size of the population. If it affects the organization also include the climate and density (urban, suburban, rural setting) in those specific regions.
- Demographic factors - age, gender, sexual orientation, family size, family life cycle, income, occupation, education, religion, race and nationality.
- Psychographic factors – social class, lifestyle and personality characteristics.
- Behavioural factors – purchase occasion (regular or special), benefits sought (quality, service, economy, etc.), usage status and rate (non-, ex-, potential, first-time or regular users), loyalty status, readiness state (unaware, aware, informed, interested, desirous, intending to buy) and attitude towards product (enthusiastic, positive, indifferent or hostile).

Now that you have identified the organization's customer base, briefly describe why they might prefer your organization. While doing this, reflect on what it is that the organization's Unique Selling Point (USP) is. What is the unique product benefit that addresses the need(s) of the organization's target market.

# 7. Marketing Mix

After deciding on the target market, you are ready to begin planning the details of the marketing mix. This is a set of controllable, tactical marketing tools that the organization blends to produce the response it wants in the target market and consists of everything the organization can do to influence the demand for its product. Other than briefly, this is the first time that you actually describe, in detail, the product or service the organization provides.

To create some structure in designing the most appropriate and suitable marketing programme for the organization, describe the following variables in depth:

- Product
- Price
- Promotion
- Place

When describing the marketing mix, keep in mind that it should help achieve the organization's overall goals and objectives by delivering value to consumers. If properly designed, it will help establish strong positioning in the target market.

## 7.1 Products or Services Provided

In detail, describe the totality of goods and/or services that the organization offers to the target market. Along with this description, describe the units of the product/service available, the quality of the product/service and how the organization plans to meet customer's wants and needs. If applicable, also include: variety, design, features, brand name, packaging and any additional services provided.

## 7.2 Price

Although the 'price' is the amount of money customers have to pay to obtain the product or service, it involves much more than just that. Developing a pricing strategy can be difficult but is extremely important. Consider the costs of producing or providing the product/service. What is the break-even price? Also consider what the market will accept and what the competition charges. How much profit will the organization make? Decide whether the price structure includes discounts and/or different payment policies. Clearly state the pricing strategy and why the organization has chosen to do so.

## 7.3 Promotion

Promotion refers to all activities that communicate the product or service and its merits to target customers and persuade them to buy it. It includes advertising, public relations, publicity, promotions, personal selling and any other sales techniques.

Public relations advertising and activities only complement what the organization actually does, but they are necessary and should be consistent. You want people to know about your existence. With limited financial resources, try to utilize as many free forms of exposure and remember the strength of word of mouth promotion. Be creative! Other forms of publicity include incentive programs, direct mail campaigns, flyers and newsletters. It is furthermore

important to know how the organization is perceived by its customers and the community. Consider the importance of selling the organization as a whole as well. The techniques that the organization plans to employ should be addressed in this section.

#### **7.4 Place**

The place or distribution point includes all the organization's activities that make the product or service available to target customers. Describe how the product or service gets to the end user and where the organization distributes it. Describe which channels are used and what the supply chain looks like. Include delivery, transport and inventory.

## **8. Production and Operational Plan**

This chapter explains whether the necessary conditions for successful production are in place. This refers both to adequate skills, with an emphasis on quality, as well as the location of the facility and sufficient equipment for the given business activity. This includes inventory and an evaluation of process efficiency.

Describe what the production process looks like and where it will be taking place. Outline all the equipment and materials which are needed in order to be able to produce the goods and whether these are already in place or that it still needs to be obtained. If some of it still needs to be organized, indicate when this will be done and whether or not it will prevent the organization from starting its business. Also describe where any inventory will be stored. Similarly, indicate how much inventory is needed to keep the business going and how much the organization plans to keep on hand.

While describing the production process, be sure to include the number of employees needed at every stage of the process and whether or not special skills are needed in order to perform the tasks. If so, indicate whether the appointed employees possess those skills or whether additional training is required and planned.

Try to identify possible pitfalls and possibilities for process efficiency. Include monitoring and evaluating activities.

## 9. Financial Plan

The financial section is the reality check for the organization's plan. It should describe the organization's capital structure, outstanding loans and debts. It should illustrate the organization's current and projected financial status using a cost/benefit analysis. This analysis will give a good indication of how much capital is required to carry out the proposed business activity and when that activity will generate a profit or loss.

### 9.1 Cost/Benefit Analysis

Without carefully studying the cost and revenue of a business activity in a particular setting, it is difficult to know whether that activity will generate profit. Basic definitions to keep in mind when carrying out this analysis are the following:

- *Cost:* Money spent on raw materials, labour and additional items.
- *Revenue:* Money received.
- *Profit:* Money received minus money spent.

On the next page you can find a profit margin template, which you can use to calculate whether or not your activity will generate profit or loss. The profit margin template follows three steps:

- 1) Calculation of costs
- 2) Calculation of revenue
- 3) Calculation of profit

In addition to the profit margin template, you can also find the profit margin template with explanatory notes to guide you through the steps. In some cases – rent, raw materials or salaries, for instance – you will probably have real figures for what the organization's expenses will be. In other cases – telephone and utilities, etc. – you will have to estimate of an average cost for the business cycle. Try to be as accurate as possible. Always use actual figures if you have them. When you do not, estimate conservatively for both expenses and income.

When you estimate expenses, guess high. By the same token, when estimating the organization's revenue, guess low – the smallest number realistically possible. Estimating conservatively will in the end allow for better yields only. Be sure to add in a 'miscellaneous' category, in order to be prepared for the unexpected. There are always expenses you do not anticipate, and it is part of conservative estimation to make allowances for them.

End with a short summary of your analysis. Remember that the cost/benefit analysis assumes 100 percent of the products produced were sold at a set price. In reality, this is rarely the case. It is important to keep in mind that real profit margins depend on more than planning. They will be influenced by fluctuating sales prices and the number of goods sold – factors affected by the behaviour of competitors and buyers.

## Profit Margin Template

<b>COST</b>				
<i>Raw Materials</i>				
	<b>Item</b>	<b>Unit Cost</b>	<b>Quantity Required</b>	<b>Total</b>
1				
2				
3				
	<b>Total cost of raw materials</b>			
<i>Labour</i>				
	<b>Item</b>	<b>Unit Cost</b>	<b>Quantity Required</b>	<b>Total</b>
1				
2				
3				
	<b>Total labour cost</b>			
<i>Additional Costs</i>				
	<b>Item</b>	<b>Unit Cost</b>	<b>Quantity Required</b>	<b>Total</b>
1				
2				
3				
	<b>Total additional costs</b>			
	<b>TOTAL COST</b>			

<b>REVENUE</b>				
	<b>Item</b>	<b>Unit Price</b>	<b>Quantity Produced</b>	<b>Revenue</b>
1				
2				
3				
	<b>TOTAL REVENUE</b>			

<b>PROFIT</b>		
1	<b>Revenue</b>	
2	<b>Cost</b>	
3	<b>Profit</b>	

## Profit Margin Template – Explanatory Notes

<b>COST</b>				
<i>Raw Materials</i>				
	<b>Item</b>	<b>Unit Cost</b>	<b>Quantity Required</b>	<b>Total</b>
1	<i>List all items required for production.</i>	<i>List cost of each individual item.</i>	<i>List number of items required for one business cycle.</i>	<i>Multiply cost of one item by the quantity required.</i>
2				
3				
	<b>Total cost of raw materials</b>			<i>Sum of total costs of all material above.</i>
<i>Labour</i>				
	<b>Item</b>	<b>Unit Cost</b>	<b>Quantity Required</b>	<b>Total</b>
1	<i>Think about how many workers you need to produce and sell the goods. Examples include: wage for sewing, wage for beading, wage for kitchen staff, wage for hairdressers, etc.</i>	<i>Consider time of one business cycle and the method of payment, for example per item produced, per hour/day of work, etc.</i>	<i>Depending on the length of one business cycle, consider how many people will be employed.</i>	<i>Multiply the unit cost by quantity required.</i>
2				
3				
	<b>Total labour cost</b>			<i>Sum of total costs of all labour costs above.</i>
<i>Additional Costs</i>				
	<b>Item</b>	<b>Unit Cost</b>	<b>Quantity Required</b>	<b>Total</b>
1	<i>Think about miscellaneous accounts such as transportation, air time, rent, etc. and any other costs that might influence production cycles.</i>			<i>Multiply the unit cost by quantity required.</i>
2				
3				
	<b>Total additional costs</b>			<i>Sum of total costs for all additional costs.</i>
	<b>TOTAL COST</b>			<i>Sum of all Total Cost columns above.</i>

<b>REVENUE</b>				
	<b>Item</b>	<b>Unit Price</b>	<b>Quantity Produced</b>	<b>Revenue</b>
1	<i>List all items produced for sale.</i>	<i>Expected price at the market.</i>	<i>Quantity produced within one business cycle.</i>	<i>Multiply unit price by quantity produced.</i>
2				
3				
	<b>TOTAL REVENUE</b>			<i>Sum of all columns above.</i>

**\* Important: these calculations are based on the assumption that all goods produced will be sold and therefore reflect expected (versus actual) revenue.**

<b>PROFIT</b>		
1	<b>Revenue</b>	<i>Refer to the Total Revenue table.</i>
2	<b>Cost</b>	<i>Refer to the Total Cost table.</i>
3	<b>Profit</b>	<i>Deduct Total Cost from Total Revenue.</i>

## 9.2 Current Financial Status

After having determined whether the proposed business activity is expected to be profitable or not, it is important to find out how much capital is needed to get the project started.

Make a summary of the funds needed to cover the start-up costs, which could be as simple as the example below:

START-UP COSTS				
	Item	Unit Price	Quantity Required	Total
1	<i>List all items which are required to get the business up and running. Think about equipment, materials, stationary, training fees, inventory, deposits, insurance, initial advertising and promotion, etc.</i>	<i>List cost of each individual item.</i>	<i>List numbers of items required to get started.</i>	<i>Multiply cost of one item by the quantity required.</i>
2				
3				
	<b>Total estimated start-up costs</b>			<i>Sum of all columns above.</i>

Once you have established what the estimated start-up costs will be, outline how the organization plans to finance these. Different ways to obtain the necessary resources for the proposed activity include but are not limited to:

- Using existing personnel resources/Personal savings
- Loans
- Applying for grants
- Soliciting in-kind support
- Fundraisers

Create a ‘sources and uses of proceeds’, which is a summary of the above. It provides a quick and clear overview of the funds the organization has to cover the start-up of the business and how the organization plans to use them. Note that the total on each side should be the same.

SOURCES AND USES OF PROCEEDS					
Sources		Amount	Uses		Amount
1			1		
2			2		
3			3		
	<b>Total</b>			<b>Total</b>	

### 9.3 Projections

Projections are not just a guess. It is an accurate assessment of what is likely to take place given the organization's goals. The cost/benefit analysis helped determine whether or not the proposed business activity is expected to generate a profit or a loss, now it is time to create a projected income statement. Below you can find another template which will help you make one for the organization. Note that the items listed may vary for your specific organization. Adjust them accordingly by deleting or adding categories as found appropriate.

<b>PROJECTED INCOME STATEMENT</b>				
<i>(Name of your Organization)</i>				
For Period ..... To .....				
	<b>Product or Service 1</b>	<b>Product or Service 2</b>	<b>Product or Service 3</b>	<b>Product or Service 4</b>
<b>INCOME</b>				
Sales				
Grants				
Donations/Fundraising				
Loans				
Other:				
<b>Total Income</b>				
<b>EXPENSES</b>				
Advertising				
Automobile				
Depreciation				
Dues/Subscriptions/Licenses				
Insurance				
Interest				
Office supplies				
Rent				
Wages/Salaries				
Taxes				
Telephone				
Travel				
Utilities				
Other:				
<b>Total Expenses</b>				
<b>SURPLUS (PROFIT) OR DEFICIT (LOSS)</b>	<i>The surplus (profit) or deficit (loss) is the difference between the income and the expenses.</i>			

The pro forma cash-flow statement is similar to the projected income statement. The difference is that cash flow shows the movement of cash in the organization on a monthly basis. Another template is offered to create such a statement below.

<b>PRO FORMA CASH FLOW STATEMENT</b>													
<i>(Name of your Organization)</i>													
For Period ..... To .....													
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<i>Total</i>
<b>Beginning cash balance*</b>													
<b>Income**</b>													
Product or service 1													
Sales													
Grants													
Fundraising													
Other													
<b>Total cash</b>													
<b>Expenses***</b>													
<b>Ending cash balance****</b>													

- \* The beginning cash balance shows the cash available the beginning of the month.
- \*\* The income is all income that comes in for the month for each product or service and each income category. This example shows only one product or service. If the organization has more, include them in this format.
- \*\*\* List all expenses. For presentation purposes, this sample does not include the list of expenses. You can use the list of expenses as used for the projected income statement.
- \*\*\*\* The ending cash balance is the difference between the total cash and the total expenses for the month. This number is carried to the following month as the beginning cash balance.

## **10. Major Milestones**

This section outlines major program, service or organizational milestones and how the organization plans to accomplish its goals. A time line and schedule of planned major events should be included.

## **11. Considerations**

If applicable, the organization's grant awards, in-kind support and any other major contributions should be articulated here.