

**A STUDY OF REVENUE DIVERSIFICATION FOR ECONOMIC  
SUSTAINABILITY IN NON PROFIT ORGANISATIONS IN SINGAPORE**

By

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## **Dedication**

I dedicate this work to the memory of my loving but late mother; who despite all the challenges of poverty and economic situations, she reminded all of us of the value of hard work and work ethics. She never gave up and despite being deprived of formal education, she lived for the best of her children and was always there to show us how one can be poor but can always still strive for excellence. Achieving and clearing the Doctoral level would prove to her that despite all odds, we have a family member that has achieved this level of academic attainment.

### **Acknowledgements**

This study could not have been possible without the assistance of some amazing people. Firstly, I would wish to thank my wife Ketti, and 2 daughters Ashley and Beverly for their patience and understanding that I had to forego time on weekends including evenings to work on the thesis paper. They nudged me along times when I had to balance work, family, and academic work. I extend special gratitude to my supervisor and academic mentor Dr. Dejan Curovic, for his encouragement, guidance, expert supervision, and motivation. He was always encouraging, available, professional, and supportive on my academic journey. I like to also thank Dr. Anuja Shukla, who always cheered me and the class, reminding us that as learners who hold full-time jobs, the pressures and often fatigue is a norm and reiterates that everyone eventually pulls through the hardship. They responded to my initial module work very expediently which then allowed me to embark on my dissertation ahead of time. I owe them my deepest appreciation.

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ABSTRACT

A DESKTOP STUDY OF REVENUE DIVERSIFICATION FOR NONPROFIT  
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This qualitative study revisits the revenue diversification effect on NPOs and their sustainability. It looks into recent developments to focus if there have been new research and considerations explored by Profit organisations, has recent scholars offered new insights into what these success factors are, whether the quality of an NPO is determined by its ability to fundraise or is it a consideration of trans disciplinarian factors. We conducted a desktop survey of Singapore's NPOs (Focus sector are NPOs for private education and aged care between 2016 to 2020) and applied the research methods and conducted a survey to understand if factors of managerial talent, quality of programs and missional focus supports NPOs who continue to do well. Participants in the surveys will allow us to understand if these traits which appeal to donors and policies to guide subvention from government ensures that resource allocation is done with a set of metrics to ensure better run NPOs continue to do good. Through this research, I am hoping to uncover findings that could point to clearer policy execution and NPO managerial leadership thinking that could guide develop better NPOs in Singapore.

In my journey with the Swiss School of Business and Management, I have uncovered that what started out as a novelty and numerous assumptions as I completed my initial submissions for the Concept and Research paper, the dissertation preparation unveiled a different set of thinking that I had originally crafted. This paper highlights the change and new writing that addresses new thoughts and analysis for my topic.

The procurement of fundings and resources has been a persistent issue faced by nonprofit organisations considering the increased competitiveness in acquiring funding from funders and other stakeholders and their need to obtain resources commercially. In this respect, this study aims

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to identify the factors that can potentially help NPOs to adapt a more entrepreneurial stance in acquiring funding specifically through the implementation of various revenue diversification strategies. As such, the main objective of the study is to provide insight into how NPOs can become financially sustainable by addressing the following research questions. First is to identify the common resource dependencies of Singaporean NPOs. Second, what are the revenue diversification strategies they can execute. Lastly, how can these strategies be applied in the Singaporean setting. In order to address these questions, the researcher conducted a desk research based on an extensive literature review. The study gathered annual reports from nursing homes and the private education sector in the country. In addition, the study also gathered academic journal articles that discussed topics relevant to the study such as revenue diversification, profitability and economic sustainability. The results have shown that the common resource dependencies of Singaporean NPOs indicate their reliance to government funding and earned income. Second, the results have identified four revenue diversification strategies namely impact investment, alignment with the standardized funding model of the Singapore government for financial grants, establishment of social enterprises and joining united charities such as the Community Chest of Singapore. As for its application to the Singaporean setting, the study has identified three main dimensions that can impact Singaporean NPOs namely the political, economic and social context of the country.

In conclusion, this study has identified various factors that can impact the financial condition of a Singaporean NPO namely their common resource dependencies and how they can overcome this and how they can work towards economic sustainability by exploring revenue diversification strategies identified in this study.

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## **CHAPTER I: INTRODUCTION**

### **1.1 INTRODUCTION**

The current highly competitive and market-oriented society has shaped businesses into being more aligned with profit than purpose. This resulted in multiple issues that target humanitarian and environmental aspects, thus in some ways negatively impacting citizens – especially those who are marginalised. However, as opposed to regular businesses, non-profit organisations (NPOs) are private and voluntary groups that focus on addressing the aforementioned and advocating for the needs of society, such as education, community development, and the arts and culture (Anheier, 2014). While for a good cause, since these associations are non-profit and private, financing has usually been the biggest challenge since these organisations commonly rely on donor funding (Strydom and Stephen, 2014).

However, before that, funding is not only the main problem of NPOs as they are also facing competition when it comes to procuring resources especially commercially. While it may be seen as ironic considering that NPOs are viewed as organisations that are completely mission-driven without depending on the commercial markets, this has not been the case Weisbrod (1998). In the past years, NPOs have become more active commercially due to the change in trends. Barman (2002) discusses that since it became very crowded in the commercial market for NPOs, these organisations would have to assert their difference and uniqueness as opposed to other competitors. Topaloglu et al. (2018) adds to this saying that when it comes to NPOs and their competitors, financial sustainability is one of the primary factors that determines their success.

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Meaning, an NPO with better financial sustainability is more likely to perform better than its less successful counterparts.

Having said the aforementioned, the sustainability of NPOs is an area of study that has been looked into by several professionals and scholars. With this, several studies have been looking into how NPOs can adopt a more entrepreneurial mindset in their operations so they may be able to continuously gain resources and funds without solely relying on governmental institutions and other private sectors (Weerawardena et al., 2010). Kingston and Bolton (2004) mentions that there are several emerging approaches for the funds of NPOs such as social investment, provision of patient capital, investment, and venture philanthropy. However, this study will specifically discuss revenue diversification and related concepts to it.

According to Abraham (2003), an organisation that is able to clearly visualise its financial accountability and stability will be able to easily see the success of its operations and performance. However, there is an issue with the unpredictability of funding since NPOs usually acquire them from donors. As such, revenue diversification is a prominent strategy among NPOs because it is able to provide a solution against the uncertainties of funding sources (Hung and Hager, 2018). Chang and Tuckman (1994), have also discussed that based on their study, NPOs with diversified revenue resources are most likely to attain financial sustainability. However, Froelich (1999) states that having too much diversified revenue and funding sources is also a disadvantage. This is because there can be risks when it comes to resource scarcity, consistency, and the like (Froelick, 1999). Therefore, revenue diversification still has its risks and does not

automatically secure the consistency of funds. However, it has the most potential of increasing the chances of financial sustainability (Chang & Tuckman, 1994).

### **Revenue Diversification**

The concept of revenue diversification has long since been already linked to non-profit organisations. This is because this concept caters around the principle of stability, specifically on financial security and applying strategies that minimise the risk against the aforementioned (Chang & Tuckman, 1994). In consideration of this, this concept becomes a significant aspect in non-profit organisations as they are the entities that are least secure when it comes to financial resources. This is especially as, as their name implies, they are groups that do not seek out profit. However, they are still in need of resources in order to operate which explains why it is crucial for them to apply revenue diversification strategies. These strategies ensure that they will have enough funding to still continue their systems and procedures. It is important to note that, what has been mentioned is not a claim that these organisations stray away from their goal of being “non-profit”. Rather, this is only to demonstrate how even with such a principle in place, maintaining and circulating enough resources is still a vital part of forwarding a group’s productivity.

Hung & Hager (2018) explained that the greater the revenue sources the greater the flexibility. Likewise, the lower the number of revenue sources, the more vulnerable the organization gets (Hung & Hager, 2018). Additionally, they also explicated that this is significantly related to the success of an organisation – particularly a non-profit organisation – as the standards for a healthy non-profit organisation is one who has “adequate equity balances,

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sufficient administrative allocations, positive operating margins, and diversified revenue sources, all of which provide slack flexibility in the face of financial downturns” (Hung & Hager, 2018, p. 6). Reiterating what has already been discussed and relating this to the aforementioned, revenue diversification allows non-profit organisations to perform without the threat of financial problems that may most likely debilitate the group as a healthy organization is one that enjoys versatility with security.

The trends and perceptions relating to revenue diversification are varied wherein some see it as a disillusionment of individuals towards the group’s financial activities while others have, as already been discussed above, viewed it as a vital factor to the success of an organization. Hendrick (2002) have illustrated the previously mentioned contrasting ideas regarding revenue diversification. On the one hand, some have seen it as deceit since revenue diversification essentially spread financial sources so an entity will not only be dependent on a single source of funding. Therefore, it creates a scenario and risk that organisations could mislead the public into thinking that they only receive little and motivate others to give more (Hendrick, 2002). On the other hand, since revenue diversification allows an association to draw funding from multiple sources, it allows them to be more flexible as the streamline of resources is variegated and therefore the risk to instability and change is low (Hendrick, 2002). As an example, in the study of Ismail and Siraj (2019) on the utilisation of revenue diversification on Malaysian Public Universities, it affirmed how this contributed to their financial sustainability as it allowed them to manage their finances better and mitigate their financial issues as they are secured with their sources of funding. Having said that, the disillusionment may only be a result of the lack of transparency and not revenue diversification per se.

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In essence, revenue diversification and the strategies that relate to it are not as simple to apply especially in the context of non-profit organisations. It can be prone to misjudgment when it is not properly reported or there is a lack of transparency on the organization's processes. However, the benefit of achieving more financial flexibility and security may outweigh such threats as this could significantly contribute to the success and longevity of the group or association.

Considering what was discussed, this study will look into the revenue diversification for Singaporean NPOs in order to achieve economic sustainability. Likewise, this chapter of the study will look into the overview of the research problem, the purpose of the research, the significance of the study, and the research questions. Thereafter, Chapter 2 will provide information about the area of study along with the relevant concepts featured in this research such as revenue diversification, resource dependency, and theory of reasoned action. Chapter 3 will tackle the methodology of the study which is qualitative desktop research. This is followed by Chapter 4 on the results from the desk research enacted, then Chapter 5 on the discussion of the said results. Lastly, Chapter 6 will talk about the summary of the study, its implications, and recommendations to Singaporean NPOs, other relevant institutions, and future researchers.

## **1.2 RESEARCH PROBLEM**

NPOs have slowly adopted the practices of profit organisations which has yielded negative responses. Considering the limitations that NPOs experience due to the lack of funding, this study centers around the identification of the success factors for revenue diversification. Likewise, look into the managerial capability against the measurement of financial health within Singapore. In this, the factors that positively influence NPOs will be identified through a meticulous examination of annual reports and surveys. Having said that, this study will identify the new aspects of revenue diversification initiatives that give better success; such as design and alignment of mission with government policies. An assessment of the impact of managerial talent on the attractiveness of an NPO will also be looked into and how NPOs and the Singapore environment can be used effectively for other countries will also be explored. In this way, the findings will provide an insight generally on how NPOs can be more sustainable despite the constraints as a result of the nature of their companies.

## **1.3 Purpose of the Research**

The purpose of this study is to determine the factors that can contribute to the sustainability of NPOs. This is with respect to their role in society which focuses on providing care and support for the needs of citizens. Albeit the good mission and vision of NPOs, the fast-paced and competitive business landscape has influenced the dynamics of individuals within NPOs – that being similar to the tactics utilised by profit organisations.



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Through this research, a better understanding of the effective ways for NPOs to build strong competencies will be uncovered. Furthermore, this study will be able to unearth the appropriate metrics measurement to be applied – which can impact the development of NPOs especially in adapting to changes and the VUCA.

Considering the relevance of the said problem and, generally, NPOs; this study will benefit NPO Boards, organizational leadership and industry practitioners. This is by contributing to the limited studies that highlights revenue diversification, economic sustainability, and NPOs. In addition to this, this research will also offer a comprehensive look at the constraints to the development of NPOs and how to overcome them by the application of appropriate strategies, dynamics, and practices of already established and successful NPOs.

### **1.4 Significance of the Study**

The issues faced by society are not always addressed by governments wherein some are even consciously disregarded. Having said this, NPOs serve a crucial role in the community because as a mission-oriented association, they are able to highlight the said issues and contribute to solving the insufficiencies needed by citizens (Cieucescu, 2009). In other words, they are able to provide resources that are needed but deemed as irrelevant or not urgent by public institutions. However, due to the progression in the non-profit sector which has yielded more NPOs, their culture has become as competitive as profit organisations (Dolnicar et al., 2008). As a result, this led these organisations into becoming indefensible to the possibilities of being shut down due to the lack of funding and insufficient resources (Carman and Fredericks, 2009).

Having said all these, the study serves as a means into identifying the strategies that could increase the sustainability of NPOs. Furthermore, this study will be able to offer a comprehensive insight into the tactics of profit organisations that can be utilised by NPOs – specifically on revenue diversification. This, in particular, is important considering that the lack of funding is one of the major problems of NPOs. Ultimately, this study will be able to contribute to the viability of NPOs in Singapore.

### **1.5 Research Purpose and Questions**

In order to provide more insight into how NPOs can be more sustainable considering the significance of their sector, the following research questions will be addressed in this study:

RQ1: What are common resource dependencies faced by NPOs?

RQ2: How can NPOs apply revenue diversification strategies from Profit Organisations in their business model?

RQ3: How can these lessons learnt be applied in the Singaporean NPO Context?

With this, NPOs will be able to learn the appropriate strategies that they could apply in order to adapt to the challenging climate in terms of the on-profit sector, commercial businesses, and overall economic sector of Singapore.

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The relevance of NPOs have urged institutions, professionals, and scholars to look into strategies that would improve their financial sustainability especially in the current competitive market that they are in. Having said that, funding has been the primary problem when it comes to their operations. Among the emerging strategies concerning this, revenue diversification has been prominent due to the pieces of evidence that suggest its effectiveness as an approach. Considering this, the next chapter, the literature review, will look into the concept, and other related concepts, that would provide an understanding of its usefulness.

## **CHAPTER II:**

### **REVIEW OF LITERATURE**

#### **2.1 INTRODUCTION**

There are several problems and inadequacies that are sometimes, or even oftentimes, overlooked by the institutions especially when these issues are concerned with a deeper problem within communities. Nonprofit organisations (NPOs) emerged for that reason, to illuminate societal problems that cannot be addressed by the government and to provide more support for societies (Cheverton, 2007). However, since these groups are, as their classification entail, “nonprofit”, funding and other financial constraints are usually issues with NPOs (Jegers. 2011). Having said that, multiple studies have also been conducted in order to identify the strategies that could contribute to the sustainability of NPOs. This chapter of the study will look into the theoretical framework and theory of reasoned action (TRA).

#### **Nonprofit Organisations in Singapore**

In Singapore, over 2000 registered charitable organisations are registered and they have been named as part of the top countries in Asia who are “doing well” with their private sectors (Wu Tang, 2022). It was even discussed by Wu Tang (2022) that there are even more NPOs who are not able to register since, by law, only those with “charitable” status or intention as referred to their criteria may be granted a registration. Meaning, NPOs in Singapore are widespread which showcases how much relevance this sector has over the Singaporean community.

## 2.2 Theoretical Framework

The theoretical concepts that will be utilised in this study will be discussed in this section of the paper. These are the transaction cost theory, revenue diversification, resource dependency, and human resource dependency.

### Transaction Cost Theory

The transaction cost theory (TCT) is often used in identifying the strategies utilised in organisational settings. According to Cuypers et al. (2020, p.4), the basic proposition in the use of this theory is that gains of interdependence are maximised by “assigning transactions (which differ in their attributes) to governance structures (the adaptive capacities and associated costs of which differ).” In this, asset specificity, uncertainty, and frequency are assessed prior to their assignment to governance structures.

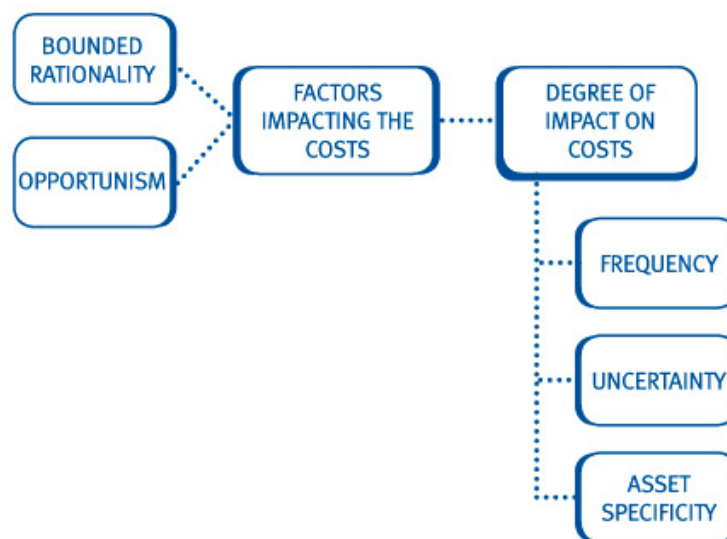


Figure 2.2.1 Transaction Cost Theory (Kaplan Financial Limited, 2020).

To further understand the theory, Rindfleisch (2019) mentions that TCT describes the phenomenon within organisations of doing transactions wherein each transaction – whether addressing disputes, exchanging contracts, and the like – has a counterpart cost. This is not only in terms of monetary costs, rather TCT illuminates on the idea that cost can also be behavioural or social (Rindfleisch, 2019). In the context of NPOs, this can refer to the public goods that they handle and how they distribute and maximise them, likewise the consequences for the said exchange (Boddewyn and Doh, 2011). This is beneficial in NPOs especially because of the aspect of maximising resources and minimising costs.

In using TCT in the context of NPOs, Arik et al. (2016) discusses that this is an advantageous framework for them as this allows them to identify the resources that they have which they can maximise in order to minimise their expenditures. Likewise, this theory is connected with concepts such as diversification. O'Brien et al. (2013) states that TCT provides an understanding of whether or not it will be positively impactful if diversification, that is on generating economic advantages and capabilities, is applied to operations. Meaning, TCT is a larger framework which allows organisations to decide on transactional operations in order to sustain their competitive advantage.

### **Revenue Diversification**

In relation to maximising resources and minimising costs, revenue diversification is the concept by which organisations maximise expected returns and minimise variance wherein higher

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portfolio return yields higher portfolio volatility (Carroll and Stater, 2008). In addition to this, Carrol and Stater (2008) mentions that this is especially advantageous for NPOs as revenue diversification offers a means to visualise how these organisations can increase their revenue profit without putting their revenue portfolio volatility at risk. Studies have affirmed that this is an essential framework as fundamentally, when risk is spread across different funding sources, it allows an NPO to be more independent and stable (Frumkin and Keating, 2011). This is because it will allow them to generate funds as well from a variety of sources – therefore, they would not have to solely depend on a single entity for their monetary resources (Frumkin and Keating, 2011).

However, while in hindsight this is beneficial as it allows an organisation to have multiple sources of funds, it also has its disadvantages. Mainly, the constant flow of funds is just an ideal scenario as more often than not, these funding sources have their own constraints as well, especially when it comes to management concerns (Froelich, 1999). Furthermore, there is also a commercial aspect that could significantly affect this continuous receipt of funds. As discussed by Behn et al(2010), this could result in venture failure and engaging in commercial activities for an NPO does not necessarily increase donors. Furthermore, it necessitates more organisational preparation along with manpower and logistics (Behn et al, 2010). This showcases that in some cases, revenue diversification can be risky as while the ideal continuous receipt of funds can exhibit the independence of an NPO regarding monetary resources; the other perception is that it can also be viewed as being dependent on multiple funding sources.

### **Resource Dependency**

In connection with revenue diversification, resource dependency is also a concept relating to obtaining and maximising resources. By definition, Bretherton and Chaston (2005) states that this theory relates to the use of already existing resources along with obtained resources from external means in order to increase the chance of sustainability and competitive advantage within a specific organisation. Another perspective to this takes on the idea that NPOs are currently more involved with collaboration as time progresses. This collaboration with other organisations and institutions entails exchanging benefits with one another. As such, relating this to resource dependency, Guo and Acar (2007) discusses that organisations evaluate their own resources and the resources of their partners to see how much they could gain – how they could depend on one another. Due to this, organisations that are more stable and sufficient do not engage with resource dependency as much as those with fewer resources since gaining little may be considered a disadvantageous position (Guo and Acar, 2007).

While resource dependency is advantageous in expanding and creating partnerships where there is a high chance of increasing competitive advantage, there are disadvantages to this as well. Barringer and Harrison (2000, p. 373) states that resource dependency will only be successful if the resources to be acquired are “rare, valuable in the market, imperfectly imitable, and nonsubstitutable.” Meaning, the amount of resources does not necessarily result in the sustainability of an organisation or NPO, rather it is also dependent on the quality of resources that are available, exchanged, and maximised by the organisation.



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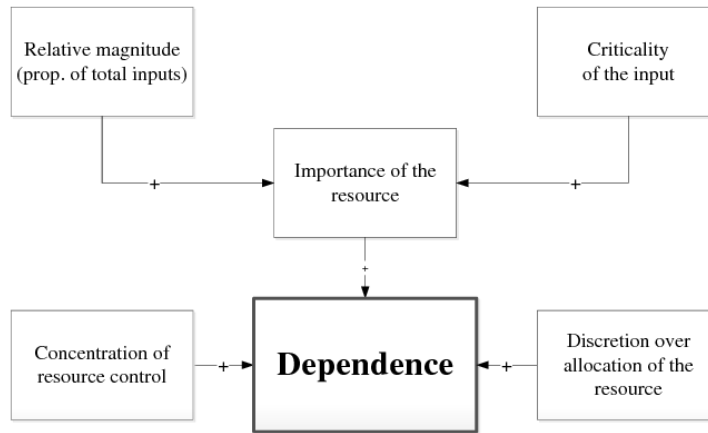


Figure 2.2.2 Resource Dependency (Mensing, 2013).

As seen in Figure 2.2.2, importance, concentration, and allocation are all fundamental aspects to the execution of resource dependence.

### **Human Resource Dependency**

Human resource dependency is also related to resource dependency but its focus is on, as the name suggests, human resources. This concept is mostly seen in organisations that have a difficulty with procuring and maintaining manpower. As Fields et al. (2005) states, human resource dependency explicates the organisational demographic that illuminates on the factors regarding talent acquisition and problems relating to recruitment. It was discussed by Kim and Lin (2017) that the human capital is as significant or even more essential than other resources and therefore human resource is an important factor to consider in tackling resource dependence. This is even more important in NPOs as, as discussed by McMullen and Schellenberg (2003), human resources are the primary ingredient in directing its operations. Since work environments, benefits, and pay are crucial factors in sustaining human resources, NPOs have challenges with manpower because more often than not, they only have limited acquisition over the aforementioned factors (McMullen and Schellenberg, 2003).

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Bartram et al. (2017), discuss that not only do NPOs have issues with their number of employees, but also with the participation of the aforementioned. Even with large NPOs who are leading at a global scale, since NPOs are usually volunteer-driven, participation is, in some cases, not consistent (Bartram et al., 2017). This is why it is important for these NPOs to create work environments that would empower their employees to serve despite the inadequacies of the nature of their work. Nevertheless, human resource and resource dependence are interconnected as just like when the resource being exchanged is insufficient and does not lead to success, when benefits of the human capital are below standard, it will also yield to loss (Nienhüser, 2008).

The concept of Net Promoter is indicated as the single best metrics predicting companies' ability to grow. A good business produces loyal customers who sell the business for the company (Keiningham, T. L 2008). NPS offers an inspirational, motivating purpose for the organization by creating promoters and provides useful real time customer feedback as the basis for making improvement. The score is derived using reverse engineering metrics to understand where the company is facing issues and helps the company to find their loyal customers and focus area where they are lagging in and where they are doing their best. The key factor is how the company manages to collect, measure and monitor customer experience. \

The question is now asked if Net Promoter scores be used to measure employee job satisfaction which then leads to staff retention? According to Aamir (2016), work volition contributed and supports that work-life balance played a strong indicator that led to nurses staying with the nursing homes that they worked for, and this was evident for all age ranges. Work life balance and job satisfaction contributed positively for the nurses surveyed and the high retention meant deeper domain knowledge and better work results. According to Duffy et al.'s (2015) work,

volition is the perceived capacity of individual to make occupational choices keeping in view the limitations they face. If an individual is able to get a job that matches with their skills and capabilities of an individual, the satisfaction level will be higher, as the individual will feel at home and will be more creative and innovative as well. Various researchers use volition as part of measuring satisfaction level of individuals in their existing jobs (Holtom et al., 2002). Individuals who chose their employment relationship voluntarily are found more committed and satisfied (McLean Parks et al. 1998). Similarly, Krausz et al. (1995) also found in their study that working by choice as opposed to not leads to higher satisfaction levels. In past different research studies have found that work-life balance has a positive and significant link with job satisfaction

### **2.3 Theory of Reasoned Action**

Knowledge and influence is a crucial facet in NPOs as these two are able to impact the participation of individuals as well as their likelihood to consistently engage. Having said that, the theory of reasoned action (TRA) addresses how these two factors interplay. TRA focuses on volitional behaviours wherein intentions, attitudes, and subjective norms predicts the commitment of a certain factor or action (Hale et al., 2002). Likewise, Ng K.Y.N. (2020) states that TRA also explains the capacity of individuals to engage in knowledge-sharing activities which is basically affected by social pressure and intention.

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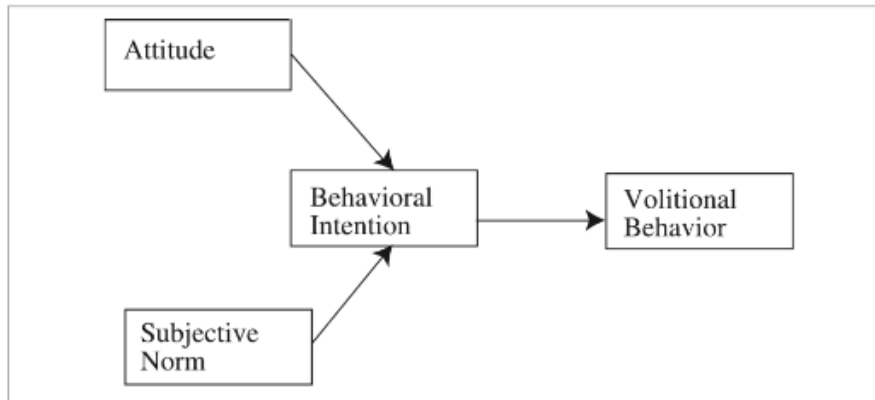


Figure 2.2.3 Theory of Reasoned Action (Hale et al., 2002).

In the context of NPOs, TRA is very relevant as it highlights the social commitment present in these associations. Zarzuela and Antón (2015) expounds TRA in the context of NPOs. In this, they describe that social commitment is increased in NPOs with the influence of intrinsic factors or determinants such as the individual's values, motivations, personalities, self-esteem, and self-concept (Zarzuela and Antón, 2015). Meaning, in order for NPOs to be sustainable and successful, they have to focus on their human capital as well and create strategies in order to increase the aforementioned intrinsic determinants.

According to Harrison (1995), the motivation of volunteers in NPOs is determined by satisfaction or fulfillment and the rewards that they can obtain as a result of their participation. In most cases, NPOs rely on intangible rewards such as enhancement of positive relationships due to the aim of balancing financial constraints and social value (Buonomo et al., 2020). They also aim to increase loyalty and commitment rather than on providing monetary rewards for participants which is also related to their aim of sustaining satisfaction (Buonomo et al., 2020). Fundamentally, in the context of NPOs, TRA is used as it allows these organisations to identify the motivations of their people that would allow them to sustain and increase their participation.

## **2.4 Operational Components of NPOs**

The overall performance of a nonprofit organisation is dependent on how efficient it is in terms of accomplishing objectives using the resources available to them (Alfirević et al., 2014). In this respect, this section will discuss the different parts of an NPO which is necessary for its overall functioning and sustainability.

### **2.4.1 Human Resource and Manpower**

Management of the human resources is critical in the success and operations of nonprofits because the quality of their employees will ultimately impact the kind of services they provide to their recipients (Walk et al., 2014). Similar to how for-profit organisations obtain workers, NPOs also hire people through recruitment strategies and that is where they can select highly qualified employees (Walk et al., 2014). Another characteristic further differentiating the workforce in NPOs is the presence of both full-time and part-time workers that contribute to the professionalization of the sector (Kim & Peng, 2018). This move towards having a set of paid employees that have a more specialized expertise from a formerly volunteer-based operations characterizes the NPO's professionalization (Marshall & Suarez, 2014). Despite still being heavily dependent on volunteers, professionalization has transformed the sector and has been proven to significantly improve the performance of NPOs (Mosley, 2011). As such, heavy emphasis is placed on expanding the paid workforce of NPOs given that it can expand the organisation's service capacity which, as a result, could also improve the quality of service they provide (Kim &

Peng, 2018). In addition, aspects such as wages and professional development, among others, also impact the quality of employees working in a non-profit. In terms of professional development, this mainly encompasses the growth of employees and the enhancement of their skillset and knowledge on specific disciplines which can have both individual-level and organisation-level impacts (Walk et al., 2014).

Taking all those HR matters into account, executive leadership is a critical element in the success and overall functioning of NPOs (Yawson, 2019). Nonprofit managers and leaders face unique circumstances compared to for-profits considering that they have to look into numerous aspects such as resource acquisition, social value and the double bottom line which require them to merge financial stability with social responsibility (Worth, 2017). In addition, managerial positions in NPOs must also maintain complex relationships with other stakeholders such a volunteers and other organisations that can ensure the nonprofits continuity in terms of operations (Worth, 2017). While still being mission-based when it comes organisation goals, managers have to face numerous challenges and issues that concern financial matters as well as social and managerial matters.

#### **2.4.2 Financial aspect**

One of the most essential resources needed to keep an NPO operating is money which the organisation uses to cover its costs (Berenguer, 2016). Given that NPOs work on a different landscape compared to business enterprises, it also has to accommodate cost structures that may be more complex to assess and control. According to Beamon and Balcik (2008), the three main costs identified in humanitarian relief are the costs concerning supplies, distribution

and inventory holding. First, costs concerning supplies is not as straightforward as procuring products and services from businesses due to the unpredictability of demand patterns (Beamon & Balcik, 2008). In relation to this, NPOs could not easily assess and give a final list of costs since it has to take into account the lack of information on how detrimental a disaster is or what changes they have make as they assess the community's needs. Second, distribution costs are mainly concerned with the process of transporting relief goods in a very limited amount of time (Beamon & Balcik, 2008). Additionally, different types of distribution cost will concern human volunteers and others stakeholders that directly provide the help to the community. Lastly, inventory holding costs is dependent on the supplies being stored by NPOs and the type of inventory they keep in their own warehouses or offices (Beamon & Balcik, 2008).

Aside from the costs concerning the provision of relief and aid, it is altogether a different matter if one is to tackle the costs of having employees. The wage setting behavior of nonprofits are complex in such that both volunteers and paid employees work alongside each other (Pennerstorfer & Trukeschitz, 2012). While these dynamics will not be delved in this section, what is emphasized is the need for NPOs to consider in their cost structure the wages they offer to their employees.

### **2.4.3 Upholding legitimacy through Performance Measurement practices**

Nonprofit organisations are entities that generally rely on the public's trust and positive perception towards them given that without the public's support, NPOs would not have the capacity to function effectively (Jeavons, 2016). Without establishing their integrity and legitimacy in terms of performing their functions, funding and other resources can be easily withdrawn from them therefore disabling the entire organisation. Considering that non-profits

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engage with multiple stakeholders with often conflicting interests, this requires them to meet external demands for legitimacy and accountability (Arena et al., 2015). Considering that NPOs have to answer to various stakeholders which include foundations, politicians and for-profit investment funds, this can sometimes come in conflict with the needs of internal stakeholders that focus more on reaching higher number of beneficiaries as possible (Arena et al., 2015). In this respect, nonprofits are adopting the implementation of Performance Measurement (SPM) which is defined as a method to evaluate program accountability and involves the identification of performance objectives and convert them into measurable items which eventually end with the analysis and reporting of data (Mulvaney et al., 2006). Among the numerous frameworks that can be used measure performance is the theory of change logic model where nonprofits must provide justifications as to why, based on evidence-backed research, the key elements of the project are expected to accomplish results (Carman, 2010). For example, a program developed to prevent the spread of fake news (an outcome) assumes that notifications on social media platforms and educating the audiences (two program aspects) are necessary to accomplish the outcome. Originally formulated as assumptions in the theory of change, the two-program aspect were then operationalized and can now be tracked using the logic model. By having these models, the manager has now tools to evaluate whether the program is functioning or adjustment have to made (Lynch-Cerullo, K., & Cooney, 2011). In addition, funders and donor also favor programs with theory of change logic models since they can have an overview of the program components and fund those that best align with their own values and interests (Lynch-Cerullo, K., & Cooney, 2011).



### **2.4.5 Stakeholder Engagement**

#### **Beneficiaries**

In the context of NPOs, beneficiaries are the stakeholders identified as the recipient of services from these organisations (Wellens & Jegers, 2017). They play a critical role in the overall functioning and viability of nonprofits given that they are the direct recipients of the programs implemented of NPOs with the goal of improving their conditions or addressing a specific issue that they are facing (Rey-Garcia et al., 2017). As such, the beneficiaries are identified as NPOs main point of reference when it comes to their legitimacy since their primary activities are geared towards the transformation of people and their living conditions (Rey-Garcia et al., 2017). To develop and implement successful programs, NPOs must possess adequate knowledge about their intended and actual community beneficiary and must also put in place mechanisms that can access the outcome of their programs with respect to their beneficiaries.

#### **Donors or Funders**

When it comes to funding the programs and operations of NPOs, donors and funders play a key role in such that they provide the prerequisite financial resources of the organisation (Chapman et al., 2022). In this respect, donors are recognized as the entities that voluntarily give money to organisations that allot this money for beneficiaries and can include individuals, government bodies, foundations and corporate companies (Chapman et al., 2022). Before donors decide to contribute their money, they undergo various decision-making processes and this can include understanding and acquiring information about who are the beneficiaries, how help reaches them and what kind of projects are being implemented by their chosen organisation (Chapman et al., 2022). Taking this into account, organisation must conduct stakeholder

engagement policies and activities that encourage donors to provide them with financial contributions and sustain their trust to establish a strong and long-term relationship with them.

### **Government sources**

Nonprofits who heavily rely on government funding or obtain subvention for fees collected exhibit low income volatility but adhere closely to the target clientele and programs in place (Froelich, K.A. 1999). The article continues to recommend that those with strong government funding should pursue commercial activities to gain further revenue sources and avoid diluting their missional agenda.

### **Volunteers**

Prior to COVID situation, nonprofits rely on help freely offered by volunteers. As many NPOs generally have a lack of financial and human resources to enact various operational activities necessary for the organisation's success (Hernandez et al., 2022). In this respect, the benefits of volunteers for NPOs can be categorized through categories namely their financial, program and expressive value (Hernandez et al., 2022). Starting with the financial value, one of the most prominent benefit provided by volunteers is in terms of cost savings given that their volunteer work has saved the organisation from paying entities and staff to do the work for them. As for their program value, volunteers provide significant help in terms of service delivery as they perform tasks that extend the organisation's reach and community outputs which focus more on building community relationships and enhance the accountability and transparency aspect of the organisation. Lastly, the expressive value of volunteers pertain to their contributions in the NPOs'

culture, principles and values that can consequently increase volunteer motivation and build a healthy culture of volunteerism and advocacy-building (Hernandez et al., 2022).

## **2.5 Economic Sustainability in NPOs**

In the context of NPOs, the core goal is to establish a sustainable organisation that can continue to provide social value to their target service recipients and sustain this ability for a long period of time. To do so, NPOs must work towards the acquisition of financial resources that can fund the delivery of social value to their beneficiaries while not compromising service quality (Weerawardena et al., 2010). In this respect, central to this discussion are the concepts of financial capacity, financial sustainability and organisational sustainability. Financial capacity is comprised of the resources that provide the organisation with the capability to capture opportunities, realize goals and address unexpected circumstances (Bowman, 2011). On the other hand, financial sustainability refers to the ability of an organisation to sustain its operations and capacity over a long period of time (Bowman, 2011). While the focus of this section is economic sustainability, it is important to mention the role played by organisational sustainability which refers to the organisation's survival by virtue of sustaining its organisational growth, continuity and viability which can ultimately lead to its success (Helmig et al., 2014; Florea et al., 2013). In this respect, financial soundness is critical to ensuring the sustainability of NPOs since they primarily exist to achieve their social causes in a sustained manner (Ilyas et al., 2020). Upon defining these key concepts, the following section will discuss how NPOs can achieve economic sustainability by initially identifying its main sources of funds and how they can manage their financial situation.

### **Sources of funds**

There is a myriad of ways that nonprofits can gain financial support that can fund the organisation's operations and projects. Among these are donations, earned revenue, government grants, investments and fundraising. Starting with donations, which is the primary source of funds of NPOs, can come from various stakeholders and is recognized to be fairly challenging to acquire given a donor's choice to contribute money to a specific NPO is constrained by various factors (Barman, 2008). To contextualize, some NPOs allow mechanisms for donors to attach strings or preconditions, to their donations. This can greatly impact how NPOs establish relationships with their donors and how they implement strategies that can entice donors to select them. Second, earned revenue, also called as commercial revenue, refers to the aggregate sum of all the sources of revenue generated by NPOs that are not in the form of donations nor from investments (Levine Daniel & Kim, 2018). Some examples of earned revenue can be from services provided by NPOs in relation to their core mission which require payment from those who want to avail it (Levine Daniel & Kim, 2018). Third, government grants, which are considered as one of the most important sources of funding, are acquired from local or national governments that recognize the value of an NPOs' social programs (Blackwood et al., 2012). The prerequisites of government funding is associated with the kind of relationship that NPOs build with government bodies, level of domain consensus and length of funding history (Lu, 2015). Fourth, the investments made by NPOs are similar to how for-profits engage with it. Lastly, fundraising refers to the activities geared towards acquiring financial resources from possible donors (Najev Čačija, 2013). In an ideal scenario, Weinstein (2009) describes successful fundraising as characterized by the asking the right person to donate the suitable amount for the project they align the most at the most appropriate time and most fit way.

### Strategies

Among the various strategies NPOs can adopt from for-profits and those that they execute considering their unique settings, only three will be discussed in this section. First, revenue diversification is recognized as viable way for NPOs to achieve economic sustainability, mitigate fiscal risk and attain organisational stability with regards to financial capacity (Frumkin & Keating, 2011; Chikoto & Neely, 2014). It is a feasible way for NPOs to strategize on how to manage their multiple revenue streams and deal with external pressure that may pose risks to their funding (Lu, 2015).

Second, precautionary saving or asset accumulation is also a possible way for nonprofits to manage their finances efficiently. According to Calabrese (2012), the motives behind why nonprofits save unrestricted net assets instead of using them to fund programs immediately lies from the pursuit of NPOs to seek “profits” to decrease financial vulnerability in the context of possible resource inflexibility. In other words, saving funds is not only reserved for “rainy day” funds but is also classified as a higher quality form of money compared to earned revenue which can be volatile and unpredictable. (Duquette, 2017). This strategy of nonprofits to save excess donations also serve as a precautionary measure for NPOs considering that highly unpredictable sources such as donations must be managed differently compared to more relatively stable sources such as earned revenue (Duquette, 2017).

Lastly, alignment with government policies and objectives can ensure government funding that has been previously established as one of the more stable sources of funds that NPOs can rely on. By guaranteeing that they meet government standards and uphold accountability and

commitment, nonprofits can secure more government funding compared to other competitors. To reiterate what Lu (2015) claimed in his study, specific qualities of interorganisational relationship built between NPOs and the government can yield better results. As such, one determinant of this relationship is the internal governance of NPOs characterized by bureaucratic inclinations given that this can ensure a smoother flow of information and tasks which can facilitate easier transactions with government bodies (Lu, 2015). Second, the leaders of NPOs play a big role in cultivating long-standing relationships with officials from government bodies since this allows them to establish bonds with government officials and develop familiarity and legitimacy as they engage in frequent transactions over time.

## **2.6 Non-Profit Business Model**

One main difference that NPOs have compared to for-profits is the lack of budget and resources hence compelling employers to develop and formulate innovative and creative ways to address possible issues the organisation might encounter concerning their financial viability (Yawson, 2019). To understand the various aspects of an organisation in relation to their budget, operational mechanisms and end goals, one can use a business model (Osterwalder, 2004). A business model framework can offer stakeholders with a visualization of the organisation's operational mechanisms that are necessary for it to achieve its goals including growth and profitability (Massa et al., 2017). However, NPOs could not just hastily adapt business models that were designed for for-profit organisations since they may have stark differences consider their context and goals. As such, this section will delve into possible business models that nonprofits can utilize that are specifically designed for their organisational structure and objectives.

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For the first business model, it is actually comprised of two variations of the Business Model Canvas and it was developed by GoGreen Portland and Graves (2011) as a specific tool for social enterprises. The difference between this variation of BMC specifically designed for non-profits and the for-profit BMC are the added “Mission” block, added “Impact and Measurements” block and the division of “Customer Segments” and “Value Proposition” block into “Co-Creator” and “Beneficiary” (Qastharin, 2016). The “Mission” block was added so that NPOs can clearly indicate the purpose of their overall existence and operations whereas the “Impact and Measurements” were placed in Canvas to indicate the metrics of success that NPOs are going to identify with regards to their progress (Qastharin, 2016). Lastly, the dashed line dividing the stakeholders segment was placed in order to distinguish the co-creators from the recipients of the service (Qastharin, 2016). The order of the entire Canvas also shifted given that this variation started with the Mission block and ended with Impact and Measurements since it is mission-based and impact-driven (Qastharin, 2016).

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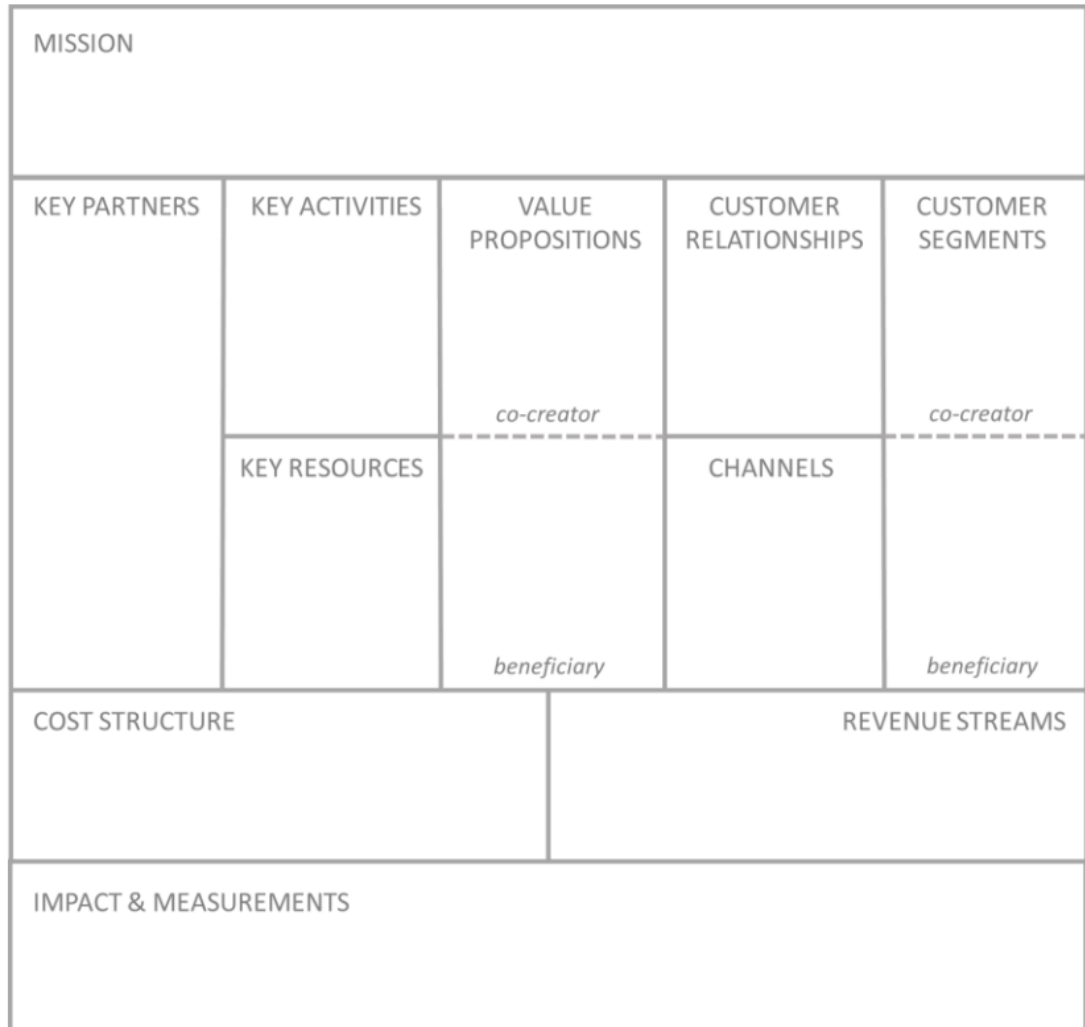


Figure 1.1 Modified Business Model Canvas for Social Enterprise (Qastharin, 2016)

## 2.7 Conclusion

Ultimately, there are four (4) main theoretical concepts or frameworks to be utilised in this study. Primarily, the transaction cost theory (TCT) will allow NPOs to identify whether or not the transactions they execute will provide them with a competitive advantage – whether these transactions are on contracts or even in partnerships. This is to consider that this theory looks into how they can maximise resources and minimise costs. In relation to this, revenue diversification



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takes on the idea that NPOs or organisations can have a continuous flow of funds when they diversify or spread out their fund sources. In this, it highlights how organisations can be more independent by not only depending on one provider of resources.

Likewise, resource dependency takes on a similar approach by expanding on the idea of diversifying fund sources. This explained how organisations can take on partnerships and collaborations in order to exchange benefits and also build more connections – which are two (2) important factors in the operations of NPOs. Apart from building collaborative relationships and exchanging benefits, a vital factor in the success and stability of NPOs is their human capital. Human resource dependency tackles how individuals are more likely to participate and commit when they are attracted with the benefits of the specific organisation. From all these, the theory of reasoned action (TRA) showcases how organisations can increase volition by looking into the behaviours and motivations of individuals.

To contextualise these theories, a section dedicated to the NPO operations and mechanisms was added. It tackled the operational aspects of an NPO which primarily involve the processes it needs to perform in order to fulfill its goals and sustain financial sustainability. Lastly, a nonprofit business model was also introduced to provide insight into how nonprofit organisations can adopt strategies that are initially just used by for-profit organisations.

Considering the aforementioned theoretical concepts and frameworks, along with its relevance to the research, the next chapter of this study will tackle the methodology that this study will adopt.

## **CHAPTER III:**

### **METHODOLOGY**

#### **3.1 OVERVIEW OF THE RESEARCH PROBLEM**

While NPOs have a different nature as opposed to businesses – they still operate under the same or similar competitive environment (Weerawardena et al., 2010). Therefore, despite serving their respective communities with purpose; they are still constrained by a multitude of factors. One of the facets to this problem is their lack of funding. This is to consider that they could not rely on taxes or the private sector for their operations alone. Having said that, NPOs are behaving more business-like in order to address this insufficiency (Maier et al., 2014). Wherein they are becoming more conscious of market trends and communication strategies to be more effective with the public (Brink et al., 2020). This became a controversial take as the nature of businesses and NPOs are in contrast with one another. However, some studies have also discussed how not only NPOs could learn from businesses but vice versa (Smith, 2012).

Since NPOs serve a crucial role in society, it is important to delve into how they can be more sustainable considering the nature of their organisations. As such, this study will affirm how revenue diversification plays a role in NPOs. Specifically, how it highlights the factors that contribute to the sustainable outcomes of NPOs for them to continue having meaningful impact on the community; especially on social needs in areas of education, aging population, and youth support.

### **3.2 Operationalization of Theoretical Constructs**

Theoretical constructs are often abstract and unobservable which can be difficult to analyse, significantly affecting the course of a study (Jacobs and Wallach, 2021). Which is why there is a need to operationalise these in order for the researcher to be able to measure and validate them (Jacobs and Wallach, 2021). Since without the operationalisation of these, it will be challenging to utilise or apply a theory to the study. There are multiple ways by which theoretical constructs can be operationalised, however, for the purpose of this study, typology will be applied.

By definition, typology is a multidimensional approach wherein a set of theoretical constructs are summarised in order to yield different categories (Bhattacharjee, 2012). While it is an advantage to apply typology as the constructs will be easily seen, this method is only applicable to nominal variables (Bhattacharjee, 2012). Since typology focuses on classifications, it is most often used in studies that seek to understand how a certain phenomenon, topic, or study has come about (Nichols, 2007). Typologies are also mostly concerned with the relation of different topics, words, and phrases to each other – which is why it is frequently used in studies that are concerned with identifying backgrounds and language (Nichols, 2007). However, since this study aims to unearth the factors that impact the sustainability of NPOs – specifically relating to revenue diversification – a typology will be beneficial in the categorisation of constructs found in the literature.

### **3.3 RESEARCH PURPOSE AND QUESTIONS**

With the relevance of NPOs in society, specifically on focusing on and providing for community members, it is vital that their achievability will be secured and looked into. Having said that, this study will allow an insight into the different factors that impact the sustainability of NPOs. Especially on how revenue diversification can be utilised and maximised. This is highlighted as this study takes into consideration the competitive climate that NPOs are a part of. Revenue diversification offers a perspective on how businesses, and in this case NPOs, can increase their competitive advantage. In addition to this, how NPOs can learn from the dynamics of business organisations. In this way, a more effective strategy can be adopted by NPOs which can make up for their issue on the lack of funds and resources. Contextualising this to the Singaporean climate, the study will contribute to the growing literature concerning NPOs and how these associations can be more autonomous. With that, below are the research questions that this study will aim to answer:

**RQ1:** What are common resource dependencies faced by NPOs?

**RQ2:** How can NPOs apply revenue diversification strategies from Profit Organisations in their business model?

**RQ3:** How can these lessons learnt be applied in the Singaporean NPO Context?

In this way, the study will be able to assist NPOs in improving their operations to be more consistent, feasible, and autonomous.

### **3.4 RESEARCH DESIGN**

This study will be a desk research based on a literature review. By definition, a desk study is the method by which a researcher collects data from already existing sources (Sileyew, 2019). On the one hand, the advantages to this method are its low-cost nature and its transparency to the public considering that the sources used may be available online and those are usually sources that are already academically verified – ensuring its reliability and validity (Bhasin, 2020). However, on the other hand, Bhasin (2020) also discusses that the disadvantages to this lie on the aforementioned characteristics as well. To explicate, relying on existing data may be prone to unreliability as well since these materials may be outdated, unspecific, and furthermore there is a lack of control over the participants of the research (Bhasin, 2020).

Nevertheless, this type of research design is advantageous for the nature of the study considering this research aims to get an insight into the various revenue diversification strategies of companies that can be applied by NPOs – which entails a meticulous review of different organisations and texts. To be specific, this study will employ a qualitative desk-research methodology based on the literature review and analysis of the existence of revenue diversification in NPOs and profit organisations. This is a qualitative approach as it entails the observation of the researcher as the evaluation will also be grounded in theoretical constructs.

### **3.5 POPULATION AND SAMPLE**

Since the study is a desk-research, the primary sample would be categorised as grey literature. Schöpfel and Farace (2015) defines grey literature as all resources produced and published by the government, academics, businesses, and industries of which may be available online or offline and is not controlled commercially. Meaning, these sources are open-sources; but have been documented by professionals or established institutions (Schöpfel and Farace, 2015).

Contextualising to this study, the featured sources would be academic journals, business related journals and publications, and NPO annual reports. Academic journals will be referenced concerning other studies that also feature a similar topic to revenue diversification among NPOs or even profit organisations. Business-related materials will be utilised as a supplementary source especially in explaining the technical concepts that will be found and discussed in this paper. This is especially important in analysing and discussing how revenue diversification can benefit NPOs and what exactly are the strategies that can be applied incorporating this concept. As for NPO annual reports, this will be essential in looking into the current financial condition and operations of these organisations. This is significant to delve into as this study aims to provide an insight into strategies on how to improve the aforementioned by applying revenue diversification. Therefore, evaluating the limitations of NPOs with reference to their annual reports is vital.

### **3.6 PARTICIPANT SELECTION**

Along with the aforementioned, this section of the paper will discuss the criteria for selecting the studies and resources that will be referred to in this study. Primarily, the studies will range from 1997 to 2021. This was the range as it will allow more studies and reports to be included regarding revenue diversification and also how this has contributed to profit and non-profit organisations. 2022 was not specified as the primary reference would be annual reports and there is no annual report for this 2022 yet. However, studies that have concluded in 2022 may be referenced to if these pertain to concepts and other related information; along with studies prior to 1997.

Apart from this, the literature review will also feature annual reports from the private education sector and the nursing homes in Singapore. These two sectors will be the primary focus as they will be able to provide an insight into the nature of profitability in NPOs and whether or not revenue diversification or government intervention has contributed to such.

### **3.7 PRISMA DIAGRAM**

#### **Sampling Process**

Given that this study will be delving into numerous types of literature including academic journal articles and annual reports of the identified NPOs for this study, a searching strategy will be used to narrow down the number of relevant literatures to be analysed. Starting with the year published, the literatures must be published within the 1997 to 2021. Second, the studies are extracted from three databases only: Google Scholar, CORE and Emerald. These

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databases of knowledge were selected because aside from having a large collection of literature relevant to the topic, they are also known for their credibility and accessibility (Emerald, 2022). Third, the target number of studies and annual reports combined is 20. This number will be adequate for this study given that the researcher only used three databases.



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**Search Terms**

Identifying a set of search terms or key words is critical in distinguishing which resources are appropriate and relevant for the study. As such, the following search terms were selected by the researcher:

- **Annual reports of Nursing Homes in Singapore and “Non-Profit Organisations” OR NPOs**
- **Annual reports of the Private Education Sector in Singapore and “Non-Profit Organisations” OR NPOs**
- **Non-Profit Organisations OR NPOs in Singapore and “Revenue Diversification”**
- **Non-Profit Organisations OR NPOs in Singapore and “Economic Sustainability”**
- **Non-Profit Organisations OR NPOs in Singapore and “Profitability”**
- **Non-Profit Organisations OR NPOs in Singapore and “Resource Dependencies**

**Table 2.1 Inclusion and Exclusion Criteria**

<b>Categories</b>	<b>Inclusion Criteria</b>	<b>Exclusion Criteria</b>
<b>Year published</b>	1997 to 2021	Before 1997 and 2022
<b>Types of sources</b>	Peer-reviewed journal articles; annual reports of NPOs	Books and websites
<b>Types of studies</b>	Quantitative, Qualitative, Mixed- Methods, Systematic Reviews	
<b>Key terms used</b>	NPOs, Education Sector, Nursing Homes, Singapore, Profitability, and Revenue Diversification, Dependencies	

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<b>Database</b>	CORE, Google Scholar, Emerald	Sources outside CORE, Google Scholar and Emerald (aside from annual reports) will be excluded from the search
<b>Language</b>	English only	
<b>Type of Access</b>	Open Access	Articles that require payment will not be included
		<p>Articles identified as irrelevant due to following reasons:</p> <ul style="list-style-type: none"> <li>(a) Unreliable sources</li> <li>(b) Unclear data collection and data analysis methods</li> <li>(c) Problematic sample size</li> <li>(d) Illogical findings and discussion</li> </ul>

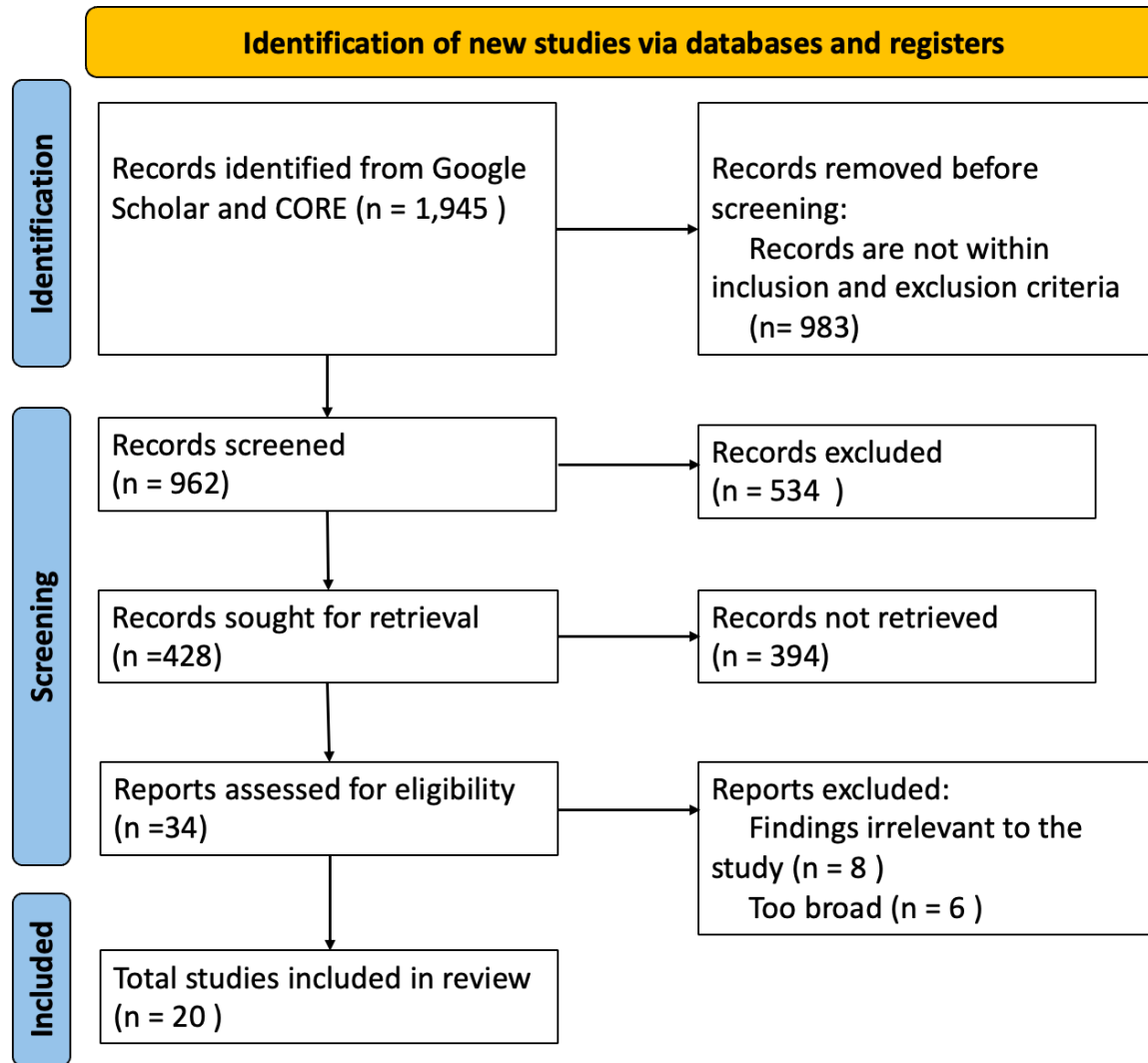


FIGURE 2.1 PRISMA DIAGRAM

## Search Results

A total of 1,945 articles were generated from the search. Among these, 983 failed to meet the inclusion and exclusion criteria set by the researcher. As such, only 962 went through screening and 534 were further removed after the screening process. 428 were sought for retrieval however 394 were non-retrievable. Among the 34 remaining articles at this part of the screening process, 8 were removed due to its findings which were found to be irrelevant to the study and 6

were also removed due to having a too broad scope. A total of 20 studies and reports were included in the final roster of literature.

An additional consideration for the collection of the annual reports from the NPOs selected in this study is the difficulty of acquiring reports that were published in 1997 to early 2000s. While annual reports published in the past ten years could easily be acquired through online means, those from the 1997 to early 2000s commonly do not have online copies yet and some require permission from Singaporean repositories which the researcher does not presently possess.

### **3.8 Instrumentation**

Since the study will be utilising grey literature as the primary basis of data, these references will undergo a strict and meticulous evaluation prior to incorporating these to the study. Initially, these academic and business journals and annual reports will be derived only from credible academic and business databases and publications. Furthermore, the search will be filtered by inputting the key words such as: NPOs, Education Sector, Nursing Homes, Singapore, Profitability, and Revenue Diversification. The range of the year will also be limited to 1997 to 2021. These filters will be applied in order to limit the scope of search upon searching for the materials for this study.

Apart from the aforementioned, chosen sources that fit the criteria as mentioned above will also undergo another test referred to as the CRAAP test. Wichowski and Kohl (2013) describes this test as an evaluation tool in order to assess the credibility and reliability of sources, especially those that are taken from the internet whether in websites, journals, or other publications. This was

the test utilised as this focuses on the digital arena of which most of the references for this study will be derived from. CRAAP evaluates five (5) factors namely: currency, relevance, authority, accuracy, and purpose (Wichowski and Kohl, 2013). Currency refers to the timeliness of the material, relevance concerns with how much the source addresses the needed information, authority evaluates the author of the paper, accuracy highlights the reliability, truthfulness, and correctness of the content; and lastly, purpose analyse the background or intent behind the published material (Wichowski and Kohl, 2013).

### **3.9 Data Collection Procedures**

Primarily, a collection of annual reports from both the private education sector and the nursing homes in Singapore will be done. This will be done by searching through reliable business and academic databases and publications. The inclusion criteria that was mentioned – that is, the key words, year, and type of source – will also be applied to ensure that the scope of the search will be limited. Upon going through the references that fit within the criteria, the CRAAP test will be applied to ensure that these sources will be relevant, credible, and useful for the study.

Upon affirming the usefulness of the materials, these will be categorised through a classification method wherein the different factors derived from the studies that relate to revenue diversification for NPOs and economic sustainability will be arranged. Furthermore, the contribution modeling methods from these studies will also be obtained based on the practices executed by the different organisations. Categorising this information will allow a better understanding and a more comprehensive outlook of the various contributions that could make

NPOs more sustainable. Lastly, a conceptual framework will be outlined featuring the total diversification management as reviewed from the annual reports, academic studies, and business papers. Ultimately, this study will only be done in the time period of September 2022 until March 2023.

### **3.10 Data Analysis**

In analysing the data collected, the classifications will be evaluated to determine the trends among the specified sectors with regard to diversification management. The commonalities will be extracted in order to address the first research question that is concerned with the common resource dependencies faced by NPOs. Upon delving into this, the trends of strategies will also be examined. In this, the discussed theoretical framework will be applied along with the typology as identified from the review of literature. This will allow an insight into the second research question that aims to answer how NPOs can apply revenue diversification strategies from profit organisations in their business model. Meaning, the trends of strategies obtained from the classification of data will be evaluated with reference to the annual reports that will be presented in this study. Lastly, these analyses will be evaluated in the context of Singapore and how these data and reports have contributed to the improvement of NPOs; that is, addressing the third research question. From all these, recommendations will also be produced to assist Singaporean NPOs.

### **3.11 Research Design Limitations**

While a desktop study is advantageous as data is already accessible which is time and cost-efficient for the researcher, there are still some limitations to the use of this methodology.

Primarily, the data from multiple references needs to be meticulously evaluated to ensure the reliability and validity of the information. Meaning, the data may be prone to issues like being outdated or being influenced by researcher bias. Another limitation of the research design is that the data collected will be from various sources, therefore the information may not be exactly for the research problem forwarded by the study. Essentially, the data may not fully encapsulate the research that is being conducted. Having said that, the research and its data are only limited to the available sources and materials that could fit the criteria set in the study. Giving further depth to the topic by inquiring relevant individuals is not possible. In relation to this, garnering participant's perceptions and insights is not feasible in this kind of methodology.

Nevertheless, this research approach is beneficial as it also creates an opportunity to delve into the different facets to the research topic by tackling the different studies that address it. Furthermore, since this research is straightforward in aiming to identify strategies and impacts relating to revenue diversification, looking at different reports and papers would already supply an insight into its contribution to organisations and likewise its limitations when applied to NPOs. .

### **3.12 Conclusion**

Ultimately, this chapter focused on the methodology of the research; specifically on the research problem, operationalisation of theoretical constructs, research purpose and questions, research design, population and sample, participant selection, instrumentation, data collection procedures, data analysis, and research design limitations.

This study will be a qualitative desktop research that makes use of grey literature to address the question on how revenue diversification plays a role in NPOs and how it highlights the factors that contribute to the sustainable outcomes of NPOs. This is to consider the relevance of NPOs in society and how delving into this topic will provide more insight into how they can be more sustainable amidst their competitive environments. Theoretical constructs identified will be operationalised through typology as this would allow a better visualisation of the different classifications within the theory. Apart from this, in selecting the literature, a criteria was set wherein these should be within the 1997-2021 timeframe and must be related to the Singaporean private educational sector and nursing homes. Furthermore, these may be from academic and business journals and publications. Annual reports will also be obtained to give further depth into the data and how strategies can be applied to NPOs based on their financial situation and operations. Upon collecting data, the analysis will be done by utilising the theoretical framework then discussing the information with reference to the research questions in this study. While this kind of methodology has disadvantages especially concerning the reliability and validity of data



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as well as its relevance to the research topic, this approach is still advantageous into identifying strategies and contributions of revenue diversification to NPOs in a more straightforward manner.

## CHAPTER IV:

### RESULTS

#### 4.1 INTRODUCTION

This chapter will discuss the results obtained from the desk research, specifically the content of the annual reports of various non-profit organisations selected for this study. As such, this chapter begins with two summary tables containing relevant information about the NPOs and the journal articles selected to provide the data which will be analyzed in this study.

**TABLE 4.1 SUMMARY OF ANNUAL REPORTS**

Name of NPO	Sector	Year of Annual Report	Notable information
Singapore American School	Private education	2008-2009	Main source of revenue: tuition fees Expense: Salaries and benefits
Tanglin Trust School	Private education	2020-2021	Main source of revenue: tuition fees (earned income) Expense: salaries and benefits
United World College SEA	Private education	2010-2011	Main source of revenue: tuition fees (earned income) Expense: salaries and benefits
Management Development Institute of Singapore (MDIS)	Private education	2020-2021	Main source of revenue: earned income Expense: Administrative expenses

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Catholic Welfare Services	Nursing home	2020-2021	Main source of revenue: Govt grants Expense: Salaries and benefits
Ling Kwang Home for Senior Citizens	Nursing home	2012-2013	Main source of revenue: Government grants Expense: Staff costs
Society for the aged sick	Nursing home	2018-2019	Main source of income: Government grants Main expenditure: employee benefits
Singapore Christian Home	Nursing home	2015-2016	Main source of income: government grants Main expenditure: salaries

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**TABLE 4.2 SUMMARY OF JOURNAL ARTICLES**

<b>Title of Journal Article</b>	<b>Author(s)</b>	<b>Year</b>	<b>Themes covered</b>
Charity Transgressions, Trust and Accountability	Cordery, C. J. and Baskerville, R. F.	2011	- Revenue diversification strategies
Social Entrepreneurship Intentions of Nonprofit Organisations	Tan, W. L. and Yoo, S.	2015	- Revenue diversification strategies
Development of the nonprofit sector in Hong Kong and Singapore: A comparison of two statist-corporatist regimes	Lee, E. W., & Haque, M. S.	2008	- Resource dependency (gov't grant)
Collaboration, co-production, networks: Convergence of theories	Poocharoen, O. O., & Ting, B.	2015	- Resource dependency (gov't grant)
Defining the 'social' in 'social entrepreneurship': Altruism and entrepreneurship.	Tan et al.	2005	- Revenue diversification strategy
Contributions to charitable organisations in a developing country: the case of Singapore.	Wong et al.	1998	- Joining united charity (Community Chest of Singapore)
Impact investing: A preliminary analysis of emergent primary and secondary exchange platforms.	Mendell, M., & Barbosa, E.	2013	- Impact investment
Understanding nonprofit advocacy in non-western settings: A framework and empirical evidence from Singapore	Guo, C., & Zhang, Z.	2014	- Resource dependency (gov't grant)
Funding challenges of voluntary welfare organisations in Singapore's disability sector.	Sim, J. L. I et al.	2017	- Resource dependency (gov't grants)
The role of united charities in fundraising: The case of Singapore	Chua, V. C., & Ming Wong,	2003	- Joining united charity (Community

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			Chest of Singapore)
The Impact Investing Ecosystem in Japan and Singapore	Acevedo, J. D. R., & Wu, M. N	2017	- Impact investment
Social entrepreneurship in Singapore	Tan, W. & Tan, T. M.	2002	- Revenue diversification

## 4.2 THEMES

### 4.2.1 CONTRIBUTION CLASSIFICATION

Using the data garnered from the annual reports, this section will classify the main sources of income and main expenditure of the selected NPOs and determine whether they have successfully established profitability during that time being. Prior to that, the core description of these NPOs will be delineated given that this study looked into two distinct types of NPOs. In addition, this section will also delve into other financial activities conducted by NPOs which generally impact their economic sustainability and revenue diversification management. Based on this primary analysis of the annual reports, this section will ultimately surmise whether Singapore NPOs have resource dependencies and if so, what are the defining characteristics of this resource dependencies.

#### **Core description of NPOs**

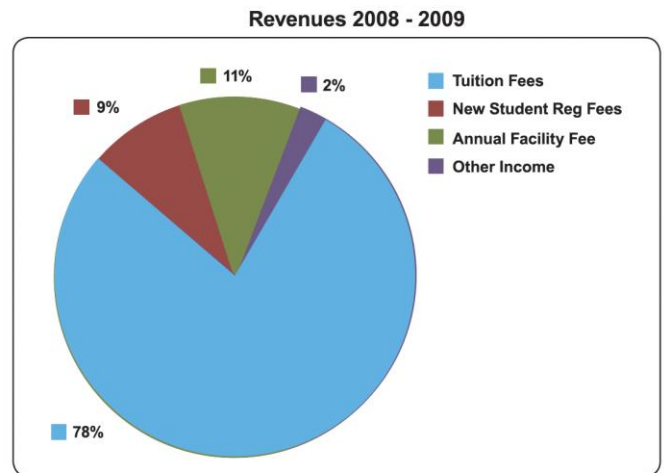
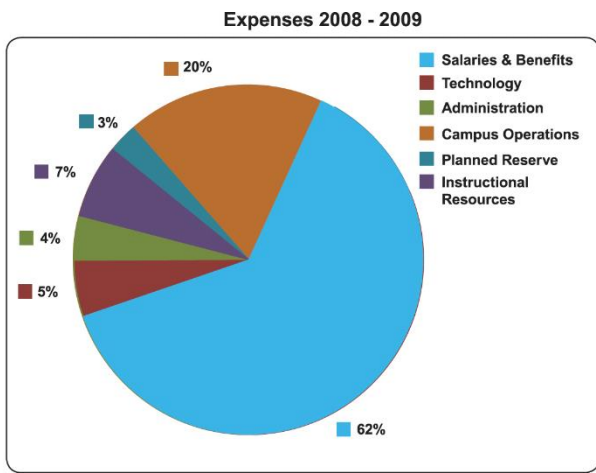
To start, this study looked into the annual reports of the private education sector of Singapore and nursing homes based in the country. For a brief background, the nonprofit private education sector is comprised of schools that do not aim to generate profit for an individual person or corporation hence using any surplus to fund the main objectives of the institution. As for nursing homes, they primarily provide holistic care for Singapore residents who are elderly, sick and

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incapable of sufficiently supporting themselves (Ling Kwang Home for Senior Citizens, 2013). Given this background, their core description and core activities can be distinguished. For the private education sector, the core activity would be teaching children in pursuant to higher education whereas nursing homes serve the elderly in their facilities.

**Sources of income and expenditure**

Upon classifying and identifying the sources of income and expenditure of the 8 distinct NPOs selected for this study, there were some commonalities and trends that these NPOs share. First, the private education sector comprised of nonprofit education institutions have distinguished tuition fees or earned income as their primary source of income. In addition, they also identified salaries and benefits for their employees and teachers as their main expenditure. To



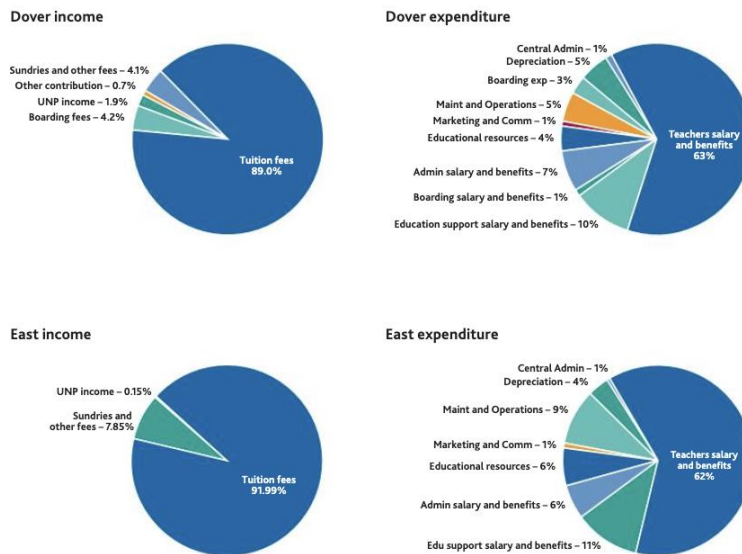
ii **FIGURE 4.1 SINGAPORE AMERICAN SCHOOL EXPENSES (2008-2009)** **FIGURE 4.2 SINGAPORE AMERICAN SCHOOL REVENUE (2008-2009)**

that distinguishes the various components of their revenues and expenses.

As seen above, a large portion of their expenses are concentrated on salaries and benefits and has a big difference compared to the second largest expense which is campus

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operations. Meanwhile for the revenues, tuition fees provide more than two-thirds of SAS' revenue which is followed by the annual facility fee which is only 11%. This same trend is seen in the other NPO identified in the list as the United World College (UWC) South East Asia has also illustrated in their 2010-2011 annual report a relatively similar financial structure when it comes to income and expenditure. It has two campuses namely Dover Campus and East Campus and each campus is considered as a separate financial entity by UWC South East Asia. Considering this data, it is also important to note that these NPOs have identified reserves (for SAS, Tanglin Trust School and UWC South East Asia) and accumulated funds (for MDIS) as part of their financial structure. These reserves are accrued on a yearly basis and are essentially saved by the NPOs for various reasons. These reserves are often surplus funds that were not allocated to any specific project or expenditure and were eventually saved for future purposes.



**FIGURE 3.4 UWC INCOME AND EXPENDITURE**

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As for the four nursing homes identified in this study, all four NPOs have recognized government grants as their main source of revenue whereas their main expenditure is employee benefits and salaries. To provide a

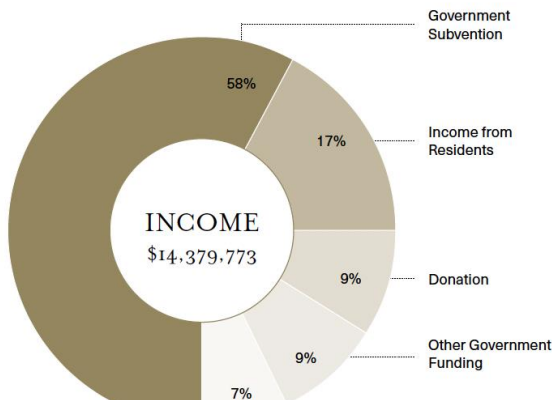


FIGURE 4.4 SOCIETY FOR THE AGED SICK INCOME (2018-2019)

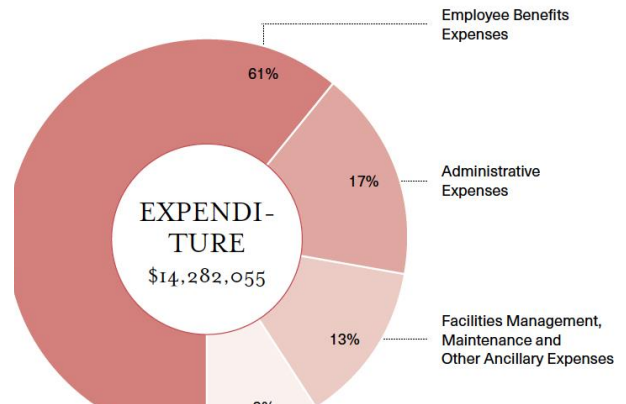


FIGURE 4.5 SOCIETY FOR THE AGED SICK EXPENDITURE (2018-2019)

concrete view, the Society for the Aged Sick’s annual report for 2018-2019 has visualized their income and expenditure in pie charts. As seen above, their income is primarily sourced from government subvention and their expenditure is mainly focused on employee salaries. The four NPOs have also identified a yearly surplus amount for their respective annual reports. The specific reason why the Society for the Aged Sick (2019) have reserves is stated as follows “*The reserves that we have set aside provide financial stability and the means for the development of our principal activity.*”. Singapore Christian Home’s (2016) statement on their reserves essentially share the same sentiment given their statement which is as follows “*The accumulated fund represents surplus of the operations to meet the expenditure of the Home.*” Only a few number of NPOs stated investment income as a part of their revenue stream (Singapore Christian Home, Singapore American School).



### **Prevailing resource dependency**

Based on the data gathered from the annual reports of the NPOs, the two types of NPOs have distinct resource dependencies. For the private education sector, their earned income from the tuition fees paid by the students who enroll to their institutions is their main resource. Considering its status, the private education sector exhibits a resource dependency on only one stakeholder namely the students who enroll in their school or rather the parents of these students who selected these education institutions for their children. On the other hand, nursing homes demonstrate resource dependency on one primary stakeholder namely the government. Despite the existence of other streams of income in the form of donations, fundraising events and investments, it is relatively small compared to the influence of only one resource provider which in this case establishes a resource dependency. Considering the prevalence of only one resource dependency which usually provide more than 50 percent of the NPO's income, one must also note that despite the presence of other four streams of income, none of these are capable of replacing this main revenue stream. Despite adding up all the other revenue streams that the private education sector has aside from tuition fees, it could not equate to the amount provided by this one revenue stream. This heavy dependence on one revenue stream could pose as a risk to the financial health of the organisation and could render them vulnerable to financial issues if this is not taken into account.

Furthermore, the two sectors also share similarities when it comes to the remaining sources of income they have. First of all, the NPOs do not have more than five streams of revenue and one stream will account for more than 50% of the entire revenue for the year. This is illustrated in UWC South East Asia's pie chart in (See Figure 4.4) where one can see that the biggest portion

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of revenue for the Dover campus comes from tuition fees which is at 89% and the remaining four streams namely boarding fees, UNP income, sundries and other fees and other contribution only comprised 11% percent of the annual revenue in total. Society for the Aged Sick's revenue also has five components and aside from the major stream of income which is government subvention, the remaining four are donations, income for residents (earned income), other government funding and government income. Second, while the other NPOs stated an investment income in their financial reports, it did not warrant a significant amount of money compared to their main source of income.

### **Volunteer Engagement**

As for volunteer engagement and the role volunteers play in the functioning of the NPO, a significant finding of this study shows that none of the NPOs that came from the private education sector engaged with volunteers and solely relied on paid staff and employees. Meanwhile, all the nursing homes engaged in volunteers and even provided a specific section in their annual reports to thank their volunteers and to demonstrate the achievements and contributions of their volunteer base. As seen below are the sections that report the contribution of volunteers by Singapore Christian Home and the Ling Kwang Home for Senior Citizens.

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CONTRIBUTIONS BY VOLUNTEERS



6,279 volunteer hours  
57 volunteer groups  
22 individual volunteers

Contributed to  
♥ 265 group activities  
♥ 317 one-to-one activities

FIGURE 4.6 SINGAPORE CHRISTIAN HOME VOLUNTEER RECOGNITION

OVERSEAS VISITORS	
Date	Group / Individual
Jun 2012	Yokohama International School
Aug 2012	EDs and CEOs of Nursing Homes (from China)

LOCAL VISITORS (COMMUNITY BASED)	
Date	Group / Individual
Jul 2012	Boys' Brigade
Oct 2012	Faith Music Centre
Dec 2012	Kum Yan Methodist Church
Dec 2012	The Girls' Brigade
Dec 2012	Zion Bible Presbyterian Church
Dec 2012	Fairfield Methodist Church
Dec 2012	Bethesda Chapel
Dec 2012	Calvary Bible Presbyterian Church
Jan 2013	UOB (IT and Operations Department)
Feb 2013	The Bodyshop
Feb 2013	Concern and Care Society Volunteers

LOCAL SCHOOLS	
Date	Group / Individual
May 2012	Paya Lebar Kindergarten
Jun 2012	St. Joseph's Institution
Feb 2013	
Jun 2012	Serangoon Junior College
Oct 2012	
Feb 2013	
Sep 2012	Holy Innocents' Secondary School
Dec 2012	Fairfield Methodist Secondary School
Feb 2013	Far Eastern Kindergarten
Mar 2013	Singapore Red Cross

FIGURE 4.8 LING KWANG HOME FOR SENIOR CITIZENS VOLUNTEER RECOGNITION

For the Singapore Christian Home, they measured the number of hours that volunteers spent in the nursing home and they also detailed what activities the volunteers conducted while in the premises. They have listed activities including preparing for birthday celebrations, planning for outings to nearby places and even facilitating arts and craft sessions with the elderly, among others.

#### **4.2.2 Trends of strategies in diversification management**

Upon selecting twelve journal articles that are relevant to this study, this section will discuss the revenue diversification strategies that were identified and the possible ways for non-profit organisations in Singapore to manage their resource dependency and realign their internal objectives and goals to meet the conditions of their external funders such as government entities and private donors.

##### **Revenue diversification strategies**

This study identifies four main strategies that NPOs in Singapore can enact in order to attain economic sustainability in the form of a more stable financial status. These strategies are impact investment, alignment with the standardized funding model of the Singapore government for financial grants, establishment of social enterprises and joining united charities such as the Community Chest of Singapore.

The first strategy focuses on realignment with the standardized funding models of the Singaporean government in order to gain funds from government entities. Before delving into this revenue diversification strategy, it is important to provide some context about the relationship between Singapore and NPOs operating in the country. According to Lee and Haque (2008), the Singapore government remains virtually in control of the nonprofit regime when it comes to social services. To contextualize, the government has substantial control over the availability of sources of funding, the visibility of sectoral interests and the policies governing NPO regulation and monitoring (Lee & Haque, 2008). Additionally, Poocharoen and Ting (2015) also stated that the state's power encapsulates the very core of civil society given that their formation compels them

to become apolitical and non-critical groups also referred to as Voluntary Welfare Organisations (VWOs) which provide services for the vulnerable populations of the country specifically the poor and disadvantaged. The same sentiments are shared by Guo and Zhang (2014) as they also claimed that in a non-liberal democracy such as Singapore, the state continues to impose some restrictions on non-profit advocacy. However, despite their acknowledgement of the state's power and authority over NPOs, they also argue that these restrictions do not entirely remove an organisation's autonomy over its work and operations (Guo & Zhang, 2014). Moving towards the financing side, the government agencies tasked to approve and monitor the performance of NPOs are the National Council of Social Services (NCSS) and Ministry for Social and Family Development (MSF) (Sim et al., 2017). These agencies typically follow a standardized funding model that NPOs must be aware of since it also provides them with the insight of what characteristics and information that these agencies consider whenever they make the decision to give grants. The components involved in the approval for program funding under these government agencies include the public's need for the services proposed by the NPO, the sustainability and expandability of the program and the financial health of the organisation itself (Sim et al., 2017).

The second strategy necessitates NPOs to learn about impact investing and make themselves known to impact investors. According to Acevedo and Wu (2017), impact investing is starting to gain traction in Singapore and can be a viable source of revenue for NPOs. Impact investing pertains to a new investment logic wherein investors provide capital to nonprofits who have social missions with the goal of reaping both financial and social benefits (Acevedo & Wu, 2017). The premise of impact investing is primarily motivated by incentives to not only obtain

financial returns but also create social value in the process (Acevedo & Wu, 2017). In other words, Singaporean NPOs must take advantage of this trend given that Singapore's economic and political landscape has been identified as being trustworthy by investors hence the bigger possibility for Singaporean NPOs to gain a new revenue stream through this strategy (Acevedo & Wu, 2017). By promoting themselves to possible investors, NPOs who are implementing services can have additional funding in the form of capital invested by investors. Additionally, one important factor is the location of an impact investment exchange in Singapore which increases the likelihood of nonprofits to gain the attention of impact investors and eventually garner their trust to invest in them (Mendell & Barbosa, 2013). Prior to entering a deal, contracts are drafted and most of these contracts reflect rules and conditions that both parties have to comply with in light of their collaboration (Acevedo & Wu, 2017). To sustain funding from external stakeholders, the NPO must uphold accountability measures in order to prevent any fraud or internal transgressions to occur (Cordery, 2011). In the work of Cordery (2011), the discusses in detail how the National Kidney Foundation engaged in intentional mismanagement of funds which involve overspending, overpaid staff and allegations of opulent working settings. In addition, they also reported how financial reporting and internal auditing did not comply with standards and have been fraudulently adjusted to reflect that the funds were allocated for the beneficiaries (Cordery, 2011). By having accountability measures as part of the NPOs operational and financial structure, NPOs are compelled to have sound financial management and be accountable to their beneficiaries and funders which, in the long run, will positively contribute to their economic sustainability.

The third strategy involves the pursuit of social entrepreneurship to gain a new stream of income. Social entrepreneurship is innovative in such that it enables organisations and

individuals alike to engage in business opportunities under the context of providing products and services which also create social value (Tan & Yoo, 2015). One of the ways that NPOs in Singapore can implement this is through the establishment of a service arm which targets possible consumers who can afford the services or products provided (Tan & Tan, 2002). By pursuing a social enterprise, NPOs can explore possible ways of combining a commercial agenda with a social motive (Tan & Tan, 2002). One such example specifically in the Singaporean setting is the innovative move of the Presbyterian Community Services which only previously provided childcare services for mother who work and have children aged three to six years old. This charity took the risk of establishing a school for children with special education needs called Grace Orchard which is not only government-funded but also financially supported by two churches that collaborated with the Presbyterian Community Services (Tan et al., 2005). Despite the move towards operating a social enterprise, NPOs are unique in the sense the profit motive is not the dominant motivation for establishing it (Tan & Yoo, 2015). In this respect, NPOs whose primary objective is to enact a social mission is now compelled to integrate business approaches and for-profit frameworks in order to continue its operations considering the competitive landscape of NPOs in terms of acquiring funding (Tan & Yoo, 2015).

The last strategy involves being a member of a united charity called Community Chest of Singapore. The Community Chest of Singapore was established in 1983 and a membership to the organisation enables NPOs to get fundings directly from donors who specifically earmarked a sum to be donated to a charity or from the Community Chest (Wong et al., 1998). It is essentially a centralized fundraising body that provides financial support to its member organisations which then enable organisation to focus their funds on service provision

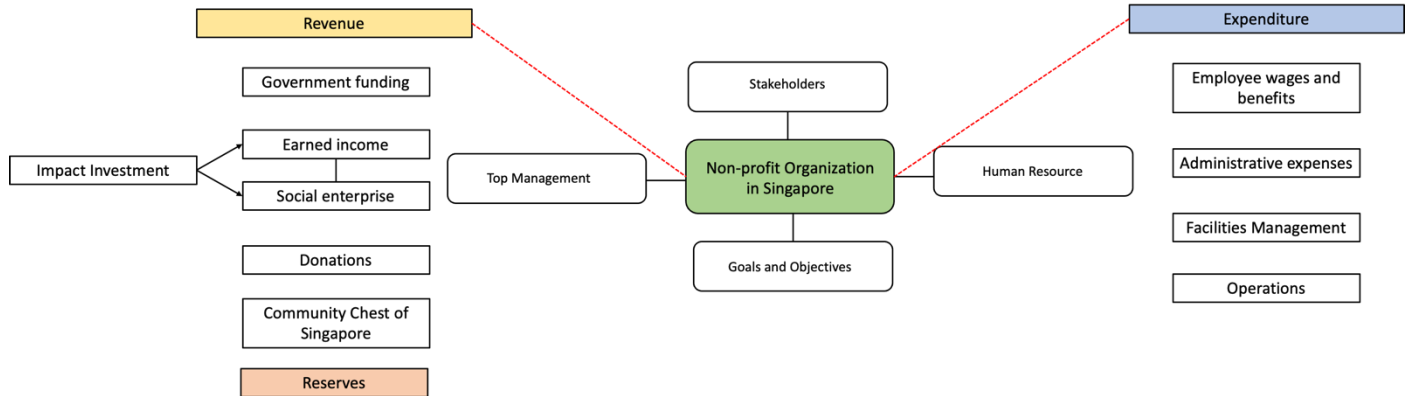
and goal fulfillment (Chua & Wong, 2003). In the SHARE (Social Help and Assistance Raised by Employees) program, individuals who are employed can voluntarily contribute to the Community Chest by giving a portion of their salary in a monthly by manner of a pay roll deduction (Chua & Wong, 2003). This is primary source of the Community Chest's funds which they then reallocate to its member organisations based on a criteria comprised of categories such as need and financial condition of the charities (Wong et al., 1998). While the benefits of the Community Chest are certainly attractive, it requires its rules and conditions prohibit its member organisations to conduct their own independent fundraising activities with some exceptions (Wong et al., 1998).

#### **4.2.3 Model for Contributions and Resource Allocation**

Using the data garnered from the annual reports of non-profit organisations and journal articles that tackled revenue diversification strategies, this conceptual framework was developed by the researcher to illustrate a total diversification management model. This model is comprised of three main sections namely the revenue, the entity in mind which is a non-profit organisation operating in Singapore and expenditure. Aside from these three main aspects of the model, an additional section was specifically placed entitled reserves due to its significance in the model. The elements found in this model are solely based from the literature selected for this study and this essentially represents an overall model that can encapsulate the NPO landscape in Singapore with regards to the possible streams of income, factors are involved during the decision-making process of NPOs and the general expenses by which the funds are used.



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**FIGURE 4.9 MODEL FOR CONTRIBUTIONS AND RESOURCE ALLOCATION**

**Revenue**

This section is primarily based on the revenue diversification strategies that have been identified in the previous section. There are four main elements under this section namely government funding, earned income, donations, and the Community Chest of Singapore. Based on the annual reports of the NPOs selected in the study, some of them do not utilize these sources of revenue and primarily focus on one or two. In this respect, this framework can offer them with alternatives which can further enhance their economic sustainability. While government funding, donation and earned income are the common sources of revenue used by the NPOs, impact investment and the Community Chest of Singapore are new streams of income. Impact investment is connected to earned income and social enterprise given that this is comprised of capital that are directed towards funding the social enterprise of the NPO. Both the private education sector and nursing homes provide services where are generally paid by the target beneficiaries.

### **Non-profit Organisation in Singapore**

The general overview of the structural component of a non-profit organisation in Singapore is demonstrated in this section. While there are other components involved in the operations of an NPO in Singapore, these four components are what primarily influences the decision-making aspect of the NPO in relation to its financial management strategies. Before identifying the sources of revenue and the expenses, an NPO is informed by its goal and objectives and what it aims to accomplish. In addition, an NPO must also consider the manpower or human resources necessary to provide the service they intend to give. Furthermore, it must also acknowledge the presence of stakeholders that are involved in their operations namely the beneficiaries and volunteers. Lastly, all of these considerations will be taken into account by the top management who ultimately decide which direction the NPO should take in terms of its financial situation.

### **Expenditure**

For this section, it illustrates the allocation of the resources obtained from the various sources of income that an NPO utilizes. While the expenditures for different organisations vary since they have unique structures and objectives, this framework identified the four main expenditures as seen from the annual reports of the eight NPOs selected for this study. First, employee wages and benefits concern the money given to the workers who enable the organisation to perform its objectives. Second, the administrative expenses pertain to the costs not directly funding the programs of an NPO but are necessary to the daily operations of the organisation. Third, facilities management are specific to the type of NPO and the services they provide. For the

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private education sector, it mainly concerns the equipment and maintenance of infrastructure such as school buildings and offices. On the other hand, the facilities needed for the nursing homes are the building where the elderly reside and the medical equipment necessary to address their health concern, if any.

**Reserves**

Upon delineating the three main components of the framework, there is one essential component that must be emphasized which are the reserves. As mentioned, this is comprised of the savings that NPOs set aside for specific purposes depending on how NPOs want to spend it or why it is being saved for later.

## **CHAPTER V:**

### **DISCUSSION**

#### **5.1 Introduction**

This chapter will address the research questions identified in the study by expounding on the results obtained from the literature review conducted by the researcher. The findings presented in the previous chapter will be discussed in comparison with existing literature relevant to the topic.

#### **5.2 RQ1: What are common resource dependencies faced by NPOs?**

##### **Major resource dependencies**

The NPOs in Singapore specifically the private education sector and nursing homes has exhibited distinct resource dependencies based on the results. There are two main resource dependencies identified in this study namely earned income and government funding. For the private education sector, they heavily rely on earned income which they generate from the tuition fees paid by the students who enroll in the educational institutions. Studies have shown that while it is commendable for the private education sector to have earned income as another stream of income, dependence on a major source of revenue can be risky and may cause concerns in the long-term trajectory of the organisation (Carroll & Slater, 2009). In the context of the private education sector, this reliance on earned income can cause a drift in the initial mission of the NPO which is to create social value (Dees & Anderson, 2017). This blurring of boundaries in terms of profit generation and social value creation can lead NPOs to redirect their efforts towards the generation of funds by increasing tuition and requiring the payment of other miscellaneous fees instead of serving the intended beneficiaries who are disadvantaged and in need (Dees &

Anderson, 2017). Without the help of government funding to provide financial support for non-profit schools, they can only rely on school or tuition fees and this passes on the burden to the students with respect to high school fees they have to pay (Mockler et al., 2020). Furthermore, the main concern for the private education sector is the competition with public educational institutions in Singapore which receive prioritization from the government (Ng & Tan, 2010). Their resource dependence on tuition fees alone is risky in such that their social mission could no longer be fulfilled if students would prefer to go to other educational institutions given the availability of other options for both parents and students not only in Singapore but also around the world. In sum, the private education sector's survival is heavily dependent on their ability to attract students and retain them until they finish their schooling. This reliance on external factors reduce the financial autonomy of the NPO which can consequently lead to revenue instability and at worse, bankruptcy and closure (Carroll & Stater, 2009).

On the other hand, the nursing homes demonstrate their dependence on government funding to sustain their operations and continue to provide the needs of the elderly in Singapore. The four nursing homes in the study all heavily depended on government funding to sustain their survival given that more than 50 percent of their revenue come from this revenue stream. Studies show that in the global perspective, nursing homes are highly dependent on government funding and consequently suffer many issues with regards to resource allocation especially on the onset of the COVID-19 pandemic (Daly, 2020). Furthermore, they might experience some logistical delays with regards to their receipt of the money, encounter issues with the contract compliance and at worst, might lose their contract altogether in the event of budget cuts (Hung & Hager, 2019). According to Besel et al. (2011), board members of NPOs express some reservations when it

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comes to their reliance on government funding. Some of these reservations include the protocols and rules that NPOs have to comply with given that they are using public funds hence, in hindsight, representing the government's motives which affect their overall public image (Besel et al., 2011). In addition, a significant amount of time and resources are also used to comply with state requirements and ensure the continuity of agency funding (Besel et al., 2011).

Due to this resource dependence, NPOs who rely only on government often lose aspects of their autonomy and independence. Publicly funded nursing homes are subject to close scrutiny by government entities which often criticize NPOs if they allocate scarce resources towards administrative functions and human resources (Park & Matkin, 2021). Costs that are not directly related to the core programs are often disregarded and often considered as an ineffective way of managing resources. Due to this, nonprofit leaders find themselves pressured to limit the funds allocated to the wages of the workers in order to report a larger spending focused on programs and services (Park & Matkin, 2021). While the NPOs included in this study did not mention any issue concerning their staff or their manpower, studies have shown that social workers are the most vulnerable to wage decrease if government funding is reduced (Ng & Sim, 2012). The lack of funding directed towards the wages of social workers has ultimately resulted to a stressful work environment for them which can cause a higher risk of burnout among the staff (Ng & Sim, 2012). In addition, publicly funded nursing homes who are dependent on government subsidies to fund the expenses related to providing medical and assistive care to the elderly resident are most likely to have fewer nurses and caregivers, lower quality of care and weaker financial stability (Mor et al., 2004). This could result to human resource fatigue and manpower issues that could not only

prevent the nursing homes from functioning properly but also cause some financial troubles especially in the recruitment of new nurses.

### **Other resources**

While the main streams of revenue for the selected NPOs were identified in the previous section, the remaining sources of revenue the two sectors have also share similar features. First, all their sources of income are either come from the same four categories namely donation, government funding, earned income and sundries. It must be noted that one of these sources is the main source of income which provide more than 50% of the entire revenue and the remaining revenues are significant but do not hold the same weight as the main source of income. The financial stability of an NGO necessitates that they can easily reallocate assets in the event that there is financial troubles occur and maintain financial balance in a long-term basis (Ebenezer et al., 2020). In this case, sound and effective financial management has a strong link with the ability of an NPO to manage uncertainties (Ebenezer, et al., 2020). Considering that Singaporean NPOs are heavily dependent on one stream of income, it could potentially prevent them to immediately reallocate assets in case of financial emergency. This emphasizes the need of NPOs to have an optimal mix of revenues, to diversify their sources of income and try to explore other possible options since it not only reduces resource dependence but also improves their financial autonomy and flexibility (Hung & Hager, 2019).

### **Lack of Volunteer Engagement**

While there is heavy dependence on one resource as seen above, only nursing homes utilized volunteers in their operations within the organisation whereas the private education sector did not engage with them at all. In the context of the nursing homes, volunteers mostly engaged with the residents in extracurricular activities, and they were not tasked to provide direct care services to those who have medical needs. The volunteers visited and engaged with the elderly through activities that could improve the social and emotional well-being of the residents without necessarily involving responsibilities that are out of their knowledge and scope. Volunteers were also able to obtain additional support for the nursing homes in the form of donations and encouraging other individuals to volunteer as well. In this case, the NPO has reaped numerous benefits such as additional manpower which can contribute to tasks not involving only physical and manual labor but also mental and emotional as well (Samuel et al., 2013). On the other hand, the private education in Singapore did not seek the help of volunteers nor were they part of any operational aspect of the educational institution. Considering this stark difference between the two sectors, the private education sector may consider looking into volunteer engagement strategies that increase interaction between other stakeholders, establish camaraderie and fellowship and provide emotional and social support (Ilyas et al., 2020).

### **5.3 RQ2: HOW CAN NPOs APPLY REVENUE DIVERSIFICATION STRATEGIES FROM PROFIT ORGANISATIONS IN THEIR BUSINESS MODEL?**

In the pursuit of NPOs towards revenue diversification, they can adopt a more business approach to their present operational and financial structure and venture towards opportunities that can yield multiple streams of income. While NPOs are not into profit optimization, they also recognize that funding is of utmost importance in ensuring the smooth



functioning of their operations and the provision of social services to their community (Choudhury et al., 2014). Taking into account what was explored in the results section, it is a feasible option for NPOs to take on a profit-driven mindset without forsaking their mission-based objectives. As such, four strategies are discussed below in relation to the possible revenue diversification strategies that NPOs can apply.

### **Establishment of a social enterprise**

One way for NPOs to enact revenue diversification strategies that adapt some aspects of for-profit organisations' business model is to develop a social enterprise. As mentioned in the results section, social entrepreneurship can be viewed as the merging of commercial motives with mission-based objectives (Tan & Yoo, 2015). In this respect, the NPO will integrate the goals and values of their organisation with a business enterprise that operates under the premise of entrepreneurial aspects and involve profit optimization strategies. To realize this goal, an NPO can explore various ways for them to integrate a service arm or production aspect in their present operations and monetize it to a specific target market (Tan & Tan, 2002). The products or services that the NPO intend to offer need not go far from their social mission and could actually also serve as an additional project or activity that addresses a social issue they want to solve. As mentioned by Tan et al. (2005), an NPO that initially provided childcare service for mothers who have work and have to leave their children behind for the day has expanded their services and established an educational institution on top of this pre-existing service. Using this illustration, NPOs can operate a social enterprise that can serve as an extension to the service they already provide. By taking advantage of their knowledge and expertise in a domain of action or service, they can start to discover business opportunities which can generate profit. The emergence of social entrepreneurial

ventures in the global setting is attributed to its strategically significant role in the development of new solutions to existing social issues by combining for-profit mechanisms with public purpose (Trivedi & Stokols, 2011). As emphasized by Tan and Yoo (2015) in the results section, a social enterprise is the integration of mission-based objectives and revenue generation. Numerous studies share the same sentiments and defined four common themes that encapsulates social entrepreneurship namely (1) focus on social goals and not on economic yield (2) the social activist role embodied by the entrepreneur (3) components of innovation and business mindedness and (4) utilization of economic gains as a means to address a social issue rather than treating it as an end goal in itself (Wei-Skillern et al., 2007; Mair & Marti, 2006).

### **Engagement with Impact Investors or Investors in General**

Before an organisation, nonprofit or not, begins its operations, it requires sufficient capital that could fund the activities and projects that the entity intends to perform. Furthermore, it could only sustain its operations if the organisation has adequate money to cover its expenditure. As such, one way for an NPO to diversify its revenue stream is to seek out investors or people who are interested to provide the money with the intention to gain financial returns afterwards (Mendell & Barbosa, 2013). Presently, there is a growing number of people delving into what is referred to as impact investment. These investors are particularly interested in funding enterprises or projects that have successfully combined both profit maximization and fulfillment of a social mission (Acevedo & Wu, 2017). This shift in investment is also affirmed by Rangan et al. (2011) as they claimed that impact investing is starting to gain a more significant position in the economic arena as more and more investors are seeking to regain capital while also contributing to the socially-relevant advocacies that are inherent in that organisation. Given that an NPO is rooted in its

mission to serve the community and address social issues, it already satisfies the main component that impact investors look out for. However, given that there are numerous NPOs located in Singapore, there is also competition when it comes to whom investors will select. In this respect, this is where the NPOs must develop an entrepreneurial stance when it comes to branding themselves and making themselves an attractive option for impact investors (Kreander et al., 2009). Aside from the branding and promotion aspects, NPOs must strive to remain transparent to their stakeholders and potential investors by disclosing relevant information through their annual reports. The study has demonstrated how valuable these annual reports are given that they not only provide background information about the NPO but it also serves as a prerequisite for accountability on their end (Zainon et al., 2014). Through the financial statements presented in the annual reports of the NPOs, investors, funders and donors can assess the current financial condition of the organisation and can use this knowledge to evaluate whether this NPO is trustworthy (Souder, 2016).

### **Expanding networks beyond existing stakeholders**

In light of the increasing competition for funding, NPOs must be strategic in improving their financial structure and one way to do so is to establish alliances in the form of business partnerships or non-profit collaboration (Sanzo-Pérez et al., 2017). Using the results of the desk study, it must be noted that nursing homes rely heavily on government funding whereas the private education sector rely on their students for revenue. This signifies that the current NPO setting in Singapore does not take advantage of building connections with other possible entities that could potentially help them in establishing their financial stability. Collaborating with other nonprofits could contribute numerous benefits to the NPO such as additional funding and sharing

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resources (MacIndoe & Sullivan, 2014). In addition, it could also widen their network and explore innovative ways to address social issues (Proulx et al., 2014). One recommendation is to apply for membership in the Community Chest of Singapore which provides grants to their member organisations (Chua & Wong, 2003). By joining the Community Chest, NPOs could not only receive financial grants but also get to know other NPOs in the country with whom they share the same advocacy with. Through strengthening ties with other nonprofits and advocates, it could enable an NPO to understand the potential of collaboration especially in terms of productivity and efficiency of service provision (Proulx et al., 2014). However, NPOs must also be aware of the conditions that these partnerships entail given that would require stringent contracts and service delivery that might not be amenable with the capacity and mission of the NPO. For example, one of the protocols of the Community Chest is it does not allow their member organizations to conduct independent fundraising activities aside from some special exemptions (Chua & Wong, 2003). In this regard, NPOs must conduct their own research to fully understand what kind of deal they are entering before finalising any contract.

Another relevant strategy is to perceive government funding as a viable source of revenue specifically for NPOs who does not previously seek grants from the government. As established in the findings, the Singaporean government has standardized funding models that they use as a criterion to assess whether an organization receives financial support and how much the government is willing to spend on it (Sim et al., 2017; Lee & Haque, 2008). Aside from the financial support, the Singaporean government specifically the National Council of Social Service (NCSS) also provides trainings and seminars to NPOs in relation to governance components, funding issues and personnel management (Othman et al., 2012). In addition, they also have offer

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accounting services more commonly known as iServe which allows charities to seek their help in formulating their financial statements (Othman et al., 2012). The support of the Singaporean government towards NPOs operating in the country is due to the role played by these organisations when it comes to social welfare goals and to addressing social issues that the government could not adequately cover (Rosario & Rosetti, 2012). In other words, NPOs are acknowledged as important stakeholders in the Singaporean society hence the funding allocated for the fulfillment of their projects and activities.

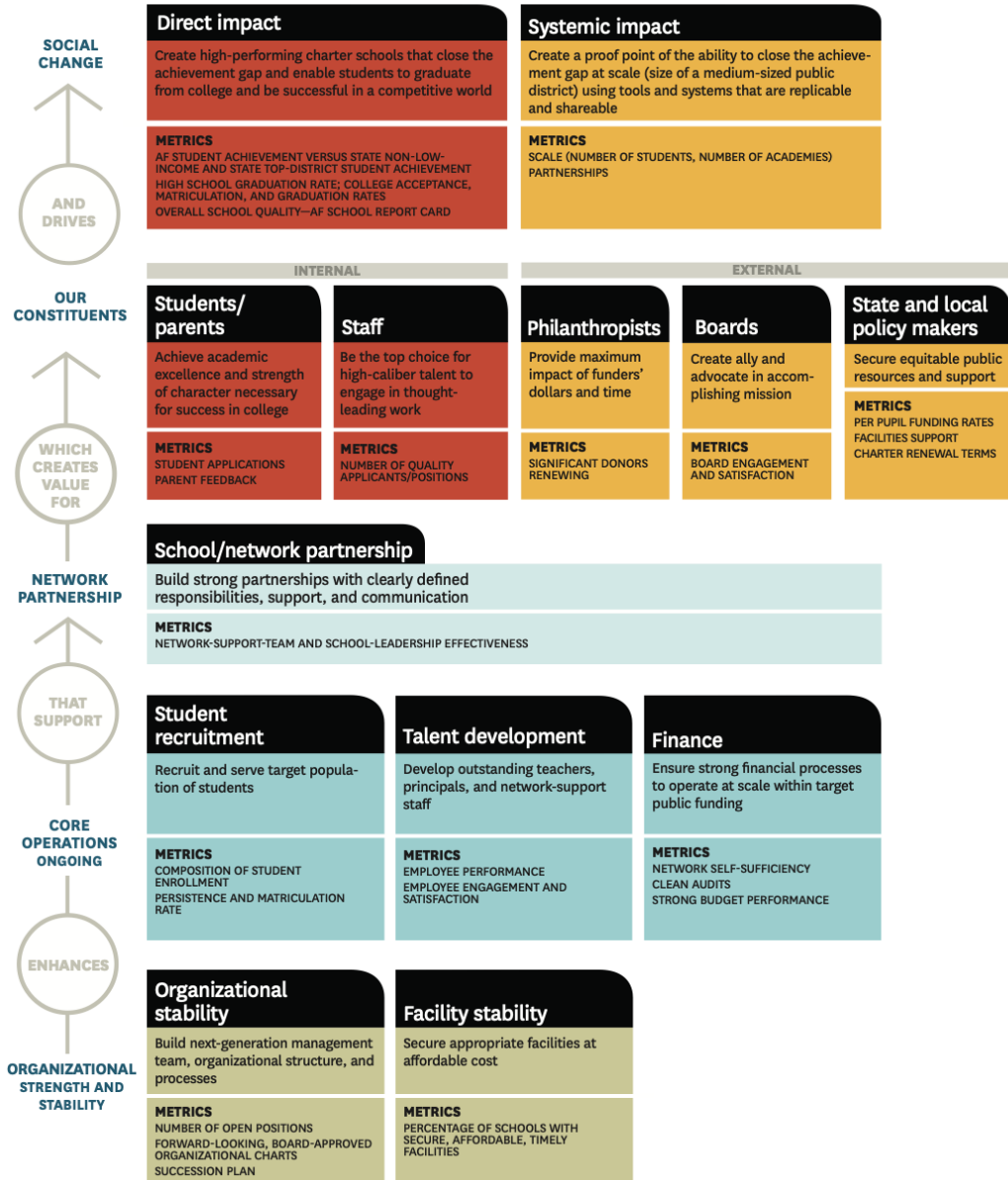
As NPOs in Singapore mature, through the annual reports, a few have merged to be consistently turning in strong surpluses and have accumulated deep reserves. The ability to delivery strong surpluses year on year could give rise to discussions between NPOs and the investment community. (Kaplan & Gross, 2010) observed the capital markets showing interest in social enterprises but the struggle appears to be the lack of transparency of how well the NPO is being run as the measurements of Profit organisations cannot be applied directly on NPOs. (Kaplan and Gross,2010) went on to mention a case – New Philanthropy Capital applied Balanced Scoresheet approach and covered six dimensions to provide a framework that touched on results, leadership, people, resources, finances and ambition and our research suggests strongly that all the organisation inward traits that touch on human capital and those with high volition evidence will continue to perform well especially when they have got many years of proven track record exhibited by deep reserves in their retain profits. It is perhaps timely now that NPOs start to track and provide reports that help family offices and known large donors to view their report as a yardstick on how well the NPO is run. Below illustrates how they apply the considerations onto a NPO that serves to help underprivileged children get financial support for education.

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## Translating Social Objectives into Action

New Profit uses the tools of the balanced scorecard system to manage and track the performance of the organizations it funds. Here is the strategy map it created with Achievement First.

**Mission** To deliver on the promise of equal educational opportunity for all of America's children



### **Considerations in adopting revenue diversification strategies**

While all the aforementioned strategies are potentially beneficial to the financial sustainability of an NPO, NPOs must also take into consideration some precautionary measures to reduce risk and optimise financial returns. Firstly, NPOs must carefully study and analyse the contract being presented to them by potential investors before they agree with it and finalise the partnership. When an NPO enters a deal with funders or investors alike, they are required to meet the standards established by their funder and they must also comply with whatever was agreed upon during the contract signing. In this respect, the control of funding agencies and investors must be critically analysed especially in terms of resource control (Doerfel et al., 2017). This also applies to when an NPO intends to apply to the Community Chest of Singapore given that they have restrictions and protocols for their members (Chua & Wong, 2003). Second, an NPO must ensure that they have the capability to establish a social enterprise and the resources to sustain it before developing and establishing one. Given that the initial structure of NPO may not be equipped with the manpower needed to operate a business, NPOs must carefully analyse and restructure their operations accordingly in order to accommodate the business aspect of a social enterprise (Grassl, 2012). According to Grassl (2012), the adoption of a business model by NPOs require them to meet specific conditions and one of which is to recognize the central role of the entrepreneurial function in the overall operations of the enterprise. As Tan and Yoo (2015) emphasised, NPOs have to utilise business approaches and profit maximization models which were an NPO may or may not have implemented before. If, for instance, the NPO is making initial steps towards developing a social enterprise, the manpower has to learn and familiarise themselves with

business models such as the Business Model Canvas that can help them adjust their needs and goals accordingly (Qastharin, 2016).

#### **5.4 RQ3: How can these lessons learnt be applied in the Singaporean NPO Context?**

In terms of the implications of this study's findings with regards to the Singaporean NPO context, three dimensions has surfaced as the most influential in terms of an NPO's operations and financial management strategies namely the political, economic, and social context of the country. As such, this section will discuss how these aspects influence NPOs in Singapore and how NPOs can efficiently improve their economic sustainability by taking into account these governing factors that can greatly affect their operations and financial management.

##### **Political context: The role of the government**

One major stakeholder that an NPO based in Singapore must take note of is the Singaporean government. Based on Guo and Zhang (2015) and Sim et al.'s (2017) extensive discussion on the overarching authority of the State over NPOs in terms of their policies concerning regulation, monitoring and funding. In this sense, the Singaporean government has control over what types of programs are implemented and which NPOs get the most funding depending on whether they meet the criteria established by the respective government agencies (Lee & Haque, 2008). One manifestation of the State's power and authority over NPOs is their protocol requiring Voluntary Welfare Organisations (VWOs) to be apolitical and non-critical in their political stance (Poocharoen & Ting, 2015). Basing from this policy, the government enforces the notion that NPOs must always abide by the State's governance and must not, in any way, become a critical agent against the projects and decisions of the State. While the NPOs are the



entities that provide social services and implement the programs, they are steadily becoming the apparatuses of the State which have specific objectives in terms of establishing a stronger civic society (Sim et al., 2017). Despite this all-encompassing power of the Singaporean government, Guo and Zhang (2015) would argue that NPOs remain autonomous amidst all the government policies and protocols and would encourage NPOs to perceive their relationship with the government as more of an opportunity than a threat. Considering the relationship of the nursing homes with the government in terms of funding, their positive collaboration has enabled a robust healthcare system and integrated care services in the country where Singaporeans can access quality healthcare (Nurjono et al., 2018). With the financial support provided by the government and the intermediate and long term care primarily provided by NPOs, the interaction between the two parties has resulted to an effective collaboration and to the achievement of a common goal (Nurjono et al., 2018).

Religion has always been a key aspect of Singapore schools and Universities. Early pioneers who travelled to Singapore set up catholic churches that had a strong influence on catholic schools. Many of these students who graduated went on to successful careers after attending Universities who typically have strong Christian outreach groups that continued to impact beliefs and strong foundational values of hard work and excellence. Chen (2012) outlined the multimillion JV investment between New Creation Church and Capitaland Ltd. The revenues from the property continues to fund the churches needs and beyond. Of course with these mega churches is also issues of poor governance which underpins why a balanced scorecard approach with multi-discipline dimensions must be in place to ensure objectivity.

**Economic context: Singapore as an economic hub for investors**

Due to its economic openness and strategic positioning as an innovative and technologically advanced country, Singapore enjoys the status of being the go-to destination of Foreign Direct Investments (FDIs) which has significantly contributed to the country's economic stability and financial soundness (Chen, 2015). While this has been initially just focused on for-profit organizations, the phenomenon of impact investing is steadily growing and gaining traction in the global business landscape (Barber et al., 2021). As stated by Acevedo and Wu (2017) and Mendell and Barbosa (2013), impact investors intend to reap financial gains and create social value. In this respect, NPOs with mission-based objectives and with service delivery programs are potential candidates for impact investors. To illustrate a more concrete conceptualization of how impact investment works, it begins with the recruitment or identification of a nonprofit which will enact the services necessary to achieve the goals which will then be followed by the business negotiations involving funders and private investors who will provide the capital funding the NPOs programs (Shah & Costa, 2013). Using this logic, NPOs in Singapore specifically the nursing homes and the private education sector can take advantage of this opportunity and establish themselves as viable candidates for potential impact investors. By developing a mission-based program aiming to address a social issue and integrating business approaches which could guarantee its profitability, NPOs can engage with impact investors and possibly gain themselves a new stream of income (Acevedo & Wu, 2017).

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In conjunction with the discussion on impact investment, NPOs in Singapore can explore the possibility of establishing their own social enterprise in the form of a service delivery arm which can simultaneously help them achieve their goals (Tan & Tan, 2002). For clarificatory purposes, a social enterprise aims to use entrepreneurial methods to address social problems which, in hindsight, provide an alternative to the rigidity of existing institutions both in the government and philanthropic sectors (Ghatak, 2021). A nonprofit can venture into building their own social enterprise without losing its core identify of being a nonprofit organization. One of the main characteristics of social enterprises that could entice investors is its capacity to distribute profits among stakeholders and investors who seek to combine profit maximization with social goals since nonprofits could not perform such financial activity (Ghatak, 2021). By recognising the potentialities of operating a social enterprise, NPOs in Singapore can strengthen their economic sustainability through this additional stream of income and the added financial support provided by investors.

### **Social context: Volunteerism among Singaporeans**

While engaging with volunteers is not a revenue diversification strategy adopted from for-profit organisations, NPOs in Singapore is still encouraged to pursue this line of action for various reasons. One, volunteers are considered as significant resources of nonprofit organizations (Eisner et al., 2009) and are important stakeholders to an NPO considering their contributions in capacity-building and even fundraising initiatives (Cheng & Mohamed, 2015). An illustration would be how most of the Community Chest of Singapore's funding is from working Singaporeans who donate a portion of their salary monthly (Wong et al., 1998). Additionally, the NPOs selected for this study, specifically the nursing homes, also provide evidence of how

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engaging with volunteers in the community can be beneficial to the NPO in terms of an increase in manpower. More than the non-monetised labor that the volunteers offer, their act of volunteering for an organisation also increases the NPOs visibility to other Singaporeans which can consequently increase volunteer engagement as well (Haski-Leventhal & Cnaan, 2009). By virtue of the social networks that previous volunteers have, more individuals will learn about the NPO and this could potentially ignite conversations about inviting other people to join the cause (Haski-Leventhal & Cnaan, 2009). Through this, the NPO gains more volunteers which could be of significant help to advocacies and mission-based objectives that the NPO aims to achieve. Aside from this, engagement with volunteers can also instill among them a sense of community which the NPO can actively facilitate by encouraging the members of the community to participate in various advocacy-based programs and activities (Stukas et al., 2016). By instilling a sense of community among community members, NPOs can boost the intentions of Singaporeans to serve in however way they can given that they feel a sense of connection and belongingness to the community where they reside in.

CHAPTER VI:

**SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS**

**6.1 SUMMARY**

To conclude, this study uncovered the common resource dependencies of nonprofit organisations (NPOs) to a specific stream of income or resource necessary for its operations. Based on the results, NPOs in Singapore specifically from the nursing homes and the private education sector has exhibited resource dependence on government funding and earned income, respectively. Through the use of the annual reports, the study has discovered that these two specific sectors heavily rely on one source of income to fund their entire operations. Additionally, this source of income would comprise more than 50% of their entire revenue which consequently means that other streams of income are incapable of replacing this financial resource in the event of financial crisis or any unanticipated event. In this respect, the nursing homes can find themselves in a precarious financial position in the event that the Singaporean government has decided to reallocate funds and perform budget cuts. On the other hand, the private education sector can find themselves in the same financial situation if their stakeholders namely the parents and students have decided to choose other schools over private educational institutions.

This study also examined and identified revenue diversification strategies that could potentially help NPOs in Singapore to achieve economic sustainability. The study has identified four potential revenue diversification strategies. First, NPOs can realign with the Singaporean government's standardized funding models with regards to government grants. For this strategy, this particularly requires the NPO to expand their existing network systems and try to explore other streams of revenue that they might not have previously considered before. Second, NPOs must acknowledge the presence of impact investors and must learn how to make themselves visible to

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these potential investors. Impact investors are people who want to provide capital to social enterprise or NPOs wherein they can gain both financial gains and also create social value. NPOs are suitable for this endeavor given that they address social problems while at the same time can generate profit, if a business approach is adopted by the organisation. The third strategy is in connection with impact investment since this strategy involves the establishment of a social enterprise. A social enterprise merges both commercial pursuits with mission-based endeavors and usually manifests through the development of a service or production arm in the NPO. The services or products that the NPO can offer through their very own social enterprise can generate profit and provide the NPO with another revenue stream. Additionally, impact investors can also provide capital to social enterprises if they perceive its capacity to maximize profit alongside creating social value through the achievement of mission-based goals. Lastly, NPOs can join the Community Chest of Singapore which can also serve as an additional source of funds given that this institution provides grants for its member organisations. By joining the Community Chest, the NPO also expands its network and can potentially build new bonds with fellow NPOs in the country. Another notable benefit of joining the Community Chest is the opportunity for NPOs to encounter NPOs that also advocate for the same cause.

Finally, this study also analysed how these revenue diversification strategies can be applied to the Singaporean setting. The political, economic and social context of the country were identified as the most influential factors that impact the financial management and operational mechanisms of NPOs based in Singapore. For the political dimension, the discussion revolved around the authority and control exercised by the Singaporean state over the NPOs through policies and regulatory protocols that they implement and uphold. Second, the economic status of

Singapore also impacts NPOs in such that the country is a go-to destination for foreign direct investments (FDI) which can virtually affect NPOs and also encourage impact investors to go and visit the country for possible investments. While this last factor is not a revenue diversification strategy, the researcher would argue that it is essential to include a discussion of the social context of the country and how NPOs can benefit from engaging volunteers in their respective projects and programs. This last factor considered how Singaporeans can be encouraged to donate or volunteer in Singaporean NPOs considering their current contributions to the Community Chest of Singapore in terms of monetary donations and voluntary help in nursing homes. By harnessing the power of volunteerism among Singaporeans, NPOs can benefit from this through the increase in manpower and also improving community involvement as well.

## **6.2 Implications**

The implications of this study may directly affect specific stakeholders namely the Singaporean nonprofit organisations and the Singaporean government. For the NPOs, this study has extensively discussed their common resource dependencies and various revenue diversification strategies they can explore. As such, the NPOs are encouraged to re-evaluate their current financial structure and reassess whether they are indeed dependent on one specific resource or one stream of income to fund their overall operations. According to Kearns et al. (2014), nonprofit leaders evaluate their funding sources based on three criteria namely the extent to which the source of income can bring about other resources, the alignment of the funder or the funding institution with the goals and objectives of the organization, and the sustainability of the revenue stream in a long-term basis. In this respect, NPOs in Singapore must carefully analyse their income streams, its sustainability over time and decide on whether some changes have to be made with

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respect to their present financial status. Upon re-evaluating their sources of revenue and if they do make the decision to expand their revenue streams, NPOs in Singapore can look into possible revenue diversification strategies that can pursue. Based on the findings of the study, they can establish a social enterprise, engage with impact investors, seek government grants and join the Community Chest of Singapore. By having numerous options, as provided by this study, NPOs can strategise and delve into potential new sources of income which can strengthen their financial status.

As for the Singaporean government, the implications of this study will encompass their current role and position as a regulatory and monitoring body and their ability to provide more support to the NPOs by reconsidering some policies and protocols. First, the current role of the Singaporean government in terms of monitoring and evaluating the NPOs with regards to their mission must be retained however, they must also re-evaluate whether their present protocols constrain or benefit NPOs and how these protocols are perceived by NPOs. According to Othman and Ali (2012) increased regulation may result to conflict between the leaders of NPOs and the government especially if the leaders perceive regulation as punitive rather than a helpful tool necessary for their survival. These protocols include regular monitoring, guidelines for the preparation of financial reports, budgeting and auditing process and compliance with operational rules (Othman & Ali, 2012). Based on the statement of the Charities Commission of Singapore (2012), while they advocate for tighter rules to ensure that NPOs can comply with proper accounting rules, they also believe that they should equip the NPOs with appropriate skills in order to improve their internal governance, accountability and transparency. In other words, the Singaporean government must strike a balance between exercising control and enabling NPOs to



become autonomous entities equipped with the capacity to effectively govern themselves. Second, the present policies they have in terms of assistance such as discounts in the procurement of basic equipment such as computer for the preparation of annual reports and the subsidization of training grants in relation to accounting courses are of great help to NPOs (Othman & Ali, 2012). Aside from this, the study has also discussed the government funding that the State provides to NPOs. In this sense, the State must also recognize the dependence of some NPOs to them in terms of funding. Hence, the State must, in a way, encourage NPOs to look for more revenue streams by suggesting and supporting future engagements with impact investors and assisting them in terms of equipping the leaders of NPOs with business skills as they establish their own social enterprise.

### **6.3 Recommendations for Future Research**

There are a few recommendations and suggestions for future researchers who want to pursue studies relevant to the topic discussed in this paper. First, the use of desk research in this study can be replaced with either quantitative or qualitative research methodologies to directly obtain data from the target population which are the nonprofit organisations based in Singapore. While the desk research is effective in obtaining data from reliable literature, gathering primary data through either quantitative or qualitative methods could provide the researchers with more nuanced and in-depth dataset that tackle the lived experiences of the stakeholders. If ever future research wants to replicate the study's methodology, they can also opt to include more forms of NPOs and not just solely focus on nursing homes or the private education sector in Singapore. The decision to narrow down the wide range of NPOs and their respective advocacies has helped the present study to focus on their general experiences in terms of their financial status. However, having a more varied set of NPOs that can encompass human rights, environmental causes, and

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even nonprofit media organisations, among others, can diversify the dataset and include the experiences of other types of NPOs operating in the country.

Second, future research can also focus on the perspective of the leaders of the NPOs and even their financial managers given their background and role in managing and facilitating the overall revenue and expenditure aspect of the NPO. By focusing on the perspective of the financial officers and managers of the NPO, future researchers can get a more concrete insight of the inner workings of the financial decision-making of NPOs and their allocation of resources to their various operational needs. Furthermore, they could also include the perceptions of other stakeholders such as the Singaporean government and impact investors on their experience in relation to working with NPOs and providing them funding. Through this way, future research can contribute to repository of knowledge with regards to external stakeholders and their impact on the financial structure of an NPO based in Singapore.

Thirdly, through the analysis of the data set that started with 1945 annual reports, it would be worthwhile to design new aspects to mine the data set to identify any trends that could emerge to help point NPOs what are best practices that we can deploy to guide NPos on better outcomes. A combination of best practices and toolkits developed by McKinsey, Deloitte and even Boston Consulting Group would provide a multi-faceted consideration of different proven metrics Profit organisations use to evaluate the state of the business. It would be very interesting to run through the 2 sectors that we identified to see if the strategies used that substantiate our conclusions can challenge the findings.

## **6.4 Conclusion**

To conclude, the study was able to determine factors that can impact the economic sustainability of a nonprofit organisation based in Singapore. By addressing the research questions laid out in this study, a better understanding of the financial conditions of NPOs and the various ways that can strengthen their financial competency was achieved. In this respect, the research questions of this study have been adequately addressed and have been supported with the findings from the desk research conducted by the research. To start, the common resource dependencies faced by NPOs based in Singapore were identified. It is primarily characterized by Singaporean NPOs' reliance on government funding and earned income. Second, the study identified four revenue diversification strategies that NPOs can adopt from for-profit organisations. One, NPOs can initiate a realignment of their financial and operational mechanisms to meet the requirements imposed by the standardized funding models of the Singaporean government. By meeting the criteria set by fund-granting government institutions, NPOs can potentially gain a new stream of revenue which can fund their projects and programs. The second strategy involves engagement with impact investors who seek to provide capital for social enterprises that combine commercial motives with the creation of social value. NPOs are suitable candidates for impact investors given that they already meet the primary criteria of pursuing programs or executing projects that aim to address a social problem. The third strategy is in connection with impact investment since this involves the establishment of a social enterprise. NPOs are encouraged to identify a service or product that they can offer to a specific market while simultaneously addressing a social problem. In this way, they can monetise this new service or product offering which can potentially create a

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new income stream for them. Lastly, NPOs can also join the Community Chest of Singapore given that this entity provides financial grants to its member organisations. The third research question has been addressed by acknowledging the economic, political and social context of Singapore and how these can impact the overall financial condition of NPOs with respect to revenue diversification strategies and also opportunities to engage volunteers.

Following an informal survey on charities on their receptiveness to provide a truthful response to our planned survey. My first attempts to interview 20 organisations yielded very poor outcomes with many that I contacted declining to do so and referring me to their published annual reports. It is fortuitous that as charities or NPOs, they have the fiduciary duty to post their annual reports. This research has opened up some clear indicators of what NPOs should consider to stay sustainable so that when they want to do good, they have to do well. It has also raised the need that a role for the capital markets to provide guidance to measure strong sustainable NPOs ensures that scarce resources go to the larger NPOs who can continue to achieve their missional goals.

Nonetheless, the findings in this paper have provided and confirmed that NPOs must explore revenue diversification to remain profitable and viable. Data from the research confirms that charities who do well have gone beyond the initial mission and they have adapted and pivoted to offer additional services to get incremental revenue without losing sight of their original charter. The key insight for charities who want to grow must start looking at the resources that they have on hand and to develop wider revenue diversification goals to uncover revenue streams utilising current resources that they possess. A deep dive to evaluate their assets which

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they possess and I classify them broadly into two categories – hard and soft. Hard assets are physical assets that can be repurposed, and extend to commercially viable needs such as facility rental, for companies that need space to hold meetings, AGMs, concerts and training. On the aspect of soft assets, the domain knowledge that an NPO can offer e.g. governance or industry subject matter that is needed when the public will benefit from the population who would get better in areas such as recognising dementia, wound care or even learning how to provide consultancy to new projects in Community care or adult education. This unleashes the potential that existing human capital can offer which creates further volition and stickiness to make impact for the sector by everyone.

Through this thesis, the emergence of companies needing to be more ESG conscious has emerged. Further research areas that can be done that continue to take on the considerations for ESG - Environmental, social, and governance (ESG) contributes to how Resource Dependency impacts climate concerns, impact investing and talent development. As a scholar that has had the privilege of working for two NPOs, the ability to accrue healthy reserves through a viable working model that an NPO can perform, there is tremendous scope and opportunity to assist NPOs by applying business frameworks that are the same methodology of how companies are valued and measured to continue to do well.

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