

Cash Flow Forecast Analysis Strategic Planning: A Case Study Of An Ethekewini-Based Non-Profit Organisation

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ABSTRACT

Non-profit organizations (NPOs) face challenges in exploring the full benefit of using cash flow forecasting and the relevant analysis to inform their sustainability due to disabling constraints. The study aimed to evaluate the effects of the adequate use of cash flow forecast analysis in the strategic planning of NPOs. Qualitative research using interviews and a document analysis sought to evaluate these effects. The sample consisted of executive members of the board and financial officers who were purposively selected to be interviewed based on their knowledge using semi-structured, in-depth interviews. Conventional thematic analysis using NVivo and document analysis were used as data analysis techniques. From the study findings, it was evident that the NPO used information obtained from the cash flow forecast analysis to set and achieve feasible goals in meeting its mandate. The demonstrated effect of using information from the forecast analysis contributed to 75% of the core drivers of its strategic plan, essentially to the NPO's sustainability goals. The study contributes to the NPO sector by informing NPOs on incorporating cash flow forecast analysis as a strategic tool for planning.

Keywords: Non-profit organisations, cash flow forecast, analysis, strategic planning, cash management.

INTRODUCTION

A robust debate among scholars on how non-profit organizations (NPOs) in South Africa and elsewhere can enhance their strategic planning is ongoing (Mong'ina, Munene, & Ngahu, 2021; Mvunabandi, Lathleiff, & Muzindutsi, 2022). Mvunabandi, Lathleiff, & Muzindutsi, 2022). A clear strategy for how the cash flow forecast analysis directly or indirectly catalyzes NPOs' strategic planning has yet to be determined, as no empirical studies have investigated this causal relationship in detail. An empirical question dominating the discussion is: How can cash flow forecast analysis enhance strategic planning in South Africa? The response to this question will fill in the literature and enable similar research. This has prompted the research study reported in this article, and it thus holds the center of the scientific inquiry, leading NPOs to make strategic moves to enhance their strategic planning practices. The study was motivated by the dearth of research on the sustainable financial management of NPOs and how this can be achieved with scarce resources and uncertain donor funding (Mvunabandi et al., 2022).

Due to the volatile, uncertain nature of non-profit organizations' cash inflows and cash outflows, the strategy must be developed and implemented to efficiently manage their finances and maximize their social impact. A basic contingency framework demonstrates that budgeting and strategic planning are core to the business organizational structure (Anayo, 2021; Mong'ina et al., 2021; Nutt, 2018).

To successfully achieve planning for future financial sustainability, the cash flow needs of an organization must be thoroughly evaluated and understood. The importance of financial planning, especially managerial instruments such as cash flow forecasting, has been underlined by periods of financial crisis (Glaum, Schmidt, & Schnürer, 2018). Not only was the South African economy affected by the global financial crisis in 2008 into 2009, but over the recent years, between 2015 and 2017 and again during the Covid-19 period, it has been affected by slow economic growth, continued high unemployment rate, increasing inflation and interest rates, and an unstable and resulting in several downgrades by the rating agencies (Stats SA), 2023).

The study aimed to highlight the importance of adequate cash flow forecasting as a strategic planning tool to maximize the service provision of non-profit organizations. The case study is situated in a province characterized by socio-economic issues that house the majority of non-profit organizations in the country. As a result of the dearth of rigorous comparative research on and about financial tools used by non-profit organizations, conclusions are difficult to arrive at, based on the financial performance associated with receipt of funding, appropriate expenditure, and return of assets of non-profit organizations in the designated area, as well as how this affects their service delivery mandates and sustainability indicators (Mvunabandi et al., 2022). The not-for-profit organization's name is anonymized throughout this article for confidentiality purposes.

This study will contribute to a better understanding of using and implementing cash flow forecast analysis in the non-profit organization sector.

LITERATURE REVIEW

Organizations that fund non-profit organizations do so for a cause that will change the environment in which they operate. Donors of non-profit organizations, however, increasingly expect that they demonstrate how they perform and whether they are managed efficiently and effectively (LeRoux & Wright, 2010; Terman, 2022). The financial management of these funds becomes a priority. They consider accounting records to identify financial reports from which investment returns can be determined, but numerous donors have realized the value of forecast reports. Unlike accounting, which has a historical perspective, financial management focuses on creating future value (Du Toit, Erasmus, Kotze, Ngwenya, Thomas, & Viviers, 2014).

Cash flow forecast has its roots in finance theory as it deems the firm's primary objective to be maximizing shareholder wealth (Oseifuah & Gyekye, 2016). Finance theory determines the worth of a firm to be the discounted value of all cash flows generated over the lifetime of the firm, assuming that they are paid out as dividends (Li, Moutinho, Opong, & Pang, 2015). The use of cash flow forecasts analysis to report on the deviations and the sources of significant deviations relate to the financial management of a firm (Mong'ina et al., 2021). In this context, there is no prescribed model for any individual firm or a direct link of this practice to an established theory and, as a result, there is manipulation of the variables of available models to meet the management needs. As a result of no standard process being followed in preparing a cash flow forecast, it is usually customised to the nature of the business to ensure relevance and reliability of the information. Holistically, finance theory guides the capital budget process (Vernimmen, Quiry, & Le Fur, 2022). Although finance theory stresses cash flow and the expected return on competing assets, it is considered separate from strategic planning (Bryson, 2018). The theory should directly apply to capital budgeting and the financial side of strategic planning (Bryson, 2018). The agency theory is

relevant as the board of directors oversees management's (agent) performance, which aligns with the trustees' objectives (principle).

Over time, similar management skills used by for-profit organizations relevant to essential strategic planning, monitoring, evaluation, and reporting are required (Mvunabandi et al., 2022). Non-profit organizations are facing pressure to adopt enterprise or business-orientated approaches to delivering social services, including various organizational structures and strategies (Kernot & McNeill, 2011). In contrast, non-profit organizations' accounting systems and management structures are generally underdeveloped compared to for-profit organizations, and volunteers mainly operate these. Financial reporting inefficiencies with non-profit organizations have led legislators internationally to closely monitor governance and accountability issues in the non-profit sector (Civitillo, 2021; Le, Vu, & Tran, 2020; Molk & Sokol, 2021).

Strategic planning is necessary to provide vision and meet the organization's and funding community's transparency and accountability requirements (Visconti, 2020). Strategic planning can be the formulation of a plan that brings together organizational objectives, policies, and actions, intending to create a sustained competitive advantage (Ferreira & Proença, 2015; Visconti, 2020). The relevance of strategic planning renders itself key to organizations whose primary objectives are focused on profits and on all organizations that are focused on running viable and sustainable operations (Gratton, 2018; Reid, Brown, McNerney, & Perri, 2014). Organizational performance may not be easily quantifiable as the nature of the services provided is significantly qualitative. In this context, it is risky to assume that strategic planning is adopted to improve performance (Courtney, Marnoch, & Williamson, 2009; Locke & Fritschle, 2022).

For regulatory reporting purposes, in a standard cash flow statement, there are mainly two types of cash flow methods that may be used as recommended by International Accounting Standards (IAS) 7, namely the direct method and the indirect method (International Accounting Standards Board, 2017). In the study by (Orpurt & Zang, 2009; Panda, 2021), the use of the direct method and the indirect method was examined to verify whether it caused a difference in determining the relevant cash components (Ayers, Call, & Schwab, 2018). The results implied that the direct method disclosure was more informative in predicting future cash flow than the indirect method.

Consequently, when preparers of the cash flow forecast use information from a complete set of financial statements, they are more likely to achieve an improved understanding of the individual operational income and expenditure components, as well as changes in working capital, than guarantee accuracy in the future cash flow predictions (Mong'ina et al., 2021). Prediction of cash flow is a key facet of a business, used by business owners to plan for the future direction and requirement of cash to avoid any crisis such as solvency and liquidity (Barth, Cram, & Nelson, 2001; Hussain, Abidin, Ibrahim, & Joginder, 2020). If budgeting and cash flow forecasting are prepared and implemented efficiently by the organization, the possibility of such an organization being economically sustainable is enhanced. There is no uniform cash flow generating process for the complete business world, and different companies have distinct cash flow patterns (Bryson, 2018; Lia, Moutinhob, Opongb, & Pang, 2015). This requires customizing the cash flow processes to align with the nature of the business, its operations, and its vision.

Alluded that a cash flow forecast without monitoring does not add value, emphasizing the need for analysis. The analysis enables discrepancy identification in specific areas of the operations, which, in turn, enables management to focus and resolve potential issues in the

particular area of operations. The time invested in understanding cash flow and the attention given to it determines whether the business will survive (Plaskova et al., 2020). It enables management to allocate cash reserves timeously and adequately to the areas of the organization where these may be required. The cash flow analysis is a more appropriate indicator of liquidity and productivity than the balance sheet (Melander, Sandström, & von Schedvin, 2017). Once financial health is evident, the financial sustainability of the organization's planned activities becomes more reliable. This information is key in persuading potential sponsors to fund activities of the non-profit organization of their choice. It enables the potential sponsor to demonstrate faith in how the funds will be managed to achieve the anticipated outcomes.

RESEARCH METHODOLOGY

This study employed a qualitative research approach. The qualitative research was conducted by using a case study. The case study of one eThekweni-based not for profit organisation was selected for investigation because of its level of work nationally and internationally and its likelihood to experience significant cash flow forecast analysis in its strategic planning issues due to its size.

The complex nature of the study rendered the case study approach the most appropriate method of this research (Breslin & Buchanan, 2008). To meet research objectives, the work was carried out with the necessary methodological rigour (Dresch, Lacerda, & Cauchick Miguel, 2015). The case study approach was based on recommendations made by (Dooley, 2002). The population size was a total of 153 667 non-profit organizations registered in South Africa at the end of the 2015/16 period, and it was evident that KwaZulu-Natal province had the second highest number of registered NPOs 29 197(19%) after Gauteng 48 405(31.5%). The NPOs in this region involved in HIV/AIDS prevention and education comprised the population from which the case was selected.

The case was also selected based upon the period of operation, location, size, funding, sector footprint and internal controls. Using a purposive sampling technique, the sample size was that of four participants who comprise the executive members of the board of directors and finance officers. They were selected because (1) they are knowledgeable with practical experience and have knowledge of the NPO's cash flow forecasts analysis and strategic planning; (2) their level of involvement in cash management such as the cash budget and cash flow forecasts; and (3) report cash management data to the directors for decision making.

Ethical clearance was obtained from UKZN's Humanities and Social Sciences Research Ethics Committee (HSSREC) (Nichol, Mwaka, & Luyckx, 2021). permission to conduct the research was duly granted. A gatekeeper's letter was also received from the organization (Kawulich, 2011). All the respondents signed informed consent forms after being fully informed of the purpose and nature of the research (Bazzano, Durant, & Brantley, 2021). They were assured that their privacy, confidentiality, and anonymity would be respected. Pseudonyms were assigned to all the respondents to protect their identity, and they are referred to as A1, A2, A3, and A4. Where: A1 is recognized as "Financial controller"; A2 is recognized as "Accountant," A3 is recognized as "Budget officer," and A4 is recognized as "Director."

Semi-structured in-depth interviews were conducted to generate data. The evidence collected from the interviews was supplemented and enhanced by access to the organization's annual reports, cash flow management policy, and cash flow forecast report from 2012 to 2017. All

interviews were recorded and subsequently transcribed (McMullin, 2021). The transcribed data was imported into the NVivo 11 software to obtain rigor in dealing with the qualitative data gathered.

In line with Roberts and Priest (2006) and Pooe, Mafin and Makhubele (2015), the study's reliability, credibility, and validity were ensured by follow-up questions sent to the participants via email and subsequent telephone communication, increasing the rigor and confidence in the findings. This was further complemented by follow-up visits to verify the validity of the data previously provided by participants.

The data was organised categorically, thematically and chronologically, repeatedly reviewed, and continually coded where relationships were further identified (Black, 2006).

Qualitative data analysis of narrative analysis was conducted where robustness analysis was fully performed using conventional thematic analysis for all interviews via NVivo and document analysis for documents gathered (Humble & Mozelius, 2022). Findings were thematically summarised in an anonymous format.

Empirical Analysis And Discussion Of The Findings

The category selection, analysis of the data and re-coding where necessary, as was represented in NVivo under the *Nodes*. From this, visualisations and charting could be achieved based on the assembling of the data in this format in the software. The themes that emerged are reflected in Figure 1 below and are discussed in detail under this section.

Nodes			
Name	Sources	References	
A - Mandate of the organisation		6	47
B - Reason for receiving funding		2	25
C - Planning		5	56
D - Controls over bank accounts		4	53
E - Reporting		5	40
F - Effects of financial decisions on service mandate		2	14

Figure 1: Nodes

Source: Adapted from NVivo data (2018)

The interview schedule enquired about the participants' position, years of service, level of education, and level of basic cash management knowledge to assess their understanding of the cash management system and the use of cash flow forecasting analysis.

The participant's position indicated the level of influence of the cash management system in achieving the organization's financial objectives. Literature indicated that individuals more orientated toward the organization's financial goals would better understand the importance of cash flow forecasting than individuals with less previous and present interaction with the organization's financial goals (Glaum et al., 2016). Of the four candidates, A1, A3, and A4 were in management positions in the organization and also members of the board subcommittees. A2, with the lowest level of formal qualification compared to the other three participants, outweighed education by the level of experience, having fulfilled the role of an accountant for over 17 years.

Overall, 50% of the respondents had more than 11 years of experience with the organization, which meant that they had adequate knowledge of the relevant sources of information in preparing a cash flow forecast analysis. Where the financial managers' qualifications were not significant, their experience was significant, as NPOs with less experienced financial

managers are more likely to suffer financial distress. The study's findings also support the findings of Strydom & Stephen (2014) Bryson (2019), which established that the age and size of the NPO and the financial manager's experience were significant factors in determining the likelihood of financial distress.

Further to the participants' characteristics, it was important to understand the characteristics of the support finance team participants in carrying out their functions. A more excellent staff complement would indicate adequate resources for detailed cash budgets and cash flow forecasts may be allocated. The finance team comprised 14 members, 90% of whom possessed tertiary-level qualifications, and 67% had worked for over three years.

The education and level of experience in the organization remained the core determinants of the finance function's efficiency and effectiveness in the organization's overall operations. They did not need to be directly involved in the cash management processes, but due to the relative complexity of preparing cash budgets and cash flow forecasts, their inputs were required and formed part of the overall report.

Themes developed from data

Key findings from the data could be presented in two ways. The first is the reporting of key findings under each main theme, illustrating these by including verbatim quotes and following up the discussion of the findings in relation to existing studies. The second is to incorporate findings into the discussion of results section (Burnard, Gill, Stewart, Treasure, & Chadwick, 2008). The latter approach was decided upon. In order to present the thought process of developing the themes of the study, a feature in NVivo named Mind Map (thematic map) was used to create the illustration below:

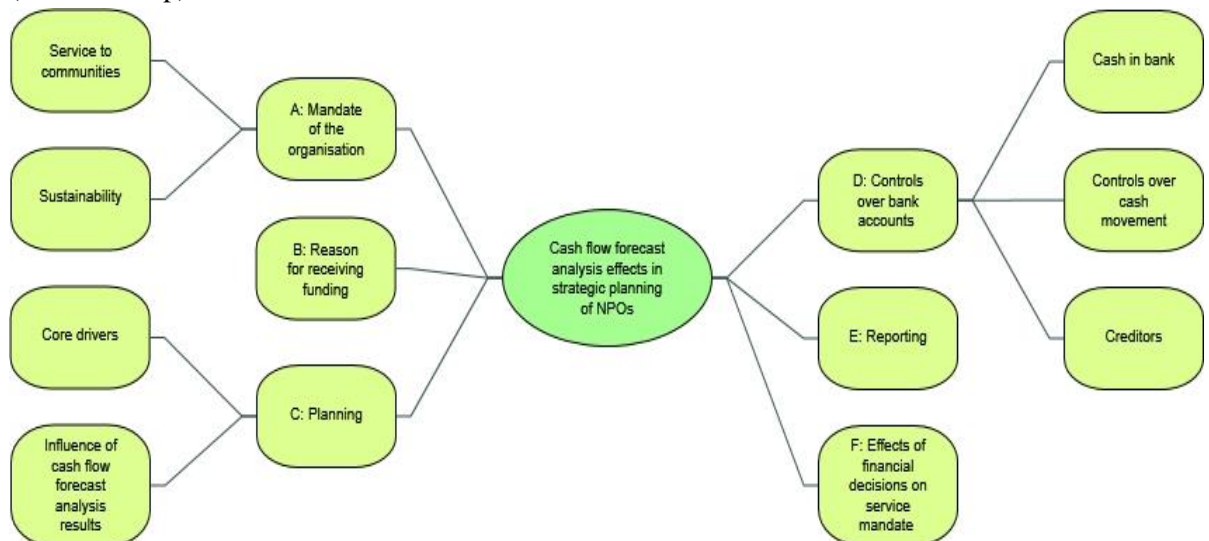


Figure 2: CFF Mind Map

Source: Adapted from NVivo data (2018)

Figure 2 illustrates the six main themes identified from the raw data and located under nodes using the coding system of the NVivo software. The codes were initially created in the form of a codebook. Although further topics or categories were identified, these were subsequently merged into the above main themes. Of the six themes, A, C and D were divided into sub-categories.

Theme A: Mandate of the organisation

The mandate of the organisation has its origins in servicing the communities in which it operates and sustaining its activities to ensure continued health care service for these and

extended communities. The NVivo software was able to provide the output of word frequency using relative numbers and frequency percentages.

The theme was categorized further into two sub-themes, referred to as child nodes in NVivo:

Service to communities

The organization focuses on improving quality service delivery in the primary healthcare system through numerous initiatives to improve linkages and enable access to healthcare within target communities, as well as conducting related healthcare research. The activities emphasized quality improvement strategies in order to accelerate the identification of adults and children with chronic diseases, ensuring their enrolment in treatment and ensuring that clinical linkages are improved so that they continually receive care. In the monitoring of budgets, finance participants interacted with members of the organization who are based in the field such as the community development managers as mentioned by A1:

“...very close links with those community-based organizations that we deal with under some of our programs.”

In the organization's annual report, the progress of numerous projects validates the achievement of the mandate.

Sustainability

For the organisation to continue with its activities and those prioritised by regional, national and foreign governments, as well as civil society organisations, it depended largely on remaining sustainable. To stay ahead of other similar organisations and gain an edge over similar organisations, the research director with the assistance of the finance committee and finance team has constantly been evaluating the research division's work plan.

Participant A1 shared the methods in which the organization remains relevant and competitive:

“... we do all of these publications so we are aware of what's happening in the health sector and what are the priorities there.” And further stated, “Our business development team is actually.....that's their core focus.....is getting new business in for our organisation; and effectively they are our fundraising people.”

For the organisation to remain sustainable it is not only reflected in the funding and income-generating activities but also in ensuring compliance. In addition, the maintenance of skills within the organisation is a key feature in the project-based environment. Sustainability also has its basis on the reputation of the organisation.

The 2017 annual report reported that, “The achievements through the 23 projects highlighted in this year's report reflect our extensive involvement in health systems research and development across all levels of the health system, and the committed work of our staff in providing national, provincial and district health structures with valuable information, evidence, and technical support and tools geared towards providing improved service delivery in our primary health care system.” The literature also widely supported the view that strategic planning was widely proven as a relevant tool to promote sustainable service delivery among communities NPOs are serving (Ayers et al., 2018; Gratton, 2018; Nutt, 2018).

Theme B: Reason for receiving funding

In order to understand funder requirements, the business unit invests in researching the funders' needs and aims to achieve these. The quality of the funding proposal occupies a key role as it reflects statutory compliance and provides audit reports, proof of work done, and financial reports that demonstrate the financial performance and sustainability of the organization. Participant A3 discussed some of these requirements:

“So, funders, they want proposals. They look at a lot of things in the organization, and if you...can’t meet those compliance requirements if you have a poor audit report. If you can’t...uhm ... sustain, or you don’t have enough funding, they look at the size of your organization. They look at...the work that you’ve done in the past when they award you, and they look at your experience.”

Experience generates an improved understanding of funder requirements. When based on prior experience, budgets included in proposals are customized to the funder’s spending patterns.

Participant A4, in discussing the reasons why the non-profit organization received funding, stated that:

“...we got a good track record. We’ve got good structures. We’ve got...uh...you know good governance structures... and ...there’s no reason why we can’t continue when the big grants kind of disappear.”

Additionally, the participant indicated that the research element of their service mandate receives increasing attention nationally and globally. Due to this demand, they may be approached to submit proposals to replicate their work in neighbouring countries or for collaborations. He further reflected on other work done by the non-profit organisation that results in fund allocations to the organisation.

These findings are overwhelmingly supported by the current body of knowledge that found that NPOs funding decisions are influenced by preparation of budgets to their funders requirements (Mong’ina et al., 2021; Mvunabandi et al., 2022).

Theme C: Planning

Planning by the organisation involves substantial consideration, not only financial but non-financial information impacting the organisation’s operations. The NVivo software was able to provide the output of word frequency using relative numbers and frequency percentages. The theme was categorised further into two sub-themes, referred to as child nodes in NVivo:

Core drivers

The participants had a good understanding of strategic planning as all of them were involved in strategic planning at some point in the process. The financial director emphasized the board’s ultimate responsibility of providing strategic direction as well as attending to legislative, regulatory, and best practice requirements to ensure efficiency and remain competitive. To obtain further insights on what the participants considered to be the core drivers of the strategic planning of the organization, the participants each provided key core drivers. These were largely influenced by the responsibilities of the participants’ roles and experiences at the organization.

The responses to the question included the following as core drivers: Audits (A1); Competition (A2, A3, A4); Trends (A2, A4); Funder priorities (A1, A3, A4); Project feasibility (A1, A2, A3, A4); Footprint (A1, A4); Sustainability (A1, A2, A3, A4); and Cash budgeting process (A1, A2, A3, A4).

All the participants responded anonymously in light of the key drivers of the strategic planning process relying on the competition in the area in which the organization operates and determining sources of potential funding in light of remaining sustainable. Competition is closely related to the fact that there has been an increasing number of non-profit organizations created that provide a similar service in the NPO’s strategic areas of operations. The participants noted that the cash budgeting processes are guided by the strategic plan in terms of the available resources and anticipated activities over targeted periods. Other core drivers considered relevant by most of the participants were keeping in

line with the trends, aligning the vision of the organization to funders' priorities, and identifying the extensions of the organization's footprint. A1 included one other core driver, audit, in aligning strategic planning with the compliance responsibility of their role.

The funders' priorities, although indispensable to obtaining funds, were considered a secondary concern to the creation of the strategic plan. The reason is that once the organization's vision has been established, these priorities are considered for relevance. Commenting on the issue, A1 said:

"... so sometimes it's a delicate balance between having to say right, this is what we want to do. Let's see how we can align to the funder priorities and still end up doing what we want to do... So, we can't completely lose sight of our mission..."

On the other hand, aligning the vision of the organisation to funders' priorities may also be essential to the survival of the organisation. This is the case with government departments that work closely with the NPO ensuring that their goals are met through the implementation of the activities by the NPO. In line with the findings of (Edwards & Hulme, 1996), this study reveals that contrary to the aims of a non-profit organisation, government funding poses a threat to the independence of the organisation, as the donor expects the agreed upon outputs to be achieved.

Influence of cash flow forecast analysis results

The extent to which cash flow forecast analysis forms part of guiding strategic planning is indicated by the core drivers of strategic planning, the determination of project feasibility and ensuring efficient and effective cash budgeting processes. These drivers highlight that a clear financial structure supports the vision of the organisation. A1 shared that:

"It is all about looking at the bigger picture and what you would really like to do and then looking at the cash resources and saying, right it is all nice and well having this plan but is it really possible and what can we do with the resources we have."

A3 strongly felt that the cash flow forecasts required by the funder before confirming funding allocation influenced the expected cash and expended spending. A bid to increase its footprint with planned expansion into other sub-Saharan African countries and globally replicating the model of its operations meant an increased need for cash resources. Forecast analysis then became an essential form of communication in terms of feasibility and anticipated successes. Even though not all the core drivers of the strategic plan identified by the participants were guided by the cash flow forecast analysis, six of the eight core drivers were guided by the cash flow forecast analysis – audits, competition, sustainability, project feasibility, footprint, and cash budgeting process. The findings of the current study are overwhelmingly supported in the literature (Panda, 2021; Plaskova et al., 2020; Visconti, 2020).

Theme D: Controls over bank accounts

The theme was categorised further into three sub-themes, referred to as child nodes in NVivo – cash in bank, controls over cash movement and creditors.

Beyond the standard three signatory controls over payment releases, A4 indicated that another control over individual funder bank accounts was the control over the inflow of cash into the separately identifiable bank accounts. The allocated funds are requested by way of a cash flow forecast over a specified time and included in the funder bank accounts in tranches. Participant A1 included that, on a project basis, her office monitored the bank balances and the actual expenditure against the budget.

Over and above controls in place over cash in the funder accounts and the movement of cash, the non-profit organization implements controls over the procurement processes. The

control contributes largely to ensuring that procurement policy requirements, funder requirements, reporting requirements, audit requirements, and other statutory requirements are met. These empirical findings support prior research that found the crucial role of funders' involvement and financial audits over their donation and grants in order to satisfy all stakeholders, including trustees (Wilson, Reck, & Kattellus, 2010; Yang, Simnett, & Carson, 2022; Yoon, 2022).

Theme E: Reporting

Reporting was determined to be the source of finance information for management and the Board in the non-profit organization. The participants that made the most contributions to the frequency output as highlighted by the NVivo software were A1 and A2. This was identified as influenced by the responsibility of the role largely infiltrated by constant financial reporting elements.

The monthly reporting pack indicated the monitoring process over the cash budget and the adjusted budget. Periodic funder forecasts formed part of the supporting documentation for the variance analysis report.

The findings of the current study are overwhelmingly supported by the current body of knowledge that found that reports can be relied on if they substantially reflect the true and economic value. (Ayers et al., 2018; Locke & Fritschle, 2022; Mvunabandi et al., 2022; Reid et al., 2014).

Unlike a for-profit organization, which would include in their cash budget potential funds expected to be received based on the best estimate, the non-profit organization does not include these funds until there is a binding arrangement. Contrary to conservative estimations, a study on the accuracy of cash flow forecasts observed that cash flow forecast accuracy was higher for analysts who issued bold cash flow forecasts or predicted positive cash flows than for those who issued herding cash flow forecasts or predicted negative cash flows (Pae & Yoon, 2012; Plaskova et al., 2020).

As the person responsible for reviewing the responses and, after analysis, probing further to align the responses to the data before reporting, A1 indicated that he spends considerable time with the respondents to ensure the validity of the variances. The reasons for variances are then submitted to the finance committee, and after approving the analysis, the contents are reported to the Board. The managerial effort has, in this respect, been shown to increase the efficiency of the forecasting processes when management understands the pivotal role it occupies within the organization. These findings also agree with previous studies that highlighted the crucial role of reports prepared for wise financial decision-making (Khanna & Irvine, 2018; Shahib, Sukoharsono, Achsin, & Prihatiningtias, 2020).

Theme F: Effects of cash flow forecast analysis in strategic planning on service mandate

The participants concurred that the cash flow forecast analysis is one of the key financial controls in the organization that influences the financial component of strategic planning. In the case study, the short-term (between six months to three years) cash flow forecast analysis was found to be the most effective. Over this period, binding arrangements have been put in place to validate the forecast movement of cash. In the long term (three to five years and longer), the effects of the cash flow forecast analysis are reduced. A direct targeting strategy is used by the organization to source funds and research collaborations with strategically targeted funders, as once they are exposed to the non-profit organization's capabilities in an area of expertise, they are expected to maintain the relationship by funding future projects that the organization can execute.

Changes in district involvement and commitments in the different districts, where the funder requests the non-profit organization to refocus a current project in a different district, lead to changes in the cash flow forecasts. The literature also widely supported the view that the cash flow forecast analysis is a tool for strategic management and business plans for long-term viability (Cabildo, Marcelo, Angeles, Olipas, & Jocson, 2022; Karadag, 2015; McInnis & Collins, 2011).

When asked about the notable effects of using their cash flow analysis in strategic planning, the effects identified by the participant were as follows: Effective decision-making for the short term (A1, A2, A3, A4); Effective decision-making for the long term (A1, A2, A3, A4); Organisation's priorities determined readily (A1, A4); Funder priorities effectively managed in line with those of the organization (A1, A3, A4); Project feasibility readily determinable (A1, A2, A3, A4); Improves efficiency in project management (A1, A3); Potential sources of funding determined before the shortage of funds occurs (A1, A2, A3, A4); and Controls over the financial area of strategic planning are reliable and relevant (A1, A2, A3, A4).

The effects of the service mandate were limited to the views of the participants. Although research has shown success in accordance with the profitability of for-profit organizations and the performance of non-profit organizations, the majority of researchers could not agree on a single adequate indicator for organizational performance for the non-profit sector (Aborass, 2021; Ali, 2018; Courtney et al., 2009; Rahman, 2019). It is therefore left to preference to determine the effects of financial decisions on the service mandate of the non-profit organisation.

CONCLUSION

The evidence revealed gaps and other uncertainties within NPOs in South Africa and elsewhere for not implementing cash flow forecast analysis, which limits these entities to plan strategically in order to expand their projects for long-term viability. This study sought to highlight the importance of the adequate use of cash flow forecasting as a strategic planning tool to maximize the service provision of non-profit organizations by critically analyzing the effects of the adequate use of cash flow forecast analysis on strategic planning with reference to an anonymized NPO based in eThekweni municipality, KwaZulu Natal, South Africa. This was achieved through an investigation into cash flow forecast practices among 4 of the NPO's financial officers and executive managers and document analysis.

Overall, the findings of the study indicated that although there is no specific emphasis on how the monitoring process is termed, the practice of monitoring the cash flows of the operations is in place. It was established that two types of budgets were created: the organizational budget and the funder budget. The study also demonstrates that cash flow forecast analysis is not the only factor that impacts strategic planning processes. The approach aligns with finance theory, which stresses the importance of cash flow and the expected return on competing assets but does not link this practice to strategic planning.

Provided the effective combination of staff, experience and available time to obtain quality information exist, non-profit organisations should be able to see the benefits of incorporating cash flow forecasting and implementing the principles entailed in the study of the purpose of the cash flow forecasting.

The findings of the study further indicated that the organization's management considered the results of the preceding year of assessment throughout their statutory reports, the cash budget reports, and the cash flow forecast analysis. It is from this information that they were able to identify stifling sponsor funds, regions that are no longer of interest to existing

suppliers, which regions potential sponsors aim to target, in which area of the service provision further skills have been obtained by project employees, where targets have been met and what the service impact has been.

Although the strategic planning process was not designed to be driven by finance but instead by the public service delivery mandate, the quality information derived from the cash flow forecast analysis enables the organization to set and achieve feasible goals. As a result, the non-profit organisation is able to prove consistency in achievement of their goals and this places it in a credible position for future considerations by donors to provide their services.

While not all the core drivers of the strategic plan identified by the participants were guided by the cash flow forecast analysis, 75% (6 of the 8 core drivers) were guided by the cash flow forecast analysis. These findings illustrate that cash flow forecasting comprises one of the key guiding tools for strategic decision planning.

A clear conclusion from this study is that there is value as well as notable effects in incorporating cash flow forecast analysis in a non-profit organisation's strategic planning. This study contributes to the current body of knowledge by providing NPOs potential stakeholders with a robust and comprehensive framework for better cash flow forecasts as a strategic tool for planning in the context of NPOs.

LIMITATION

The study was limited to one prominent eThekweni-based NPO participant. The particular propensity of results of the study is acknowledged as the sample is not reflective of the population of non-profit organizations in the selected research area, nor does it represent the diversity of parameters found in the non-profit organizations in this area and sector in which the case study operates.

The findings of this study should not be generalised to other populations such as South Africa or even the KwaZulu-Natal because the sample was not randomly drawn. This study entirely relied on a qualitative research strategy and all limitations linked with this methodology apply to this research. Future research could be conducted in other regions and using a mixed-method approach to produce generalisable robust results.

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