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Exploring Donor Relationship Management for Funding among Malaysian Social Welfare NGOs

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Abstract
The purpose of the study is to explore donor relationship management (DRM) on the funding of Malaysian social welfare non-governmental organisations (SWNGOs). The growing number of Malaysian NGOs has made it more challenging to obtain funding from donors. Exploring DRM is important in order to facilitate the relationships between NGOs and donors and help NGOs deal with donors to solicit funding. Semi-structured interviews with six Malaysian SWNGOs revealed five themes in DRM—information transparency, donor engagement, common agenda, expressing gratitude, and incorporating donors' feedback—in securing funding for Malaysian SWNGOs.

Keywords: Donor Relationship Management; Funding; Malaysian SWNGOs

1.0 Introduction
Non-governmental organisations (NGOs) are the third-largest institution globally after government agencies and corporations (Perai, 2019). The function of NGOs is to focus on issues concerning human rights, social, and the environment. NGOs also carry out various services and humanitarian activities, including advocating citizens' concerns to governments and overseeing policies for societal development (ibid). For example, Amnesty Malaysia promotes and strives to protect and realise human rights and fundamental freedom at the national and international levels.

NGOs worldwide, including in Malaysia, rely heavily on funding from donors to support their operations (Davis, 2019). However, there is uncertainty in securing donor funding. Department of Social Welfare (2020) reported that the amount of donor funding decreased from 2017 (9.2%) to 2018 (7%). In addition, the growing number of registered Malaysian NGOs makes it even more challenging to solicit funding from donors. Uncertainty in donor funding impacts the operations of NGOs, including in implementing programmes, recruiting staff, and paying staff salaries (Banks, Hulme, & Edwards, 2015). Consequently, some NGOs have ceased operations due to funding constraints (ibid). For example, Academy for Educational Development, a United States NGO, was dissolved due to suspension of funding from the state. Pertubuhan Wanita Sabah (PEWASA), a Malaysian social welfare NGO, also had to shut down its operation due to inadequate funding to implement programmes.

Previous research on NGOs and donor funding has typically focused on donor funding reporting, diversification, and fundraising strategies (Gazzola et al., 2019; Hung, 2020; McDonough & Rodríguez, 2020). However, a study on managing donors' relationships has

been overlooked. Dupuy and Prakash (2020) assert that the relationship between NGOs and donors is vital because most NGOs still depend on donor funding. Moreover, managing the relationship is essential to create a reciprocal relationship between two parties and is beneficial to the organisation's success (Lee et al., 2019). Therefore, this study explores donor relationship management (DRM) between NGOs and donors to secure funding.

2.0 Literature Review

2.1 Donor relationship management (DRM) in NGOs
According to Waters (2010), DRM is the process of cultivating relationships between NGOs and their existing donors to maximise donor engagement, retention, and investment. Althoff and Leskovec (2015) stated that DRM refers to the process of organising long-term relationships and encouraging donors to repeat and increase the values of their donations. The definition of DRM by Althoff and Leskovec (2015) was used in this study because this study focused on the impact on NGOs' funding rather than donor engagement and retention. It is a significant aspect of valuable relationship management. NGOs can communicate more successfully with donors and ensure their continuous connection with the donors while fostering repeat donations (ibid).

Different scholars have identified different steps for managing donor relationships in their empirical studies. For example, Croson, Handy, and Shang (2009) indicated that recording donors' information and continuous interactions with donors are steps in managing donor relationships. However, Sisson (2017) did not highlight recording donor information as a step in managing donor relationships, but she introduced another step: maintaining donor relationships. Jones-Smith (2021) suggested that managing donor relationships encompasses three basic steps, as shown in Figure 1.
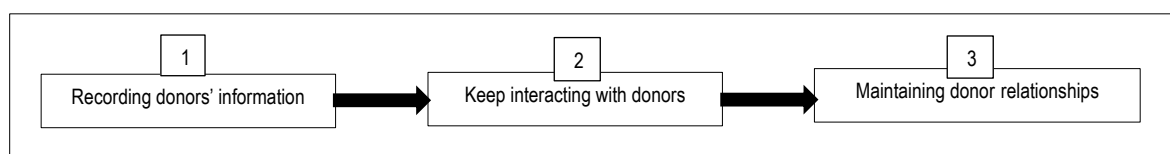

Fig. 1: Donor relationship management steps
(Source: Jones-Smith, 2021)

According to Jones-Smith (2021), recording donor information is the first step in managing the relationships between NGOs and donors. NGOs need to collect all the relevant information from donors and record it. Examples of donor information include the donor's name (individual or organisation), state, postcode, email address, phone number, or other relevant information pertaining to the donor. Donor information should be appropriately recorded to facilitate information retrieval and to enable NGOs to reach donors easily. Next, NGOs should keep interacting with their donors by using the donors' information. For example, NGOs can inform their donors about the NGOs' upcoming and past successful programmes. In addition, NGOs should solicit donor feedback on completed programmes, such as programme quality and future programme changes, to foster open communication between NGOs and their donors. Maintaining relationships with donors is the final step in DRM.

There are four elements in maintaining donor relationships: trust, control mutuality, commitment, and satisfaction (Harrison, 2018). These elements have been found to be the main focus in many studies on managing relationships with donors (ibid). The following section provides a further discussion on these elements.

2.1.1 Trust
Trust refers to the degree of confidence of an involved party and the party's willingness to expose themselves to the other parties (Shang, Sargeant, & Carpenter, 2019). Donor trust can be enhanced if NGOs provide transparent information about their funding streams and the impact of programmes on communities, specifically the programmes that have been funded by the donors. As a result, donors know the extent to which NGOs have spent the money they grant.

2.1.2 Control Mutuality
According to Harrison (2018) control mutuality refers to the extent to which the involved parties agree on who has the power to influence the other. It shows the extent to which donors believe that their opinion has influenced the decision-making of the NGOs within the system. Khodakarami, Petersen, and Venkatesan (2015) argue that encouraging donors' engagement in NGOs' systems is necessary for maintaining donor relationships. According to this view, donors are considered members of the NGOs who have the mandate to decide on the NGOs' operations. Thus, donors engaging in the system of the NGO is considered a control mutuality relationship.

2.1.3 Commitment
Commitment entails that all parties believe each party is dedicated to spending energy to grow and sustain the relationship (Johnston, 2019). It means both parties agree upon a certain level of commitment to one another. NGOs and donors share a similar mission, and both are committed to achieving the mission (Thrandardottir & Keating, 2018). For example, when an NGO and donors accomplish the same programme's agenda, usually, the programme is implemented by the NGO while donors provide the funds. A committed relationship is achieved when they work together to carry out the programme's agenda to achieve the mission.

2.1.4 Satisfaction

A satisfactory relationship refers to donors' level of perceived satisfaction, that is, satisfaction measures whether the stakeholder has a positive view of the relationship (Tsai & Men, 2018). It is the extent to which one party feels comfortable towards the other because positive expectations about the relationship are reinforced. Satisfaction can also occur when one party meets the needs of another party in order to gain their interest. For example, donors are satisfied with the information served in the working papers received from NGOs. Thus, satisfactory relationships are established when NGOs meet donors' needs in their efforts to solicit funds from the donors.

2.2 Existing research on DRM

Existing research on DRM is found to focus on certain common areas, which are the use of social media to manage relationships (Johnston, 2019), the importance of the exchange concept in managing long-term relationships with donors (Khodakarami, Petersen, & Venkatesan, 2015), and a collaborative approach between NGOs and donors in managing relationships for fundraising (Moshtari, 2016). However, an exploration of DRM to solicit funding among Malaysian SWNGOs seems to be largely ignored. Furthermore, previous research on DRM was primarily quantitative, with less emphasis on qualitative research.

2.3 Relationship management theory (RMT)

This study employed RMT for study framing. RMT refers to managing an organisation and public relationships to benefit the organisation's stakeholders (Liu, Chiu, & Zhang, 2020). RMT identifies two types of relationships: communal and exchange. In a communal relationship, each party is concerned about the welfare of one another, serving to please the other party without return (Clark & Mills, 1979). An exchange relationship means each party benefits from one another in response to specific benefits received in the past or expected to be received in the future (ibid). Achieving either a communal or an exchange relationship is one of the goals of RMT.

RMT is a prominent theory in research on relationship management. RMT has been used in many studies in the NGO context (e.g., Harrison, 2018; Johnston, 2019; Mato-Santiso, Rey-Garcí, Sanzo-P'erez, 2021). Clark and Mills (1979) asserted that RMT provides a holistic approach for successful donor relationship management. Managing relationships is the basis for sustaining NGOs' donor base, making RMT an appropriate lens for exploring DRM for funding. Based on this premise, this study decided to adopt RMT due to the dominant use of RMT within research on DRM as well as studies on NGOs.

3.0 Methodology

A qualitative research design was employed to understand how participants managed donor relationships. The researcher began by retrieving a list of Malaysian SWNGOs from the Registrar of Society (ROS) and then approached more than 10 SWNGOs for interviews. Only six SWNGOs agreed to participate in this study. The interviewees were chosen based on several criteria, including NGOs' board members or staff who had experience managing relationships with donors. The findings of the study were derived from semi-structured interviews with the interviewees. The researcher developed the pre-determined themes based on the study parameters in constructing the interview questions. The pre-determined themes were constructed to guide the researcher and the SWNGO representatives during the interviews. The interview question of this study was:

- How do Malaysian SWNGOs manage their relationships with their donors?

Two external experts (the top management of a Malaysian NGO and the top management of an aid organisation) who had experience and knowledge in managing NGOs and allocating funds to NGOs were engaged to validate the interview questions in this study. In addition, pilot interviews were conducted with three Malaysian NGOs from two social welfare NGOs and one religious NGO in Malaysia. Data were analysed using the thematic analysis technique.

4.0 Findings

This section describes the background of the NGOs and the participants and how they managed the NGOs' relationships with donors.

4.1 Background of NGOs and interviewees

The Malaysian SWNGOs involved in this study were registered with ROS. Two NGOs had been established for almost 20 years, two NGOs for almost 10 years, and two NGOs for almost six years. The interviewees comprised four NGO directors (two presidents, one secretary, and one exco member) and two NGO staff (head of public relations and head of administration). Three participants, who were all directors, had 5 to 25 years of working experience and had been attached to NGO work for more than 5 years, whereas the remaining three participants had no working experience but had been active in NGO work for 9 to 20 years. Due to the anonymity of the interviewees, the interviewees' names were coded as P1, P2, P3, P4, P5, and P6.

4.2 Managing donor relationship

This section describes how the participants managed their NGOs' donor relationships to secure funding. Five themes emerged from the data analysis: (1) information transparency, (2) donor engagement, (3) common agenda, (4) expressing gratitude, and (5) incorporating donors' feedback.

4.2.1 Theme 1: Information transparency

All the participants agreed regarding the importance of transparency in managing the relationships with donors. P6 acknowledged that the information about funding shared with donors should be transparent:

> We have also attached the programme report and information on the funding streams. It is important to show that we are using the funds entrusted to us correctly. If they see that our programmes are making a difference in the communities and that we are spending the money wisely, we will be receiving the ongoing fund in the future.

4.2.2 Theme 2: Donor engagement

All participants emphasised the importance of donor engagement in NGOs' systems in managing the relationships between donors and NGOs. By engaging donors in the NGOs' systems, donors can decide on what the NGOs should do. Also, the donors have the authority over the NGOs, leading to the provision of funding. For instance, P6 said:

> The mission and vision of our NGO are decided by former corporates who previously worked in a huge company. They are also our donors, as they are still actively engaged in our operation. Due to this, we have developed strong relationships with them, and we succeeded in securing funding. Normally, we receive more than 10,000 as a result of engaging donors in our NGOs.

4.2.3 Theme 3: Common agenda

This study found that donors must perceive NGOs to be committed to their cause. When donors and NGOs share the same agenda, they will have a mutual commitment to run the agenda and can embrace the sense of the relationship. The constructed agenda should be aligned with the mission of the NGO and donors so that both parties are compelled to commit to achieving the mission. For example, P6 stated:

> We have organised the same agenda with the Ministry of Religious Affairs, namely Pusat Dakwah Serantau, which aims to provide education for students in rural areas and train them to be teachers. To implement this agenda successfully, we run this agenda together, and normally, this agenda was funded by the Ministry of Religious Affairs. Therefore, we have implemented this agenda since we share the same mission with the Ministry. Therefore, the Ministry of Religious Affairs fully covers all the costs of implementing the agenda.

4.2.4 Theme 4: Expressing gratitude

Expressing gratitude to donors is also one of the themes in managing relationships with donors. For example, after an NGO has completed a programme, participants would often express their gratitude to donors in many ways. P2 mentioned, "We sent congratulations and thank you cards to all donors who have funded and are involved in our programmes. Also, we greet them during festivals such as Eid and wish them a happy birthday on their birthdays." P1 added that donors were also invited to the events organised by NGOs, such as high tea or dinner, as a measure of expressing gratitude to the donors.

4.2.5 Theme 5: Incorporating donors' feedback

The participants informed that the NGOs recorded properly the information desired by donors, specifically the information pertaining to the programmes run by the NGOs. After the programmes were completed, the NGOs asked donors to give feedback regarding the programmes. P3 said, "We ask our donors whether the programmes are worth impacting the funding that they allocated." P4 added, "We ask the donors how well our NGOs recognised the donors for their contribution." P6 also mentioned that "We ask our donors how often they like to join our programmes in the future."

In response to the request made by the NGOs, donors gave feedback regarding the information required. P6 explained:

> *Our donors are likely to invite as a special guests in our programmes. Some of our donors also like to join our programmes when available. Thus, we have done what the donors required from us. This is how we manage the relationship with the donors, and they always sponsored our programmes.*
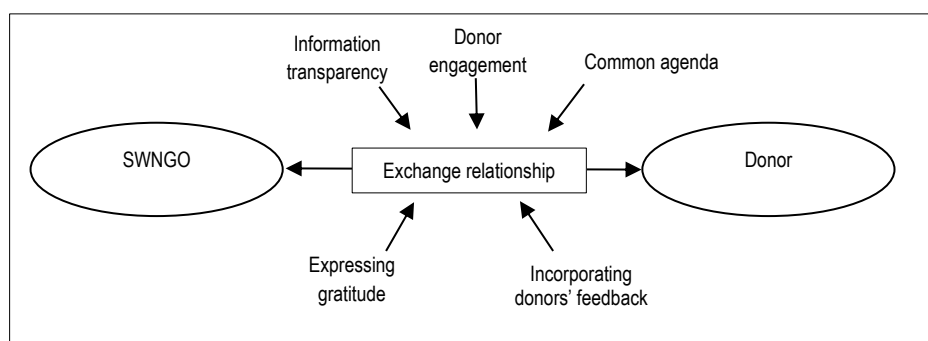

Fig 3: Donor Relationship Management by Malaysian SWNGOs

These themes indicate the existence of an exchange relationship between NGOs and donors. An exchange relationship occurs when benefits are given and received by two parties or in return for a benefit already received. The exchange relationship is actively practised by Malaysian SWNGOs to manage the relationships with donors in order to secure funding. Figure 3 illustrates this study's findings in the form of a diagram.

5.0 Discussion

The five themes identified in this study highlight the importance of communication in managing NGOs' relationships with donors. According to McCarthy and Fluck (2016), transparency refers to things in such a way that it is easy for others to see what actions are performed by other individuals. Transparency is practised in companies, organisations, and communities where those parties need to communicate (ibid). In this study, communication is needed to achieve information transparency. This is supported by the finding of a previous study that information sharing must be reciprocal, selective, and justified (Lamming et al., 2001). Thus, information transparency is imperative, facilitated by good communication between the parties involved (ibid).

Engagement refers to the emerging action by an individual when other individuals are unable to decide in a factual life situation (Koprivitsa, 2020). Also, when things are not clear and require a solution, others are forced to engage in that situation (ibid). For example, Tripathi and Verma (2017) found that NGOs used social media to communicate to increase donor engagement in NGOs' operations, specifically in acquiring funding. As a result, the NGOs reached more potential donors to support their operations.

According to Prange, Allen and Reiter-Palmon (2016), a common agenda is one of the principles of collective action. A common agenda refers to a vision for change shared by all stakeholders. It includes a common understanding of the problem and a joint approach to solving the problem through agreed-upon actions. For example, interaction and communication among employees in achieving the common agenda focus on the provision of information to implement the agenda and the organisation's ability to communicate and listen to the opinions of others (Heide et al., 2018). Thus, communication among stakeholders is important towards achieving the common agenda.

The study also found communication to be an important tool for expressing gratitude to others. Gratitude refers to the positive emotion felt after being the beneficiary of some gift (Allen, 2018). Expressing gratitude is the action of someone who has been helped or given a gift. For example, one study found that NGOs were given the opportunity to express gratitude to the parties who donated to the NGOs. The donors also asked the NGOs how motivated they have expressed their gratitude (Kini et al., 2016). This finding shows that expressing gratitude also involves communication between NGOs and donors.

The concept of feedback refers to providing information about the gap between the actual level and the reference level of a system in order to alter the gap in some way (Ramaprasad, 1983). Incorporated feedback is gathering information to respond to the feedback in order to close the gap (ibid). Incorporated feedback also needs communication because it involves other parties. For example, Brule and Eckstein (2017) found communication to be an important tool in gathering information from stakeholders and disseminating actions in response to the feedback from stakeholders so as to achieve organisational goals.

6.0 Conclusion

Malaysian SWNGOs highly depend on donor funding to support their operations. However, the uncertainty and competition in acquiring funding pose challenges to the SWNGOs in Malaysia. Thus, this study was carried out to understand the practice adopted by Malaysian SWNGOs in managing their relationships with donors in order to secure funding. The study has implications at theoretical, methodological, and practical levels. Theoretically, this study offers additional input on managing NGOs' relationships with donors, in which communication is a major pillar in relationship management. Methodologically, this study focused on Malaysian SWNGOs and employed a qualitative approach to explore DRM, which the sample and research approaches have been ignored in previous research in NGOs and funding. Practically, this study provides detailed insights into the importance of communication in strengthening the relationships between NGOs and donors, for example, by embedding the essential elements of communication in NGOs' strategic planning to achieve the missions. Also, this contributes to the strategic funding system for NGOs, specifically on donors funding.

Nevertheless, this study has a limitation on how the findings should be interpreted. The study focused on Malaysian SWNGOs, but there are four NGO groups among Malaysian SWNGOs, including people with disabilities (PWDs), single mothers, senior citizens, and children. These groups have different missions and practise, especially in managing the relationship with donors; therefore, the findings of this study should be interpreted with caution. Second, there are another nine categories of NGOs in Malaysia, including religious, social, sports and recreation, culture and arts, rights, professional, mutual benefit, commerce, and security NGOs. This study focuses only on Malaysian SWNGOs with a small number of participants. Due to the small number of participants in this study, the interpretation of the findings is limited to the Malaysian SWNGO context. Future research could focus on other categories of Malaysian NGOs with different functions. Also, it would be interesting to compare SWNGOs against other categories of NGOs in Malaysia regarding their donor relationship management.

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