East African Journal of Education and Social Sciences
EAJESS July-September 2020, Vol. 1, No. 2, pp. 193-200
ISSN: 2714-2132 (Online), 2714-2183 (Print), Copyright © The Author(s)
Published by G-Card
DOI: https://doi.org/10.46606/eajess2020v01i02.0034
URL: http://eajess.ac.tz

Factors that Affect University Financial Sustainability: A Case Study of a Private University in Zimbabwe

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Abstract: This study investigated on factors that affect the university financial sustainability, a case of a private University in Zimbabwe. The study employed a qualitative approach and used triangulation of data to ensure acceptable reliability. Methodological triangulation was done by using two methods: interview and a focus group discussion. The interviews were conducted with three lecturers and the focus group was composed of several senior students from different faculties. Three major themes emerged namely, adaptation, customer service and revenue streams. Findings show that the university needs to be adaptive, have good customer care and increase revenue streams in order to be financially sustainable.

Keywords: Financial sustainability, private university, non-profit organizations.

Introduction

Universities seem to be currently facing attacks from multiple angles. Denneen and Dretler (2012) note that Government funding, increased competition and the question of the need to peruse higher education are some of the factors that contribute to the problem of financial unsustainability in institutions of higher learning. While education has always been deemed as the best route to alleviate poverty, other avenues of success are proving the fact otherwise. The lack of educational funding from the governments leaves a lot to be desired as priorities seem too mixed up. Lapovsky (2018) observes that only two states North Dakota and Wyoming increased their support of higher education between 2008 and 2013 and in addition, the gap between the rich and the poor is widening. This results in education becoming unaffordable to prospective students. Hence, defeating the purpose of education which is perceived to be a solution to the widening gap. While this is true for any institution of higher learning, the pinch is felt more by Private universities. Herman and Say (2016) note that non-profit sector leaders face a great challenge of trying to ensure that adequate funds are available to meet and support the mission of non-profit organizations. As a result, private institutions of higher learning seem to be surviving rather than thriving.

There is a significant distinction between non-profit organizations that survive and those that thrive. Herman and Say (2016) hint that non-profit organizations that survive may be seen by the following characteristics:

1. Making an effort for short cuts in trimming their short-term expenses
2. Purposefully not replacing any employee who leaves the organization
3. Freezing cost of living allowances and failing to meet employee benefits over periods of years.
4. Putting pressure on some departments of the organization to fire fight the problems on hand with minimal resources.

The case of the private university on the issue of financial sustainability is shadowed by the four scenarios listed above. The institutions are battling to survive and the survival mode in which the institutions are currently in indicates that there are some contributing factors that this study sought to unearth.

Due to the financing challenges that institutions of higher learning face in general, there seem to be a need for re-engineering (Bassett, 2003). The purpose of re-engineering may be to attempt to come up with financial models that may assist to financially sustain institutions of higher learning. Commenting on this note, the Zimbabwean Minister of Higher and Tertiary Education mentioned that private institutions of higher learning need to develop financial models that are tailor made for the sustainability of such (recording 3 December 2015).

The phenomena of financial sustainability in private institutions is a ripe area to investigate in order to explore the possible solutions that may alleviate the pathetic situation of financial unsustainability the universities are in. On the contrary the goal of financial sustainability of non-profit organizations (private institutions) is to maintain and expand services within the organization that will have an on-going concern amongst the many challenges that may arise (Sontag-Padilla et al, 2012). The Zimbabwe University's financial unsustainability in particular has never been analysed closely through a qualitative research approach, hence the need to conduct one following the case study methodology. The study therefore sought to explore factors that cause the university's financial unsustainability using the qualitative research design.

Research has been conducted in the area of financial sustainability in non-profit organizations including non-governmental run institutions (Denneeren & Dretter, 2012; Karungi, 2018; Lapovsky, 2018). But none has been conducted specifically focusing on the private institutions of higher learning in Zimbabwe. Hence, this study was intended to assist the university administrators to discover how best the institutions can become solvent once again and remain solvent for the unforeseeable years. Furthermore, the study unearthed some concerns that students and lecturers faced due to the institutions' financial unsustainability.

Theoretical Underpinnings

Financial sustainability is a concept that focuses on the going concern of an organization with its own financial resources that can sustain the operations of the business. According to Leon (2001), financial sustainability means "ensuring the longevity of the organization" (as cited in Sweden, 2011 p. 14). In this study, the term financial sustainability refers to the ability of the university to survive in the foreseeable future without soliciting financial resources from external sources. The theoretical underpinning of financial sustainability is that a non-profit organization should be able to cover its administrative costs and to prioritize its activities in order to accomplish its mission without begging from donors (Leon 2001). Although there are differences between the corporate sector and non-profit organizations, the former presents some good model of how organizations may be run without having a dependent syndrome. Non-profit organizations should therefore strive to operate in a manner that will generate surplus so as to advance its mission.

Literature Review

Financial sustainability is a concept that entails the ability of non-profit organizations to sustain the operations of the business with its financial resources in an attempt to advance its mission without necessarily having to request for funding from the donors. According to Bowman (2011), financial sustainability can be defined in both the context of for-profit and non-profit organization as the ability for the organization to seize opportunities and identify threats while attempting to have the organization be a going concern (as cited Songtag-Padilla et al, 2012). The focus of this paper however was mainly on the financial sustainability of non-profit organization since the case under study is that of a private university which falls in that category.

The definition of financial sustainability is presented from different angles but the meaning all sums up to one. Bowman (2011) defines financial sustainability as "the ability to maintain financial capacity over time" (as cited Songtag-Padilla et al, 2012, p. 2). In the same vein, according to Leon (2001), financial sustainability means "ensuring the longevity of the organization." When these two definitions are closely observed, it can be concluded that financial sustainability is the ability of an organization to operate for a long time. Since the focus of this paper was non-profit organizations, it is important to note that the longevity of this type of business is its ability to accomplish the mission for which it was established.

Pillars of Financial Sustainability

Financial sustainability stands on pillars that give the construct a solid base in the realm of non-profit organizations. Non-profit organizations in which the private university is categorized have a different perspective when it comes to financial sustainability because of their mandate to fulfil their mission of existence. Songtag-Padilla et al (2012) puts forward that non-profit organizations need to balance the financial sustainability with their organizational mission. Therefore, the going concern should be aligned to the fulfilling of the mission. Leon (2001) submits four pillars of financial sustainability that clearly explains the construct under study.

First Pillar: Financial and strategic planning

Non-profit organizations have a tendency of wanting to generate more money from their operations as well as receiving more money from donors. This practice is not informed by a needs analysis for the funds. Bassett (2003) argues that if non-profit institutions or schools are to survive in the 21st century with its ever changing environment, there is need to focus on first conducting a financial needs analysis based on the data available in order to make informed financial decisions. On the same note, Leon (2001) asserts that while there is need to generate more and more money, it is imperative that non-profit organizations assess the need and be able know the minimum amount require fulfilling a certain task. It can be noted that as organizations grow, they engage in numerous day to day activities that may end up engulfing their long term objectives that are in line with their mission. Hence, it is important that leaders of non-profit organizations strategically plan on the allocation and use of the available and sourced funds. Leon (2010) further points out that strategic planning is a mechanism that helps clarify and plainly present the organizations' mission and objectives as well as prioritize the actions needed to be taken to accomplish them. Therefore, strategic planning is a very important element toward financial sustainability of a non-profit organization.

Second Pillar: Income Diversification

Laying all eggs in one basket has always been a risky game to play. In contrast, non-profit organizations need not to rely on one source of funding or income. For example, the university solely depends on tuition fees and this practice has led the institution to many disappointments of failing to live up to its mission. Herman and Say (2016) note with a concern that the practice of relying on a single funding stream is a great risk that exposes the organization to a financial crisis upon the withdrawal of that funding source. This caution enlightens leaders of non-profit organizations to come up with many sources of funding so as to have a contingent plan when one source fails.

Third Pillar: Sound Administration and Finance

Governing financial issues is a very important role played by the board and executive directors to ensure that resources are sourced or generated and are distributed with equity. Leon (2001) strongly points out that the ability to manage resources is fundamental to achieving financial sustainability just as knowing how to generate income is equally important. Administration and finance normally follow procedures that provide a smooth channel of receiving and disbursing funds within and without the organization. This implies that non-profit organizations need to have proper accounting procedures that will enable the production of transparent and well-prepared reports that will inform decision makers. In most cases, when donors donate funds to an organization, they are interested in the feedback of how the funds were utilized in order for them to get assurance that they were channelled to the intended need. Thus Bassett (2016) asserts that financial reporting should be viewed as a component of financial sustainability and that accurate and timely reports assist in comparing financial goals and forecasts of an organization to the actual results. Such reports are sources for informed decision making to the internal as well as external stakeholders.

Fourth Pillar: Own Income Generation

Non-profit organizations are expected to have the ability to generate their own income and not only rely from donor funding. Financial sustainability enables an organization to meet its objectives and mission through the use of available resources. It is true that if you generate more you can save and spend at the same time. Appelbaum and Paese (n.d) puts forth that leaders should play the role of being a mobilizer of funds and good personnel to enable the organization operate into the foreseeable future. Non-profit leaders too should device innovative ways of generating income whether from within or through outsourcing. Leon (2001) and Songtag-Padilla et al, (2012) suggest ways in which a non-profit organization may generate unrestricted income; (1) contributions from a trust or endowment fund; (2) fundraising for the institutional buildings and operations; (3) income generation through public contribution and (4) income generation through good financial management. The suggested ways are enablers for non-profit organizations to generate and source funds that may capacitate fulfilment of their established mission.

Requirements to Attain Financial Sustainability

For financial sustainability to be acquired, there are some requirements that need to be considered by any organization. This endeavor requires the whole organization to buy into the idea and to unite as a team to attain the standard. Bassette (2016) warns that though an endeavor of financial sustainability may be brewed from top management, it is important that staff and even board leaders have a clear understanding of how the mission will be fulfilled. The cascading of information from top management to the general staff is a very important exercise especially if the program being introduced requires a change. Hayes (2010) underscores that in a change process, the role of the strategic leader is to communicate the new direction and create an unwavering commitment to getting there. In actual fact, poor communication may be a roadblock that can deter achieving set objectives. Good and clear communication is therefore vital for a non-profit organization to achieve financial sustainability.

Leon (2001) suggests an organization to first and foremost have a long-term commitment in order for it to achieve financial sustainability. Commitment to new endeavor should cascade from the top to the bottom so that the whole organization can catch the vision and get involved. Therefore, leaders lead the way and the rest follow. Secondly, investment of time and money is necessary when money is to be made. Leon (2001) further highlights that spending on innovative activities can be necessary. This implies that money is generated by money. Lastly team formation and effective team management is fundamental to acquiring financial sustainability. A united front and an effective management team is what external stakeholders expect to see for them to fund projects of a non-profit organization. Therefore, the unity of a team is built by good communication and vigorous training of the members to execute their duties as expected by the organization.

Financial sustainability is an achievable goal. The important factor is that a non-profit organization should make assessments in terms of their social mission impact (Songtag-Padilla et al, 2012). Good team and organizational corporation are fundamental keys to the financial sustainability endeavor.

Research methodology

This section presents the major component of the methodology that guided the study. This study employed a qualitative research approach which attempted to broaden and/or deepen the researcher's understanding of how things came to be the way they are in the social world (Hancock et al, (2009). Creswell (2007) in the same vein describes qualitative research methodology as being appropriate especially when the voice of the participants is to be heard and there is need to understand a certain phenomenon. In addition, qualitative methods are deemed essential because they increase understanding of: "(1) complex and sensitive issues; (2) differential impacts between stakeholders and the reason for the differences (3) potential consequences of any practical recommendation" (Mayoux, n.d, p. 1). Furthermore, it is important to note that qualitative research has its major research paradigms and theoretical perspectives that provide lenses through which research can be seen. Lincolin and Guba (1985) in their works distinguished three major paradigms which qualitative research follows namely; positivism, post-positivism and constructivism. This study adopted the positivism paradigm since the aim was to describe the phenomena experienced by participants. Paradigms inform the researcher and provide a worldview from which they can contextualize their results. Qualitative research also has its assumptions and beliefs that underpin the research practice although some scholars argue that they are not supposed to be declared in written research. These assumptions and beliefs include ontology (nature of reality) and epistemology (nature of knowledge) as discussed in Wikiversity (2016).

This research was conducted at a private university which is a natural setting allowing participants' voices to be heard through interviews and focus group discussions. In this context, the qualitative methodology was the best because the researcher was the instrument, that is, the conduit that filtered, described and interpreted the data gathered.

Research design

A research design is a general plan of how the researcher intends to answer the research questions (Saunders et al, 2007). In formulating the research design, the researcher considered the research strategy to adopt with reference to the research methodology preferred.

The research methodology used in this study was of the single case variety. According to Yin (1994) case studies are particularly suitable for answering "how" and "why" questions and are appropriate for building theory, evaluating programs and developing interventions. To get to the core of the phenomenon, an exploratory approach was applied through the case study, the reason being that exploratory case studies are useful in exploring a phenomenon in which an intervention being evaluated has no clear, single set of outcomes (Yin, 2003 as cited in Bartex & Jack, 2008). Saunders et al (2007) further comments that an exploratory approach is useful when the researcher seeks to clarify the understanding of a problem. There are three principal ways in which an exploratory research can be conducted: through literature, interviewing experts in the subject or conducting focus group interviews (Saunders et al, 2007).

Population

The study was conducted among participants who witnessed and experienced the university's financial unsustainability. The population hence was composed of three senior lecturers and several students from different faculties. Participants were recruited by the researcher through friendship circles in the case of students and by requesting colleagues to be part of the participants. For the sake of fulfilling the requirements of the research, three individuals were interviewed from the Faculty of Business and a focus group composed of ten students was conducted. The engagement of such small focus groups enabled the researcher to gain deep understanding of the participant experiences and also developed thick and rich descriptions of the experience (Creswell, 2009 & Merrian, 2009).

Data Collection

Collection of data requires the researcher to consider three elements which are: identification of the sources of data; selection of the methodology of the actual collection and the time allocated to perform the task of collecting data (Phondej et al, 2011). Creswell (2009) further highlights that data collection in a case study research is extremely extensive because it draws information from multiple sources, for example observations, interviews, documents and even audio-visual materials.

The principle source of data for this study was interviews with colleagues and a focus group formulated by senior students from different faculties. Yin (2003) puts forth that interviews provide valuable insights in a research (as cited in Phondej et al, 2011). The interviews conducted in order to answer the research questions were semi-structured although there was flexibility for participants to give their opinion and experiences at length. To capture the data accurately, the researcher recorded the interviews and stored the recordings for later reference. The three colleagues from the Faculty of Business who are knowledgeable of the subject of financial sustainability were interviewed. In addition, more data was collected from a focus group of ten students which was constituted by a majority of Faculty of Business students and a few from other disciplines for the sake of data triangulation.

Data Triangulation

Triangulation is used to assure completeness of findings or to confirm findings. Due to the fact that in qualitative research the researcher is the instrument, the chances of subjectivity are very high. Denzin (1989) proposes and describes three types of data triangulation namely: time (collecting data at different times); space (collecting data at more than one space) and person, (collecting data from different number of individuals or groups). In this study, the person data triangulation was adopted as proposed by Denzin (1989). Three senior lectures and a focus group composed of students were interviewed since a case study approach requires the use of multiple sources of data.

Data Analysis

Phondej et al (2011) describes data analysis as "examining, sorting, categorizing, evaluating, comparing, synthesizing and contemplating the coded data as well as reviewing the raw and recorded data (p. 131). This is an important stage where all data is brought together and grouped according to their similarities and themes. O' Connor and Gibson (n.d) outline steps to guide the analysis of qualitative data which are: organizing the data; finding and organizing ideas and concepts; building overarching themes in the data; ensuring reliability and validity in the data analysis and findings; finding possible and plausible explanations for findings and finally communicating the information through a written report.

Firstly, the collected data was organized through inserting responses in a table that enabled sorting according to the research questions. Secondly, ideas and concepts were picked by the researcher by listening carefully to the responses. This process enabled the researcher to analyze words or phrases that were frequently used. After identifying ideas and concepts, the researcher coded or categorized the ideas. Thirdly, the coded ideas and concepts were further grouped according to the associated themes that give a deeper meaning to the data. The fourth step was to find possible explanations of the findings. This was made possible by referring back to the literature where explanations for the findings was found.

Coding

Saldana (2009) defines a code as a “most often a word or short phrase that symbolically assigns a summative, salient, essence-capturing and/or evocative attribute for a portion of language-based or visual data” (p. 3). Coding has three very important phases namely, initial coding, intermediate coding and advanced coding. The initial coding is often undertaken by analyzing field notes line by line or using short segments of data (Glaser, 1978). Line-by-Line coding is a technique that is most useful in the very early stages of analysis, eventually becoming redundant as the researcher gains a conceptual control over the data (Class notes, 2015). In this study, the researcher stopped at the intermediate coding.

Findings of the Study

This section presents the findings of the study based on the analysis of data.

Perceived Antecedents of Financial Unsustainability

The study revealed a number of factors that contributed to the institutions’ financial unsustainability. The open coding phases indicated a number of a factors which include; single revenue stream, low enrolment, poor customer service, under-utilized natural resources, dilapidated buildings, poor quality of food, poor internal communication, lack of professionalism among employees and inefficient number of employees. The intermediate coding phase resulted in three general themes: Adaptation, customer service and revenue streams. These themes are discussed as follows.

Adaptation

The concepts that describe issues of competitiveness were grouped under the adaptation theme. Some participants observed that the university infrastructure requires renovations in order to keep pace with the changing environment. In addition, one respondent emphasized that university outlook has an ability to attract students to the university. The issue of increasing degree portfolio also emerged in the findings. Thus, adaptation is an important ingredient in the process of gaining a competitive edge.

Proposition 1: When the university improves its infrastructure and presents an attractive outlook as well as increasing its degree portfolio, it will become more competitive and improve its financial sustainability.

Customer Service

The term ‘customer is king’ is intrinsic to the survival of a private university. Students are retained when they are prioritized in all aspects of the university. Participants put forth that students’ concerns should be addressed timeously and effective internal and external communication is required. One respondent, for instance, indicated that students’ network can be a good source of funding because they are connected to able donors.

Proposition 2: Good customer care attracts and retains students resulting in sound financial sustainability.

Revenue Streams

A financial model that has a variety of revenue sources is the best for the survival of a non-profit organization. Participants observed that the revenue base may be improved by broadening it instead of depending more on tuition. Interviewees further observed that the natural resources surrounding the university maybe a potential source of income that can subsidies the tuition fees. This implies that laying eggs in one basket may be risky for institution.

Proposition 3: Increasing revenues streams has a positive impact on financial sustainability.

Conclusions and Recommendations

The study concluded that there are several factors that affect financial sustainability of a private university. Three themes emerged namely, adaptation, customer service and revenue streams. The university may not be attractive due the unattractiveness of the infrastructure and degree portfolio. Therefore, the university has a potential to increase its student base by appropriating more resources to degree program development and through investing funds in immovable property that can continue to generate income in the future.

Secondly, the researcher observed that students who are major customers of the university are not treated as 'kings'. Lack of effective communication and quality service constituted their outcry. This practice presents a negative impact on the financial sustainability of the university as tuition fees is the major source of income. Therefore, the university needs to develop a culture of caring for its customers in order to attract more students.

Lastly, the study concluded that the university would be financial sustainable when it increases the revenue streams. Relying on tuition fees only presents a great risk that may expose the university to a financial crisis in event that the source of funding is withdrawn (Herman & Say, 2016). The university should therefore explore other sources of revenue such as investing in natural resources around the institution.

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