



Passion versus Profit

Should a non-profit organisation be run like a business or not? JACO LEUVENINK discovered a more nuanced reality and need for symbiotic relationships.

SOME BUSINESS PEOPLE still have the outdated perception of the non-profit sector as 'charity work' badly run by bored volunteers. They see the sector as peripheral, and dependent on the generosity of others. Far from it: this diverse sector is a veritable force in South Africa.

Dr Arnold Smit, executive of the Centre for Business and Society at USB Executive Development (USB-ED), says the growing socio-economic importance of the non-profit sector should not be underestimated. It is not only about caring for the tender social fabric of our country, but also aims to make people more self-sufficient. In South Africa, with its historic divisions, it is hardly a coherent sector, but it has a major economic impact and even political clout.

The non-profit sector ranges from small, informal community-based organisations; to church- and faith-based charities, trusts, cooperatives and foundations; to cultural, sport and environmental organisations; to trade unions and huge international non-governmental organisations.

A growing number of non-profit organisations (NPOs) do not depend on donations alone, but are taking proactive steps to diversify funding sources, selling products or services, and focusing on sustainability, says Colin Habberton, CEO of GivenGain Foundation in SA, an NPO that provides

electronic donation management and other services to NPOs, donors and interested parties internationally. On average about a third of the income of NPOs is self-generated.

In theory, the only difference between a business and an NPO is *who* profits or is rewarded by its activities – its shareholders or the NPO, its work, or its beneficiaries, says Christian van Schalkwyk, executive responsible for Risk Management at Capitec Bank. "The question thus is not why NPOs should be managed like a business, but why not."

Moreover, King III, the corporate governance charter, sets governance requirements for NPOs which are not much different from those of the for-profit business sector, and the new Companies Act will put the NPO sector under the same umbrella with not-for-profit companies.

And surely the basic management principles like accountability, control, order, division of work and the need for fairness and initiative are the same?

But it is not so simple.

Milly Siebrits, CEO of Cape Town's scouts movement, who serves on the USB alumni committee which runs an NPO management development programme, says the dynamics in a non-profit organisation are different, especially where you work only with volunteers. "You must have passion and not work for money."

Smit maintains that "a commercial business and an NPO pose different challenges to their leaders and managers". They exist for different purposes, create different kinds of value for society, and serve the interests of different kinds of stakeholders. He says a clear understanding of similarities and differences is important.

"Both need money to operate, but they obtain it from different sources and apply it for different purposes. Both need staff to do the work; but, in the case of commercial business, staff are carefully recruited, paid according to market rates and performance is managed, while in the case of non-profits the work most often gets done by unpaid volunteers." Finally, Smit points out: "Both have financial years, but the rhythm of business cycles are very different from the seasons in the life of communities where NPOs operate."

Management challenges in NPOs are essentially the scarcity of board governance skills and the management of volunteers while retaining their commitment in a sustainable way. "In today's technology-driven, performance-sensitive and highly regulated organisational environment, NPOs often have to make do with volunteers to take responsibility for rather specialist management functions such as finance, marketing, fundraising, project management and ITC," says Smit.



HOW BIG IS SA'S NPO SECTOR?

About 61 000 NPOs are registered at the SA department of social development. The total figure is estimated at 100 000 to 160 000 NPOs, with an income of R14–R18 billion. The sector employs about a million people with another 5 million volunteering their time and expertise through these structures.

– Ann Bown

USB TRAINING FOR NPOs

The Management Programme for NPOs, run by USB alumni in collaboration with the SEED Trust and USB Executive Development (USB-ED), now includes leadership training. The management programme aims to promote social transformation by enhancing managerial effectiveness, service delivery and good governance in the NPO sector through the transfer of necessary skills. This subsidised programme is made possible through the support and sponsorships of alumni, faculty, USB and USB-ED. Bursaries are available. Visit www.usb.ac.za/npo

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USB-ED



Dr Therese Fish,
USB NPO Management Programme chair

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Ann Bown, consultant to the NPO sector and past president of the SA Institute of Fundraising, agrees that the biggest challenges for NPOs are with leadership, especially at board level. "There is a need to be diligent and ensure full accountability to donors, their beneficiaries and the public. Sometimes leaders are just there to have tea and a nice time together. They do not want to be bothered by reports or to ask hard questions."

Habberton reckons for NPOs to be sustainable they will need to apply business principles in action and account in order to avoid the impact of declining donors through economic shifts or lack of transparency about delivery on objectives.

Dr Therese Fish, chairperson of the alumni committee that runs the USB's NPO management programme, also stresses effective management and leadership to make projects sustainable. "That's why we are enhancing our training by adding a three-day leadership training choice to the programme."

Donors want something for their money – at least a tax certificate and information on where the money is going, but also feedback like newsletters and recognition of involvement. Relationship management is very important. Getting it right, CANSA (Cancer Association of South Africa) has become a household name in SA and, ow-

ing to excellent research and a long list of inspiring people who have actually beaten cancer, is a well-known success story.

In tough economic times, any organisation (whether in the public, commercial or non-profit sector) should imbue confidence in those with whom they hope to deal – especially if they take or ask for money. This becomes even more important in a world where corruption is feared, where the environment is fragile, and where a big income divide is a real challenge.

There is no ready-made management model that can be carried over from the business or public management worlds to the non-profit sector. The ideal model (especially for a developmental state, which SA claims to be) seems to be where the state (public services), the private sector (wealth creation) and civil society (social empowerment), each on its own platform, work together to meet developmental needs responsibly. In partnerships, all can profit.

Smit concludes: "I would like to see some non-profits having the same sense of urgency, efficiency and drive for quality and performance that many business organisations have. Likewise, I would like to see some businesses display more of the same sense of passion, virtue and willingness to serve and to do good that characterise so many NPOs." ■