

# 3 flawed ideas inhibiting SA's non-profit sector

By [Bianca Lima-Boekhoud](#)

9 Mar 2020

South Africa has a strong and vibrant non-profit sector, yet non-profit organisations (NPOs) are not making quite as much of a dent in the many socioeconomic challenges facing our country as we'd like and even expect them to. Just consider the reality that around half of South Africans live below the upper-bound poverty line, according to StatsSA.



© stockbakery – [123RF.com](#)

There are many poverty relief and economic inclusion NPOs making a valiant effort to change this – and making a difference for those whose lives they touch – but on a macro level, they are barely moving the needle. The same applies to the NPOs that focus on education, healthcare, gender-based violence and other socio economic challenges. They are effective on a micro level, yet we're unable to achieve true scale and sustainability from their efforts.

Corporate South Africa, wealth donors, multilateral NGOs and government entities that fund NPOs and other causes, must take a close look at why the NPO sector isn't reaching its true potential. The answer, I believe, lies in some flawed, outdated ideas and dogma about NPOs and how they should operate. The world has changed, yet our thinking about NPOs and social investment has lagged behind.

Many of our expectations and assumptions as funders and partners to NPOs and social enterprises may be constraining their ability to scale, innovate and succeed. We apply two sets of rules, one to the non-profit and the other to the for-profit sector. These rules tend to discriminate against NPOs and often indirectly condemn them to remain small in size and conservative in their approach.

Let's look at three of these misguided beliefs.

## Flawed assumption 1: NPOs should keep compensation and costs down to the bare minimum

In the for-profit sector, it is taken for granted that an organisation may pay team members market-related salaries, give them financial incentives to succeed, and make wise investments in the tools and facilities it needs to run a professional operation. When it comes to NPOs, the assumption is that managers and employees should not be financially rewarded from helping people, or at least adequately so.

It's okay, in other words, for companies or individuals to make money from promoting the likes of gambling or alcohol, but heaven forbid that the head of a social enterprise seeks to make a comfortable living from finding and implementing solutions to prevent impoverished children from getting malaria. How do NPOs attract the best and brightest minds so desperately needed from universities and business schools when there is such disparity in salaries in the for-profit and non-profit sectors?

Those with an interest in working in the NPO sector often face the stark choice between doing good for the world or doing well for their families. Then, NPOs are often expected to keep overheads down to the bare necessities. This means they often lack the tools, infrastructure and human resources and capacity they need to create genuine value.

Wouldn't it be more productive to look how each rand is being used to create additional value or growth, therefore a more qualitative as opposed to a quantitative approach?

## **Flawed assumption 2: NPOs should not take any risks**

In the for-profit sector, companies and entrepreneurs that take calculated risks to drive growth and innovation are respected and admired. Most companies, big and small, have at least a few failed product launches or botched advertising campaigns in their history. Even the likes of Coca-Cola (remember Coke Life or New Coke?) or Google (Google Glass and many more) get things wrong.

But failed campaigns, programmes and ideas in NPOs are often severely punished through loss of credibility and funding. This encourages NPOs and social entrepreneurs to play it safe. It kills innovation in revenue generation and fundraising. And that means NPOs don't get to apply the big, creative thinking that it will take to address our large-scale social problems and achieve real positive socioeconomic impact at a macro level.

## **Flawed assumption 3: NPOs must deliver rapid results**

No one would expect a new telecoms operator or shopping mall development to deliver a quick return on investment. Investors understand that it takes several years to build the infrastructure, start generating revenues, and amortise the sunk costs before the profits start to roll in. Yet funders overlook that reality and often imagine that organisations focusing on complex social problems should be able to deliver instant results.

Social entrepreneurs with a four-year plan to build out a large-scale programme or project that will have the scale to make a significant socioeconomic impact will generally struggle to secure funding. Projects in which money flows rapidly and directly to beneficiaries are more likely to be funded. And the impact of such initiatives is often small in scope and limited in both time and sustainability.

## **NPOs are at a disadvantage**

NPOs are at a severe disadvantage compared to for-profit companies – starving them of the opportunity for growth,

sustainable scale and impact. They cannot use budget to attract talent, they may not take risks, and they often are expected to achieve miracles in unrealistic timeframes. It's time to re-evaluate how we think about these organisations.

Let's go beyond the one-dimensional metrics of cost, risk and deadline, and consider how we can help them to use time, money and opportunity to achieve blue-sky outcomes. Let's stop thinking about NPOs in the same old ways as we did as the past, because that would be to invest in a business model for a world that no longer exists.

Let's shift our thinking, instead, towards a mindset that harnesses social innovation as a fundamental tool to change the world.

## ABOUT THE AUTHOR

Bianca Lima-Boekhoud is the Group Head of Transformation at Blue Label Telecoms,

For more, visit: <https://www.bizcommunity.com>