

Sustain your purpose

BY NABELAH FREDERICKS

BY building a viable business that offers specialised consulting services for corporates, a social enterprise is now able to fund its social purpose without relying on grants.

Greater Good South Africa Trust was started in 2004 with the purpose of connecting social enterprises with potential funders through an online platform – the South African Social Enterprise Exchange.

Initially, the organisation was to a large extent dependent on grant funding. However, in 2008, Greater Capital was started. The latter offers consultancy services on how to incorporate social impact purposes into a business's strategy.

Salma Seedat, managing director of Greater Good South Africa Trust and Greater Capital says, the organisation was forced to earn an independent income following the global crunch in 2008.

"At the time, we believed that funders would no longer have money available for a corporate social investment budget and we would therefore need to be self-sustainable and so we launched Greater Capital," says Seedat, who has been with the organisation since 2009.

She says that Greater Capital started as a type of evaluation on



Greater Capital managing director Salma Seedat (left) pictured here with junior consultant Carmen Coetzee.

proposals for funding and then grew from there on.

Seedat points out that the idea was always for Greater Capital to earn a sustainable income.

"The last grant funding we received was in 2011. Essentially, the trust and Greater Capital are self-sustainable," says Seedat proudly.

But, there have been a number of challenges that had to be overcome first.

"We needed to get people to understand the work we do.

There is a perception that because we are a social enterprise, we don't have to charge the same fees as other consultancies do, but we operate the way a business

does and we employ experts and this is not a cheap resource," says Seedat.

However, she says, with the introduction of the Black Economic Empowerment codes and with many corporates having to report on their corporate social investment spend, there is a lot more understanding.



Join the online discussion

SOCIAL entrepreneurs have a new platform to learn about successful social enterprises.

This follows the launch of Talking Social Enterprise, an online "talk network", hosted on the third Wednesday evening of each month at 7.30 pm.

It aims to stimulate debate amongst social enterprise entrepreneurs and is hosted on the Google Hangouts platform.

- To listen to the show, sign-up by registering via www.TalkingSocialEnterprise.net.

"Social enterprises are no longer perceived as pet projects, but are being tied in to a business's strategy.

In our work as consultants, we find that more and more corporate clients are becoming aware of this and there is a definite shift," says Seedat.

This shift has been good for business and has contributed to the sustainability of Greater Capital.

Says Seedat: "We are no longer bound to the direction of donors who sometimes have a specific agenda.

This often proves difficult

"Social enterprises are no longer perceived as pet projects."
- Salma Seedat

when we do our research as we had to struggle to retain an independent analysis." Since being independent, corporates now see the value in this research and as a result this brings in repeat business, she says.

Seedat advises other social entrepreneurs to always look at their businesses in such a way so as to try to understand how the business can be made sustainable.

"Think how you can become sustainable in what you do.

This only ever benefits your own business. Grant funding is not always sustainable," says Seedat.

- For more information on Greater Capital or Greater Goods South Africa, go to www.myggsa.co.za, www.ggsa.co.za or www.greatercapital.co.za.

Don't just rely on grant funding

NON-PROFIT organisations (NPOs) should try and earn an income instead of relying on donations to cover their costs.

This is the sixth principle in our Think Like a Social Enterprise series.

Individuals, businesses, charitable foundations and government departments give a significant amount of money to the NPO sector each year.

For example, in the 2012/2013 financial year, companies gave an estimated R7.8 billion to charity by way of corporate social investment.

This may seem like a lot. However, when you divide this equally amongst the 30 000 NPOs accredited by the South African Revenue Service to receive tax-exempt donations, it works out to only R260 per organisation.

A similar result is achieved if you divide up the R6.5 billion that the Departments of Social Development intends to spend on NPOs in the 2015/2016 financial year.

This shows that there are insufficient donations to go around. Some NPOs win; others lose.



Marcus Coetzee

But, this is not all. Here are four reasons why a reliance on donations can increase business risk:

- First, donors don't like NPOs spending their money to build reserves, so NPOs never have enough emergency funds.
- Second, many donors are picky about the expenses they are prepared to fund. This limits the ability of NPOs to build their infrastructure and exploit strategic opportunities.
- Third, donors don't like profit margins. This means that NPOs are forced to sell their products

at cost price – something that businesses rarely do.

- Fourth, donors can be unreliable. An NPO might receive funding one year and not the next. This makes it difficult to build a stable organisation.

Learning how to earn an income is the only way that many NPOs will survive and expand their social impact. There are many options available.

For example: Oasis Association sells recycling services; Greater Capital sells research and due diligence services; Shonaquip sells wheelchairs; and Open Africa consults to the government on rural tourism strategies.

These social enterprises are able to build reserves and enjoy strategic flexibility. They have social impact as long as they have customers. To earn an income, NPOs first need to decide who their customers are. These are the people or organisations that pay an NPO for its goods and services. Your customer could be your donor or beneficiaries. Then package your goods or services into a product that appeals to your customers and provides

them with value.

Ensure that the price of this product is a true reflection of the costs involved. Add a profit margin and integrate this in your budget. Finally, when you pitch to your customers, sell the social impact of this product.

NPOs must sell the social outcomes (for example fully functioning clinic or successful rural businesses) they achieve, not the activities that they are involved in.

They must demonstrate that they are able to provide better value for money than their competitors.

Stop hunting for donations to cover your costs. Rather see the world as being full of potential customers that are prepared to pay for the good work of your NPO. Pay attention to how businesses develop and market their products. It will take time and effort to acquire the skills you will need.

Use these skills to increase the social impact of your NPO and help it to thrive into the future.

- Marcus Coetzee is a strategist specialising in social enterprises.