# Why The "Business Approach" is Failing the Voluntary Sector

Two years ago, the Sarnia-Lambton Rebound Program won an award from the Donner Foundation and was hailed by Jason Clemens of the Fraser Institute as a model of "business practices" in a Globe and Mail article that implied it was business methods that tipped the balance to make this little agency so successful.

Taking a second look two years later, there is little business-like about the centre. Instead it is a good example of the resiliency, creativity and tenacious commitment to mission that so characterizes the voluntary sector. The centre has a budget of $300,000,over 100 active volunteers and 6.5 staff positions providing a variety of programs to youth at risk. Nine of ten youth in the counseling program showed improved grades, improved behaviour at home and greater ability to resist peer pressure. They are proven effective, yet this agency, of seventeen years has only $45,000 of its budget that it can count on from year to year. The rest is in "soft dollars" (the voluntary sector term for funding that is non-reoccurring and short term). The Program remains precarious despite its success. Indeed its very success is a handicap in seeking funds, as many donors want to make their mark by funding "new" programs not existing ones, however successful. The program's cost effectiveness is based, in large measure, on dedicated individuals who volunteer their time or work for low wages out of a commitment to the program and the youth. Chronically unstable funding and loyal individuals who stick with the program despite the difficulties are hardly business like traits.

Believing that agencies are only operating well when they use "business methods", apart from not being true, also prevents us from thinking and talking about voluntary sector organizations and issues on their own terms. In the above example, the Rebound Program is praised for being low cost and effective – an example of good business in the not-for- profit sector, preempting serious discussion about the program's long-term sustainability or the challenges of staff burnout. Do we really want a model of voluntary sector funding in which even our most successful programs are always on the verge of collapse? Would you run your business that way?

Beginning as early as 1985 advocates for business argued that introducing business practices into the voluntary sector would improve the functioning of the sector. This notion was an appealing idea to governments, the broader public and even to many in the voluntary sector. The solutions were easy. Organizations would find other sources of revenue to replace government funds; funders would stretch their funds by just buying "programs and services" and agencies would more narrowly focus their activities to be more efficient. Faced with rising deficits and the need to curtail spending, the notion that business methods could mitigate the impact of decreased government funding to the voluntary sector was enormously appealing. Regrettably however, it did not work.

Businesses are driven by the goal of making a profit – the quality of their product, and their positioning in the market place is based on their desire to ultimately create value for the shareholder. The voluntary sector, in contrast, has a mission to enhance the public good.

Whether it is running hospitals, providing settlement services to newcomers, or operating children's recreation, voluntary sector organizations exist because the individuals who operate them believe they are contributing to making their communities better. By legal definition, voluntary sector organizations are not allowed to make a profit.

This difference in mission between business and voluntary sector organizations is important because it means that the organizations will behave very differently in similar circumstances. In my business for example, if the purchaser is unwilling to pay a realistic price I stop providing the service. In the voluntary sector, when funders failed to pay adequately for service, the non-profit organization raids its reserves and erodes its organizational capacity to maintain services. This tendency of the voluntary sector to cannibalize its organizational infrastructure (e.g. administrative support, human resources research and development etc) to maintain services soon becomes counter productive making them less efficient and responsive.

Businesses calculate value in financial terms. Numbers count. Voluntary sector organizations provide value but it is not exclusively a monetary or numerical value and often the real value –emotional and social wellbeing of individuals and communities is difficult to quantify in monetary or numerical terms. Nevertheless the Voluntary Sector has spent the last decade trying to quantify what is in large measure a qualitative product. They have argued that supporting the dying at home saves days of costly hospital care or that investment in an "at risk" child's life today will save four times the amount in future prison costs. They have done the math but found the response disappointing having found that funder investment in the voluntary sector is not actually based on the return on social investment. Few investments in the voluntary sector are made for business reasons and those that are, are based on the business interests of the funder not those of the service recipient or community. Corporations are increasingly approaching their contributions to the voluntary sector on the basis of their own marketing objectives, while foundations and governments make decisions based on non-business criteria and objectives. The focus on making voluntary sector activity into a business investment has side tracked us from having the conversation about creating supportive communities and the role of the voluntary organization and others in that process.

The results of the "business approach" applied to voluntary organizations are all around us. Most voluntary sector organizations are operating programs with "program funding" that does not cover the actual cost of operation. Moreover, voluntary organizations have failed to replace government funds with stable funding alternatives. Disillusionment, frustration and burnout in the voluntary sector are at an all time high.

Our communities and our voluntary organizations are too important to neglect. We cannot to continue to dismiss the voluntary sector as merely inefficient businesses that need to try harder. We have to study and evaluate the sector, not on business terms, but on its own terms to develop a model of voluntary sector management in Canada that works for funders, voluntary organizations and our communities.

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