

# MARCUS COETZEE

## SOCIAL ENTERPRISE GLOSSARY

*Last updated: 1 February 2018*

**I've designed this glossary to help social enterprises and non-profit organizations in South Africa think clearly about their strategies and business models.**

Strategic clarity involves clear thinking, and clear thinking requires clarity of language. Too many of the obstacles and conflicts that I've experienced have been because of miscommunication: I thought my colleagues or clients were saying one thing when they were talking about something else, and vice versa. Many of us also rely too much on jargon, which clutters our minds and encourages lazy and fuzzy thinking.

Here is some of the terminology that I regularly use in my consulting practice and lectures, and my short descriptions of what each term means in simple English.

I'd welcome feedback on these definitions and any terms that this glossary may have missed. Creating this glossary has been a learning experience for me.

Thanks for input from Andy Simpson ([Imani Development](#)), Elena Mancebo Masa ([Imani Development](#)), Fanie Nothnagel ([Dalmeny Consulting](#)), Nicole Copley ([NGO Law SA](#)) and Rachael Millson ([Social Enterprise Academy](#)).

Term	Description
<b>Advocacy</b>	The process by which people and organizations use a variety of tactics to influence policy.
<b>Agile organization</b>	An organization that is flexible and able to rapidly and easily adapt to changes in its environment.
<b>Broad-Based Black Economic Empowerment (B-BBEE) Act</b>	A set of rules released by the Department of Trade and Industry in South Africa to help redistribute economic opportunity. This rules highly influence procurement and donor behaviour. They specify targets in areas such as ownership, management control, skills development, enterprise and supplier development and socio-economic development.
<b>Beneficiary</b>	The person, organization or community that benefits from the work of an organization.
<b>Business</b>	An organization that is primarily motivated by the pursuit of financial profits for its shareholders.
<b>Business model</b>	The unique recipe that an organization uses to earn income and serve its customers (and beneficiaries in the case of a non-profit organization or social enterprise). A business model typically includes an organization's customer value proposition, beneficiary value proposition, inputs, processes and method of earning income and profits.
<b>Capabilities</b>	The things that an organization is very good at doing. Its primary abilities. These result from a combination of people, skills, experience, wisdom, processes etc.
<b>Capital</b>	Money or other assets that people and organizations have made available for investing or setting up a company. Investors typically require a return on their capital.

<b>Term</b>	<b>Description</b>
<b>Civil society</b>	The sector of society which works towards the betterment of all. It includes non-profit organizations (formal and informal), groups, communities and networks. The other sectors are the private sector (business) and the public sector (government).
<b>Community-based organization (CBO)</b>	Informal non-profit organizations, typically based in the townships or rural areas and very close to beneficiary communities. CBOs are part of civil society and the social economy.
<b>Competitors</b>	The people or organizations that are trying to sell similar goods or services to your customers (including donors).
<b>Corporate social investment (CSI)</b>	The provision of free support (e.g. funds, infrastructure, time) by businesses to fund the efforts of non-profit organizations - given with a philanthropic intention.
<b>Corporate social responsibility (CSR)</b>	The efforts of businesses to become good citizens and reduce their negative social and environmental impact on the world. Typically managed by the Corporate Affairs department. Some businesses subscribe to sets of CSR standards and publish their results online to show that business is not just about money.
<b>Cost of sales (CoS)</b>	The expenses that are directly involved and clearly attributable to the earning of income. This excludes overheads. Income less cost of sales equals gross profit.
<b>Cost structure</b>	The cost components that make up unique business model of an organization.
<b>Culture</b>	The collective attitudes, behaviours, values and beliefs of people who work for an organization. Exerts a powerful yet subtle effect over everything the organization does.
<b>Customer</b>	The person or organization that pays for an organization's goods or services from another. Sometimes the customer is the primary beneficiary; other times not. Customers include donors but not investors.
<b>Due diligence</b>	The process of investigating an organization to assess risks, the benefit of investing in it or working with it, and to verify any assets and liabilities. This process ultimately strives to confirm that an organization can do or deliver what it claims.
<b>Donation</b>	A gift of money, support, or time to an organization or community where the giver derives no direct personal benefit from the gift. Donations are given with philanthropic intention. Donations may be restricted or unrestricted. They may also be formal (based on a grant agreement) or informal.
<b>Donor</b>	The person or organization that gives money, support or time to an organization or project, and who does so for philanthropic reasons.
<b>Donor deductible organization (DDO) status</b>	An accreditation provided by the South African Revenue Services to non-profit organizations. Defined in S18A of the Income Tax Act. Enables non-profit organizations to issue a tax certificate to donors, which donors can use to reduce their taxable income in their annual tax returns.
<b>Enterprise development (ED)</b>	The support provided to businesses by business incubators, larger businesses etc. This support may be in the form of donations, investment, expertise, favourable finance terms etc. Frequently aimed at helping these businesses become suppliers of other organizations. Key element of the B-BBEE codes in South Africa.
<b>Equity</b>	The value of shares in a company - shares which are owned by shareholders. There is no equity in the non-profit legal form; only in the for-profit legal forms.

<b>Term</b>	<b>Description</b>
<b>Feasibility</b>	The determination of whether an idea, project or organization can work, and serve its customers and beneficiaries.
<b>Financial model</b>	A set of workings on paper or in a spreadsheet that describes how an organization will work from a financial perspective. The model is dynamic and shows how different variables (e.g. activity, market forces, costs) influence the other parts of the model (e.g. income, profits). It is a useful tool for determining the optimal financial state of an organization. Financial models should take a medium to long term view (e.g. 3-5 years.)
<b>Fixed costs</b>	Those costs that an organization is likely to incur regardless of level of activity. They will tend to include administrative costs and the costs of certain staff. Without these costs, an organization cannot function and is no longer capable of doing its work. It is difficult to quickly increase/decrease these costs without causing disruption to an organization.
<b>Foundation</b>	A loose descriptive term for a non-profit organization set up specifically to give philanthropic donations to other organizations and causes. Not a type of legal form. Usually established because of bequests.
<b>For-profit organization</b>	An organization with a for-profit legal form (i.e. private company, business trust or public company) that is focused on earning profits for shareholders.
<b>Fund management</b>	The management of a pool of funding that has been allocated for various purposes (e.g. donations, grants, equity investment, loans, outcome-based funding).
<b>Fundraising</b>	The act of looking for grants, donations and other support for non-profit organizations and projects. A subset of marketing.
<b>Governance</b>	Ensuring that an organization is well-managed, foresightful and compliant with its founding documents and the laws and policies that affect how it operates. This is the responsibility of its Directors, Trustees or Committee.
<b>Grant</b>	A gift of money, support, or time to an organization or project where the giver will derive no direct personal benefit from the gift. Grants are given to an organization in response to a funding proposal or contract (e.g. with a government department). Grants are restricted funding. Givers have the right to withdraw their grants should the organization drastically fail to fulfil its promises.
<b>Grant management</b>	The management of a pool of grants that are disbursed to non-profit organisations. This primarily involves determining the donor's requirements, conducting due-diligence on applicants, providing oversight and managing the reporting process.
<b>Hybrid model</b>	An organization with a legal structure that includes one or more non-profit legal forms combined with one or more for-profit legal forms.
<b>Impact</b>	The change that an organization creates in the world. In terms of the Logic Model, impact differs from outcomes in that it tends to occur over the medium to long term and is frequently influenced by other organizations and trends. Impact can be positive or negative, intended or unintended.
<b>Impact investment</b>	The provision of investments that seek to create social value for society in addition to their financial return for investors. These investments typically involve providing loans or purchasing of equity or profit shares. While some impact investors will require a decent financial return, others are more concerned with their social impact.

<b>Term</b>	<b>Description</b>
<b>Income</b>	The money coming into an organization, which has been earned or given. Income includes donations, grants, dividends, fees for the sale of goods and services etc. Income includes the donation of non-monetary things (e.g. time, goods and services). Income includes revenue.
<b>Income-generation strategy</b>	A strategy focused on helping non-profit organizations to increase and diversify their types and sources of income, as well as improve their profitability. This is part of cultivating financial sustainability.
<b>Income source</b>	The “customers” of the non-profit organization or social enterprise – the place where the money is coming from. They include foundations, businesses (e.g. CSI departments, marketing departments), government, beneficiaries etc.
<b>Income type</b>	The nature of the contractual relationships with the customer (or source of income) and relate to how the income is being generated. These include donations, grants, dividends, subsidies, bequests, profit shares, sale of goods or services etc.
<b>Innovative finance</b>	New and clever ways of using traditional finance to achieve a social, environmental and financial impact. An approach where different stakeholders (e.g. social enterprises, government, non-profits, investors) frequently work together to achieve this impact. Variety of new investment instruments are involved.
<b>Investor</b>	The person or organization that lends money to an organization or buys equity in a business.
<b>Iterative</b>	A process of continual improvement, with each round of improvement based upon feedback on the previous version. People using this approach don't strive for initial perfection, but rather constantly move towards it in distinctive waves.
<b>Lean organization</b>	An organization that has kept itself as light as possible, and only incurred the absolute necessary expenditure to move forward. Lean organizations will tend to have a cost structure where fixed costs are low in proportion to variable costs, and where many activities are outsourced.
<b>Lean start-up methodology</b>	An approach where an organization designs and launches a minimum version of a product to prove that it works, attract funding etc. The organization then improves the product using an iterative approach as it gets more income or funding, and as it gathers feedback from beneficiaries and customers.
<b>Legal form</b>	The legal vehicle that an organization has established. South African non-profit organizations can adopt the legal form of a Trust, Voluntary Association or Non-Profit Company. Businesses involved in the social sector will tend to choose to the legal form of a Private Company or Cooperative.
<b>Legal structure</b>	This is combination of legal forms and other legal arrangements that an organization has chosen. For example, a social enterprise with a hybrid model has chosen a legal structure involving a combination of legal forms.
<b>Logic model</b>	The logic model is a tool for describing how inputs, activities, outputs, outcomes and Impact relate to each other in the form of a logical chain. The logic model often complements a theory of change as it puts it in a form that can be used for planning, monitoring and evaluation purposes. Two popular versions of this are the Kellogg Logic Model and United Way Logic Model.
<b>Marketing</b>	The act of communicating the range of goods and services to potential customers; highlighting the benefits to themselves or others to facilitate purchases. Fundraising is a subset of marketing.
<b>Matrix organization</b>	A flat (non-hierarchical) organisation design where skilled experts perform a variety of different functions or roles and collaborate in teams.

Term	Description
<b>Minimal viable product (MVP)</b>	The minimum product (i.e. good or service) that customers will be willing to buy and beneficiaries willing to use. It is also the minimum product that investors will need to see to get an idea of how the full product or business will work. Part of the Lean Start-up Methodology.
<b>Mission drift</b>	When a non-profit organization or social enterprise gets side-tracked by its business activities or donors' priorities and starts to neglect its core social or environmental purpose.
<b>Non-government organization (NGO)</b>	A term that was popular pre-year 2000 to describe non-profit organizations, especially those organizations that were more established and based in urban or metro areas. NGOs were seen to differ from community-based organizations (CBOs). NGOs are part of civil society and the social economy.
<b>Non-profit organization (NPO)</b>	Loosely used for all organizations that have adopted one of the non-profit legal forms (e.g. voluntary association, non-profit company, non-profit trust). Legally, it refers to a voluntary accreditation given to these organizations by the Directorate of Non-Profit Organizations in the Department of Social Development.
<b>Non-profit company (NPC)</b>	One of the legal forms that can be selected by non-profit organizations in South Africa. It's founding document is a Memorandum of Incorporation (MOI) and it is governed by a Board of Directors. It is incorporated under the Companies Act and registered with CIPC. It is possible to have a NPC either with members or without members.
<b>Organization design</b>	The way an organization is structured. This includes its legal structure, organogram, jobs, capabilities, systems etc.
<b>Outcomes</b>	The positive changes in the world that are directly caused by the organization and were intended, not an accidental by-product of activity. An organization's ability to achieve its intended outcomes is the best measure of its effectiveness. Term is used in the field of impact measurement.
<b>Outcomes-based funding</b>	A method of funding where an organization only earns the money from its investor or funder if an agreed and verifiable set of outcomes has been achieved within the agreed timeframe. This can take many forms (e.g. a loan that is written off or a social impact bond).
<b>Outputs</b>	The direct result of an organization's activity that can be counted. Examples include number of workshops, items distributed, people served etc. Outputs illustrates busyness, not necessarily positive changes in the world. Term is used in the field of impact measurement.
<b>Partners</b>	Other organisations that are willing to collaborate with your organization to sell services to customers and serve beneficiaries. Legally, it means that income and expenditure are shared, so should only be used in agreements where joint liability is intended.
<b>Philanthropy</b>	The act of giving money, time or other resources with pure intention to help others and improve society and the environment. Philanthropy is selfless where the giver does not expect any direct benefit for themselves.
<b>Poverty Spotlight</b>	An approach where an organization works with its beneficiaries to help them create their own pathway out of poverty. It is also an impact assessment tool where simple indicators and a three-point scale are jointly developed and illustrated. Organizations and beneficiaries then work together to assess progress and plan next steps.
<b>Product</b>	A good (thing) or service, or cluster of goods and services, that have been packaged in a way that is attractive to a customer and reflects their needs.

Term	Description
<b>Profit</b>	What remains of income once ALL relevant expenses and overheads have been allocated and deducted, and tax has been paid. Non-profit organizations and social enterprises tend to use their profits to build reserves, incur discretionary expenditure and fund social impact in other areas. Sometimes referred to as “surplus”.
<b>Public benefit organization (PBO) status</b>	An accreditation provided by the South African Revenue Services to qualifying non-profit organizations. Defined in S30 of the Income Tax Act. Enables non-profit organizations to derive various tax benefits. Also precondition for donor deductible status.
<b>Revenue</b>	The money that an organization earns through the sale of goods and services (i.e. trading activities). A subset of income.
<b>Scaling</b>	The act of expanding the social impact of an organization. This can involve “scaling deep” (i.e. intensifying the impact amongst existing beneficiaries) or “scaling wide” (i.e. striving to impact more beneficiaries). There are a variety of techniques including setting up new branches, social franchising, open-sourcing a model, improving technology etc.
<b>Service area</b>	Group of services that have been perfected, and which are offered either individually or together as a group.
<b>Social accounting</b>	A method of impact measurement that is used by some non-profit organizations and social enterprises. It is characterised by talking to stakeholders about research indicators, continuous improvement of research methodology, an external social audit committee and the publication of impact reports.
<b>Social economy</b>	The social economy consists of all organizations that are actively striving to achieve a social or environmental impact - impact that ideally benefits communities or society as a whole. This includes non-profit organizations, social enterprises, high-impact enterprises, certain township businesses and stokvels and cooperatives.
<b>Social enterprise</b>	A social business or business venture that exists to fix a social or environmental problem, earns a significant proportion of its income through the sale of goods and services, and uses its profits to fulfil its purpose. Social enterprise is a descriptor or type of organization; it is not a legal form.
<b>Social entrepreneurship</b>	Social entrepreneurship involves striving to fix a social or environmental problem with enthusiasm, creativity and determination. Social entrepreneurs frequently apply business thinking to their work. Social entrepreneurs exist across all sectors of society.
<b>Social franchise</b>	An approach for expanding the impact of an organization or project. The franchisor (i.e. original organization) packages the operation into a model and licenses franchisees (i.e. other people or organizations) to implement it. Support is then provided to the franchisees, sometimes in return for a franchise fee.
<b>Social impact bond (SIB)</b>	A model of outcomes-based funding where an impact investor carries the risk and the funder (e.g. government) only pays once an agreed outcome has been achieved and verified. The investor typically pays a non-profit organization or social enterprise to achieve this outcome.
<b>Social innovation</b>	A social innovation is a new and creative solution to a social or environmental problem.
<b>Social return on investment (SROI)</b>	A method of quantifying the outcomes that a non-profit or social enterprise achieves in monetary terms. This is then divided by the monetary value of all the inputs that went into the organization. This ratio is deemed a method of

Term	Description
	calculating how much social value an organization has created - its multiplier effect.
<b>Social value</b>	Social value is the creation of benefits for society as a whole, especially amongst those people who are disadvantaged or marginalized.
<b>Sponsorship</b>	The provision of funding by businesses (e.g. marketing departments) to non-profit organizations or projects where the giver receives a marketing benefit (e.g. media exposure) from their "gift". This is not considered a grant or donation" by SARS but may still count towards points within the B-BBEE codes. It is a public relations exercise.
<b>Strategic clarity</b>	A state of mental clarity where people can think clearly about their organization's strategy (e.g. is strategic position, the forces that influence it, where it is going and how it can get there) and make decisive decisions as required. This is a state that must be actively cultivated. Ideally strategic clarity must be shared.
<b>Strategy</b>	The game plan that an organization uses to fulfil its purpose. Strategies are always in a state of flux and need to be updated regularly. Strategy is primarily focused on how the organization will navigate its strategic context, rather than the internal workings of the organization. Strategy thinks about the long-term (e.g. in 3-5 years' time) but acts in the present.
<b>Supplier</b>	The person or organization that provides goods or services to your organization, and forms part of your supply chain.
<b>Supplier development</b>	Programmes designed to help organizations sell goods and services to larger organizations (i.e. get in the supply chain of larger organizations). Part of field of enterprise development and driven largely by the B-BBEE codes in South Africa.
<b>Supply chain</b>	The part of an organization's "value chain" that provides it with the inputs it needs to do its work. Various suppliers make up the supply chain, though some suppliers may supply other suppliers and so on. Organizations need to secure their supply chain to manage their risks.
<b>Surplus</b>	A "softer" name given by some non-profit organizations to "profit", which is the difference between the income and expenses (once ALL expenses and overheads have been properly matched to the income). Non-profit organizations use their surplus to build reserves, incur discretionary expenditure and fund social impact in other areas.
<b>Sustainable Livelihoods Approach (SLA)</b>	An approach for thinking broadly about poverty and the capabilities, assets and behaviours required for a person to achieve a base level of living – one able to withstand shocks and stresses. Used for programme design and impact measurement.
<b>Sustainability (environmental)</b>	A temporary state where an organisation has reduced or even eliminated its negative impact on the environment and is perhaps even having positive impact in certain areas.
<b>Sustainability (financial)</b>	A temporary state where an organization has strengthened its current and future financial position through securing and diversifying its income sources and types, and building reserves.
<b>Sustainability (organizational)</b>	A temporary state where an organization has identified and reduced risks that would threaten its ability to survive and thrive in the future, coupled with the mitigation of any harm to the people and environment around it.
<b>Sustainability (strategy)</b>	A strategy that describes how an organization can achieve organizational sustainability, not just financial sustainability.

Term	Description
<b>Systems change</b>	A method of using systems thinking to create positive change in society at large rather than at an organizational level. It acknowledges the complexity of large-scale change and how components such as policy, culture, people and organizations etc. all interact to create the status quo.
<b>Tactics</b>	Short-term actions that an organization takes to advance its strategic position and help implement its strategy.
<b>Theory of change (ToC)</b>	The theory of change is a tool for exploring and mapping how an organization can achieve a desired change in society. It works backwards from the ultimate intended outcome and explores the various preconditions for this change to be achieved. The theory of change can incorporate the complexity often found in social/environmental problems. It complements the logic model.
<b>Trust</b>	One of the legal forms that can be selected by non-profit organizations in South Africa. It's founding document is a trust deed and it is governed by a Board of Trustees. It is registered under the Trust Property Control Act with a Master of the High Court. It has no members.
<b>Value chain</b>	The complete process (e.g. steps, organizations, technologies, activities) involved taking raw materials and converting/adding to them so that they can be provided to customers and yield a profit.
<b>Value proposition</b>	The complete attractive package that an organization offers to its customers and beneficiaries to encourage them to buy or use its products as opposed to those of another.
<b>Variable costs</b>	Costs that will increase/decrease depending on levels of activity. Different from fixed costs.
<b>Venture capital</b>	Money that is lent to, or used to purchase equity in, start-ups or small businesses to help them to grow. Venture capital is frequently provided alongside an incubation programme. It is typically lent for shorter periods and at much higher rates of return.
<b>Venture philanthropy</b>	The act of giving money and active support to social purpose organisations (e.g. non-profit organizations and social enterprises) to help them to refine their business models and grow.
<b>Viability</b>	The determination of whether an idea, project or organization can make sufficient income and profits to be a worthwhile investment or business opportunity.
<b>Voluntary association (VA)</b>	One of the legal forms that can be selected by non-profit organizations in South Africa. Its founding document is a Constitution. No registration is required. It is "easiest" legal form to establish in South Africa but is suitable only for membership-based, democratic structures. Governance is provided by a committee, elected by members.