

## Video Transcript

### ENTREPRENEURSHIP IN NONPROFITS

#### Institutional isomorphism

[Georg von Schnurbein] When you listen to marketing specialists, they will tell you that differentiation is key to success. But have you ever wondered why there is often more of the same and only little diversification? Paul DiMaggio and Walter Powell found a very strong theoretical explanation for the fact that organizations tend to become more similar. They called it the theory of institutional isomorphism.

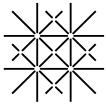
According to this theory, processes of assimilation are a reaction to the changes in the field of activity. DiMaggio and Powell explained the tendency towards homogeneity of organizations by means of three forms of institutional isomorphism. Coercive, mimetic, and normative isomorphism. First coercive isomorphism originates in the formal or informal pressure that is exerted upon an organization. A good example for coercive isomorphism is industry standards. If all players in one industry have to follow the same rules, their activities become aligned automatically. In the nonprofit sector, certificates and rankings for donors have a high influence on financial reporting of nonprofits. Additionally, open published toolboxes for performance and impact measurement, such as the program outcome model, have increased the pressure to use these measurement tools.

Second, mimetic isomorphism results from the orientation on traditional responses to uncertainty. If an organization has no proper answer to solve a specific organizational problem, it will just copy another organization. More often than not, this is a wise decision, as it saves you resources that can be used for other purposes. However, to be a copycat is not a strategy for becoming a field leader. Mimetic isomorphism also emerges from peer learning. Especially in the area of impact measurement, new approaches such as venture philanthropy or impact investing have changed the attitude towards impact measurement in nonprofits. Procedures and vocabulary are borrowed from venture capitalists and transformed into the nonprofit sector. Other influences of mimetic isomorphisms are the growing number of conferences on nonprofit action and philanthropy, a rising number of members in an umbrella organization, and the facilitation of communication through digital media.

Finally, normative isomorphism can be explained by the influence of professionalization within organizations and business sectors. In the past two decades, fundraising for instance, has developed into a profession of its own. By defining professional standards, creating staff associations, and exchanging on best practices, fundraising has changed how nonprofits receive money. Furthermore, new approaches of scaling up and creating leverage ask for impact measurement in order to define which projects are worth being multiplied.

With the rising number of employed staff in nonprofits, information asymmetries between staff and trustees lead to a rising use of the performance measurement tools, because trustees do not have the same insights as staff members. The theory of institutional isomorphism is often applied to nonprofit organizations, since in contrast to businesses, they are scarcely exposed to competitive pressure. But what can we learn from this theory in order to strengthen entrepreneurship in nonprofits?

First of all, institutionalization will help you to stabilize your initiative and instill values. No matter if you are your own social enterprise or if you create a new initiative within an existing nonprofit, responding to norms and procedures helps you to gain acceptance and build stronger relationships with partners.



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Second, the analysis based on institutionalism reduces risks attached to the emerging fields. By analyzing the existing rules, coercive isomorphism, the existing best practices, normative isomorphism, and the most successful player in the field, mimetic isomorphism, you have a full picture of the field you are entering.