

Video Transcript

ENTREPRENEURSHIP IN NONPROFITS

Current trends for nonprofits

[Georg von Schnurbein] Nonprofits are closely linked to society, not only because of their charitable purpose, but also because of their dependence on resources and support by their constituents. Undoubtedly, nonprofits have to adapt to changes in their environment if they want to sustain their social relevance. In the following, I will present five current trends that impact nonprofits. One answer to these trends can be a more entrepreneurial approach that we have seen before.

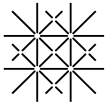
The first trend is professionalization. From a more critical perspective we could also call it managerialism. Instruments and methods adopted from business have developed into standards in the nonprofit sector. Think of the relevance of accounting and respective standards, or the idea of a social return on investment as indicator of mission fulfillment. Another aspect of professionalization is the development of self-regulation standards. There are many governance codes, certificates, or rankings that increase transparency and effectiveness in the nonprofit sector. On the slide, you see two examples from Switzerland and an international one. In Switzerland, the Swiss Foundation Code offers recommendation for good practice in grant-making foundations. The Zewo seal certifies good management practices of fundraising charities. Internationally, the ranking of GuideStar has gained a lot of attention. Additionally, and in the best sense of professionalization, new professions have emerged, such as fundraisers or volunteer coordinators.

Today, there are career paths in the nonprofit sector, and specialized education programs provide the sector with dedicated employees. So working in a nonprofit does not mean fading out your career or just being social.

The second trend is the pressure on legitimacy. Our societies today are much more critical towards the work of nonprofits. The sociologist Michael Power called this the Audit Society. Instead of trust, control is favored. And we expect explanations for everything, nonprofits included. As a consequence, annual reports are more about fulfilling accountability standards than informing your members or supporters. Additionally, especially in Western countries, the social integration of nonprofits is decreasing. The number of members in large nonprofits such as trade unions, religious associations, or political parties is eroding. Through this, the distance between these organizations and the society at large is growing, and nonprofits can no longer expect that everyone just accepts that they are certainly doing good.

Another gap partly as a consequence of the professionalization is the growing gap between full time pros and the people at the ground level. Through increased information, better research, and faster knowledge exchange, the pros are way ahead of the amateurs in their ideas and in the self-perception of the organization. While the pros are often living and thinking in future terms, the people on the ground level sympathize with the achievements of the past. When these diametrical perceptions collide, the organization might lose public support and legitimacy.

The relationship between nonprofits and politics has been very difficult, because both sides try to influence or take advantage of the other side. If it works well, both sides can benefit. If it does not, you usually end up in a scandal. What makes this relationship even more difficult today is the uprising of social media and watchdogs. Despite their positive value for transparency and citizen rights, they have reduced the areas of



informality, where one could exchange or test ideas without concrete consequences. Nowadays, every paper or concept has to be up for public scrutiny.

Trend number three lies in hybrid structures. This development is probably most appealing to the content of our course. As I already mentioned, the boundaries between the different sectors are becoming blurred, and new concepts, such as social entrepreneurship or venture philanthropy, combine the methods of different sectors in favor of the public good. However, many of these new concepts are developed in one legal framework, which does not necessarily mean that they can be easily transferred elsewhere. Especially the concept of charity, and linked to it, tax issues, are very different from one country to another. Also, if nonprofits become more business-like, the government might increase tax rulings for nonprofits.

What we see in practice is that pragmatic solutions beat ideal types. That means that you should never cling to a specific idea, but search for a solution you can live with.

All these developments impact nonprofit management. In a social initiative or enterprise, you have to combine profit and nonprofit logics in a good way. You cannot plan a profit-making service by engaging volunteers. But it makes sense to use financial means, such as a loan or even equity, to fund an innovative service of your nonprofit organization. It is in the responsibility of the managers to identify and understand the limits of hybridity for employees, donors, and structures.

The fourth trend is about internationalization. I call it 'the good franchise'. Successful organizational concepts are transferred and distributed internationally and increase competition with existing national organizations – for good and bad. Well-known examples in the past are World Vision, Plan International, or Save the Children. Besides organizational franchise, opinions and concepts travel fast today. New concepts of performance, such as impact investing, as well as current issues and debates spread via social media. Remember the ice bucket challenge and how it became a global issue. Finally, "go glocal" is a success factor for internationalization. Global activities with a regional anchorage are sought and receive a lot of attention. Especially microfinance and fair trade have proven that a global concept that can be adopted to local specialities has the power to connect different areas of the world and different sectors for the public good.

The last trend is about specialization. As a metaphor, I call it 'the thinning of the nonprofit vegetation'. On one picture, you see a mixed forest with trees of different kinds and age. On the other side, you see the picture of an English garden with big trees and grass or some bushes in between. Due to the trends mentioned and the attached changes, such as technology, regulation, or social change, I expect that especially medium-sized nonprofits will come under pressure in the future. On the one hand, they are too small to compete with the large ones in terms of securing resources and developing public awareness. On the other hand, they are too big to rely on a small but loyal group of supporters.

Hence, pressure for up- or downsizing or mergers will increase and lead to a situation like the park, where we have the big trees – the nonprofit economy – and the grass and bushes – the nonprofit handicraft, with small and flexible units and strong civil engagement. Mark Twain said, it's difficult to make predictions, especially about the future. So some of the trends I have mentioned might become more relevant than others. But perhaps you want to think about what trends are most important for your organization, or how your social initiative is an answer to these trends.