

## Video Transcript

### ENTREPRENEURSHIP IN NONPROFITS

#### Social entrepreneurship as strategy

[Georg von Schnurbein] In this module, you have learned a lot about the concept of social entrepreneurship and about the challenges that nonprofits are facing today. Now the question is how we can combine these two aspects in a meaningful way. What we can say for sure is that nonprofits need new impulses to find answers to current challenges. In that sense, social entrepreneurship is a strategic alternative for innovation as well as the alignment of market and mission.

The matrix on the slide differentiates between these two aspects. The drive for innovation can be high or low. In the case of low innovation forces, the size and stability of existing structures, ongoing projects, and number of people involved impede the opportunity for change. The differentiation of market mission alignment looks at the dominant logic within the organization. Either, aspects of market and mission are balanced in a sense that both logics are treated equally, and there's always a trade-off in the best sense. In a one-sided organization, one logic dominates the other. In our matrix, this means that the mission perspective is always more important than the market perspective. Now we have four ideal types of organizations. A social business is well structured and most business-like in its logic, but often very much focused on the services it developed once when it was a new and flexible organization.

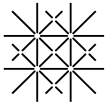
On the opposite, the grass root organization is full of innovative potential but driven by idealistic purposes. As soon as it grows, it will most likely develop into a classic nonprofit organization. The nonprofit organization itself has a clear mission orientation, but innovative developments are hampered by existing structures or established opinions.

Finally, the social enterprise realizes innovative concepts or ideas, but with a balanced approach between social aim and market methods. In the following, I want to discuss with you three different strategic ways in which nonprofits have to use social enterprises in order to innovate themselves. One could also speak of intrapreneurship, but I do not think that another term is needed to implement these strategies.

Our first strategy is to use social enterprise as incubator. A larger nonprofit can support or even fund social enterprises in order to create new ideas and processes in its field of action. The social enterprises are closely accompanied and promoted. If a project is successful, it is implemented in the context of the larger nonprofit and scaled up, for example, nationally or internationally.

The second strategy is to use social enterprises as market developers. If a nonprofit organization wants to enter a new field of activity, it can organize itself as a social enterprise. That means that there is an initial funding for a new or adopted project. This will involve less financial investment compared to a new development within the organization because you have less costs of transaction and control. If the project succeeds, the structures are quickly expanded or removed.

Finally, social enterprises can function as intermediaries. An innovative project between two divisions or together with an external partner is set up as social enterprise. This offers the possibility to clarify incentives and give clear ownership to the parties involved.



All three strategies offer the advantage that innovative projects can develop and grow outside given structures. Business companies work in the same way and allow their innovation departments more flexibility, and by this, the freedom to fail. If nonprofits adopt the concept of social enterprise as a strategy for innovation, they can more easily fulfil the expectations of the different constituents.

Some donors prefer clear and stable structures. Others seek innovation and the thrill of newness. Some services are clearly structured and offer constant support to the beneficiaries with little need for change. Others need adoption due to environmental changes.

Finally, your employees, volunteers and collaborators might have differing expectations as well. As you can see on the picture, design and practice are not always the same. Social enterprise structures allow you to refine your design to practice.