



▶ WHAT DOES ENTREPRENEURIALISM EVEN MEAN?



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Social Enterprise

focus

ARE NOT-FOR-PROFITS ENTREPRENEURIAL?

One of the key components required to develop a social enterprise is a level of entrepreneurialism that creates social or economic value. They tend to be innovative and proactive, taking risks where necessary and above all, learning. Entrepreneurialism denotes a creative frame of mind or adaptive problem-solving capability to reach goals within a complex and ever-changing economy. Both the opportunity-seeking and problem-solving skills of entrepreneurs are required for developing commercial income opportunities.

Helping you achieve your social and financial goals

Not-for-profits are already commercially entrepreneurial across the world. Earned income, for example, has been increasing and is key to substantial growth in the sector. Locally, the 97,000 not-for-profit charities in Aotearoa New Zealand have 38% of their income from commercial earnings (Department of Internal Affairs, 2016). So, we're doing it already to some degree.

Yet not-for-profits don't use the term 'entrepreneurial' much. Maybe we prefer to see ourselves as making a difference rather than associating with a term that is so strongly linked to hard commercialism and there is a fear of tainting existing ethical and voluntary approaches.



Social entrepreneurialism might be a more useful term because it involves the creation of social value (changing attitudes, practices or recombining resources to achieve targeted social outcomes), as well as innovations in processes, systems, products and services that create economic value. Not-for-profits do this in spades.

Challenges

Some argue that not-for-profit missions are adapted only when fundamental and usually external change requires it. Demand for not-for-profit services also usually exceeds the supply of resources, so many have little available organisational slack and resources to see or act on entrepreneurial opportunities.

Likewise, delivering public services on contract may encourage hierarchical management approaches that focus on planning, outputs, control and reliable delivery rather than on being adaptive and risk taking.

Financial risk and experimentation may be challenging for boards wishing to avoid failure and public scrutiny or disturbing stakeholders. Some not-for-profits, especially smaller and younger ones, are seen as lacking in basic business skills, such as cost management, raising external finance, human resources, understanding risk or operational and strategic planning.



Evidence

Not-for-profit social entrepreneurship can be seen in their creation of social value through managing multiple stakeholder demands; recombining resources innovatively despite resource constraints; redesigning products, process and systems; driving costs to near zero and designing products with multiple value points; bringing new services to the marketplace; creating social change and building social capital through deep networks.

Social enterprise is a just another skill to be learned, a muscle to be toned over time.

There is good evidence of entrepreneurialism too

Drivers for this entrepreneurial behaviour include competition for revenue, client need, and adventurous personnel, often in times of turbulence and scarcity. Many not-for-profits are already linking government, business and the unemployed, for example. Confident and dynamic not-for-profits that are determined to create change are likely to be entrepreneurial.

Not-for-profits should own the social entrepreneur label and celebrate that the sector has been growing targeting social change and generating earned income for many years. We are already doing it, and we can learn to do it even better in the future.

SMARTER SERVICES:
Contracts and/or trading



Many not-for-profits are also already hybrids, having transformed themselves over recent decades from community organisations into business-like ones that provide government-funded public services.

Therefore, they can learn another kind of hybridity.

