



▶ COMMERCIAL



▶ SOCIAL



▶ SOCIAL ENTERPRISE

# Social Enterprise

## *focus*

WHAT'S THE DIFFERENCE BETWEEN NOT-FOR-PROFIT AND SOCIAL ENTERPRISE?

*To understand the difference in social enterprise, you have to understand the difference between social (not-for-profits) and commercial (traditional business) because they are a blend of the two. Here's a brief overview of the typical differences*

## Social and commercial = social enterprise

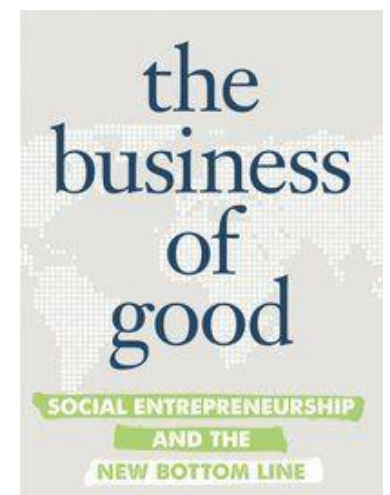
### Commercial

A competitive market orientation with an intense customer focus with the single pointed goal of profit maximisation are the primary features of for-profit organisations.

Exchanges between producers and customers are built around cost and profit calculations. Market position is a critical source of legitimacy and a result of those exchanges through a well-executed strategy and a unified brand.

A focus on the efficiency of the business model and return on investment for the owners urges resource distribution to the areas with the highest predicted economic return, such as research and development or marketing. Reason dominates key commercial decisions.

As risks are higher, and market needs and competition continually change, commercial businesses often adapt their offerings along with the manner and methods for engaging customers.



Consequently, an entrepreneurial orientation is common, with business success frequently emerging from ongoing adaption and innovation and, at times, short-term gains.

# Social

Many not-for-profits have been established as a result of market failure and there is often no direct financial exchange occurring with service users. Not-for-profits may prioritise and closely engage with clients, who often do not have the same influence or choices as a paying customer. Likewise, customer satisfaction might be understood quite differently within a not-for-profit that seeks a broad and long-term benefit to society and may in fact be targeting customer or public behavioural change rather than satisfaction.

Additionally, the need being addressed is typically greater than available funding can satisfy. One outcome of high demand, is that not-for-profits are much more likely to collaborate with other providers to meet the identified need, and direct competition is rare.

Social and ethical values, beliefs and practices typically lie at the heart of not-for-profits. Like strong stakeholder communication, a community focus, democratic governance, compassion, shared consensus and commitment to the group's cause. We are 'heart-led'

Often with little resource, unity of will and purpose among key stakeholders drives collective efforts and legitimises the mission. Profit can be viewed negatively and sometimes as a generic source of social problems.

Not-for-profits in New Zealand are frequently financially supported by government contracts. Public service funders often prioritise reliable and safe service delivery, influencing not-for-profit practice.

Market disciplines are often not required or look quite different within a not-for-profit. However, entrepreneurial activity still occurs as not-for-profits seek to expand services, change systems, or develop a new organisation to deliver more social value.

# Social Enterprise

For social enterprises emerging from within existing not-for-profits, elements of social and commercial logics or approaches need to combine in a way that suits the parent. Combining both collaboration and competition, along with being both market and mission focused, social enterprises endeavour to find a delicate balance between for-profit and not-for-profit operational behaviour. A market and profit orientation may involve cross-subsidising client fees or other programmes and there may be multiple funding sources

## Differences

Characteristic	Social (not-for-profit)	Commercial (for-profit)
Desired outcome	Social value	Economic value (profit)
Primary driver	Values-based mission	Market preferences
Tactic	Collaborative	Competitive
Source of legitimacy	Unity of purpose	Market position
Funding source	Contracts and donations	Trading income
Stakeholders	Clients and families, funders, community	Customers, owners
Performance measures	Quantitative social output, financial measures, and qualitative social impact stories.	Quantitative financial measures (e.g., profit, ROI)