

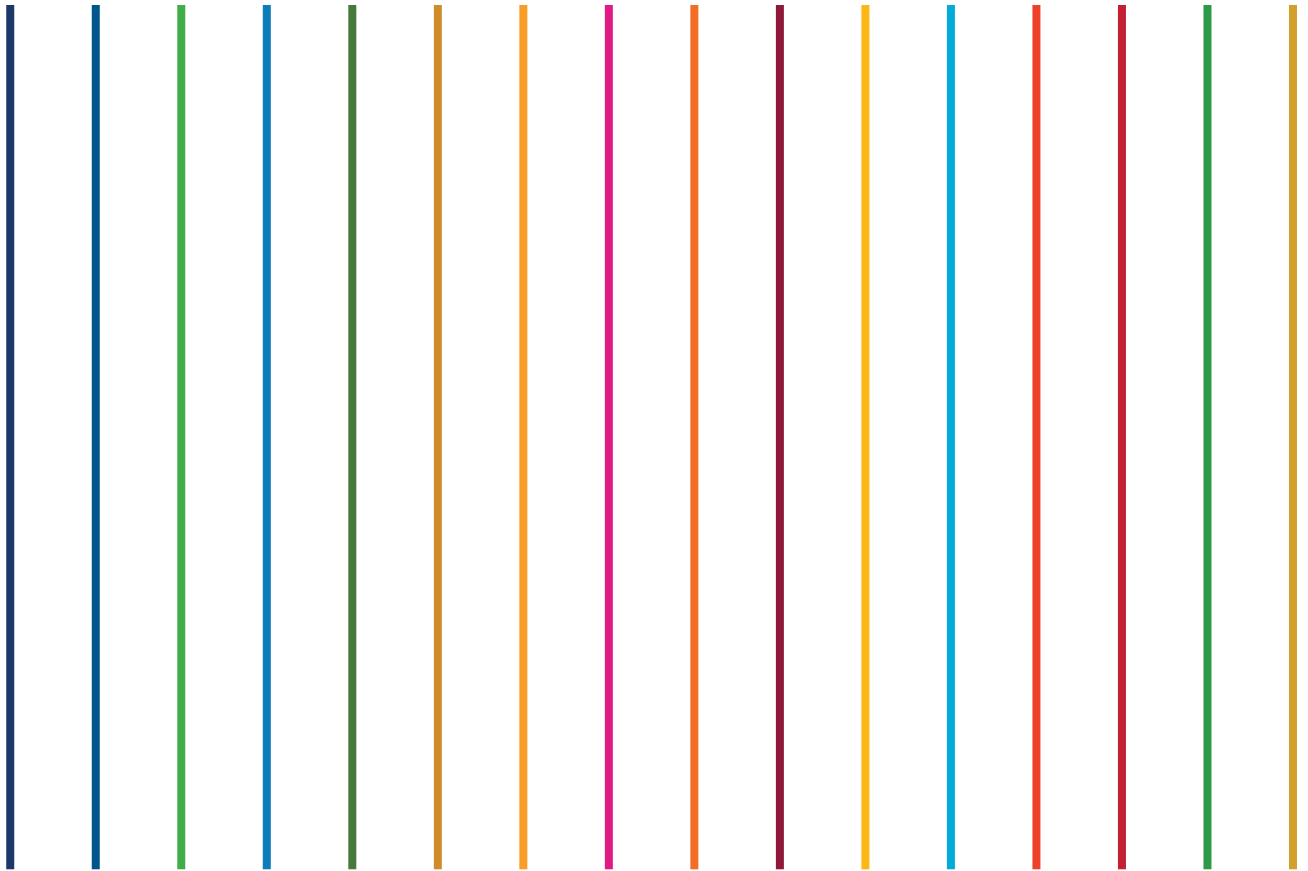


ევროკავშირი
საქართველოსთვის
The European Union for Georgia



NON-PROFIT VS. SOCIAL ENTERPRISE

from donor models to combined income models



Introduction

Hello and welcome to this online do-it-yourself toolbox, full of practical tips and materials around starting your social business.

In this edition, you will be able to get to know social impact ideas, social businesses, and social connectors from different corners of the world and we hope that by sharing those, we will inspire different people, especially youngsters, to launch their social ventures.

In general, this toolbox is developed in order to help increase the capacities of the youth organizations from Armenia and Georgia to embrace socio-political and economic diversity. It is meant to help increase the knowledge, expertise, leadership, and sustainability of individual entrepreneurs or organizations working in the social entrepreneurship field.

By the time you check and use all elements of this toolbox, you will be comfortable in:

- Understanding of the value and purpose of social enterprise models;
- Learning from real examples of social enterprises;
- Identifying possible fundraising models and revenue models;
- Understanding the need for a mindset shift to enable the successful transition to income generation models;
- Learning the importance of community building
- Take practical steps to use storytelling and branding for your organization or social enterprise
- Learning and implementing the basics of impact measurement.

Additionally, the toolkit will provide you with inspiration to improve, adjust or change your organization or social business towards long-term sustainability.

WELCOME AND HAVE FUN!

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“Financial sustainability is a key concern for many NGOs, primarily due to their reliance on grant and donor funding. Incorporating partial self-generated income (using social enterprise models) can provide an opportunity for NGOs to attain financial sustainability and independence. Organizations are therefore expected to respond to their environment strategically. In our case, it anticipates social enterprise engagement with other actors to acquire resources. Organizations operate in a competitive and ever-changing environment, characterized by the limited availability of financial resources which puts their organizational sustainability under strain.

In recent years, many NGOs are more and more seeking ways to enhance their sustainability. That means they are diversifying their income sources in order to become less dependent on external funding from donors. Many opt for a transition nonprofit organization to operate as a social enterprise. The most important aspect is to find the model that would allow the organization to have mission-aligned income streams preferably, to avoid mission drift. Being a social enterprise offers such an option for valuable products and services, in line with the organization’s mission.

		Purely Philanthropic ←		→ Purely Commercial	
Motives, Methods, and goals		Appeal to goodwill Mission driven Social value	Mixed motive Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value	
Key Stakeholders	Beneficiaries	Pay noting	Subsidized rates, or mix of full payers and those who pay noting	Market-rate prices	
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital	
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation	
	Suppliers	Make in-kind donation	Special discounts, or mix of in-kind and full-price donations	Market-rate prices	

NGOs should not be driven solely by their need to survive but by the causes, they pursue the benefit of their beneficiaries and communities. Social entrepreneurship combines a market orientation with a social purpose, generating both financial and social revenues.

The Social Enterprise Spectrum

Source: Dees, J. G. 1998. The Meaning of Social Entrepreneurship.

As we know and can see also in the figure representing **The Social Enterprise Spectrum above**, social entrepreneurs are the organizational type in which the social mission is explicit and a central criterion, not wealth creation, same as the non-profits. The main difference here is that social enterprises charge fees for some of their services; however, they may also compete for donations, volunteers, and other kinds of support like a nonprofit.

Social entrepreneurship (SE) is being performed in high variability of forms and nature of social entrepreneurship activities. Social enterprises are vibrant agents for local and national economic development, even more in the times of crises that we are facing right now (Weaver, 2020; Kuckertz, A., et al., 2020). They are contributing to inclusive growth and shared prosperity through job creation, and the re-integration of vulnerable individuals into society and the labor market (Buckingham et al., 2013).

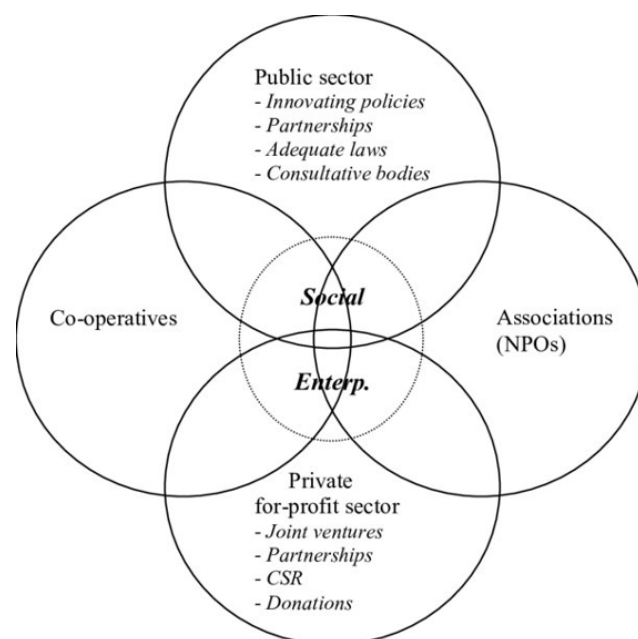


FIGURE 1: Social enterprise at the crossroads of public policies, for-profit companies and the third sector: [Jacques Defourny](#)

Figure 1 illustrates how the social enterprises find themselves in between the “traditional” non-profit organizations, for-profit businesses, the public sector, and co-operatives. The division is based on the financing perspective, as charities and nonprofits rely almost

exclusively on donations, subsidies, or grants to support their operations. Social enterprises are also focused on social impact, same as charities and nonprofits, although they combine it with the use of market mechanisms to achieve financial self-sustainability.

PRACTICAL EXERCISES:

- *Have a look at the financial model your organization is working on. What could be changed? If you are a non-profit, what could you charge for making your model less donor-dependent? If you are already a social enterprise, what can be improved in order for it to be more sustainable in the long term?*

WHAT DOES IT MEAN TO BE SOCIALLY RESPONSIBLE?

For sustainable development to be achieved, it is important to harmonize three elements: economic, social and environmental.



SOCIAL



ENVIRONMENTAL



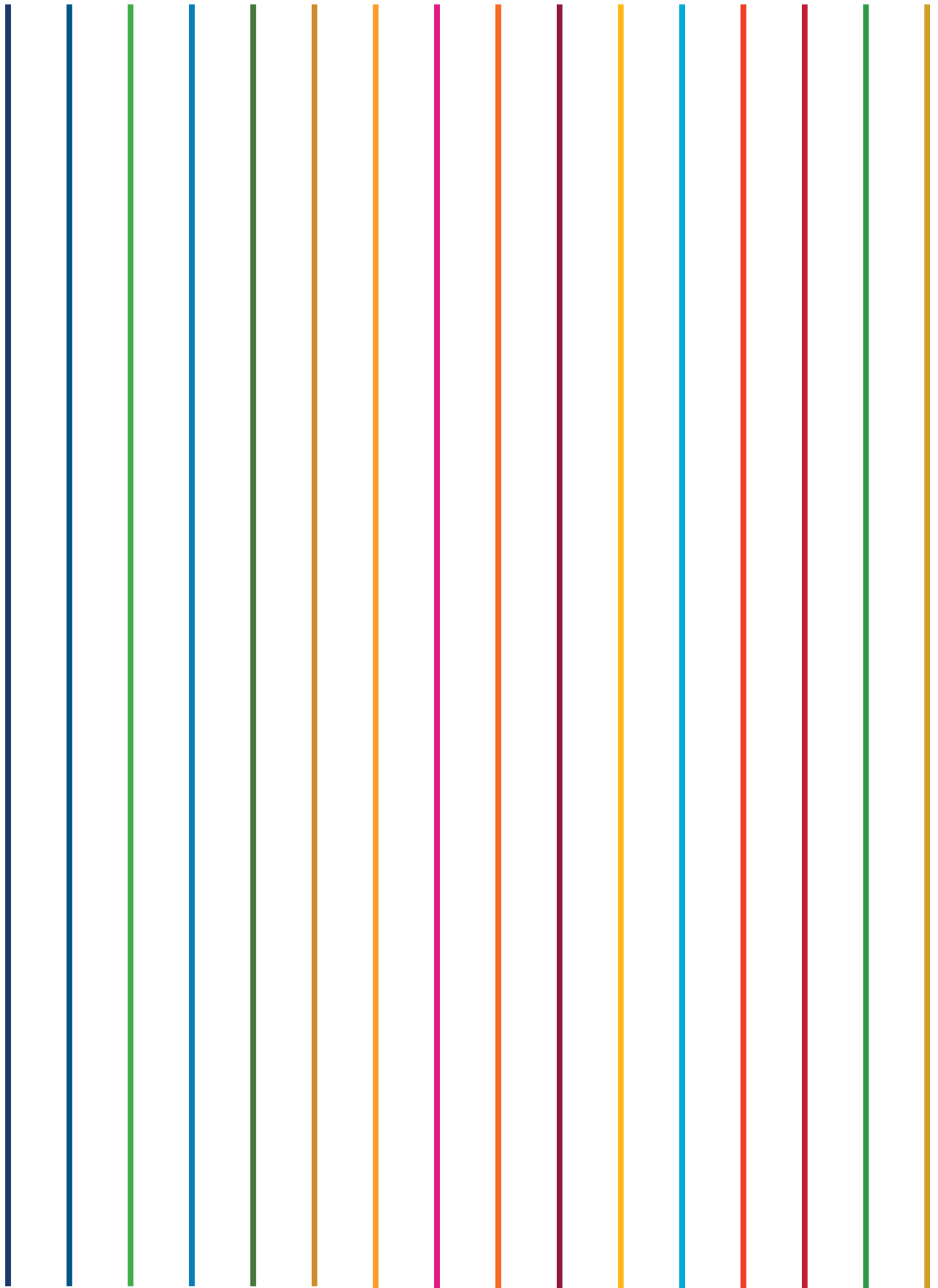
ECONOMIC

- *Locate at least 2 inspirational organizations in your area that you think are harmonized in all 3 elements. What kind of impact do they have on a local, national or international level? What do they do differently than others?*

FOR THE DEVELOPMENT OF THIS TOOLBOX, WE THANK:



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