

Nonprofit sector



**ASSIGN
BUSTER**

Traditional nonprofit organisations focused on the provision of services in the social sector, such as homelessness, poverty, domestic violence, education and healthcare. However, these organizations have recently begun to supplement government services, are contributing towards the creation of innovative social programs, and are increasingly "functioned as vehicles for private citizens to pursue their own visions of the good society independent of government policy" (p. 138, Dees, ..). Research indicates the entry of nonprofit organisations into the commercial marketplace is due to numerous factors. Primarily, across western societies the values of capitalism in for profit business are widely accepted and promoted. The power of competition and profit are upheld as reliable and effective processes to provide efficient and innovate social services. Secondly, comments have been directed toward nonprofit organizations in regards to their lack of market discipline as a predominant cause of their limited self-sustainability. Other factors involve rising service and administration costs, and the increased competition for limited donations amongst nonprofit organisations. By becoming a commercial enterprise nonprofits are able to leverage former sources of funding. Nonprofits are seeking additional revenue such as setting up peripheral commercial businesses as a way to add to their fee paying programs that do not generate profits. In many cases this is a strategy in which they can raise community awareness of their cause and simultaneously make money. Some nonprofits have sought to commercialize their key programs, relying less on donations and moving to fee payments by beneficiaries, or creating contracts with government organisations or corporations.

Alternatively, nonprofits may charge a corporation, which in turn charges its

beneficiaries for a once free service. Commercialisation may also occur for the nonprofit which is acquired by a for profit company as it is a moved perceived to better meet its social mission goals.

There is also a very real concern among nonprofit organizations to not provide services that will encourage their beneficiaries to become dependant, and so instil a sense of helplessness that will entail them to be reliant on the provision of services. In this way, commercial enterprises are being formed by nonprofits that enhance the self-development, independence and marketable job skills of their clients.

Ultimately, nonprofits wish to be self-sustainable with reliable sources of income with which to meet their goals. Commercial funding, to a degree, is unrestricted, whereas traditional funding tends to be restricted to a strict set of purposes for which the money can be used. Additionally, traditional sources of funding are increasingly expecting nonprofits to show their commercial viability so that they can be seen to becoming self-sufficient. This is especially important as funding sources are more inclined to fund over a shorter period, instead of a long-term investment. Ironically, establishing contracts with government organizations increases their opportunities to gain revenue that in turn restricts their eligibility to apply for funding. Finally, many corporations consider how their relationship with a nonprofit will benefit themselves in the marketplace before providing funding, and so tend to align with commercially orientated nonprofits. Importantly, becoming a commercial business has many inherent dangers for the nonprofit organisation, dominated by the possibility that their social mission goals may be negated. As such, it is necessary that nonprofits give careful consideration to their operating strategies. These decision making

processes could benefit from fact-based assessments of the potential impact on their mission by becoming commercial, especially in regard to other options that may be available. The nonprofit should also consider administration costs that will accumulate over time with the corporations or government agencies they form relationships with, as well as determining the reliability of their commercial sources of funding over time.

Reference

Dees, G. , date, " Enterprising nonprofits", (pp. 135 - 153), In [Initial. Surname's (Ed.) Title of book, Publisher.