Enterprising Nonprofits and Managing the Double-Bottom Line

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Background: Why Enterprising Nonprofits

- **Main motive: earned income → sustainability**
- **Current funding composition:**
  - Government budget cuts: since late 1980s and early 1990s
  - The trend of commercialization: Donations: 12%, Government funding: 39%, and fees 48%
  - Future: public funding is unlikely to increase under the global trend of New Public Management

Background: Why Enterprising Nonprofits (2)

- **Pubic funding constraints:**
  - Accountability requirements, rather than responsiveness value
  - Rigidity of services: paper work, regulations, etc.
  - Loss of nonprofit autonomy (mostly via financial autonomy)
  - Forced participation in competition
  - Uncertainty about future government financing policy
  - Anxiety exerted from financial uncertainty and external control by the government
  - In general, below average budget, salaries, status, working conditions, etc.

Perils of Enterprising Nonprofits

- **Distracting mission pursuit**
- **Possibility of failure: 70% new businesses fail within eight years**
- **Do not have business skills**
- **Culture conflicts**
- **Clash between business operations and nonprofit operations**
- **Undermining staff morale due to value conflict**
- **Undermining the role played in the community**
- **Resistance from for-profit competitors**

Creating a culture of double-bottom line (1)

- **Decide elements of a new organizational culture, such as:**
  - Create a vision:
    - Earned income → supports charitable services
    - Charitable services → provides cause for business activities
  - Establish a culture of double-bottom line
    - Values: financial sustainability, autonomy, serving the community, efficiency, competitive, etc.
    - Norms: accepting business values including efficiency, financial self-sufficiency; business values should be allowed to co-exist with charitable goals.

Creating a culture of double-bottom line (2)

- **Unfreezing the current organizational culture – make the organization more receptive to change**
  - Create a sense of urgency about the need for change
    - Make key people understand the issue (e.g., financial sustainability)
    - Mobilize support for change
    - Collect information and data evidencing the need of change
  - Preparing people for change
    - Preview or brain storm the difficulties and conflicts that may occur
  - Communicate with people about your vision or goals
    - Gain legitimacy for the change
    - Why should the organization change
    - What would happen if the organization does not change
  - Political support
    - Determine who can oppose and facilitate change
    - Build a broad coalition to support the change
    - Fill key positions with competent change agents

Creating a culture of double-bottom line (3)

- **Implementing the change**
  - **From HR aspects**
    - Recruiting and selecting people who support both business values and charitable values
    - Providing orientation and training about the double-bottom line
    - Providing reward and recognition to people who support and help achieving double-bottom line
  - **Implementation**
    - Achieving tangible results as quickly as possible
    - Use task forces/committee to guide the change implementation
    - Change organization's structure if necessary
    - Help people adjust to change
    - Keep people informed about the change progress
    - Show continued commitment to the changes
    - Make dramatic, symbolic change that affects work: logos, signs, office structures

Creating a culture of double-bottom line (4)

- **Refreezing the new culture**
  - Practice deliberate role of modeling, teaching, and coaching
  - React to critical incidents and organizational crises in ways that send appropriate cultural message
  - Provide rewards and recognition consistently
  - Initiating necessary turnover

Thank You!