



## Group Assembly Process (GAP) - Stirring Paper

# The Emerging Not-for-Profit World Economy

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### **Not-for-Profit Enterprise is the Business Model of Enough**

From construction and manufacturing, through to software development, energy, telecommunications, food catering and retail, the not-for-profit ethic is permeating global commerce. A post-growth economy, based on not-for-profit (NFP) enterprise, is emerging.

What can be considered a NFP enterprise is actually quite broad. Cooperatives, community interest companies, government-owned corporations, social businesses and social enterprises often operate as NFP businesses. Not-for-profit enterprises are distinct from charity-dependent non-profit organizations, in that they seek to be financially self-sufficient by generating their own revenue through the sale of goods and services. In the NFP sector, appreciation for this entrepreneurial approach is growing (Chan, Kuan, & Wang, 2011; Haugh 2005). A study of 32 countries has found that 53% of NFP revenue now comes from self-run, commercial activities (Salamon, Sokolowski, Haddock, & Tice, 2013).

Indeed, not-for-profit entities can make as much profit as they are able or would like, as long as this profit is used according to the organization's stated goals, rather than being distributed to individuals for private gain (Grobman, 2008). Not-for-profit organizations such as Mozilla and Bupa have made incredible profits in recent years, highlighting that not-for-profit really just means 'not-for-private-profit' or 'not-for-personal-profit'. Moreover, the world's biggest NFP organization (by number of staff – employing 120,000, largely women) actually utilizes an enterprise model. Operating since 1972, BRAC annually assists 135 million people through its social development services, but 80% of its revenue comes from its own commercial enterprises (Jonker, 2009), including a large-scale dairy and a retail chain of handicraft stores, all of which run according to a holistic vision of sustainable business.

However, while BRAC, Bupa and Mozilla can own and trade assets, these assets and the company itself cannot be owned by any individual (in the sense of possession with the intention or possibility for private gain). The company's finances and any assets are governed and run by a committee or board, and people can be paid for the work they do, but no individual can receive a share of any of assets should the company be dissolved, beyond the return of any capital they originally loaned in.

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As such, not-for-profit enterprise structures offer the healthiest and most sustainable way to manage a business. By reinvesting, rather than privatizing profit, they offer an important adjustment to the “triple bottom line”: people, planet, not-for-profit. This new triple bottom line plays out with NFP entities in three ways. First, NFP enterprise is a business model built for purpose; the purpose being ‘meeting human needs’. Second, NFP enterprises don’t face pressure to sacrifice environmental well-being in the name of private profit. Third, NFP enterprises build on business efficiencies and don’t get weighed down by burdens of the old, charity-dependent, non-profit model.

### **The “Not-for-Profit World” is an Economics of Enough**

We currently live in a for-profit world, yet the dual, external crises of our time - financial inequality and ecological devastation - require we move beyond a growth-based system that privatizes wealth. The critique of a for-profit economy is increasingly pertinent, given private gains resulting from business profits are “the largest contributor to increasing income inequality” (Hungerford, 2013), and the tendency towards income inequality is inherent to capitalism (Piketty, 2014). Similarly, ecological devastation is inherent to any growth-dependent economy on a planet with biophysical limits (Randers, Meadows, Meadows & Behrens, 1972).

It is only when profit is a means to an end, rather than an end in itself, that an economy can truly address social and ecological needs. By changing the nature of incentive and ownership in business, the NFP World model enables deep sustainability. Although new forms of for-profit business (for example, B Corps and for-profit social enterprises) seek to balance people and planet with profit, they still place profit as an end rather than just a means to an end. As such, these business models still tolerate, accept and even encourage the destructive greed inherent in a system that relies on the privatization of profit.

Thankfully, the transition to a NFP World and an ‘economics of enough’ is well underway. For instance, despite the 2008 financial crisis, the U.S. not-for-profit (NFP) sector grew significantly faster than the for-profit sector between 2001-2011 (Roeger, Blackwood & Pettijohn, 2012). Moreover, many NFP enterprises are now outperforming their for-profit counterparts - connected to a process described by economic theorist Jeremy Rifkin as ‘the eclipse of capitalism’. In the U.S., for example, credit unions offer their 96 million members consistently higher returns on deposits, lower loan rates and, since the beginning of the 2008 financial crisis, have increased their total assets by 30%, compared to a 6.5% increase by for-profit banks during the same period (Schenk, 2012).

Indeed, not-for-profit entities have marked advantages in terms of finance, human resources, productivity, innovation, governance, value creation and market reputation. Specifically, these include:

- 1) not needing to generate and distribute private profits (or, indeed, any profit at all);
- 2) well-deserved tax exemptions;
- 3) the ability to receive donations of various forms, including voluntary labor;
- 4) the increasing desire that people have to work for purpose rather than private profit;
- 5) rising demand for ethical products and services;
- 6) the ability to offer more accessible pricing; and
- 7) increasing access to capital via crowdfunding, revenue-based finance and community bonds.

In this light, not-for-profit enterprise may well be at the heart of the global economy by 2050.

## How We Are Transitioning to a Post-Growth, NFP World

The transition to a NFP World involves changes in the three main sectors of the economy:

- 8) shifting to not-for-profit structures within the business sector;
- 9) increasing entrepreneurialism and autonomy in the non-profit sector; and
- 10) increasing social innovation and entrepreneurialism in the public sector.

In this way, the emerging NFP economy encourages a truly efficient market that actually requires less taxation and government bureaucracy while better meeting people's basic needs.

Underpinning these changes and the NFP economy as a whole, is the vital shift of finance from for-profit to not-for-profit. This happens in two ways. First, not-for-profit banking increasingly becomes the norm, restoring the lending of money to its greatest social purpose: enabling individual and collective security, innovation, and community development. Second, as NFP companies become central to global business, we evolve from a system of private ownership and extractive profit through stock market trading to a system of custodianship, nullifying private ownership and, therein, the primary means by which wealth is siphoned to the elite one percent (Wolff, 2010).

An economy that serves people, rather than the other way around, also has a healthier relationship with the wider ecological system within which it is embedded. The NFP World builds on and reinforces trends such as collaborative consumption, open source peer-to-peer production, distributed manufacturing and relocalization; all of which decrease ecological footprints. By making the ways in which the economy services needs more local and efficient, the whole system becomes more eco-efficient. As people increasingly recognize that not all human needs can or should be met by the formal market, they rely more on community ties to get things done and the monetized economy shrinks. Overall, this means less consumption, less work, and more leisure time. As the economy becomes more purpose-driven, rather than profit-driven, the imagined "need" for growth disappears.

For the first time in history, we have the structures, capabilities and impetus to evolve a post-growth world, in which collective flourishing is truly realized.

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