

# Chapter 14

## New Perspectives: Not-for-Profit Organizations in the Advent of the 4th Industrial Revolution

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### ABSTRACT

*As social and environmental struggles intensify, the raising economic and social role of not for profits will continue to expand globally. Not for profit organizations have the potential to mobilize digitally-enabled communities and to work on various global challenges, overcoming the limitations of governmental institutions, local and short-term perspectives of public administration and private interests of business organizations. The present research aims to reassess the business models and value creation behind NFP operational models, their role for social innovation, the impact of the new technologies and the characteristics of the emerging digital communities. Further, there will be discussed the new perspectives for NFP development as innovative instruments, protecting social interests between government and private organizations, and contributing to solve increasing social problems.*

### INTRODUCTION

Not for profit – NFP or referred as well as non-government organizations expand globally and have become an important source of economic activity. While NFP organizations have long traditions both in developed and developing countries a recent economic phenomenon is their rising importance as providers of public goods and services (Aldashev, Jaimovich & Verdier, 2016). In the Organization of Economic Co-operation and Development (OECD) countries NFP have become the main public goods and services providers especially in sectors such as healthcare, media, education, arts and poverty relief (Bilodeau & Steinberg, 2006). Quite remarkably, NFPs employ about 7.5 percent of economically active population in OECD countries and even in Belgium, Netherlands, Canada, U.K., USA and Ireland their share exceeds 10 percent (Salamon, 2010). The NFPs sector contributes for 5.3 percent of the USA GDP, employing about 10.1 percent of the USA workforce (Salamon, Sokolowsky & Geller, 2012).

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At a time when public debt is rising and government funding for social services is decreasing globally the activity of NFP organizations and social entrepreneurship is assumed as an instrument to complement governments' financing of social welfare (Dey, Schneider & Maier, 2016). Thus, even in countries where welfare services are mainly delivered by the public sector, the initially auxiliary or complimentary role of private NFP organizations and social entrepreneurship augment. This trend comes along with the increasing attacks against the public sector and the rhetoric that public services in a whole are inefficient, costly and ultimately useless (Archibugi & Filippetti, 2016). Social entrepreneurship emerges as a promise to both generate commercial income and to solve social problems while becoming financially self-sufficient (Dey et al, 2016).

Social entrepreneurship nurtures further public expectation toward NFP's role, promoting social entrepreneurship as more efficient solution for social services procurement and wealth distribution. NFPs are therefore popularized as alternative providers of welfare services, managing deepening social and environmental problems. Moreover, the research in the field of NFPs is largely dominated by enthusiasts who restraint to make critique, over-emphasizing the political arguments and potentials or failing to analyze NFPs efficiency and impact (Chell, Spence, Perrini & Harris, 2016; Dey et al, 2016). Different reports highlight the real controversies and problems with NFP mode of operation, accountability and efficiency, both on local and on international level. For example, in the paper *Small is Beautiful* (Aldashev, Jaimovich and Verdier, 2016) discussed different problems that NFP organizations experience in the areas as resource allocation and efficiency when coping with environmental disasters.

Aldashev, Jaimovich and Verdier (2016) summarized findings of the humanitarian campaigns evaluations after the tsunami disaster in 2004 in Indonesia and Sri Lanka, comparing them with NFPs campaigns after the earthquake in Haiti in 2010. They concluded that even sufficiently financed humanitarian campaigns manifested numerous problems in relief activities, leading to inefficiencies in the distribution of funds, unsatisfactory plans, cost escalations and many coordination failures, leading to even more weak and inefficient national institutions and devastated local social systems. Several reasons for these fails were outlined, of which one is the rush of too many NGOs to carry out short-term but highly visible (for the donors) activities in disaster-prone areas. Aldashev et al. (2016) derived at a model proving that rent-seeking and ego-utility seeking motives can attract selfish individuals and organizations in the NFP sector, which in turn may end up crowding out and displacing intrinsically motivated agents. Furthermore, selfish motives and motivational crowding out can become increasingly severe as economies get richer and give more generously to the non-profit sector, as in the case of disaster attacks and many international donors. The findings indicate that as NFPs play an increasing role for state-aid allocation of funding, the efficiency and long-term effects on the operations of NFPs could benefit from further exploration.

Not for profit organizations, whatever their scope of operation is, have the responsibility and the commitment to justify their efficiency and capacity to implement development projects. Moreover, new technologies and Internet, social media and virtual communities, NFPs could further transform their financial and operational models for the benefit of all – donors, beneficiaries, public and private entities. Thus the increasing role of internet technologies and platform-oriented business models can additionally help to attain better social effect. Therefore operation of non-for-profit internet organizations and foundations like World Wide Web Foundation, Open-Source software movement, Wikimedia and others can serve as role-models proposing sustainable models for global collaboration and cooperation in a non-profit manner beneficial for all. Internet-based NFPs are global actors, work in international environment and promote global cooperation and services, improving access to knowledge, international cooperation, providing meaningful services to all. As NFPs business models can be successfully applied

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