

Chapter 15

Re-Inventing the Social Business Model: New Opportunities for the Third Sector Organizations in Italy

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ABSTRACT

The recent global economic crises and the decline of the traditional welfare state are challenging the development of third sector organisations involved in the provision of public services. With the support of the Italian case and the experiences of different Italian third sector organisations, this contribution highlights how organisational survival and growth require reinvention of the business model, commencing with the concept of social, economic and environmental sustainability. The scope of third sector organisations depends on the type of government, the stage of economic development, the model of civil society, the existence of philanthropic traditions and the law and regulation. All these variables affect the business model of third sector organisations. This chapter contributes to the third sector knowledge in Italy and concludes with a discussion on solutions that are able to incentivize the use of entrepreneurial principles, stimulate networking, cooperation and growth while maintaining the relationship with the territories.

INTRODUCTION

The global economic crises, and the decline of the traditional welfare state, are two important challenges that third sector organizations (TSO) are facing. In particular, the survival and the growth of these organizations require the re-invention of their business model, starting from the concept of social, economic and environmental sustainability.

DOI: 10.4018/978-1-5225-2537-0.ch015

The Italian Third Sector has some peculiarities that make this case emblematic (Borzaga & Fazzi, 2011; Mariani & Cavenago, 2013; Ranci, 2015). On one hand, the institutional context, characterized in the past by a farraginous regulatory framework, is now evolving toward a model in which the barriers between nonprofit and for profit sector are reducing progressively. On the other hand, the Italian TSO have to reduce their structural dependence from the public sector.

The theoretical framework aims at defining the task environment of TSO operating in regulated institutional contexts. Welfare societies, in fact, rely on a complex mix of different providers (state, markets, family, and TSO). At the same time, changing welfare discourses have opened up space for new partnerships, divisions of labour, and responsibilities between these actors.

In particular, the development of Third Sector depends on several institutional conditions. The type of Government (Kerlin, 2013; Lee, 2010), the stage of Economic development (Kerlin, 2013; Lee, 2010), the model of civil society (Salamon & Anheier, 1998), the existence of philanthropic traditions (Wang & Morgan, 2011), and the regulation – legal frames, tax reduction, transparency, accountability - (Wang & Morgan, 2011), can affect the governance structure and the business model of TSO.

According to Lecy and Van Skyle (2012), many of the theories of nonprofit sector size are descriptive and reactive, while the understanding of the drivers of opportunity for TSO are still unexplored. Consequently, scholars need to empirically address a set of questions about how TSO develop adaptive and responsive strategies to turbulence, opportunity, stability, and growth. This chapter aims at contributing to fill this gap.

Combining the literature on the density of Third Sector at system level, with those on the strategic management of individual TSO, several emerging issues for the development of sustainable social business models are identified.

The results can be significant for similar contexts, characterized by the presence of a “Welfare Partnership model” with both a civil society strongly involved in the provision of welfare services, and a strong dependence of TSO from public funding. In particular, a relationship between regulation features, and growth of Third Sector emerges, and such relationship is mediated by the ways in which TSO design and re-invent their own business models.

BACKGROUND AND LITERATURE OVERVIEW

This study builds a framework to investigate the current trends emerging in TSO institutional and social context, and its main consequences on the development of renewed business models. In this context, the definition of nonprofit proposed by Salamon and Anheier (1997) is adopted. The authors identify the five core structural or operational features – namely:

- Formal constitution;
- Non-governmental basic structure;
- Self-governing;
- Non-profit-distributing;
- Presence of voluntary activities or resources.

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