

Philanthropie Aktuell

EDITORIAL

Dear readers,



The nonprofit sector has seen a considerable growth phase. Never have there been more nonprofits, higher donation proceeds and never before have organizations been organized as professionally as they are today. In many areas, nonprofits have adopted commonly used business methods and instruments, or in areas – such fundraising – newly developed communication techniques have led to a higher degree of specialization. At present, there are increasingly signs that point to a gradual ending of this above-average growth phase.

More frequently, the economic growth principle has been contrasted to the sufficiency principle as a possible alternative. Instead of increasing and expanding, allocation and self-restraint are seen to be the guiding assessment criteria. Examples from fundraising show how cooperative approaches can be designed in such a way that they create incentives instead of regulations. The organization myhappyend.org actively promotes bequests for charitable purposes and offers consulting and information services to this end. The organization is supported by several nonprofits that are fundraising competitors in the domain of bequests, but they have agreed on a single independent actor for advertising this sensitive topic. This successful example shows that growth and cooperation can effectively be connected with one another. In this edition, we deal with the question of how nonprofits can grow, respectively, what are the factors that limit growth. Additionally, we will update you on the latest news of the CEPS and the philanthropy sector.

Yours, Georg von Schnurbein

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Challenges for the Growth of NPO

Again and again, nonprofits fail to expand and develop from a local initiative to a nationally or even internationally renowned organization. Various internal and external factors hinder the growth of NPO and with it, the chance of a generally more efficient resource allocation. By Georg von Schnurbein

Each year, Switzerland sees the creation of many new nonprofits. The expectations are that they will fulfill their charitable purpose from day one of their existence. At the same time, these new nonprofits are assumed to be carried through by donations and voluntary work and are thus perceived as virtually not costing anything. This is why investments in staff, fundraising or infrastructure do not fit into the concept, hence, the relatively slow development of nonprofits in general. Of the 22 member organizations of the Conference of Presidents of Large Relief Organizations (KPGH), the youngest one, Brot für alle (Bread for all), is as old as 43 years. In comparison, the youngest member of the Swiss Market Index (SMI), Actelion, is only 17 years old.

Clichés inhibit growth

Over and over again, nonprofits fail to expand – being unable to develop from a local initiative into a nationally or even internationally renowned organization. This calls for a change of perspective by the nonprofits themselves as well as from outside of the organization. The difficulty of coming to a new understanding of nonprofits partly lies in often voiced clichés and views.

The main limitation to nonprofit growth is the NPO's persistent focus on administration and fundraising costs. A nonprofit with high administration costs is

doing a worse job than a nonprofit with low administration costs. This paradigm is actually economic nonsense when looking at the corporate world. The purpose of a corporation is to generate financial profits. Even so, many internet companies celebrated today were unprofitable for many years. Facebook reached break-even six years after its founding. It even took Amazon ten years. In the end, the lean period paid out for the investors. A company is allowed to set their raison d'être aside for a few years with the plan to be rewarded in the future. Even though nonprofits are expected to provide societal visions of the future, they are rarely admitted an organizational vision. Nonprofits are seen as having to lead a hand-to-mouth existence. The result being that the famous donation that is invested into projects 100% may have less impact than the same money invested in the generation of further capital. The paradigm of low management costs encourages the existing heterogeneity and disparity of the nonprofit sector. More crucial than administration costs are the investment costs, also for nonprofits, as investment costs are meaningful in the context of the fulfillment of purpose and fundraising. How much was invested in new programs and projects? How much was invested in staff competencies? Which new donor groups were tapped?

Willingness to grow?

Besides the mantra of keeping administration costs low, expansion plans also tend to quickly reach the limits of the nonprofit's own structural inertia. Admittedly, very different to companies, growth is not a mandatory organizational goal for nonprofits. Then again, it is obvious that the Red Cross would have never reached its levels of impact if it had stayed the club formed by a handful of Genevan citizens. Even nonprofits profit from larger structures in the fulfillment of their purpose. But they are usually lacking the willingness to grow. Years after establishment, the same statutes can still be found in nonprofits – and many even take pride in the fact that nothing has changed. However, the environment changes and so does our society. Whenever there is a lack of new members or donations are on the decline, the fault is often found elsewhere. An organization wanting to grow must reinvent itself again and again.

Institutional hurdles

And finally, it is the institutional frame conditions that additionally limit the strong growth of nonprofits. Even though the legal groundwork for organizations and foundations has a tendency to be liberally designed, the interpretation and implementation in reality is often conservative and oriented towards consolidation and stability. Barriers for statute changes in organizations are deliberately set high, making them hard to overcome. On the one hand, this is to secure the originally set charitable purpose, but on the other hand, this leads to inflexible or unchangeable organizational structures. However, a growing organization must also be able to change its structures in order to react to growth-related challenges. When dealing with foundations, stability is an essential feature that can also quickly lead to crustification. Yet, whenever the foundation board agrees on implementing changes and encouraging growth, it is often faster to implement than in a charitable organization, due to there being only one decision-making body. Amongst other reasons, this has led to many charitable organizations transforming into foundations in the past years. A further advantage of Swiss foundation law is the missing minimum distribution rule as found in the US or in Germany. Foundations in Switzerland are thus able to build up an

Growth Decisions

The Product-Market Matrix of the Russian-American scientist Harry Ansoff can also be applied to strategic decision making processes for NPO. In a first step, when evaluating proper growth strategies, the NPO may analyze how much potential there is in existing markets or rather with existing customers or beneficiaries. The NPO can try to penetrate the market and increase its market share. On the other hand it may also be a better strategy to develop new services or even develop the market itself. The correct choice depends on the market conditions and the potential of the NPO for innovation.

Source: Ansoff, H.I. (1965)

		Products/Services	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

investment capacity that is used to implement larger projects. Of course this can only happen in agreement with the responsible supervisory body.

A new paradigm

In order to generate effective solutions for societal problems, nonprofits with sufficient resources are needed so they can tackle the complexity of these challenges. Thus, it must be in a society's interest to support organi-

zations by giving them more freedom of design and organizational capacity. A new logic regarding the nonprofits' mode of operation is required. Instead of evaluating the share of administration costs, absolute numbers of the used funds and investments should be put forward. Also the immanent structural inertia should be overcome and the liberal design of the legal groundwork should be exploited.

Georg von Schnurbein

Research Project on Growth and Stability of NPO

In a current research project at the CEPS we try to determine what influences growth and financial stability of NPO. Preliminary data analysis has shown that focusing on a specific source of income as well as the portion of spending directed to supporting projects play an important role.

As part of the CEPS lectureship, each spring semester we offer students the opportunity to take part in a research colloquium. Last year, as part of this colloquium, we conducted a pilot study and analyzed 50 annual reports from ZEWO-certified organizations from 2005 and 2012. In this study, we were able to show (in accordance to existing studies) that NPO display a high degree of stability with regard to their main income source. Based on this pilot study we then conducted an extensive collection of data and were able to compile more than 200 annual reports from different NPO. These organizations are now analyzed with regard to their financial stability as well as factors explaining their degree of growth.

Preliminary data analysis has shown that focusing on a specific

source of income (i.e., concentration instead of diversification) as well as the portion of spending directed to supporting projects play an important role. Organizations with a higher portion of project spending were able to increase their revenue more than organizations with a lower portion. However, the reverse effect could not be confirmed, meaning that higher administrative or fundraising costs significantly affect revenues. Further, we found out that younger organizations grew stronger than older ones. With regard to the stability of income sources the results from the pilot study were confirmed: Almost 83% of the analyzed organizations had the same main income source in 2012 as in 2005 (donations, government grants, or its own earnings).

Tizian Fritz

The sky is not the limit but the goal

In 2002, the Swiss foundation, myclimate, was initiated by a joint project of students and professors of the ETH Zürich. In the course of just a few years, the organization developed from a student project to a professionally managed climate protection foundation with an international focus. myclimate generates over 13 million CHF per year through donations, services and revenues from CO₂ compensations. The CEPS speaks to the CEO René Estermann.

CEPS: What made myclimate grow so fast?

R.E.: We grew at great speed, that is correct, but we actually still find ourselves at the beginning. We can and must grow much more because the world needs a lot more climate protection. Of course it helped that in the initial years we were in the right place at the right time with the right services. When I started at myclimate, everybody was talking about the Al Gore movie, the third IPCC report, and the Stern report. The willingness for climate protection in politics, economics, and the wider society was visible at the time. Myclimate responded to this willingness and offered concrete actions. Especially the broad service spectrum, including carbon management services such as calculations and analyses, education programs, and the voluntary CO₂ compensation still convinces many people.



René Estermann

After his studies of agricultural science at ETH in Zürich René Estermann ran his own consulting company for 16 years. He became the CEO of myclimate in 2007.

CEPS: You are still expanding and meanwhile have subsidiary organizations in Germany, Turkey, and Japan. How is your model structured?

R.E.: Our myclimate representatives are situated in nine countries and represent independent organizations in their particular countries. They are our official partners for our services. We basically have a common franchising system, obviously with a strong motivation to prove whether or not the organization complies with the principals of our foundation. We therefore closely align the service quality and general appearance with our partners. The myclimate Germany GmbH is our 100% subsidiary. Furthermore, we have minority partici-

pations in Turkey and Japan in joint ventures with local, well-established and efficient organizations. With the myclimate foundation in Switzerland as a «mother», we are fully in charge and responsible for our services and projects. Today, we remain to be best anchored in Switzerland, our domestic market.

CEPS: What are the biggest challenges concerning NPO growth?

R.E.: Fundraising – that is where we are restricted so far. At present, we are planning to generate special instruments with the financial institutes by means of which we can realize many more climate protection projects in shorter spaces of time.

CEPS: In which business areas do you see the greatest potential for growth?

R.E.: There is growth potential in each of our three business areas, namely, education, consulting, and climate protection. Especially our activities in the project field, mainly financed by the CO₂ compensations, could easily be scaled up. Instead of the current annually reached one million tons, we could immediately realize several times that amount in current and new biogas, solar-cooking, or forest and land use projects. What helps is that we are dealing with a well-working, global and uniform «product».

Furthermore, we can expand the consulting and education programs. However, being a «people's business» that needs to strongly adapt to local conditions and necessities, we are not able to expand that fast.

CEPS: Where do you see myclimate in 10 years?

R.E.: In ten years, climate protection must be established globally, clearly visible in politics, society, and economy. Effective instruments to secure the 2 degree Celsius goals must be formulated. This means that climate gas emissions finally have a price everywhere on earth. In this future world, I see myclimate present in all economically relevant regions represented by

locally well-established partners. It is our vision to design our world's future. Ten years from now, we will be offering even more globally and locally effective services and projects for climate protection and we will be making a considerable contribution to sustainable development around the world.

CEPS: Thank you!

CEPS INSIGHT

CEPS Publications

Tizian Fritz and Georg von Schnurbein published the article «Mission Investing in Europe – A Meta-analysis» in the CEPS Working Paper Series. In addition, the second edition of the book «Die Förderstiftung» (The Grant-making Foundation) by Georg von Schnurbein and Karsten Timmer was released.

New team members

In January 2015, Dr. Marybel Perez has joined the CEPS team as a senior researcher. Dr. Marybel Perez studied at the Complutense University of Madrid and she holds a Master in Political Science followed by a Doctorate from the University of Bergen in Norway. Dr. Perez last worked as an academic coordinator and lecturer at the ESSCA School of Management in France. Furthermore, Simone Leibundgut has joined the CEPS team as a research assistant. She holds a Master's degree in Public Management & Policy from the University of Lausanne and has worked for the Swiss State Secretariat for International Financial Affairs.

NEWS

Corporate Foundations

SwissFoundation has initiated a new working group for Corporate Foundation. The first meeting took place at the JTI headquarter. In the future the group will meet twice a year and discuss topic related to this special kind of foundation.

www.swissfoundations.ch

Ashoka University Exchange

Once a year, a growing community of universities offering courses and degrees in the field of Social Entrepreneurship meet up in the US. A field report of the Ashoka U Exchange Symposium in Washington DC.



Ashoka is the leading organization in the identification, certification, and support of social entrepreneurs. They lobby for entrepreneurial engagement to meet social goals and thereby promote social change. The subsidiary organization AshokaU is working towards university students receiving more knowledge and skills on how to become «changemakers». The organization also certifies universities as Changemaker Campuses. These courses have established themselves in the field of social entrepreneurship and they engage in the mediation of social innovations in research and education. Meanwhile, the network has more than 30 members, among them large Ivy League institutions such as the Brown University or Johns Hopkins University. During three days at the end of February, more than 650 professors and students came together at Maryland University to exchange thoughts on curricula, teaching methods, and best practices. As a result, one thing in particular became clear. Besides basic knowledge, the US education system gives the students much more free space to acquire skills relevant to understanding and solving social challenges. Such a development is

often prevented in the German and Swiss higher education systems by an often incomprehensible isolation of faculties or even disciplines. Not everything must be taken on from the US system, however, more flexibility and innovation would be desirable for our universities. Apart from knowledge transfer, universities also have the mission to educate people to be able to critically act upon the status quo and to teach the skills that enable to actively deal with societal challenges.

Steffen Bethmann

Did you know?

691

In 2014, almost 700 new foundations were established in Germany. This increases the total number of foundations to 20 784 – the highest number among the European countries. Yet, with regard to the foundation density, the ratio between the number of foundations and the population, Germany considerably lags behind Switzerland. The new numbers for the Swiss foundation sector will be published at the end of April.

Source: www.stiftungen.org

New Home

The CEPS moved to a new location in the historical city centre.



Not everything is one hundred percent finished and not all new processes are well-rehearsed. Nevertheless, we are happy to announce that the CEPS has found a new home.

Our new address at the heart of the Basler city center has witnessed quite a bit of history. The house, first mentioned in the city's records in 1316, was home to famous printers and illustrators of the time. Erasmus von Rotterdam worked and lived in the building for two years. Since 1924, the pharmacy-historical museum (Pharmazie-Historisches Museum) of the University of Basel is located in the building. The museum is one of the largest and most prominent collections of pharmacy-historic objects worldwide. The CEPS has its new headquarters on the third floor. The conference room, the archives, and another office are located on the second floor. The German Seminar and the Café Scientifique are also found in the building. However, day seminars and CEPS executive education programs are still held at the Faculty of Business and Economics. We look forward to welcoming visitors at our new address: Totengässlein 3, 4051 Basel, Switzerland.

CALENDER

CEPS ADVANCED STUDIES

Enroll now! (Courses in German)

CAS Governance & Leadership

Modul 1: 13. - 16. April 2015, Sigriswil
Modul 2: 4. - 6. Mai 2015, Basel
Modul 3: 1. - 4. Juni 2015, Basel

CAS Global Social Entrepreneurship (in English)

Modul 1: 20 - 23 April 2015, Basel
Modul 2: 03 June 2015, Online
Modul 3: 06 - 08 July 2015, Basel
Modul 4: 05 - 13 September 2015, Mongolia
Modul 5: 05- 06 November 2015, Basel

CAS Kommunikation und Wirkungsmessung

Modul 1: 17.- 20 August, Nottwil
Modul 2: 7 - 9 September, Basel
Modul 3: 28 September - 1 October, Basel

Coming up

European Foundation Center Philanthropy: Visions and Energy for Change
20 - 22 May, Milan, Italy

EMES - Research Conference Building a scientific field to foster social enterprise eco-system
30 June - 3 July, Helsinki Deaconess Institute, Helsinki, Finland

ERNOP - Research Conference Interdisciplinary Research on Philanthropy: Connecting the Dots
9 - 10 July, ESSEC, Paris, France

Oxford Academic Research Network Social and Sustainable Finance and Impact Investing Conference
23 - 24 April, Said Business School, Oxford UK

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