

Stanford SOCIAL INNOVATION REVIEW

10th Anniversary Essays
The Nonprofits of 2025
By Helmut K. Anheier

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“making an investment” to a broader focus on understanding the social problems within a region, identifying opportunities to make an impact, and bringing together all the ingredients and actors needed to realize these opportunities. This isn’t easy work. It requires impact investors to find new and creative ways to identify entrepreneurs and structure deals that blend public, philanthropic, and private capital to make an opportunity “investment-worthy.” It also demands patience, comfort in the “grey zone,” an openness to experiment, and a willingness to fail.

At the Patna gathering I learned about Akhand Jyoti, an eye hospital that performed 60 percent of the 100,000 eye surgeries done in 2011 in Bihar to cure blindness—an impressive contribution in a region where the health care infrastructure is underdeveloped. Yet there are still an estimated 1.2 to 1.5 million blind people in Bihar who could benefit from surgery. Akhand Jyoti is a nonprofit because that organizational structure allows the hospital to provide free surgeries to low-income people without having to worry about making a profit. But the amount of philanthropic capital available to such initiatives is limited. It is imperative that we find financially viable and scalable ways to extend health care services in regions like Bihar—models that can alleviate some of this backlog faster because they are fuelled by impact investments.

How can impact investors amplify or complement the results that philanthropy is achieving? How can impact investors partner with the government to deliver basic services to low-income communities? Can effective partnerships be created that draw on different types of capital, all seeking social impact but having varying appetites for risk? The answers to these and similar questions lie in rethinking the framework within which we define, approach, and make impact investments.

One of the things we must do differently is to re-define what we mean by “skilled managerial talent.” Today the definition of “talent” is often biased toward English-speaking people found in urban centers. Yet social enterprises in regions like Bihar need talented managers who understand the local culture, people, and living conditions. Many of these people do not identify themselves as social entrepreneurs or frequent the high-profile forums and conversations on impact investing. Identifying and nurturing local talent will demand going much deeper into local areas and expending more effort than we do today.

In the next round of growth, the onus is on the champions of impact investing to find ways to reach out and enable local social entrepreneurs with the right resources at the right time. It is imperative that impact investors work in collaboration with all stakeholders—including philanthropic capital providers, governments, and regional and local enabling institutions—to identify creative solutions that can create positive impact in regions like Bihar and Guwahati. As much as there is a need to build the *global* community of impact investing, there is a need to also act local.

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THE NONPROFITS OF 2025

BY HELMUT K. ANHEIER

Like all institutions and organizations, nonprofits are shaped by political frameworks, policies, and programs. So if we ask what future nonprofits might look like—say, the nonprofits of 2025—we must review past and current trends. For several decades, most developed market economies have seen a general increase in the economic importance of nonprofit organizations as providers of health, social, educational, and cultural services. There also has been a new and renewed emphasis on the social and political roles of nonprofits, usually in the context of civil society, democracy building, and political participation. Indeed, these developments are taking place in many countries, and they are driven in large measure by four broad perspectives.

First, nonprofits are increasingly part of new public management (NPM) approaches—what could be called a mixed economy of welfare—with a heavy reliance on quasi-markets and competitive bidding processes. Examples of this development include



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expanded contracting regimes in health and social service provision, voucher programs of many kinds, and public-private partnerships. In essence, this policy choice treats nonprofits as more efficient providers than public agencies and as more trustworthy than for-profit businesses in markets where monitoring is costly and profiteering likely.

Second, nonprofits are seen as central to building and rebuilding civil society and strengthening the nexus between social capital and economic development. With the social fabric changing, civic associations of many kinds seem to be the glue holding diverse societies together. The basic assumption is that people embedded in dense networks of associational bonds are not only less prone to social problems but also economically more productive and politically more involved.

Third, nonprofits are crucial to social accountability. They are increasingly viewed as instruments of greater transparency and heightened accountability for improving governance of public

institutions and businesses. Accountability mechanisms include citizen advisory boards, community councils, participatory budgeting, public expenditure tracking, monitoring of public service delivery, and consumer protection. The underlying premise is that conventional accountability enforcement mechanisms such as elections, public oversight agencies, and the media are falling short; nonprofits are to become the social whistleblowers and advocates for voices that would otherwise remain unheard.

Fourth, nonprofits are seen as a source of innovation in solving social problems. Indeed, nonprofits are assumed to be better at social innovations than governments, because their smaller scale and greater proximity to communities make them creative agents in finding solutions. Governments are encouraged to seek a new form of partnership with nonprofits aimed at identifying, vetting, and scaling up social innovations to build more flexible, less entrenched public responses.

What do these perspectives mean for the nonprofit sector of the future? Assuming that the trends continue, the following scenarios may serve as markers that nonprofit representatives may wish to consider:

NPM Scenario | Nonprofits become a set of well organized, quasi-corporate entities that take on the tasks and functions that previously were the purview of the state, but that are now delivered through competitive bidding processes and contractual arrangements, to maximize the competitive advantages of nonprofit providers in complex social markets. In the end, the nonprofit sector could become the private extension agent of a minimalist contract regime run by government.

Civic Scenario | Nonprofits are the building blocks of a self-organizing and self-correcting community corpus. They are part of a benign civil society in which high levels of individualism and special interest coincide with equally high levels of participation, engagement, and connectivity. The nonprofit sector would form a set of interlocking associational complexes that prevent social ills and detect and correct them before they become “social problems.” Largely the self-governing bedrock of civil society, and supported by philanthropy, nonprofits coordinate their own activities and exist at arm’s length alongside a small, technocratic state.

Accountability Scenario | Nonprofits are a force of and for advocacy. As a source of dissent, and with independent philanthropic resources at their disposal, they challenge and protect—by building and moving political agendas and monitoring government and business. Indeed, they emerge as a countervailing force that serves as a social, cultural, and political watchdog keeping both market and state in check and accountable. The nonprofit sector creates and reflects the diversity, pluralism, and dynamism of modern society.

Innovation Scenario | Nonprofits are encouraged to operate in problem fields that politicians find either too costly or inopportune to tackle themselves. Elected leaders can contend that “something is being done.” Nonprofits are the fig leaf for a political world unwilling to tackle social problems in a serious way. Attracting philanthropic venture capital, and integrated into social investment markets, nonprofits become the “search engine” for

social problem solving in modern societies.

It is, of course, unlikely that any of the four scenarios will prevail exclusively; more likely, one may become dominant, especially economically. In this respect, the NPM scenario will continue to shape the evolution of service-providing nonprofits. It will enable new for-profit/nonprofit hybrids to emerge, not only in the changing health and social care markets but also in fields where public contracting will become more prominent: education and research, environment, energy, and information technology.

The various scenarios outlined above not only cast the nonprofit sector in a different role, they also imply different roles for the state and business. At one level, nonprofits become parallel actors that may complement or even counteract state activities and compete with businesses, as in the NPM scenario. This perspective is very much in line with classical liberalism and is also present in the civil society and accountability scenarios. At another level, the state and nonprofits are part of ever more complex public-private partnerships; they work in complementary fashion with other agencies, public and private.

Both scenarios are possible, as traditional notions of public benefit and public responsibilities shift from the state to other actors, paving the way for nonprofit organizations to be private actors for the public good. The role of the state as “enabler” and “animator” of private action for public service has increased and will continue to do so. This development, in turn, will continue to push and pull nonprofits in all the four directions—amounting, in the end, to a future positioning that is as contradictory as it is dynamic, and as unsettled as it is vital for society.

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MONEY IS NEVER ENOUGH

BY LETICIA M. JÁUREGUI CASANUEVA

Since the 1970s, microcredit has been considered a critical tool for poverty reduction and development. Muhammad Yunus even considers access to credit a human right. After years of research and working hand-in-hand with female entrepreneurs in marginalized Mexican communities, however, I’ve learned that credit is a necessary but not a sufficient condition for success. These women face a multiplicity of challenges, including a lack of social networks, an underdeveloped entrepreneurial business culture, few business skills, no access to mobile technology, and limited contact with professional business development services.

I became a social entrepreneur to help female entrepreneurs