

Introducing the Not-for-Profit World: and economic model for a brighter future

Jennifer Hinton

Co-director of the Post Growth Institute

Co-author of

How on Earth: Flourishing in a Not-for-Profit World by 2050

PhD Student at the Stockholm Resilience Centre



Something amazing is happening in the economy

- Can address the crises of the 21st century:
 - inequality
 - ecological crisis
 - declining wellbeing

Evolution of the economy

- The economy adapts and responds to society's ever changing needs and challenges
- We live in a for-profit world
- For-profit business and economy not sufficient for the 21st century
- NFP business is a natural bridge
- NFP as the next step in our economic evolution

NFP business is a new player in the economy:

- Traditional nonprofits are increasingly generating their own revenue through trade
- A new generation of entrepreneurs are starting up their businesses as NFP
- All over the world, in every sector of the economy

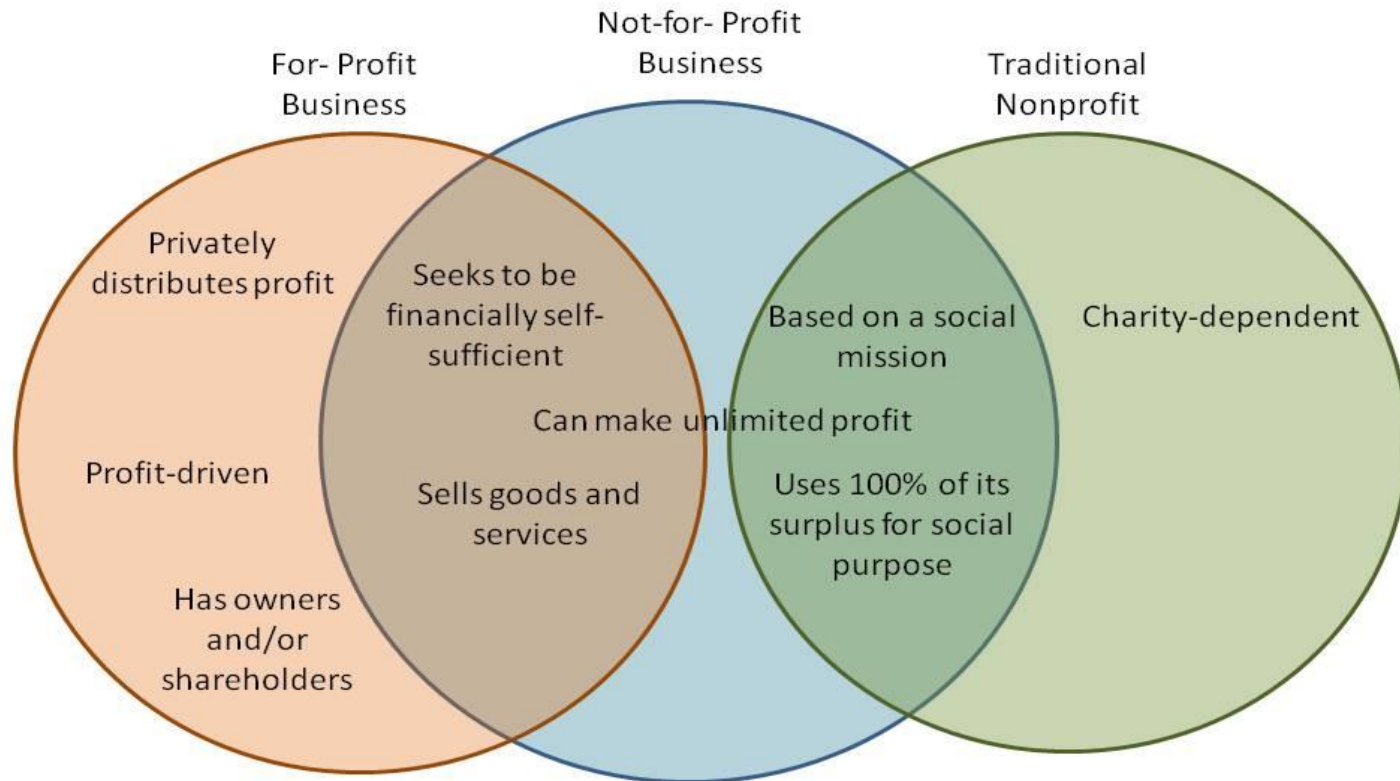
Compared to for-profit business models, NFPs:

- Have a social/environmental mission as their primary purpose
- Must use 100% of their profits for their mission (no private distribution)
- Have no private ownership
- Have a board to hold them accountable for pursuing their social mission

This means they...

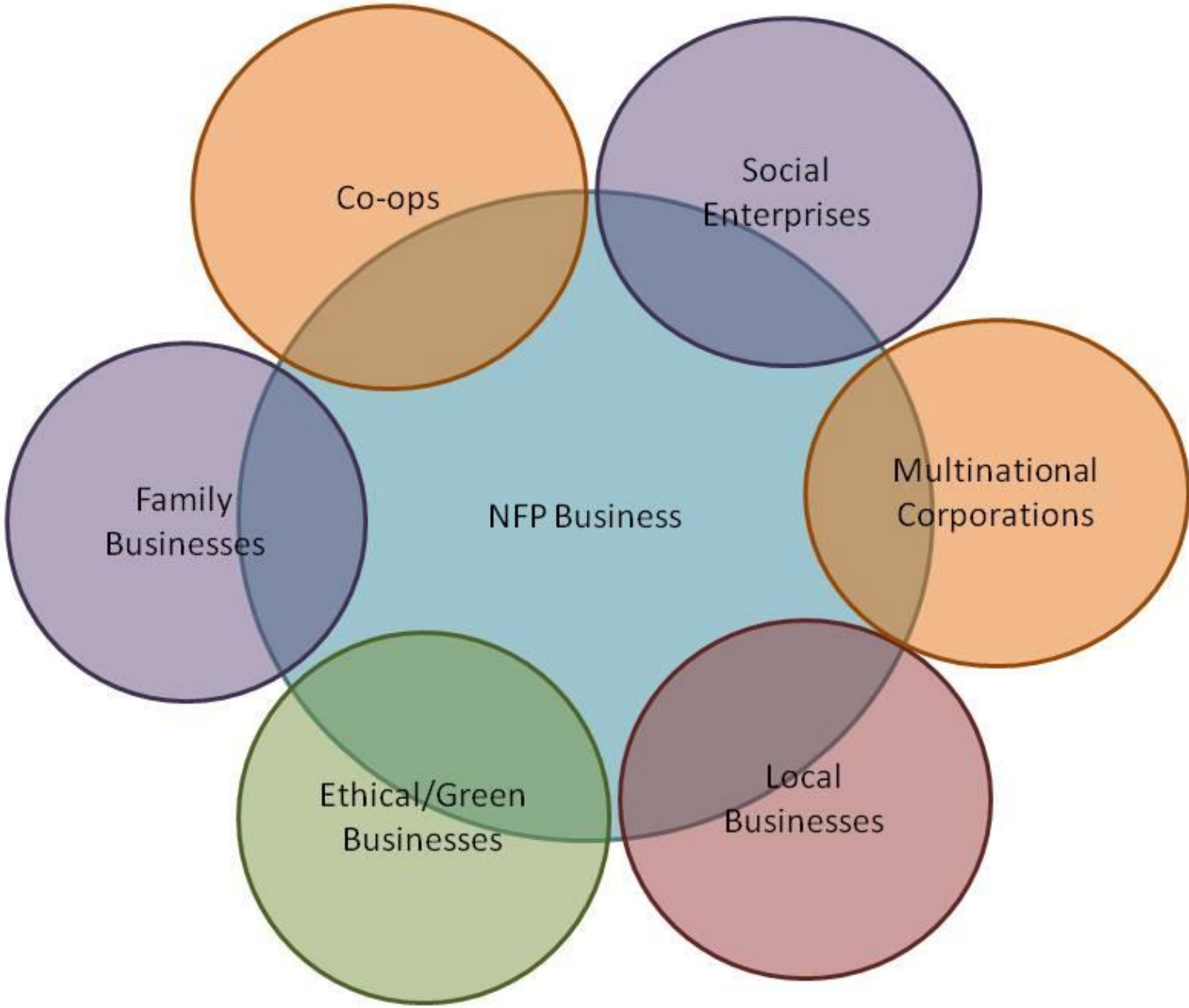
- See profit as a means to achieving higher goals
- Embody an 'ethic of enough'
- Are held to higher standards

NFP Business as an ideal hybrid



Common business labels don't tell us:

- Is profit seen as a goal in itself or as a means to achieving higher goals?
- What happens to the surplus of the business?
- What's the ownership structure?



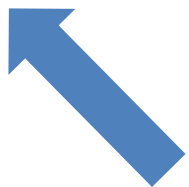
Our for-profit economy is in crisis

- inequality
- ecological crisis
- declining wellbeing

Why the for-profit economy has to grow:

- Psychological & social pressure to maximize profit requires growth of businesses
- Compensating for extracted profits requires growth of businesses
- An economy that's full of businesses trying to expand to maximize profits must grow

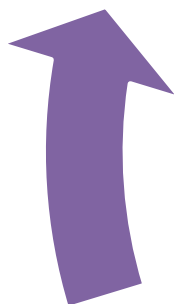
Dividends



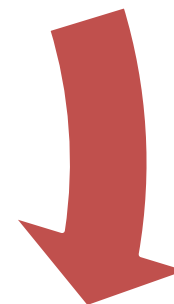
Profit



Products/Services



Operating
Expenses

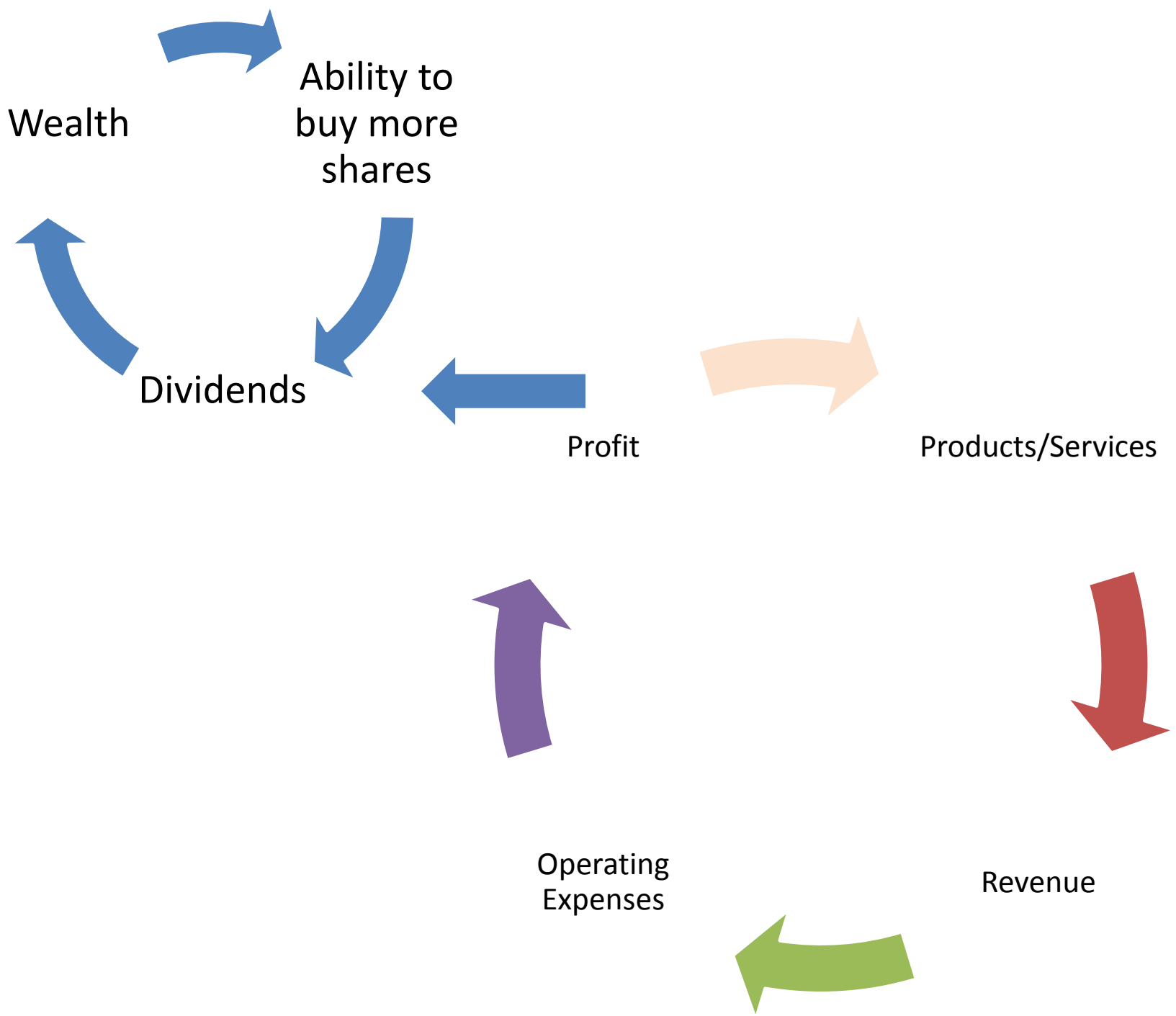


Revenue



How the for-profit economy leads to inequality:

- Goal: to accumulate private wealth
- Privatization of profit (extraction from the real economy to owners in the elite economy)
- Private ownership of businesses and their assets, which allows owners to accumulate even more
- Leads to speculative activities to accumulate even more



Wealth

Ability to
buy more
shares

Dividends

Profit

Products/Services

Revenue

Operating
Expenses

How the for-profit economy leads to ecological crises:

- Dominator model/utilitarian – maximize profit at all cost
- Requires constant expansion
 - Converting nature into goods, and relationships into services
 - Promotes consumerism
 - Inequality fuels conspicuous consumption in the name of status competition

How the for-profit economy leads to less wellbeing:

- Ecological crises and inequality
- Work-Watch-Shop treadmill
- The market expands to take over personal relationships (erodes family and community connections)

In response to all of the above, a cultural shift is happening:

- Story of interconnectedness
- Collaborative consumption, peer-to-peer networks, the sharing economy, DIY
- Social movements for more equality and for respecting ecological limits
- New business models moving in the NFP direction
- The economy evolving to meet society's needs and challenges

#1 Priority

Importance of Profit

Not a Priority

No Private Owners

Worker-Owners

Shareholders



Traditional
nonprofit

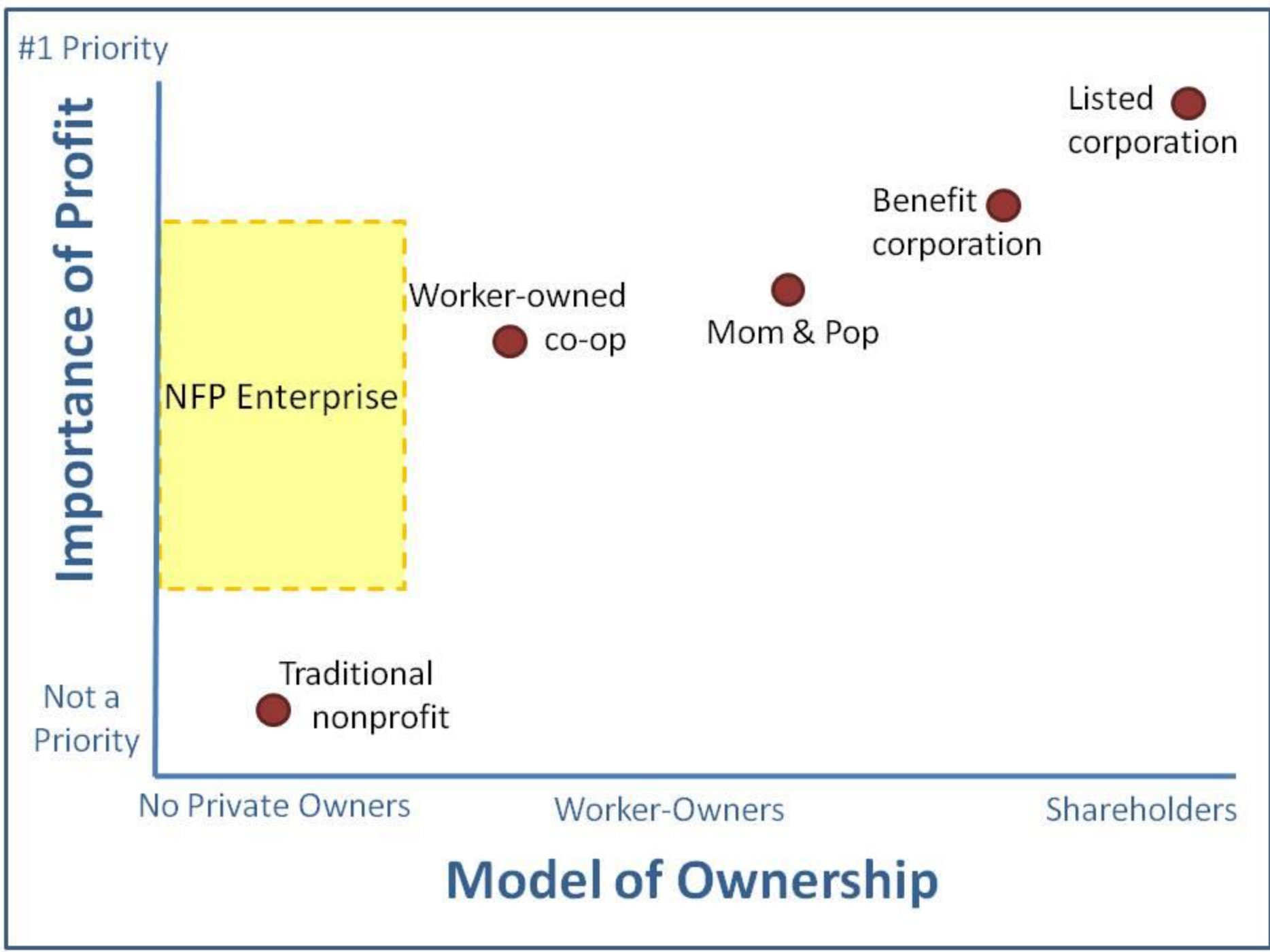
Worker-owned
co-op

Mom & Pop

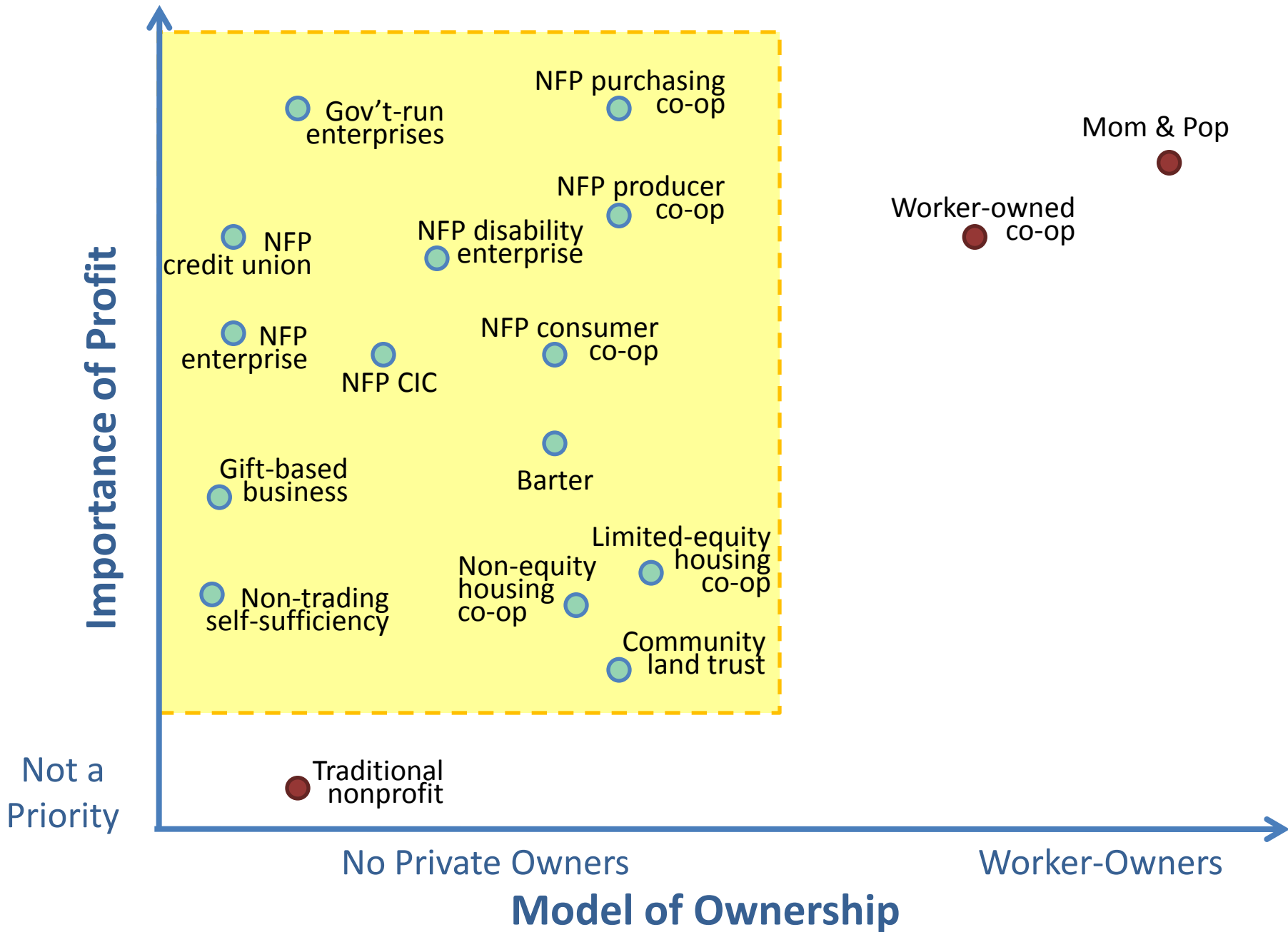
Benefit
corporation

Listed
corporation

Model of Ownership



#1 Priority



The 'Nonprofit Enabler' effect

- Nonprofits are dependent on the very businesses that are creating the problems they're trying to resolve

#1 Priority

Importance of Profit

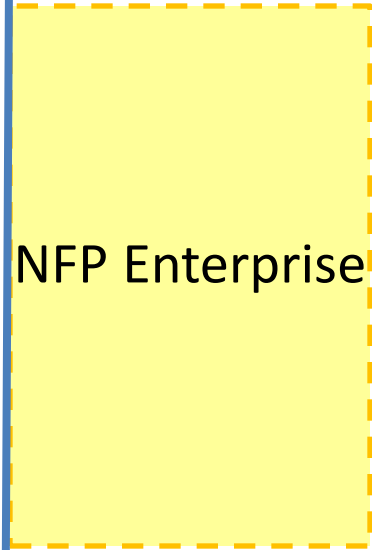
Not a Priority

No Private Owners

Worker-Owners

Shareholders

Model of Ownership



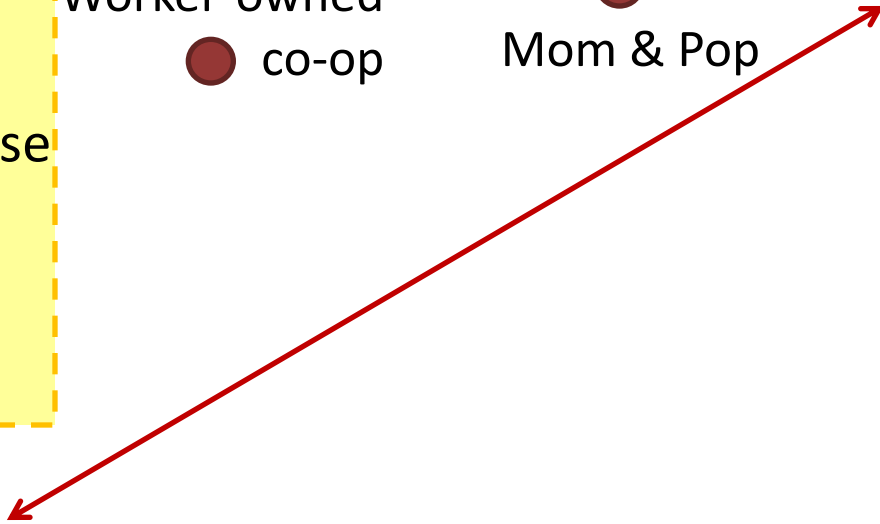
Traditional nonprofit

Worker-owned co-op

Mom & Pop

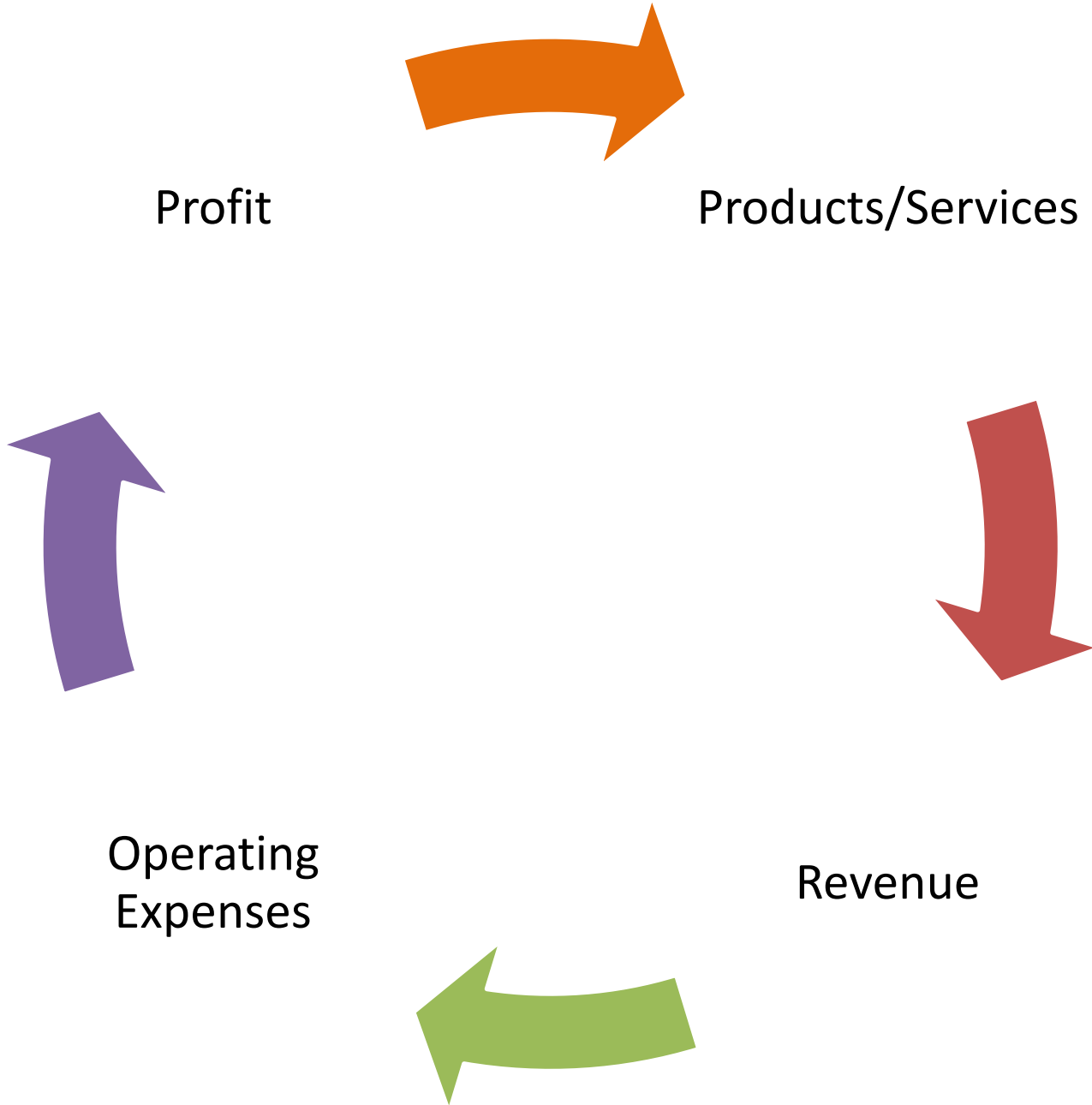
Benefit corporation

Listed corporation



An entirely NFP market economy could lead to:

- More equality
- Purpose-oriented economy (the market becomes a safety net itself)
- An increased ability/tendency for businesses to collaborate and share
- Less consumerism (and, thus, less ecological destruction)
- No need to expand creates the possibility for contraction and/or steady state
- More space to meet needs outside of the market



Basic logic

- For-profit = Growth-based = Unsustainable
- Sustainable = Post-growth = NFP

We expect NFPs to increasingly outperform for-profit peers due to a range of advantages:

- Rise of ethical consumption and ongoing concern about social and environmental issues
- Purpose-oriented work force
- Leaner
- Tax exemptions, Donations and volunteers

NFP advantages

- More of a tendency to collaborate and share, which can bring down costs and create more resilience
- Less of a tendency to get into debt and/or invest in highly speculative activities

NFP advantages

- No pressure to maximize profit allows for more:
 - Innovation
 - Democratic management
 - Community participation/input
 - Focus on customer and beneficiary needs
 - Focus on quality and not just for quantity's sake

Transition

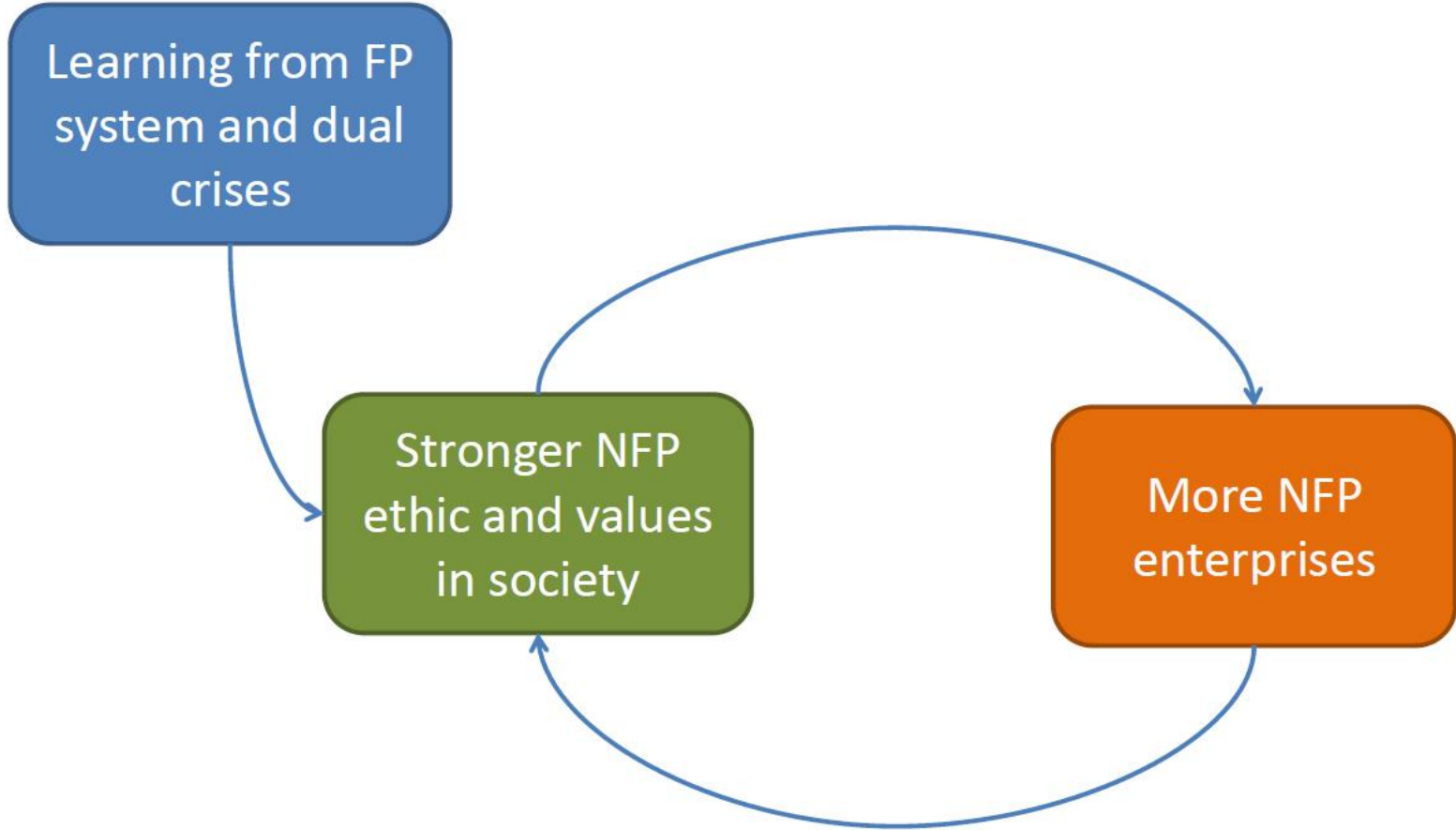
- Simultaneous decline of the for-profit economy and the rise of not-for-profit business, the story of interconnectedness, etc.

Transitioning to a NFP World: Feedback Loop

Learning from FP
system and dual
crises

Stronger NFP
ethic and values
in society

More NFP
enterprises

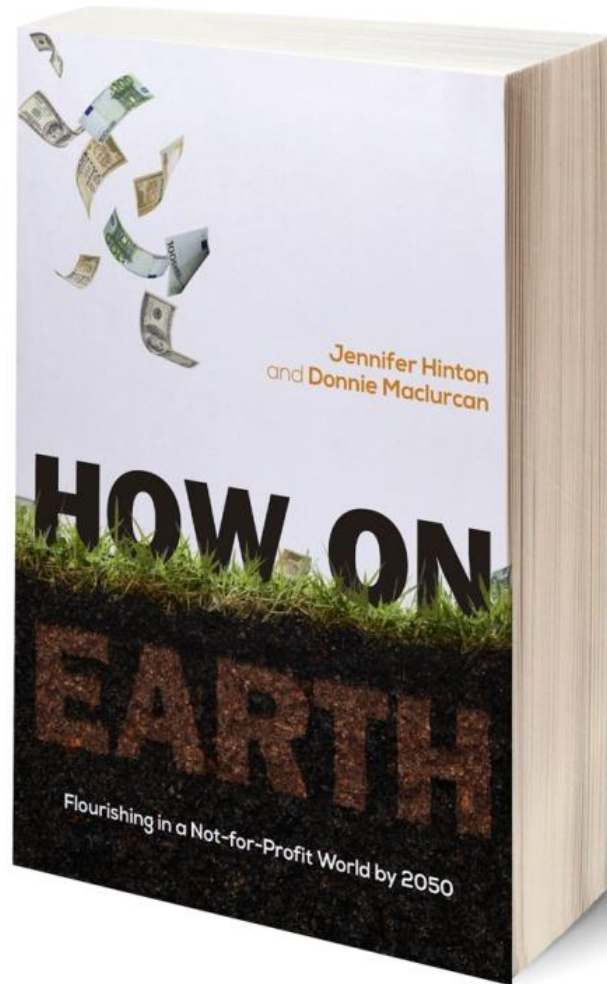


The NFP World is not:

- A panacea
 - A utopia
 - A silver bullet
-
- It is a realistic bridge from what we have now to something more sustainable and enjoyable

Let's co-create a NFP World!

- Citizens, activists, consumers
- Entrepreneurs and business leaders
- Nonprofit employees and managers
- Civil servants and governments
- Researchers and educators



Jennifer Hinton
Stockholm Resilience Centre
Post Growth Institute
jen@postgrowth.org

Book

How on Earth:

Flourishing In a Not-for-Profit World by 2050

www.howonearth.us