10 Not-For-Profit

Ross Curran

The term profit is widely understood as total money earned from the sale of a product or service, less the costs of production. Yet upon closer inspection we see profit represents a convenient signifier of success, allowing business leaders to evaluate their organisations' performance both in relation to competitors, and over time. In general, organisations with growing financial profit are viewed as successful, thus profit relates to the marketing functions of an organisation, as increases in profit may indicate the success or otherwise of particular campaigns and strategies. Within the non-profit sector then, success becomes more opaque, and the task of marketers more complicated. Although many of the strategies and techniques deployed by non-profit marketers share similarity and overlap with their for-profit counterparts, their success is measured through variables such as donor contributions, volunteer retention, and public trust in the organisation. This chapter offers an overview of some of the challenges and opportunities marketers face, from a distinctly non-profit perspective.

The non-profit sector

The contribution of the non-profit sector to all corners of society should not be understated. In the UK, some non-profit organisations (NPOs) contribute to sheltering the homeless, while some restore and preserve stately homes for future generations of heritage tourists. Some non-profits tackle international crises, while others run campaigns to change people's behaviour. Even political parties are classed as NPOs. Consequently, stereotypical views of the non-profit sector as a loose collection of sandal-wearing, tree-hugging do-gooders could not be more outdated. Of course, these exist, but they represent only a tiny minority, and notions of a sector characterised by amateurism are entirely mistaken. Figure 10.1 offers a simplified representation of the non-profit, private, and public sectors.
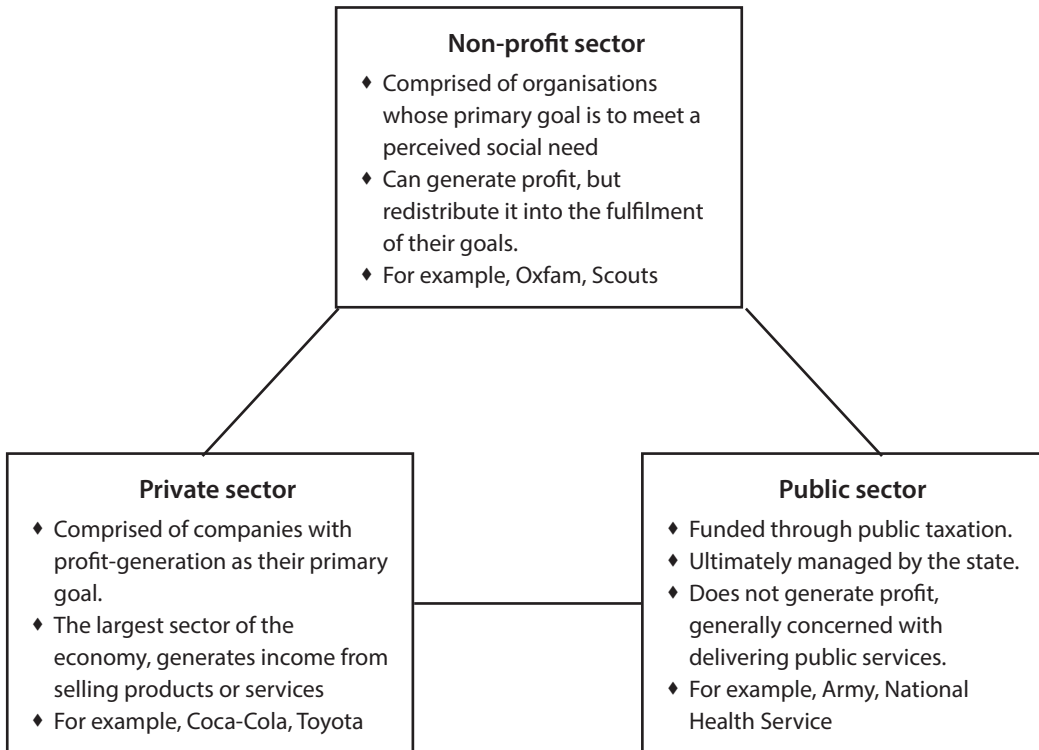
Figure 10.1: Non-profit, private, and public sectors

As Figure 10.1 shows, the non-profit sector is distinctive from its private and public sector counterparts, in that it can be characterised as comprising of organisations that are non-governmental, and undertake activities aimed at delivering a social good. Yet readers should note that in reality, the environment these sectors comprise is considerably more complex. For example, the UK Government accounts for almost one third of charity funding on a sector level, providing, in some cases, up to seventy per cent (Sargeant, 1999), therefore raising questions about the independence of some organisations from government influence.

The growing popularity of social enterprise generates further definitional challenge. In the absence of a legal definition, and different interpretations across national borders, social enterprise can best be considered "…an innovative and dynamic interface between social demands, humanity, and commerce" (Mulholland et al., 2013:40). Thus, social enterprises cut through sections of the private, public, and non-profit sectors working with organisations positioned in all categories, while holding at their core a desire to meet a social need, through commercial activity. In this sense, social enterprises contrast with public sector organisations, which may also seek to address a social

need, but rely on public funding collected through taxation to do so. There are also distinctions between private sector organisations and social enterprise. For example, private companies can engage in corporate social responsibility programmes which address social issues, however, unlike social enterprises, addressing such issues is neither their core aim nor their main priority.

The term 'non-profit' is something of a misnomer, complicated by its interchangeability with terms such as third sector and voluntary sector, but also by the fact that such organisations are entirely entitled (and should even aspire) to generate a profit. However, status as a NPO does govern how such profit can be distributed, preventing any private individual benefitting, and encouraging its use in meeting the socially motivated goals of the organisation. Instead, perhaps partly as a consequence of this resource-constrained environment, the non-profit sector has become increasingly professionalised, with NPO marketers applying marketing practices previously viewed as exclusively 'private-sector' concepts.

The growth of the non-profit sector has accompanied its professionalisation, and it now employs an estimated 765,000 staff (comparable to the UK hospitality industry), and makes a contribution to the UK economy of over £23billion when volunteer hours are included (National Council for Voluntary Organisations, 2012). Indeed, the growing professionalisation of the sector has led to controversy over levels of non-profit executive pay (sometimes reaching six figures), raising questions from donors (often the public) and the intended beneficiaries of these NPOs about the appropriateness of such high salaries part-funded through donations from the public (Third Sector, 2015). In support of the sector's professionalisation, seminal management theorist Peter Drucker commented:

> *"The non-profits are, of course, still dedicated to 'doing good'. But they also realise that good intentions are no substitute for organisation and leadership, for accountability, performance, and results. Those require management and that, in turn, begins with the organisation's mission"* (Drucker, 1989:88-93).

Today, non-profit marketing is noted as being at the forefront of innovations to marketing practice, with the recent *Ice Bucket Challenge* (https://youtu.be/qgqsgXSJ7g8), and *END7: How to Shock a Celebrity* (https://youtu.be/sYimJKg-9QiE) campaigns highlighting the ability of non-profit marketers to reach large audiences, evoke strong emotional responses and encourage positive actions. All this is achieved with budgets and resources smaller than their private-sector counterparts. These challenges, and potential strategies for success are considered in the following sections.

10