



A Brief Guide to Understanding the Social Sector

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The social sector has long had powerful entrepreneurial leaders, but recent trends have led to an unprecedented blurring of the distinctions between business, nonprofit, and government. In particular, frustration with traditional governmental and charitable approaches to social problems has prompted social sector leaders to tap into the strengths of the business and entrepreneurial world in their search for more sustainable and systemic solutions. Thus, homeless shelters are starting businesses to train and employ their residents; environmental organizations are partnering with corporations to find economically sound ways to protect natural habitats; and arts groups are exploring new ventures that promise stabilizing revenue and enhance community development. Many philanthropists are focusing more on outcomes and strategies for sustainability. Numerous nonprofits are adopting the language and tools of business, while some nonprofit hospitals and HMOs are actually converting to for-profit status. At the same time, for-profit firms are competing directly with nonprofits by moving into social service provision, ranging from education to affordable housing to welfare-to-work programs. This rash of sector blurring activity has created an opportunity for MBAs to apply their business expertise, tools, and skills to the social sector by adapting them in appropriate, practical, and effective ways.

There are a wide variety of employment opportunities in the social sector for MBAs, spanning nonprofit and for-profit organizations. When researching job opportunities, it is important to understand some of the following characteristics that differ across the range of social sector organizations:

- Legal structure
- Degree of commercial activity
- Types of activities
- Fields/Areas of Focus
- Spectrum of positions

In addition to these different characteristics, the social sector job search process can differ greatly from that of the traditional business world. Along with this brief guide, you may want to consult the following [CASE resources](#) as you think about entering the social sector:

- *The Continuum for Involvement in the Social Sector*
- *The Pursuit of Social Sector Employment*
- *CASE MBA Career Programs and Resources*

Legal structure

Social sector organizations may be structured as **nonprofit**, **for-profit**, **hybrid**, or **cooperative** organizations. Regardless of their legal organizational structure, the key common characteristic is that their **primary** mission is the creation of *social value*, not economic value for their owners or employees or consumption value for their customers. The choice of a legal form is a strategic decision driven by the senior managers' or social entrepreneur's belief as to what structure affords the most flexibility and greatest opportunity for achieving the organization's social objectives.

The vast majority of organizations operating in the United States social sector are **nonprofits**, or private, non-governmental organizations that are self-governing and subject to the "nondistribution constraint," which precludes them from distributing profits to owners or employees. The designation of an organization as a "nonprofit" does not mean that it cannot earn a profit; rather it is this limit on distributing profits that distinguishes nonprofits from businesses. Further, under section 501(c) of the tax code, nonprofits are eligible for tax exemption, and the IRS identifies over 25 different classifications of nonprofits. When most people think about the nonprofit sector, they think primarily of religious, charitable, or social welfare organizations (501(c)3 or 501(c)4 according to the tax code) that are both tax exempt and eligible for tax deductible donations. Outside of the US, nonprofits are often called nongovernmental organizations, or NGOs. To learn more about the United States nonprofit sector, consult [Independent Sector's Nonprofit Information Center](#), especially the short publication *What You Should Know About Nonprofits*. For more information on the international nonprofit sector, consult *Global Civil Society: Dimensions of the Nonprofit Sector* by Lester M. Salamon et al. (Johns Hopkins Institute Center for Civil Society Studies, 1999).

In recent years, the United States has also experienced the emergence of **for-profits** operating in the social sector. These organizations are known variously as social-purpose businesses, social ventures, or social enterprises, but they all have adopted a for-profit structure to pursue their social mission. Examples include [Shorebank Corporation](#), a community development bank in Chicago; [CitySoft](#), an Internet services provider in Boston; and [Sustainable Jobs Fund](#), a community development venture capital fund in Durham, North Carolina and Philadelphia. To learn more about for-profit social ventures, download [CASE Working Paper #2: Blurring Sector Boundaries: Serving Social Purposes Through For-Profit Structures](#).

The emergence of for-profits in the social sector has been accompanied by a growth in the number of **hybrid organizations** that blend both nonprofit and for-profit ventures under one umbrella or affiliation. In fact, all of the for-profit organizations mentioned above have developed nonprofit subsidiaries or affiliated organizations to provide complementary services that should contribute to the venture's mission but may not be

able to be provided profitably. At the same time, nonprofit organizations are also forming for-profit subsidiaries to enhance their social missions and at times generate revenues that will help support their nonprofit activities. For example, [Share Our Strength](#), a national hunger relief organization, created [Community Wealth Ventures](#), a for-profit subsidiary that provides consulting services to nonprofit organizations and corporations. Greyston Bakery in Yonkers, NY is a for-profit subsidiary of [The Greyston Foundation](#), a community-development organization that serves the economically disenfranchised with a variety of health, human, and housing services.

Finally, some social sector organizations exist as **cooperatives**, democratically-controlled businesses owned by a group of stakeholders seeking to satisfy common needs and goals. The stakeholders may be consumers (such as a retail, food, housing, or health-care co-op); producers (such as artisans or farmers); or employees of the enterprise. For example, [Cooperative Home Care Associates](#) was established to create high quality paraprofessional jobs for low-income women that simultaneously empower the women and improve the quality of the home health care industry. Currently, CHCA employs over 550 African-American and Latina women, 75% of whom had been dependent on public assistance. Average wages and benefits are among the highest in the industry, worker turnover is significantly lower than industry average, and nearly 80% of CHCA's employees with over one year's seniority share in the cooperative's ownership.

Degree of commercial activity

Just as organizations operating in the social sector vary with respect to their legal structure, the degree to which they engage in commercial activity, as opposed to purely philanthropic and charitable activity, ranges immensely. Contrary to what many may believe, there are probably very few nonprofit organizations that operate purely philanthropically, which would require not charging any fees, raising all capital through donations and grants, and relying on a completely volunteer work-force as well as in-kind donations for all supplies and infrastructure needs. An example might be a soup kitchen for the homeless operated out of a church, staffed by volunteer members of the congregation, and stocked by donations from individuals and organizations in the community. Similarly, very few social sector organizations, even those established as for-profits, operate purely commercially: pricing for maximum profit, raising market-rate debt and equity capital, and paying market-rate for supplies and staff, including offering financial rewards and incentives. In fact, the vast majority of activity in the social sector occurs in between these two extremes.

While the degree of commercial activity amongst social sector organizations seems to have been increasing in recent years, many nonprofits have been employing commercial methods for quite some time. Consider Goodwill Industries, which has been training and hiring disadvantaged populations and reselling used goods since the early 1900s. However, while many "traditional" nonprofit institutions such as universities, health care facilities, museums, and numerous others have engaged in some form of commercial activity for many years, the recent blurring of sector boundaries between nonprofits and

business has led to greater focus on various commercial strategies employed by social sector organizations.

In particular, many nonprofits are looking for opportunities to earn income rather than rely solely on philanthropic sources of funding. There are three primary ways nonprofits can earn income: charging fees for the products and services they are already offering their clients; launching new business ventures; and entering into revenue relationships with corporate partners. Each of these areas are ones in which MBA skills may be especially relevant and helpful to a nonprofit organization, though there are certainly other areas where MBAs might have significant expertise to offer. Regardless, it is critical for any MBA entering this field to be sensitive to the culture, existing knowledge and experience, political environment, and primary social mission of each individual organization and adapt his or her approach accordingly.

Types of activities

Social sector organizations vary greatly in the types of activities they perform. Many organizations engage in the direct *provision of a good or performance of a service*. These entities often target individuals or populations that cannot be served profitably by traditional businesses, either because they are too costly to serve or they are unable to pay market rates. Many times, these organizations are meeting specific needs of the individual that are also deemed to benefit society, such as providing hospice care for the terminally ill or offering financial literacy courses to the undereducated and underemployed. Sometimes organizations will focus on activities where the primary purpose is the provision of a public good or service. Consider environmental groups that acquire and preserve open spaces and natural habitats or provide recycling services for their community.

Along with or independent of direct delivery of goods or services, many organizations focus on *research and dissemination of information for the purposes of advocacy, education, and increasing awareness*. These groups may promote research, education, and awareness in an effort to change socially undesirable behaviors, such as Mothers Against Drunk Driving, or promote what they see as beneficial behavior, such as Rock The Vote, a group that aims to educate young Americans on their involvement in the political system. Some organizations will be specifically dedicated to research and advocacy aimed at influencing public policy and business practices on a particular issue or field, including environmental groups such as Greenpeace and The Sierra Club. Others will focus primarily on research to inform policy, advance particular fields, or promote the interests of a certain industry or population. Of course, not all organizations are pursuing an objective, unambiguous social good. Many nonprofits vary along political lines and exist to promote a specific point of view. Among these are lobbying groups on both sides of political issues such as abortion, capital punishment, and gun control.

Finally, there are numerous social sector organizations that exist primarily to *help other organizations achieve their social missions by providing funding and/or technical assistance*. Perhaps the most commonly known organizations in this category are

foundations, which are described in greater detail in the following section on areas of focus. Foundations will vary in the types and breadth of social issues in which they are interested, as well as in the kinds of funding they provide. Some will offer unrestricted funds, or monies for a grantee to use however they see fit. Others will mandate that their grants be used for a specific program, activity, or purpose, such as technology, evaluation, or other infrastructure needs. Almost all foundations give charitable grants to some extent. To varying degrees, foundations will also experiment with other financial models such as offering program-related investments (PRIs), often in the form of low-interest loans, guarantees, or other investment vehicles, from which they expect repayment or even a modest return at some point.

Some foundations and other organizations also offer technical assistance in the form of management consulting, education and training, leadership development, access to networks, or other resources to enhance organizations' effectiveness. One trend in the foundation arena that combines financial and technical assistance and is often of particular interest to MBAs is "**venture philanthropy**," which shares some things in common with what others call "strategic philanthropy" or "engaged philanthropy." The term venture philanthropy arose from a comparison some have made between the role of venture capitalists and the role of foundations, arguing that foundations should take a more active role in their grantee organizations by providing management and technical assistance in addition to funding; investing for longer terms; focusing on measurement and risk management; and helping organizations build their management capacity and infrastructure to become stronger, more effective organizations. Not surprisingly, this movement has particularly caught on with MBAs and business entrepreneurs and venture capitalists, and organizations ascribing to these principles often offer job opportunities that are attractive to MBAs. For an introduction to venture philanthropy and an overview of the field, consult [Venture Philanthropy Partners' annual reports on venture philanthropy](#). Additionally, the CASE Resources section lists a few of the leading [venture philanthropy organizations](#), several of which have extensive resource sections as well as job postings.

Finally, like the traditional business arena, there are a number of organizations and individuals that fall under the technical assistance category by offering **strategic consulting for the nonprofit sector**. These types of activities are often appealing to MBAs who have previous consulting experience and/or are looking for more broadly focused organizations and means for utilizing their business skills in the social sector. In recent years, many leading strategy consulting firms have invested significantly in this arena. Having engaged in pro bono consulting to the nonprofit sector for many years, McKinsey & Co. has made a strategic commitment to these efforts and formally established a [Nonprofit Practice](#). Bain & Co. established an affiliated nonprofit [The Bridgespan Group](#) that focuses exclusively on the distinctive challenges facing the nonprofit sector. Monitor Group has a close relationship with venture philanthropy organization [New Profit, Inc.](#), providing coaches and case teams to work with New Profit's portfolio organizations as well as collaborating with New Profit on their strategy and the development of knowledge on their specific areas of focus. Additionally, there are numerous independent consulting firms serving the social sector in a variety of

manners, ranging from [the Foundation Strategy Group](#) which helps foundations increase their effectiveness to [Brody, Weiser, Burns](#), which works with nonprofits, foundations, and corporations to strengthen their efforts to create a more just society, to more niche firms like [Community Wealth Ventures](#), which was mentioned above when discussing hybrid organizations, and the [National Center for Social Entrepreneurs](#).

Fields/Areas of Focus

The National Taxonomy of Exempt Entities (NTEE) classifies nonprofits under [26 broad categories](#) according to their primary purpose, and most for-profit social ventures could be identified as falling under one of these categories as well. MBAs may be able to find appropriate positions with organizations operating in any of these fields, but there are several that are more likely to appeal to MBAs, including the following

Arts and Culture

Community Development

Education

Environment

Foundations

Health Care

International Aid and Economic Development

Social Services

Additionally, many MBAs interested in the social sector may also have an interest in fields that are not technically part of the social sector but may be related. The primary areas falling in this category are *Government / Public Sector* and *Social Purpose Businesses / Socially Responsible Businesses*.

Many organizations will have activities that span one or more of the above fields, but most will be able to identify a primary area of focus. We provide a brief introduction to each of these fields below. For a very helpful overview of these areas, including hot issues and potential roles for MBAs, we strongly encourage you to see Stephanie Lowell's *The Harvard Business School Guide to Careers in the Nonprofit Sector*. This guide can be purchased directly from [HBS Publishing](#), or Fuqua Daytime students can check out a copy from CASE by emailing case@fuqua.duke.edu.

Arts and Culture

Arts and culture organizations provide education and entertainment by promoting appreciation for and enjoyment and understanding of the visual, performing, folk, and media arts; history and historical events; and/or communications (film, video, publishing, journalism, radio, television). These types of organizations include a wide variety of museums (art, science, history, military, maritime, youth, zoos); performance groups (symphonies, orchestras, dance troupes, theater companies), schools, centers, and venues; historic preservation programs and societies; and public communications organizations.

Community Development

Community development organizations include financial organizations such as [Community Development Financial Institutions \(CDFIs\)](#) and [Community Development Venture Capital \(CDVC\) organizations](#), as well as Community Economic Development groups (CEDs) and Community Development Corporations (CDCs). CDFIs offer loans and make investments in distressed communities in an effort to rebuild them, and CDVC funds use equity finance to develop more vibrant local economies and healthier communities. CEDs are not necessarily funding entities themselves, but they engage in a wide range of activities focused on creating sustainability in distressed communities. CDCs are the primary type of CEDs, and they receive funds from private financial institutions and work on issues such as affordable housing and workforce development in a community. The range of activities that fall under community development is incredibly broad, as are the types of organizations (ie for-profit, nonprofit, and hybrid) that operate in this arena.

Education

The education industry includes organizations that provide opportunities for people to acquire the knowledge and skills that will enable them to fully participate in and enjoy the social, political, economic and intellectual life of the community. The organizations include the traditional early childhood, K-12, and higher education divisions as well as educational management organizations, after school programs, educational software, supplemental education, continuing education, and educational toys and supplies. Notably, along with the expansion of the industry beyond traditional in-school education, the for-profit education industry has grown significantly in recent years. For more information on the for-profit education industry, consult [EduVentures](#), an independent research and advisory firm dedicated exclusively to the coverage and service of corporate, postsecondary, and pre-K-12 learning markets.

Environment

Environmental organizations' primary purpose is to preserve, protect, and improve the environment. These organizations include organizations that are involved in pollution control and abatement; conservation and development of natural resources; control or elimination of hazardous or toxic substances; solid waste management; urban beautification and open spaces development; environmental education and outdoor survival; and botanical gardens and horticultural societies. Many of them engage in a range of activities, including advocacy, policy research, land preservation, education, and environmental responsibility.

Foundations

According to [The Foundation Center](#), a foundation is “an entity that is established as a nonprofit corporation or a charitable trust, with a principal purpose of making grants to unrelated organizations or institutions or to individuals for scientific, educational,

cultural, religious, or other charitable purposes.” The primary activities of most foundations are managing endowments and making grants. Foundations can exist as private or public foundations depending on the source of funds. Private foundations include independent (often family) foundations, corporate foundations, and operating foundations. The majority of private foundations are independent foundations, and operating foundations are unique in that they focus primarily on operating their own programs rather than making grants to other organizations. Finally, the most common form of public foundation is the community foundation, which receives funds from a variety of sources and focuses on philanthropy and grantmaking in a specific geographic area. To learn more about these types of foundations, we recommend reading The Foundation Center’s [Foundation Fundamentals](#) or the Council on Foundations section on [What is a Foundation?](#).

Health Care

Health care organizations promote wellness, provide for the prevention and treatment of illness or injury, offer palliative care, and support the medical rehabilitation of people with physical disabilities, mental illness, substance abuse, and other physical or psychological disorders. These organizations may also focus on issues of public health and health policy or engage in medical research, insurance provision, or the manufacture and distribution of medical supplies, devices, or drugs. Even more so than education, the health care industry has experienced an increase in for-profit activity, with some nonprofits even converting to for-profits, as well as a significant amount of boundary blurring between the sectors.

International Aid and Economic Development

International aid and economic development organizations provide technical assistance, training and financial and material resources to support the capacity-building efforts of developing nations, including agricultural development, health, education, employment, social welfare, small business development and industrial growth. They also work to relieve poverty in developing countries, protect refugees, and provide relief services in response to major disasters or large-scale emergencies that occur abroad. These organizations include direct service providers, advocacy groups, financial organizations, and private consultants, researchers, and think tanks.

Social-Purpose Businesses

Social-purpose businesses are for-profit businesses that are *explicitly designed to serve a social purpose* while making a profit. Having a social purpose involves a commitment to creating value for a community or society rather than just wealth for the owners or personal satisfaction for customers. For-profit social ventures measure their success in terms of social impact. However, given their choice of the for-profit structure, they must pay close attention to the creation of economic value as well. Thus, whether they view economic value as a means for creating social value or as inherently valuable on its own,

for-profit social entrepreneurs have dual social and financial objectives that guide their managerial decision-making and determine their success. This goal is commonly referred to as the “double bottom line.” These businesses can be stand-alone, such as [Newman’s Own](#) or [Juma Ventures](#), or subsidiary businesses created by nonprofits to generate funds for the nonprofit and/or pursue the nonprofit’s social mission directly.

Social Services

The social services segment is broad and can be categorized by several functions and areas of focus. In fact, social service activities may overlap significantly with those of organizations operating in other fields such as community development, education, or health. Social service organizations range from small, local volunteer efforts to multimillion-dollar organizations serving the needs of individuals around the country or even the world. They may focus primarily on one target population and serving one particular need (such as a homeless shelter), or they may offer multiple services in an effort to reach a broader population or address a range of interrelated social needs.

Related Fields

Government / Public Sector

The public sector includes federal, state, and local government, all of which are complex systems that can be difficult to navigate. Positions in state and local governments are similar to those on the federal level. However, some of the lower level agencies tend to be more fragmented than those at federal levels. In addition to elected positions, the public sector offers career positions, appointed positions, and exempted service. To learn more about pursuing employment in the public sector, we recommend consulting resources such as [Careers in Government](#); [USA Jobs](#); [The Congressional Budget Office](#); [White House Fellows Program](#); [The World Bank](#); and *Find a Federal Job Fast: How to Cut the Red Tape and Get Hired* by Ronald L. Krannich and Caryl Rae Krannich.

Socially Responsible Businesses

Many businesses have recognized the importance of pursuing socially responsible business practices that promote the respect of ethical values, people, communities and the environment. For more information on the field of corporate responsibility, or social impact management, see [Business for Responsibility](#); [Aspen Institute Initiative for Social Innovation through Business \(ISIB\)](#); and [Net Impact](#).

Spectrum of Management Positions

If you have read the preceding sections of this guide, you should by now have an appreciation for the breadth and diversity of the social sector, which makes it an exciting and dynamic arena but also makes generalizations across organizations difficult, especially in this short guide. Not surprisingly, the management positions and responsibilities in a large, international or national nonprofit will differ greatly from those

in a community-based organization which will also be quite distinct from those in a for-profit social venture. And these distinctions don't even take into account the wide variations across different fields and types of activities. Regardless, there are some relatively standard management positions that anyone pursuing employment in the social sector should understand.¹

Executive Director: If a nonprofit has only one hired staff member, it is most likely going to be the Executive Director (ED). Sometimes called the President and/or CEO, and analogous to the CEO position in for-profit businesses, the ED reports to the board of directors and is responsible for overseeing all of the operations of the organization, works closely with the board of directors and any other senior management team members on the organization's overall mission, vision, and strategy, and quite often has significant fundraising responsibilities as well.

Director of Development: In the nonprofit sector, development refers to what many people commonly refer to as "fundraising," and the Director of Development is primarily responsible for all of the fundraising activities of the organization.

Program Director: The Program Director manages specific programs, which are generally the primary activities a nonprofit undertakes in pursuit of its mission. Like a brand manager, this position can be similar to running a small business operation, but Program Directors quite often have specific expertise and training in the field in which their program is operating. Nonprofits with multiple programs often have a separate Program Director for each one.

Chief Financial Officer: Many smaller nonprofits outsource much of their accounting needs or have an administrative accountant on staff who handles all accounting and grant tracking. However, larger, more sophisticated organizations may have a CFO who manages these functions as well as any investments, endowments, or other financially related activities.

Director of Marketing/Communications: Nonprofits often blend the marketing and communications/ public relations functions together under one person or department that is responsible for anything related to the promotion of the organization and its programs. This function often works closely with Development as well as with the ED and Program Directors.

Some larger organizations will also have additional members of the senior management team, possibly including the following:

Chief Operating Officer: The Chief Operating Officer (COO) will take on many of the management responsibilities that otherwise would be handled by the ED. Sometimes the COO will focus primarily on administrative functions (such as finance, HR, technology,

¹ This spectrum of management positions builds on some of the typical management positions identified by Stephanie Lowell, *The Harvard Business School Guide to Careers in the Nonprofit Sector*, (Harvard Business School Publishing, 2000), p. 29

facilities, etc.) while other times this position will also include responsibility for the program-related activities.

Human Resources Director: Analogous to its counterpart in business, in larger organizations, the HR Director is responsible for all employment related issues and functions.

Manager of Special Projects: A broadly defined position that may be similar to serving as an internal consultant, business development specialist, or strategic planning staff, this type of position often appeals to MBAs and others with business experience. Often times nonprofits will create these positions on an as needed basis or to take advantage of the opportunity to hire someone with specific skills.

Technical Directors (Science, Research, Evaluation, Technology, etc.): Depending on the activities of the organization, there may be a variety of Directors at the same level as Program Directors who are responsible for certain areas that are critical to the organization's mission but not directly program-related. These Directors will generally have very specific expertise and qualifications for their position.