# NHH

# Business Models and Nonprofits

*a study on business model proficiency and performance in Norwegian nonprofits*

**Marius Maximilian Bratsberg and Håkon Eknes**

**Supervisor: Professor Magne Supphellen**

Master thesis, Economics and Business Administration

Major: Strategy and Management, Business Analysis and Performance Management

## NORWEGIAN SCHOOL OF ECONOMICS

This page is intentionally left blank

# Preface

This master thesis is one of a series of papers and reports published by the Center for Service Innovation (CSI). Centre for Service Innovation (CSI) is a coordinated effort by NHH to focus on the innovation challenges facing the service sector and involves 15 business and academic partners. It aims to increase the quality, efficiency and commercial success of service innovations and to enhance the innovation capabilities of its business and academic partners. CSI is funded through a significant eight year grant from the Research Council of Norway and has recently obtained status as a Centre for Research-based Innovation (SFI).

# Acknowledgements

# Abstract

Due to a change in policy, the nonprofit sector in Norway is set to expand significantly in the years to come. While this is happening, the struggle for resources among nonprofits is intensifying. As a result, nonprofits increasingly orient themselves towards the for-profit markets. One aspect they are adopting from this sector is the business model. Research has shown that firms with effective and innovative business models often outperform their peers, but little research exists in a social setting. This study explores the prevalence and implications of business models in a modern well-fare state. Furthering the literature on the commercialisation of nonprofits, this thesis investigates: Which are the characteristics of business models in the nonprofit sector, how proficient are managers in defining business models, and how is this proficiency related to the performance of nonprofits?

Drawing on the literature of business models and nonprofits, a questionnaire was distributed to nonprofits throughout Norway. Respondents from key positions in each organisation described the accomplishment of their social mission, their cost and revenue management, as well as key business model components. The responses indicated a gap between their perceived business model proficiency and their ability to define key components of their business model. Furthermore, the relationship between proficiency and performance revealed no significant correlations. This leads to the conclusion that nonprofits are overconfident in their business model proficiency, or that they simply do not fully understand the concept. The lack of correlation between performance and proficiency is surprising and contradicts the literature. In light of this, future researchers should investigate the relationship between business models and performance in nonprofits more closely.

# Contents

# List of Figures

# List of Tables

# 1   Introduction

Societies have for a long time been faced with complex social problems. As authorities have struggled to solve these, private organisations have emerged where public institutions fall short. These are organisations whose purpose is not acquisition or personal enrichment, but merely to help. As profits are not the focus of these organisations, they have simply been named nonprofits. Although the problems they solve are old, nonprofits are constantly evolving (Andersson, 2017). Today, many nonprofits are seeking new ways of solving their social mission, but a major constraint has long been acquiring the resources needed to do so. Many have therefore experimented with the open market, where seemingly endless resources are available for those able to extract them. This has led to a new breed of entrepreneurs, the social ones, who aim to solve a social problem by using open markets (Volkmann et al., 2012).

As social entrepreneurs create ventures that use commercial markets to handle social problems, they adopt traits from for-profit firms. One such trait that has started to gain traction is the business model (Foster and Bradach, 2005). This concept has become a popular way of categorising and describing an organisation's core activities and can be defined as how the firm creates, captures and delivers value (Teece, 2010). Every business, social or commercial, employs some sort of a practical business model, intentionally or not (Teece, 2010). Fortunately, business model research has come a long way in operationalising the term (Osterwalder and Pigneur, 2010; Zott et al., 2011; Johnson et al., 2008; Richardson, 2008). This has helped close the gap between the theoretical and the practical uses of the concept.

Nonprofits differ widely from for-profits, and applying the business model concept to these organisations is not a clear-cut process. As a result, the social business model was created. Like its for-profit counterpart, it helps explain and map value creation, delivery, and capture, but in a social context. Unfortunately, the gap between theory and practice for social business models is not nearly as well connected. Researchers have defined some social business model archetypes and explained the fundamentals of its operations (Yunus et al., 2010; Santos et al., 2015; Dohrmann et al., 2015). Still, as a field of research, social business models is still in its infancy. There is a clear need for more varied research

(Wilson and Post, 2013).

This thesis will take place in a Norwegian setting. Despite being a well-known concept in Norway, business models, and particularly business model innovation, has achieved limited influence in Norwegian for-profit businesses (Singh and Saebi, 2018). Another trend reinforcing the relevance of this research is the planned expansion of the nonprofit sector. With the recent (2019) introduction of the Christian Democratic Party (KrF) in the Norwegian government, Norway has made an explicit goal of increasing its value production from nonprofit organisations (Regjeringen.no, 2019, 2018). Areas such as child protective services, health care, substance abuse treatment, and social services are likely to see an influx of social entrepreneurs in the years to come. We believe this makes Norway an interesting setting for studying business models and nonprofits.

## 1.1   Objective of the Study

The purpose of this master's thesis is to provide scholars and practitioners with an understanding of business models employed by Norwegian nonprofit organisations. The need for research in this field is clearly stated by several researchers. Mair et al. (2012, p. 364) encourage future researchers to "examine the variety of models that social entrepreneurs use", and Dohrmann et al. (2015) call for further examination of social business models. Our contribution is an overview of the business models employed in the Norwegian nonprofit sector, the nonprofits' level of proficiency in business models, and how this proficiency affects organisational performance. The thesis will, therefore, add to both social entrepreneurship and business model literature. In light of this, we intend to answer the following research question:

> *Which are the characteristics of business models in the nonprofit sector, how proficient are managers in defining business models, and how is this proficiency related to the performance of nonprofits?».*

The recent efforts to grow the nonprofit-sector in Norway makes this thesis both relevant and interesting. A revitalised nonprofit sector could change the organisational landscape in Norway, and draw people from the for-profit to the nonprofit sector. This research will increase our understanding of how proficient nonprofits are in their business models.

Furthermore, by analysing the relationship between business models and performance, we may achieve insight that could increase the performance and efficiency of nonprofits.

A limitation of the thesis is required. Creating an exhaustive list of all characteristics of Norwegian nonprofits would be an immense undertaking, and require large amounts of data. As the thesis will show, the nonprofit sector is diverse in terms of size, scope, mission, and revenues. We, therefore, found it necessary to limit ourselves to four key components of the business model. These are four carefully selected components, which illustrate the characteristics of business models in a good way. A more detailed discussion on the selection on these four components can be found in section 4.2.

At this point, a clarification regarding nonprofits is necessary. During our research, it was brought to our attention that in Norway, a distinction is often made between nonprofit organisations and nonprofit enterprises (Slotterøy Johnsen, 2019). The former often serving as an umbrella organisation for several enterprises, while the latter directly work towards a specific social mission. The organisations often serve an administrative role for the enterprises, and several enterprises might belong to one organisation. We will, however, use the term nonprofit organisation repeatedly throughout the thesis. When doing this, we refer to the actual organisation of the nonprofit enterprise, not the parent organisation of the enterprise itself.

## 1.2 Outline of the Thesis

As we have now introduced the background for the research, an in-depth literature review is now in order. Several key constructs need to be introduced and discussed. This section will also elaborate on how nonprofits operate in a Norwegian setting. Based on the literature review, several propositions were developed. These were used to guide our research, which we will present in chapter four. The thesis is based around a survey distributed to a variety of nonprofits. Results will be presented in chapter five and analysed in chapter six. Here, we will also discuss implications for theory and practitioners, as well as make our recommendations for future research.

# 2   Literature review

In order to analyse business model proficiency and implication amongst Norwegian nonprofits, it is essential to first clarify the key concepts of the thesis. In the following, we will first present an overview of the literature on social entrepreneurship, and then a more in-depth review of nonprofits. From the nonprofit literature, key aspects and challenges these organisations face will be elaborated on. Following this, we will discuss the literature on business models, before we finalise the literature review by investigating the intersection of these two fields of study, namely the social business models.

## 2.1   Social Entrepreneurship

### 2.1.1   Defining social entrepreneurship

Social entrepreneurs continue to attract the interest of scholars and practitioners. These are entrepreneurs who create ventures that combine economic activities in an entrepreneurial way, as well as pursue a social objective (Saebi et al., 2019; Mair et al., 2012). Despite performing dual activities, their primary goal is to serve selected marginalised groups and society in general (Yunus et al., 2010). Despite the growing interest by researchers in social entrepreneurship, a universally agreed upon definition has yet to emerge (Zahra et al., 2009). The ambiguity of the term, and how different groups put different meanings into the concept has caused widely different operationalisations (Choi and Majumdar, 2014; Saebi et al., 2019). Our thesis will adopt the working definition by Dohrmann et al. (2015, p. 129):

> *"Social entrepreneurship as any operation involving the resourceful use and efficient combination of resources to create opportunities that foster social change or meet social needs. Hence, social entrepreneurs as founders combine resourcefulness with a social mission to create a sustainable change in society."*

Dohrmann captures the two key aspects of the concept in her definition. Namely the entrepreneurial approach of finding new and effective ways of solving problems, and the application of these processes in creating lasting positive changes in society. These are

the core principles most definitions are built around. Additionally, the definition has been used as a foundation for social business model research, which will come into focus later in the thesis. This makes Dohrmann's definition well-suited for our thesis.

### 2.1.2  A typology of social entrepreneurs

Social entrepreneurs differ widely in the size and scope of the problems they engage in. Drawing on the typology by Zahra et al. (2009), we can gain an understanding of the types of entrepreneurs that exist. They separate social entrepreneurs into three categories: (i) the bricoleurs, (ii) the constructionists and (iii) the engineers. The differences between the three come from how they discover social needs, pursue social opportunities, and the impact on the broader social system (Zahra et al., 2009).

(i) Social Bricoleur: The first category consists of the organisations that are smallest in scale and scope. Zahra et al. (2009, p. 524) describe them as social ventures who "act on locally discovered opportunities with locally available resources". These organisations may have a strong impact on their community, but struggle to develop scalable solutions. The local incubator "Unlimited Tøyen" is an organisation that supports social bricoleurs. Their mission is limited to the Tøyen district in Oslo. By providing mentors, development aid, financial support, and a network of other local social entrepreneurs, Unlimited Tøyen has become an important actor in its community (Tøyen Unlimited, 2019).

(ii) Social Constructionist: The second category is of a slightly greater scale and scope. These organisations build, launch and operate ventures that tackle social needs that are only partially addressed by institutions like businesses, non-government organisations, and government agencies. An example of a Norwegian social constructionist could be Simen Sommerfeldt, founder of "lær Kidas Koding". This is an organisation which aims to teach kids and other youth about coding and computer programming by offering extra courses on programming and computer knowledge. It supplements the computer education provided by public schools, which Sommerfeldt found to be limited (Lær Kidsa Koding, 2019)

(iii) Social Engineer: The third category is the greatest in both scale and scope. Although rare, these organisations have a significant impact on society and are described as "prime

movers of innovation and change"(Zahra et al., 2009, p. 526). Social engineers tend to destroy dated systems, structures and processes, by replacing them with socially efficient ones. This category differs from the social constructionist in how they tend to overtake existing solutions, while the constructionists mostly serve as an addition to existing systems. There are not many clear-cut examples of Norwegian Social engineers. An argument can be made for Hans Nielsen Hauge, who, due to his radical Christian views, saw unemployment as an evil any Christian should avoid (Molland and Bloch-Hoell, 2019). He therefore either started or helped start a range of different businesses throughout Norway, all in order to spread what he saw as orthodox Lutheran values and lower unemployment.

These entrepreneurs aim to tackle a range of different social problems and use various tools to solve them. Some chose to emphasise the social aspect, and rely largely on donations to break even. Others strive to deliver competitive returns on investment and solid financial results (Defourny and Nyssens, 2017). In modern market economies, two extreme types of companies can be said to exist. On one side we have companies seen as profit-maximizing businesses, whose sole purpose is to create shareholder value. The counterpart to these, the non-profit organisations, exist to fulfil a set of social objectives (Dees, 1998). Social ventures draw from both of these extremes, aiming to be profitable in order to serve a social mission (Yunus et al., 2010). According to Defourny and Nyssens (2017), one of the four archetypes of social ventures is the "entrepreneurial not-for-profit". This segment of social ventures will be the objective of this thesis and requires an in-depth review.

## 2.2   Nonprofits

With an understanding of social entrepreneurship, we will now turn our attention to the organisations that will be the focus of our study. Although nonprofits are an old concept, several scholars have highlighted a recent drift in how these organisations operate. A meticulous review of the modern research on nonprofit organisations is therefore in order.

## 2.2.1   Defining nonprofits

Venturing into the literature on nonprofits, one quickly finds that only subtle differences separate nonprofits from other organisational types. The growing grey areas of social ventures, corporate social responsibility, B corporations and low-profit firms have been gradually approaching the traditional domains of the nonprofit (Pink, 2011). A clear working definition of nonprofits is therefore called for. We will rely on the renowned John Hopkins Comparative Nonprofit Sector Study. This study identified five key structural and operational characteristics that define nonprofit organisations (Salamon and Anheier, 1997). Nonprofit organisations need to be:

- Organised: Some form of boundaries and internal organisation is required. There needs to be a consistent form of activity, and a structure which is legitimised by the organisation's members. The legal status of the organisation is of lesser importance, allowing for less formal organisations to achieve the status of nonprofit.

- Private: Nonprofit organisations are structurally separated from the government. They may be closely linked to the authorities and receive government funding but must be an independent organisation.

- Non-profit-distributing: Although profits may occur, these are to be cycled back towards the social mission of the organisation. Owners will receive no share of any surplus.

- Self-governing: Though tightly connected to other public or private entities, the nonprofit organisation needs to be independent in its actions and have its own internal governance procedures.

- Voluntary: Some organisations require membership in order to be licensed to practice a trade or profession. Nonprofits must require no such membership or participation.

These are the characteristics of an organisation who's *raison d'être* is a social mission. Any resources the organisation is able to acquire will be a means to an end, not a means in and of itself. This lays the foundation for a myriad of different social missions and organisational forms in a range of different industries, all of which may be characterised as nonprofit organisations.

### 2.2.2 Nonprofits in Norway

Norway has a long tradition of nonprofit enterprises. They have historically been described as early movers, offering services to the general public before any such services were offered by the authorities (Bogen and Backer Grønningsæter, 2016). In the early 1900s the so-called "welfare triangle" emerged in Norway. This was a trinity consisting of the government, the counties and municipalities, and the nonprofit sector. It was a cooperation in offering health services to the public. The government, counties, and nonprofits perform different (but often also supplementary) tasks and worked together in providing health services throughout the country (NOU 2016:12). As Norwegian society progressed, the welfare state emerged and started offering a broader range of social services. This caused Norwegian nonprofits to take on a new role as a supplement to the services offered by the authorities. In recent years, a movement towards increased privatisation in Norwegian society has begun, allowing private and nonprofit enterprises to perform tasks previously managed by the public sector (Virke, 2019). Although their role has shifted throughout the last 150 years, nonprofits still play an important role in society today. As of 2017, nonprofits employed 8,9% of the workforce (Virke, 2019). They are particularly prevalent in the health care sector, nearly 30 000 are employed in various hospitals and institutions (Trætteberg and Sivesind, 2015). In total, nonprofits and voluntary organisations produce NOK 111 billion worth of goods and services each year (SSB, 2018). Their contribution to Norwegian society is therefore substantial and important, and their position is set to strengthen in years to come.

### 2.2.3 Commercialisation of nonprofits

In recent years, a shift towards greater economic sustainability for nonprofits has begun. Relying on donations alone is no longer enough (Foster and Bradach, 2005; Dees, 1998; Eikenberry and Kluver, 2004). Researchers point to different causes for these changes. The most widely acknowledged explanation is tied to resource dependency theory. This theory implies that organisations are dependent on certain limited resources in order to survive (Carroll and Stater, 2008; Dees, 1998). Presented by Salancik and Pfeffer (1978, p. 2), resource dependency theory states that "the key to organisational survival is the

ability to acquire and maintain resources". With increased competition for donations, and private enterprises entering the social sector, nonprofits are forced to differentiate how they finance their social mission. Foster and Bradach (2005) argue that like their for-profit counterparts, nonprofit managers do not want to be viewed as passive bureaucrats, but as active entrepreneurs, pursuing opportunities to forward a social agenda. At the same time, nonprofit boards increasingly push for financial self-sufficiency by pursuing free-market opportunities. These factors help nudge nonprofits towards markets typically operated by for-profit firms. The process of adopting traits and characteristics of the for-profit organisations that operate in these markets is referred to as the commercialisation (or marketisation) of nonprofits (Dees, 1998).

### 2.2.4   Income models of nonprofits

One of the most influential researchers in the field of commercially oriented nonprofits is Gregory Dees. His widely cited 1998 article (and book with the same name) called *Enterprising Nonprofits* discusses many of the causes and effects of social entrepreneurship in nonprofit organisations. Although social entrepreneurship research has advanced greatly since 1998, it serves as an excellent basis from which to investigate the commercialisation and marketisation of nonprofits.

For a long time, nonprofits have launched auxiliary enterprises in order to raise funds for the social mission. The typical cake sale or flea market are examples of such ventures. However, as Dees (1998) points out, nonprofits are increasingly starting to commercialise the core activities they use to achieve their social mission. As they start to become more market-oriented, two key questions need to be answered. To what extent will the nonprofit rely on commercial income, and who shall pay for the products and services they provide?

Dees points out that in ideal circumstances, the people paying would be the actual beneficiaries of the social mission. This would make them able to decide if the product was worth the price and make them better able to voice their dissatisfaction in case of a drop in quality. The situation is, however, that the beneficiaries seldom are in a position to pay, and it can often be difficult to determine who the beneficiaries even are (Foster and Bradach, 2005). Often there are several groups of beneficiaries, and splitting the tab between groups further complicates the question. Some nonprofits, therefore, let

certain customer groups subsidise groups with the lowest ability to pay (Battilana and Dorado, 2010). Another approach is to let a third-party with a vested interest, pay on behalf of someone else. A role, often taken, by the government, as it may have a strong interest in the value created by many nonprofits. Similarly, families and friends of the beneficiaries can also take on the role of third-party investor. Such as when a family member needs rehabilitation for alcohol or substance abuse. A final approach, suggested by Dees, is relying on funding from completely external sources. For instance, nonprofit organisations may allow corporations to pay for the right to promote their products to the nonprofit's target market (Dees, 1998; Andreasen, 1996). The commercial enterprise becomes a sponsor for the nonprofit and indirectly aids in achieving the social mission.

Not only do the nonprofits need to determine where their revenue should come from, but they also need to set realistic goals for the extent of commercialisation they are aiming for. This can be organised in a spectrum from fully philanthropic to fully commercial ventures (Defourny and Nyssens, 2017; Dees, 1998). The soup kitchen may be unable to charge even the smallest fee from its beneficiaries, and few external investors are willing to invest. It must, therefore, rely on philanthropy and donations to operate. On the other end of the spectrum, several nonprofits have successfully employed disadvantaged groups in different capacities and delivered consistent profits (Dohrmann et al., 2015; Rasmussen and Simson, 2014). These firms are willing to cut losses and search for new sources of income, all within the constraints of their mission (Dees, 1998). Dohrmann et al. (2015) refer to these as "Market-oriented social missions". The majority of entrepreneurial nonprofits orient themselves in-between these two extremes, balancing their commercial venturing with the social mission.

### 2.2.5   The sources of income for Norwegian nonprofits

Philanthropy has never had a very strong position in Norway. In a historical perspective, the Norwegian population has been relatively poor. Seeing few excess funds were available to donate, a tradition of "dugnad" (volunteer work) has for a long time been the most common way of donating to volunteer and nonprofit organisations (Sivesind, 0015). As a result, few Norwegian organisations rely entirely on private donations (SSB, 2018). Although monetary donations are not as prevalent in Norway as in some other countries, the

public plays an important role in supporting nonprofit and voluntary organisations. A range of different support programmes exists, such as tax exemption, VAT compensation, various municipal and county programmes, public funds, and support programmes from various ministries (Kulturdepartementet, 2018). The various sectors of nonprofits draw on different sources of income to finance their operations. Most have some form of public funding, although some more than others. Religious organisations are particularly reliant on public funding and private donations, while many organisations in the health care sector receive no private donations at all. Membership fees, sales and participation fees, and sponsorship revenues make up considerable portions of the revenues in all categories, (Sivesind, 0015), indicating a substantial level of commercial income in Norwegian nonprofits.

## 2.2.6  Commercial activities and legitimacy

As nonprofit organisations explore new ways of generating income, they may come under strong criticism from stakeholders. By launching for-profit ventures, managers must balance the social mission and rent-seeking activities that are very "un-social" in nature (Dees, 1998). A common view is that nonprofits serve an important role in allowing communities to volunteer and interact with one another. Volunteers might eagerly donate time and resources to aid the poor but may hesitate if the nonprofit starts behaving like a business. The traditional values associated with philanthropy and charity come in stark contrast with the profit maximising nature of the commercial firm.

This clash of values can affect the employees of the nonprofit (Staessens et al., 2018). These employees tend to demand lower salaries than they would in the private and public sectors. Dees explains this by employees getting a sense of reward by the work they do (Dees, 1998), which leads to strong internal motivation. As the nonprofit engages in commercial activities, a sense of confusion arises. The market-oriented venture might require the organisation to perform new activities and acquire new resources, like employees with a business background. Two different cultures might arise. A commercially oriented business culture, and the more traditional culture tied to the social mission. Merging these could prove difficult. Traditional stakeholders might start questioning which direction the organisation is heading (Foster and Bradach, 2005). When the nonprofit's mission starts to stray away from the original course, performance might too be affected (Staessens et al.,

2018).

### 2.2.7   Mission drift

As presented above, exposing nonprofit organisations to the private market could affect the social mission, leading to what is called mission drift: the abandonment of social concerns in favour of profit-seeking activities (Mair et al., 2012; Battilana et al., 2012; Ramus and Vaccaro, 2017). This drift can threaten the survival of the organisation, by causing internal strife and alienating important stakeholders (Battilana and Lee, 2014). Commercialisation could cause the nonprofit to lose legitimacy. A field of research has developed to study this problem.

The constant struggle to balance different values, motivations, objectives, and strategies, lead to a difficult task for managers of any social venture. Battilana and Dorado (2010) and Weisbrod (2004) present the notion that the business model can nudge the social venture into prioritising economic aspects. Self-interested values and motivations with management could overpower the social mandate and put the organisation on a more business-like course (Ramus and Vaccaro, 2017). This can lead the social venture to target more profitable market segments, instead of those that were previously considered "socially relevant". The allure of wealth and status seems to trump the social mission. This is well illustrated by Battilana and Dorado (2010), who show how microfinance institutions that used to provide loans to the very poorest in society, gradually started drifting towards slightly wealthier customer groups. These were better able to repay their loans, allowing for lower risk and higher interests. Over time, this caused the nonprofit to drift from its original mission of providing loans to those in extreme poverty, to serving more profitable segments.

Nonprofits are organisations that at their core are trying to solve a complex social problem. As they increasingly venture into the sphere of the for-profit enterprise, they are forced to adopt more private sector features (Foster and Bradach, 2005). This leads to an organisation with a dual identity (Ramus and Vaccaro, 2017). The business and the charity. As we have already discussed the social mission, we will now turn our focus towards the business side of the venture.

## 2.3   The Business Model

The business model phenomenon has emerged as an important avenue of management and business research in the 21st century. Many articles have been published, and the concept has entered the curriculum of business schools worldwide. Business Models also receive attention from practitioners and managers seeking to develop a sustained competitive advantage (Osterwalder and Pigneur, 2010). Despite receiving attention in the literature, business model research has been criticised for being heavily fragmented (Zott et al., 2011).

### 2.3.1   Why business models matter to nonprofits

Before reviewing the business model literature, it is worth noting why this is an interesting subject for nonprofits. Business models are gaining traction in the for-profit sector. As we will see shortly, it is proven to have clear performance implications. Particularly business model innovation has become a top priority for many corporations. Still, nonprofits are seemingly lagging behind. Researchers have shown that business models are applicable and relevant to social ventures, but little empirical evidence connects business model proficiency to either the business or charity-side of the nonprofit. This reinforces the need for more research. As Dees (1998) pointed out, nonprofits tend to move slower but are increasingly starting to change. A focus on business models are likely to accompany the commercialisation of the sector, but the details on how to effectively employ business models in the social sector are still lacking. Business model theory needs tweaking to fit the social sector, and this is what many nonprofit researchers now focus on. The most prominent part of business model research in the social sector will be presented in chapter 2.5.

### 2.3.2   Towards a definition

As a field of research, a clear-cut definition of the business model concept has not yet been agreed upon. A substantial amount of research has been published aiming to arrive at such a definition (Zott and Amit, 2010; Morris et al., 2005; Casadesus-Masanell and

Ricart, 2010; Magretta, 2002; Johnson et al., 2008; Teece, 2010). Part of the problem of defining the term is that many articles do not provide a definition at all, and even more articles present their own definition. Few of the articles refer to the work of others when defining the concept (Zott et al., 2011). The definitions vary across a broad spectrum, and have been described as; statements, architectures, conceptual tools or models, structural templates, methods, frameworks, patterns, and sets (Zott et al., 2011). Despite this inconsistency, some definitions are starting to gain more traction. A few components and characteristics have been agreed upon, and the definitions are starting to look increasingly similar. Three of the most cited definitions in recent years illustrate this point:

(i) *Business models "consists of four interlocking elements, that, taken together, create and deliver value". These are customer value proposition, profit formula, key resources and key processes* (Johnson et al., 2008, p. 52).

(ii) *"The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit"* (Teece, 2010, p. 172).

(iii) *"A business model describes the rational of how an organisation creates, delivers, and capture value"* (Osterwalder and Pigneur, 2010, p. 14).

As we see from these definitions, the themes revolve around the same core principles; value for customers, activities, and payments. Either of them could be selected as our definition for this thesis. We have chosen to rely on the definition by Osterwalder and Pigneur. This is due to its relative simplicity, while still explaining the key attributes of a business model. In addition, several scholars have successfully adopted Osterwalder and Pigneur's framework in a social business model setting (Dohrmann et al., 2015; Yunus et al., 2010).

### 2.3.3   Components of a business model

Researchers generally agree that business models consist of a set of components. However, these components differ from definition to definition. Drawing on the framework by Osterwalder and Pigneur (2010), we will rely on the nine building blocks that, as a whole, constitute the basis of the business model. These blocks and the interrelationship between

them make up what they call the Business Model Canvas:

| Partners | Activities | Value Propositions | Customer Relationships | Customer Segments |
|---|---|---|---|---|
| *Who are the most important partners for value creation?* | *Which activities for value creation are required?* | *What value is provided?* | *What is the relationship with each customer segment?* | *For whom is value created?* |
| *Which activities are provided?* | | *What problem is solved?* | | |
| *Which resources are provided?* | **Resources** | *Which needs are satisfied?* | **Distribution Channels** | |
| | *Which resources for value creation are required?* | *Which goods or services are offered?* | *Which are the main distribution channels?* | |

| Expenditures | Revenue Streams |
|---|---|
| *Which are the most important expenditures?* | *Which values are being paid for?* |
| *Which activities/resources create the highest expenditures?* | *How are payments made?* |

**Figure 2.1:** Business Model Canvas

Ostewalder and Pigneur (2010) argue that the blocks are interrelated and that changing one likely will lead to changes in several others. In order to review the canvas, a good place to start is the block called "Customer Segments" to the far right. This block needs to answer which group or customer segments the business will be creating value for. Once this is defined, the next step is determining the "Value Proposition". This sets out to answer "What value do we deliver to the customer?". Following this, the third element "Channels" describes how a firm communicates with and reaches its Customer Segments to deliver the Value Proposition. Building on the value that is delivered to the customer, the next block introduces the "Customer Relationship". These are the types of relationship the company seeks to establish with its customers. The last building block in the bottom-right side of the canvas is called "Revenue Streams", referring to how the firm receives payment from its customers. This core component of the business model is closely tied to the firm's value capture.

These blocks, in sum, make up the entire right side of the canvas. Osterwalder and Pigneur refer to this as the "emotion" and "value" side, and it provides a foundation for explaining the "customer side" (left side) of the Business Model Canvas. Often called the "logic" and "efficiency" side, it starts with the block called "Key Resources". It describes the most important assets required to make the business model work. Based on these,

the "Key Activities" are the actions the resources enable the company to perform. The business model should also explain the network of suppliers and partners involved, which is the "Key Partnerships" block. Finally, the last building block of the canvas is the "Cost Structure". This relates to all the costs incurred to operate the now fully developed business model.

These building blocks put together, make up a strong tool for describing and understanding business models in both commercial and social settings. Drawing on the Business Model Canvas, we are now in a position to say something about which attributes a strong business model should possess.

### 2.3.4   Strong business models

In order to analyse whether nonprofits are able to describe and portray their business model effectively, we need an understanding of what constitutes a strong business model. There is a distinction between a well defined, and a well performing, business model. An organisation that is well performing may or may not have a well-defined business model, as there are several other factors determining performance apart from the business model. Simply investigating the business models of well-performing firms would, therefore, be insufficient. Despite this, a strong business model can certainly be an important tool in improving firm performance and efficiency (Zott et al., 2011). A brief review of strong business models is therefore required.

The minimum requirements for any business model would be that it answers the three general questions following the definition. Namely; what value do we create, how do we deliver it, and how do we capture value from what we create and deliver. Osterwalder and Pigneur (2010) argue that any organisation could, through the Business Model Canvas, explain and portray their business model. This is done most effectively by mapping and connecting the nine building blocks. One final aspect of the business model is the interdependence between the components. The business model should be structured in a way that changing one component would, most likely, lead to changes in the other components. Only knowing the nine components is therefore insufficient, as a manager also needs to understand how the different blocks interact and affect each other. Sound logic and well-established relationships between the blocks lay a foundation for a coherent

and strong business model.

In order to analyse the business models of nonprofit organisations, a list of key aspects of strong business models could be useful. Osterwalder and Pigneur use the SWOT-framework to analyse strengths and weaknesses of different business models. This may be an effective approach, and drawing on their analysis, a checklist of the most important features of a business model can be developed. This checklist covers what Osterwalder & Pigneur refer to as the four main areas of a business: (i) offer (value proposition), (ii) financial viability (cost/revenue), (iii) infrastructure and (iv) customers.

## (i) Value proposition assessment

The business/organisation has:

- value propositions that are aligned with customer needs
- value propositions have strong network effects
- strong synergies between our products and services
- high customer satisfaction

## (ii) Cost/Revenue Assessment

The business/organisation has:

- predictable costs/revenues
- returning customers and repeat purchases
- sustainable and diversified revenue streams
- pricing mechanisms that capture full willingness to pay
- cost efficiency in operations and economies of scale

## (iii)Infrastructure Assessment

The business/organisation has:

- efficiently executed key activities
- predictable resource needs
- key resources and activities that are difficult for competitors to replicate
- good working relationships with its key partners

## (iv) Customer Interface Assessment

The business/organisation has:

- well segmented customer bases
- a continuous stream of new customers

- effective channels with strong reach among customers

- strongly integrated channels providing economies of scope

- strong customer relationships

Although not exhaustive in any way, this list lays a foundation for further analysis of business models. Strong business models manage to combine all different elements of the Business Model Canvas into a coherent system of resources and activities that enables the organisation to compete effectively in the marketplace (Osterwalder and Pigneur, 2010). However, even the strongest business model will fail if it is not adjusted to the competitive landscape around it. This is illustrated by the case of Blockbuster Video, the former movie rental giant. Although their business model had functioned well for many years, as the competitive landscape evolved, their performance dropped. New entrants challenged their position, and by failing to innovate their business model, they were eventually forced to file for bankruptcy Teece (2010). Although the business model in isolation is not enough to determine if a firm will succeed, a strong correlation has been found between the business model and overall performance (IBM, 2006).

## 2.4   Effects of business modelling

As stated above, practitioners have started seeing the value of an innovative business model. An innovative and well thought out business model could enable the firm to outperform its competitors. Therefore, research has investigated which implications the business model has for the firm. In the following section, we will review how business models affect firm performance, as well as how it can be developed into a competitive advantage.

### 2.4.1   Business models and performance

Research on business models and performance focus on both static and dynamic understandings of performance (Haggège et al., 2017). The static performance view looks at the firm's performance at a specific point in time. Emphasis is put on the firm's value capture and creation. Being able to retain more value for itself, leads to stronger

firm performance. Indicators such as net income, return on sales, and turnover has proven to be effective (Zott and Amit, 2008; Zott et al., 2011). Increasing the total value created will enable the firm to capture even more value. The dynamic view takes on a somewhat different view of business model performance. Using a longitudinal approach, the dynamic view links business model performance to sustainability, adaption capacity, and resilience over time (Haggège et al., 2017). Successful firms are able to adapt their business model to changes in their environment, as well as internal changes. Thus, they are able to uphold good relations with investors and stakeholders, enabling them to remain competitive for longer.

Comparing the impact of one business model versus another is a difficult undertaking. All organisations create, deliver, and capture value to some extent. Determining what certain changes to the business model could mean for firm performance, would be largely impossible. Due to the components of the business model being interrelated, a change to one part of the business model could affect its overall logic. However, researchers have found a clear correlation between attention to business model innovation and firm performance. In a study from 2006, researchers from IBM found a strong correlation between business model design and performance (IBM, 2006). By interviewing 765 corporate and public-sector leaders worldwide, they found that financial outperformers put twice as much emphasis on business model innovation as the underperformers. By innovating and adapting their business model, managers are able to find new ways of creating, capturing, and delivering value. Business models thus become a tool for creating lasting advantages in the marketplace.

## 2.4.2 Business models as competitive advantage

Casadesus-Masanell and Ricart (2010) argue that firms can compete through their business models. Teece (2010, p. 192) elaborates on this, arguing that "To be a source of competitive advantage, a business model must be more than just a good logical way of doing business (...) It must be honed to meet particular customer needs". Managers need to tailor their business model to the customers they aim to serve and the value they wish to create. Competitive advantages that result from innovative business models over innovative

products are often seen as more superior (IBM, 2006). The logic being that advantages in products or technology can quickly be neutralised, whereas products backed by innovative business models are more difficult to compete with (Amit and Zott, 2012). An example being Apple's iPod. Despite (arguably) not being the best MP3 player in the market at the time of launch, the iPod was a part of an ecosystem of iTunes and other Apple products, which helped give Apple a dominating position in the market.

In general, any advantage a firm can develop in creating, capturing and delivering value, can be a source of competitive advantage (Markides and Charitou, 2004). A good illustration of this is how nonprofit managers and social entrepreneurs use their social missions as a key component of their value creation. For these organisations, the value they create for their customers often exceeds the value of the product or service itself. Customers are fully aware that products delivered by social ventures also have a social aspect. This implies that the total value of the product or service is more than just the monetary value. It is also the felt value of contributing to the social mission (Volkmann et al., 2012). This creates added value to the customers of social ventures, that commercial enterprises will be hard-pressed to match. This is a good example of how business model understanding can be a useful tool for nonprofit managers trying to develop a competitive advantage. With the rise of social entrepreneurship and commercially oriented nonprofits, a new form of business model with a social mission has emerged.

## 2.5   Social Business Models

Social ventures need to combine concepts that are paradoxical in nature. These organisations incur private costs while creating public value (Hockerts, 2006). For instance, by using entrepreneurial activities to tackle market failures, social ventures serve customers that are often not able to pay for the value that is created (Wilson and Post, 2013). While coping with these social problems, they need to develop economically sustainable organisations which can function like regular businesses (Siebold et al., 2017). This calls for specialised business models, whose methods of creating, delivering, and capturing value differ from regular for-profit business models. The literature on this subject is at an early stage, but we can still find relevant research to build our theoretical background.

## 2.5.1   Applying the Business Model Canvas to social business models

Dohrmann et al. (2015) illustrate how the Business Model Canvas by Osterwalder and Pigneur is also applicable to social business models. They emphasise how social business models differentiate themselves by creating social value, that can successfully be monetised in strong social business models. Other researchers have also investigated this phenomenon. Similar to Dohrmann, Yunus et al. (2010) also employ Osterwalder and Pigneur's canvas and adapt and extend it to work in a social context. They present three components of a traditional business model which are largely the same as the main components of Osterwalder and Pigneur. The three components are "Value Proposition" (Create value), "Profit Equation" (Capture value) and "Value Constellation" (Deliver value). Based on experiences from the case study of Grameen bank (the social venture that won the Nobel Peace Prize in 2006), Yunus et al. (2010) explain how business models for social organisations have four, not three components. The differences are illustrated below:

Value proposition
• Customers
• Product/service

Value proposition
• Internal value chain
• External value chain

Profit equation
• Revenues
• Cost structure
• Capital employed
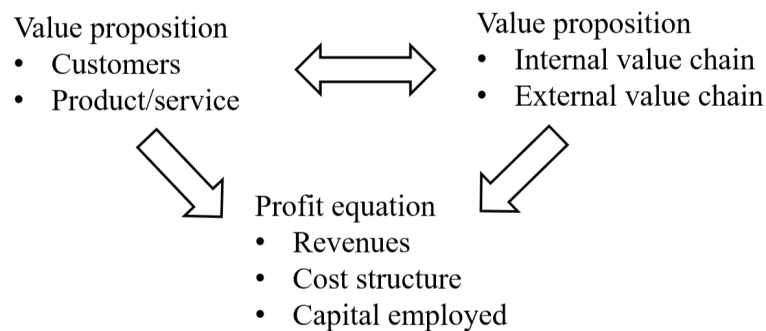
**Figure 2.2:** Traditional Business Models
(Yunus et al., 2010)

Social profit equation
- Social profit
- Environmental profit

Value proposition
- Stakeholders
- Product/service

Value proposition
- Internal value chain
- External value chain

Profit equation
- Revenues
- Cost structure
- Capital employed
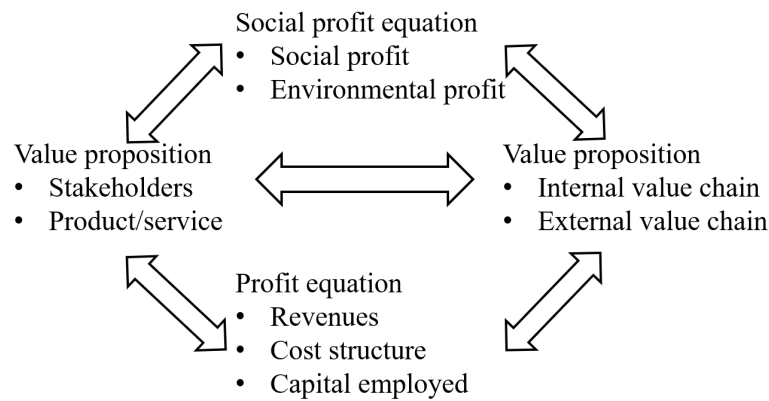
**Figure 2.3:** Social Business Models
(Yunus et al., 2010)

We see how Yunus has expanded the framework to better fit a social setting by splitting the "Profit Equation" into two separate components. One, referring to the economic side of the organisation, with sales, costs, and capital. The other side, "Social Profit Equation", refers to social (and sometimes also environmental) profits. As we discussed earlier, social entrepreneurs need to balance this dual value creation. One consequence of this might be mission drift, as we saw earlier. However, alternative perspectives have also emerged.

### 2.5.2   Synergies in social business models

Similar to how business models may make managers rethink the way they create, deliver, and capture value, social business models may lead to new ways of organising social ventures. Both in terms of how they capture economic value, as well as how social value is created and delivered (Yunus et al., 2010). Wilson and Post (2013) introduce the argument that balancing social and economic value creation does not need to be a zero-sum game, but that a business model can be engineered to maximise both kinds of value. By coupling the social mission, the market-based approach, and the business model, a system can be derived that maximises value for all stakeholder groups, not just one. This corresponds well with Mair and Schoen (2007) who argue that by introducing the intended beneficiaries at an early point, processes can be designed that allows them to capture a significant portion of the value created.

By viewing social and economic value creation as interdependent, rather than mutually

exclusive, radically new organisations may be designed that combines the best of both worlds (Porter and Kramer, 2007). By engaging in social entrepreneurship, nonprofits and other forms of social ventures may develop sustainable social business models that produce economic and social value over time. In the words of Wilson and Post (2013, p. 728), they can make "adjustments to the market system to allow value of all types to be created for a range of stakeholders".

### 2.5.3   Combining social and economic value creation

We have now seen how social and economic value creation are not contradictions, and researchers have started seeing how synergies can be created between the two. Social business models are unique in that they are able to monetise their social value creation. Dohrmann et al. (2015) have developed a framework categorising social business models based on how it combines social and economic value creation. They argue that:

> *"Every social business model can be characterised by the degree to which it monetises social value creation and the level of market revenues that it generates in excess of expenditures with the underlying social mission".* (Dohrmann et al., 2015, p. 128)

Although social ventures have shown great variety in their business models, Dohrmann's framework sorts ventures into categories based on the degree to which income comes from various forms of donations, and how much is generated by monetising the social mission in various ways. Monetising social value is the enterprise's position between earning for the beneficiaries and earning with them (Dohrmann et al., 2015). By fully utilising the social mission, an organisation may use it as a means to generate commercial income. The social mission may also be partially monetised by serving as a marketing tool for various corporate ventures (Andreasen, 1996; Liu et al., 2015).

The framework is presented in a "two-dimensional space" where monetisation of the social value creation is on the x-axis. On the y-axis is the enterprise's ability to cover its expenses (E) through its market generated revenues (R). Enterprises where R > E have social missions that generate revenues, whereas those where R < E require external funding to achieve the social mission. Dohrmann then divides these into four different business

model categories.
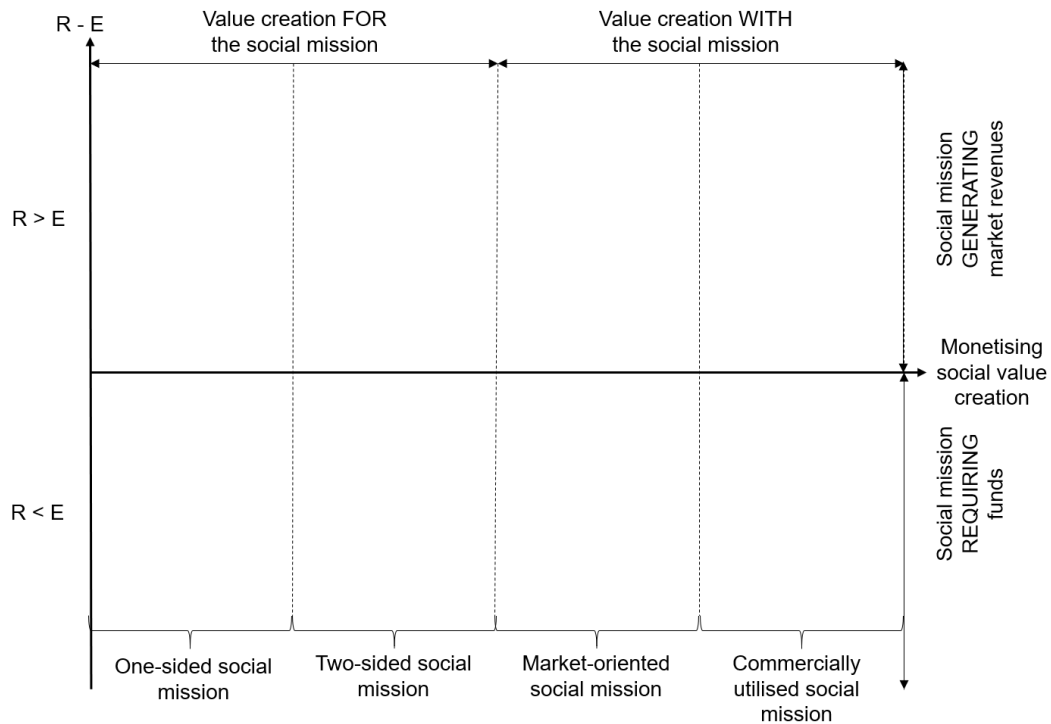


**Figure 2.4:** A social business model framework
(Dohrmann et al., 2015)

Dohrmann applies this framework to a set of different social ventures and finds a strong correlation between economic sustainability and monetisation of social value. In turn, four archetypes of social business models are developed, using Osterwalder and Pigneur's Business Model Canvas, further illustrating its relevance for analysing social business models.

## 2.6   Limitations and weaknesses of the Business Model Canvas

We have now presented the business model canvas in-depth, shown how the nine building blocks can be put together to produce strong business models, and how this, in turn, can be used to develop competitive advantages. Lastly, we also presented how researchers on social business models have successfully applied it to their field. Meanwhile, as a scientific model, the Business Model Canvas might not be suited to explain all aspects of a business

model. Despite its popularity, it too has its limitations. One such limitation can be drawn from the theoretical description of a business model. In the literature, researchers have explained how a business model can serve as a competitive advantage (Casadesus-Masanell and Ricart, 2010; Teece, 2010). as such, the business model must be connected with the external forces surrounding the firm, as well as the firm's strategy. In the Business Model Canvas, however, neither strategy nor competition is taken into consideration. Thus, one criticism of the Business Model Canvas is how external forces, such as competition and imitation from competitors or substitutes, are largely ignored (Hong and Fauvel, 2013).

Another limitation lies in the varying level of abstraction of the canvas' building blocks. Coes (2014); Hong and Fauvel (2013) argue that the blocks "customer relationship", "Channels", "key activities" and "key resources" are on a different level of abstraction compared to blocks like "Revenue streams" and "Cost structure". The latter two blocks are more concrete and tangible, potentially leading to confusion and overemphasis on these blocks. Too much attention to certain parts of the canvas may lead to a more restricted view of the business model, instead of the holistic view promoted by Osterwalder & Pigneur.

## 2.7   Measuring social value creation

Before presenting our research, one final topic needs to be addressed. This draws from both the economic and social aspects of the nonprofit. By producing social value, traditional performance measurement techniques fall short when trying to evaluate nonprofit and social venture performance. Performance measurement when balancing social and economic value creation can, therefore, be a complicated endeavour. Different approaches have been suggested, and as our research is based on explaining the connection between social business models and performance, a brief review of the literature on measuring social performance is in order.

For social ventures, financial resources are means to further the creation of social value, not a goal in its own right (Volkmann et al., 2012). Although this applies to all social ventures, the type of social value created by these enterprises can vary greatly. Reviewing

the performance of social ventures, therefore, require a broader toolbox than what is used for commercial enterprises (Felício et al., 2013). Performance of for-profit firms are followed closely by investors and a broad set of performance indicators have been established. Contrary to this, social value is a difficult measure and to translate into monetary terms.

## 2.8 Impact investment and the difficulties of measuring

Social ventures are increasingly being challenged by donors and investors to legitimise the resources they receive. Being able to demonstrate how they use their resources to impact the beneficiaries improves the chances of receiving public and private funding (Rasmussen and Simson, 2014). Investors want to maximise the social value created by their resources. Recently, the notion of "a binary choice between investing for maximum risk-adjusted returns or donating for social purpose" is becoming outdated (O'Donohoe et al., 2010, p. 5). The emergence of social entrepreneurship has lead to an expectation of both financial as well as social returns on investment. This is often referred to as "impact investment". In addition to making a profit, social ventures now need to prove that they are making a difference, giving a social and financial return on investment (Ebrahim and Rangan, 2010).

As impact investing has emerged as a source of corporate social responsibility for many businesses, the task of measuring social value has been approached by several researchers (Staessens et al., 2018; Ebrahim and Rangan, 2010). Methods like SROI (social return on investment) and multidimensional frameworks such as balanced scorecards have been applied by different organisations (Rosenzweig, 2004; Kaplan, 2001). Each method of measuring social value has its own strengths and weaknesses, and no standardised method has emerged to date. Due to the inherent difficulty of measuring social performance, research on nonprofits and social entrepreneurship often rely on subjective measurements (Coombes et al., 2011; Liu et al., 2015; Bhattarai et al., 2019). This method has the advantage of being flexible but is also more biased. A commonly used method is to collect

data on how well managers feel that their organisations reach their social missions. This could, in turn, be quantified and allows for comparison between the accomplishment of different types of social missions. Managers often need to deliver performance reports to external stakeholders. This gives them an up-to-date understanding of how well the organisation meets its goals and enables them to provide accurate performance reports. This is an important reason why self-reported management reviews have been proven to have high degrees of accuracy (Coombes et al., 2011).

# 3    Propositions

We have now reviewed the current research on nonprofits, and the ongoing commercialisation of this sector in the form of social entrepreneurship. These entrepreneurs bring nonprofits towards the open market, forcing them to adopt features from for-profit firms, such as business models. We have also seen how business models are an important tool for managers, and that managers who pay close attention to their business models tend to outperform their peers. Business models may be a source of lasting competitive advantage, which can explain why this subject has received such broad attention in recent years. By merging business models with nonprofit research, social business models have become a tool for managers of nonprofits and social entrepreneurs to use as they balance dual value creation. With this theoretical background, we will now shift focus and use the literature review as a foundation for our own research.

## 3.1    Proposition development

Based on the literature review, we have developed propositions for our research. These are concepts drawn from the literature which, unlike hypotheses, might not be empirically verifiable. With little existing research in the field, open-ended propositions are ideal. They will be discussed, and if possible, verified/refuted in chapter six. The propositions will be presented based on their relation to the research question. With a three-fold research question, the first proposition relates to characteristics of the business models of Norwegian nonprofits, the following two propositions are related to the business model proficiency in these organisations. The final propositions concern the relationship between business model proficiency and performance.

### 3.1.1    Business model characteristics

In section 2.5 we explained how research on social business models is in an early stage. It emerged as a result of the growth of business models in for-profit firms and coincided with

the commercialisation of nonprofits. These are relatively new concepts in a sector that changes slowly (Foster and Bradach, 2005). It is therefore likely that most nonprofits are unaccustomed to applying the business model concept. By taking into consideration that there still is a significant gap between theory and practice for social business models, it seems likely that nonprofits will have a low level of proficiency. Additionally, as a new, and relatively untested concept, nonprofits might hesitate to spend time and effort in mapping out and defining their business model. Those that have made an attempt at defining key business model components will likely only be partially successful. The first proposition is, therefore:

P1: The components of the business models of Norwegian nonprofits are poorly defined.

### 3.1.2   Proficiency in business models

### Business model work in nonprofits

Proposition one was grounded on the fact that nonprofits are: slow to implement new concepts (such as business models), and that with little practice, they are not very proficient at applying these concepts. In turn, this will result in poorly defined business model components. Overall, it is the responsibility of management to develop and articulate these business models. Since we believe the business model components will be poorly defined, it is therefore natural that management spends little time and effort into developing business models. We not only believe that managers are not very proficient in business models, but that they also spend little effort on it.

P2: Managers in nonprofits spend relatively little time on business model work.

### Age of enterprise and business model proficiency

Nonprofit organisations have been around for centuries, and the concept of charity is central in many cultures around the world. The recent shift towards commercialisation and social entrepreneurship has occurred relatively recently (Dees, 1998). As nonprofits probe the commercial markets for new ways of generating revenue, new business models are developed (Mair et al., 2012). The process of inventing new business models may

require trial and error on behalf of the traditional nonprofits, as this is a relatively new concept to them.

The need for innovative business models to balance social and economic value creation has to a large extent been met by social entrepreneurs. Muñoz and Kimmitt (2018) argue that it is the design or redesign of social business models that make the achievement of the social mission through market-based approaches possible. Newer social ventures use new business models to approach old social problems. Often, these social ventures are the result of social business model innovation. The business model itself might be "designed around the beneficiaries". As Wilson and Post (2013, p. 728) states:

> "*Stakeholder interests drives the design of their business models such that the creation of value—of all types—is effectively (and often in highly creative ways) "baked in" at inception through the delivery of the core products or services*"

A strong relationship is found between social performance and age of the business model employed (IBM, 2006). As the business model is a relatively new concept, older companies need to acquire knowledge of how to successfully reinvent their business models. Newer social ventures may be the result of innovative social business models in the first place. In light of this, we suggest the following proposition:

P3: Younger nonprofits have stronger business model proficiency than older nonprofits.

### 3.1.3   Business models and performance

**Business models and economic performance**

Different researchers have investigated the relationship between nonprofits and economic performance. Nonprofits with strong market orientation are found to perform better in fund-raising, commercialisation, volunteer deployment, and collaboration with stakeholders (Bhattarai et al., 2019). Other researchers have emphasised how a social mission can be monetised and used as a source of competitive advantage (Dohrmann et al., 2015; Muñoz and Kimmitt, 2018). Nonprofits that are proficient in business models will understand what value they produce for their beneficiaries and customers. This will likely lead to

stricter cost management, clear income generation strategies, and overall better economic performance.

Another argument can be found in the desire for economic sustainability in many nonprofits. Dependency on donations and grants are seen as a vulnerability (Foster and Bradach, 2005). Commercial funding is not only potentially endless, but any excess revenues can also be used to strengthen social performance. Grants and donations may have strings attached to them and are more often tied to specific purposes. Having a strong business model proficiency may allow managers to avoid dependency on donations, and build a diverse income strategy. In light of this, we introduce the fourth proposition:

P4: Business model proficiency causes stronger economic performance.

## Business models and social performance

As elaborated earlier, for many social ventures, the intended beneficiary may be unable to bear the full costs of the products or services delivered (Dohrmann et al., 2015). It is, therefore, crucial to understand the specific needs of the beneficiaries, and how these can be met most efficiently. The business model revolves around how the organisation creates and delivers value to its customers. Understanding which needs the product meets for customers is, therefore, a central component in any business model (Bhattarai et al., 2019). As business model proficiency can be said to draw nonprofits in a commercial direction, it is also worth mentioning that social ventures with a strong market orientation generally deliver stronger social value (Miles et al., 2014; Vázquez et al., 2002).

Furthermore, business models are, at its core, an understanding of the value brought to the customers and how value is captured from this process. By innovating new business models, nonprofits may provide more social value for the money they spend (Hockerts, 2006). By developing new business models, the beneficiary group may be integrated into the value chain at an early stage (Wilson and Post, 2013). The beneficiaries may then assume "a vital role in the value creation process and, at the same time, is able to capture a significant portion of this value created" (Mair and Schoen, 2007, p. 66). Working actively with value creation and delivery will inspire a critical view of the social value created for the beneficiaries. Accordingly, our fifth proposition is:

P5: Business model proficiency causes stronger social performance.

## Business models and mission drift

As nonprofits start to diversify their revenue sources, they will, as we saw earlier, have to become more commercialised. Open markets offer seemingly endless opportunities for market revenues. By tapping into the possibilities these markets offer, nonprofits can build stronger economic performance, but might also be tempted to adjust their social mission (Battilana and Lee, 2014). The mission that was the original cause for creating the nonprofit, might gradually and unknowingly, or deliberately, drift away from its point of origin.

Battilana and Dorado (2010) and Weisbrod (2004) present the notion that business models can nudge the social ventures into prioritising economic aspects. Self-interested values and motivations with management could overpower the social mandate and put the organisation on a more business-like course (Ramus and Vaccaro, 2017). As Dees (1998) argued, the drive to be recognised as managers of professional organisations are one of the causes of commercialisation of nonprofits in the first place. Prioritising economically profitable beneficiaries might be good for business, but will, by necessity, cause a drift in the social mission. It seems that economic performance comes at the expense of social performance. The final propositions are, therefore:

P6: Organisations that have drifted away from their original social mission will have stronger economic performance and lower social performance.

P7: Nonprofits that are strongly proficient in business models are more likely to experience mission drift.

# 4  Research Method

Having developed propositions, the research method will now be described in detail. The overarching research design will be described first, with emphasis on the core component of the research, the survey. The method of selecting a sample of nonprofits, as well as how the survey was distributed will also be described. An important part of the research was analysing and coding the responses. This will be presented, along with corrections made to the data set. Responses were coded as reliably as possible, and a discussion of key reliability concerns will also be presented.

## 4.1  Research design

This thesis has a three-fold purpose. First, we wish to examine "Which are the characteristics of business models in the nonprofit sector". Secondly, "How proficient are nonprofits in defining business models", before finally, "How is this proficiency related to the performance of nonprofits?". To analyse this, we developed a survey that was distributed to 75 different Norwegian nonprofits with a broad range of social missions. Having a diverse group of nonprofits answer the survey will provide new insight into how these firms perceive and understand their own business models. Furthermore, by also collecting data on their performance, we can deduce if and how proficiency in business models affects performance.

Due to the nature of this thesis and the time constraints we as researchers are faced with, this will be a cross-sectional study. Neither the time or resources were available to perform a longitudinal study. The survey will provide a snapshot image of nonprofits in Norway, providing quantitative and qualitative data on a subject that has not received much academic attention. Our intention is to explore the relationship between business models and performance. This makes the use of an explanatory research design appropriate (Saunders et al., 2016). Furthermore, as only a limited amount of research has been made on social business models in Norway, the research design will also have exploratory elements to it.

## 4.2   Developing the questionnaire

By having a three-fold research question, several types of data had to be collected. The questionnaire starts with questions concerning the respondents themselves, and the organisations they belong to. Age, level of education, and gender of the respondents was registered. Then, the size of the organisation was measured, both in terms of earnings and employees. The age of the organisation, and which category it belonged to was measured next. Respondents were mostly allowed to reply to these questions using free text, as this allowed for greater detail in the analysis. Next, organisational performance, both social and economic, was measured subjectively. Letting respondents self-report performance has both advantages and disadvantages, which will be discussed in section 4.2.1 below. Another subgroup of questions concerned business model work in the organisations. Here, respondents could self report how proficient their organisations were in business models. Three statements were included in this subgroup. Both the subgroup on organisational performance and the subgroup on business model proficiency consisted of statements. Respondents were asked to rate how well statements (such as "we have a clearly defined business model") matched their views of their own organisations. A 7-point likert scale was used, ranging from *strongly disagree* to *strongly agree*. The last part of the survey was designed to let the respondents explain their business model using their own words. How this was done is explained in detail in section 4.2.2.

### 4.2.1   Measuring economic and social performance

As discussed earlier, performance in nonprofit organisations is both highly ambiguous and difficult to translate to monetary terms. Financial indicators are seldom able to capture the full extent of the social value creation, as it is heavily based on intangibles that are difficult to quantify and measure (Coombes et al., 2011). As Kaplan (2001, p. 354) noted: "Performance measurement for nonprofit organizations is extensive, but generally inconclusive". It was therefore decided to measure both financial and social performance. This fits well with the literature, which emphasises the dual mission of nonprofits.

Several approaches have been developed in the literature in order to measure social

and economic value creation. This thesis will let the respondents themselves rate the performance of the organisation. It has been noted that managerial decisions and actions are primarily driven by perceptions of organisational performance (Liu et al., 2015). Therefore, perceptual measures can produce reliable and valid assessments on performance. Managers often report on organisational performance to stakeholders. Their impressions will therefore often accurately reflect the current situation in the nonprofit. However, such measurements are subjective. The respondent's own views could affect the response, which needs to be taken into consideration.

Social performance was measured by having respondents reply to three statements on how well their organisation has succeeded in their social missions. A 7-point scale was again utilised, ranging from strongly disagree to strongly strongly agree. This is in line with the argument of Kaplan (2001, p. 357), that nonprofit performance should reflect "what output and outcomes the organization intends to achieve". Respondents also evaluated their organisation in how well they were succeeding with their social mission compared to organisations with similar social missions, and if they had experienced growth in how well they accomplished this mission. Financial performance was measured in a similar way, presenting respondents with statements concerning their organisation's income generating abilities and cost management. Lastly a statement on mission drift was added to get an indication on whether the missions were fixed in time, or if they drifted, as the literature suggests that it might.

## 4.2.2   Key business model components

Lastly, four key components were identified and subject to more in-depth questioning. This section amounted to the largest and most comprehensive section of the survey, and consisted of a significant amount of open-ended questions. The selected components were: (1) the organisation's value proposition, (2) its key resources, (3) its target group(s), and (4) its income strategy. An identical structure was used for all four. These four put together can give an indication of both the value creation, value delivery, and value capture of the organisation. Ideally, respondents would explain all nine components, but in order to avoid making the survey unnecessarily long, only four were selected. These

will be used to both give an idea of the characteristics of the business models employed by Norwegian nonprofits, as well as how proficient managers are at articulating and defining them.

Starting with the first component, respondents were asked if their organisation had a defined value proposition/key resources/target group(s)/income strategy. A definition of each component was added to avoid misunderstandings. These were simple binary Yes/No questions. Then, using their own words, respondents were asked to explain this component. Ample space was provided to the respondents to write their response, signalling that we expected explanations of more than just a few words. Lastly, a statement on whether or not the organisations worked systematically with the business model component was added. The same 7-point likert scale from earlier was used. This process was repeated for all four components. The survey is added as appendix A1.

## 4.3   Drawing a sample

To get the organisations responding to the survey to be as representative as possible, our sample needed to reflect the overall population of Norwegian nonprofits. In order to achieve this, a report from the Centre for Research on Civil Society and Voluntary Sector was used to reveal which categories of nonprofits exist, and which are most common (Kraglund and Enjolras, 2017). This report sorts Norwegian nonprofits into categories and lists which have the most members, volunteer hours, receive the most donations, etc. Some categories are more common than others. An effort was made to make our sample reflect the overall population. As several categories were similar in nature, some were merged in order to reduce the number of categories from 15 to 10. A translated version of these categories can be found in appendix A2.

After determining the desired distribution from the different categories, organisations had to be selected. Initially, "Virke ideell og frivillighet" was reached out to. This is an enterprise federation for nonprofit and voluntary organisations, representing more than 1000 organisations throughout Norway (Virke, 2019). In collaboration with them, a list of 93 organisations was developed. The list was controlled to make sure that all organisations

were nonprofits, and that no for-profit enterprises had been added to the list by mistake.

### 4.3.1   Delivering the survey

Organisations were initially contacted via telephone and asked to participate in the study. Wherever possible, the general manager was called and then he or she would forward the survey to one or two other people in the organisation. The decision to have two to three respondents per organisation was to reduce any selection bias by managers sending the survey to the people with the most knowledge of business models in the organisation. Having only one respondent would likely have reflected that one individual's business model proficiency, not necessarily the proficiency of management as a whole. By having several respondents, a clearer view of business model proficiency throughout the organisation would be achieved.

Before sending the survey, every organisation was controlled against The Norwegian Control Committee for Fundraising's "OBS list" (Innsamlingskontrollen, 2019). This is a list of Norwegian nonprofits and NGOs that fail to meet certain transparency and accountability regulations. Being on this list, and failing to achieve the desired transparency standards, raises questions of whether these organisations meet the five characteristics required to be a nonprofit. Any organisations found to be on this list would be promptly removed.

In total 77 organisations were approached, of whom 75 accepted the invitation to the survey. Upon accepting, the survey was sent by email to the organisation. The first organisations were contacted on Tuesday, April 9th, and the deadline was set to May 3rd. By April 29th, a careful note was sent reminding the organisations of the survey. As we stopped the data collection, a total of 102 responses were recorded. Of these, three responses were excluded on the basis of being blank. A further one was excluded as the respondent sent an email, explaining that his organisation didn't have a business model. At his recommendation, his response was removed from the data. A total of 98 responses were subject to analysis.

## 4.4   Nonprofits of the study

Although 75 organisations agreed to partake in (or at least receive) the survey, some of these organisations failed to provide any respondents. Of our 98 respondents, 19 came from organisations where only one response was registered. 17 organisations provided two respondents, and total of 15 organisations contributed three respondents to the study. Aggregated, this sums up to 98 respondents. In general, these organisations were founded sometime between 1850 and 2017, and reported having between zero and 2 000 employees. They were from a range of different categories, the largest of which being *Social services, substance abuse treatment, and temperance work*, and *health, care services, and rescue work*. These categories had 18 and 16 respondents respectively. The category of *Residents' and community associations* received the smallest amount of respondents, with only 4. It should however be noted that some organisations operated in multiple domains, for instance religious/spiritual organisations that were involved in a variety of different charities. As respondents were allowed to select only one category from the list, strong arguments could be made for several nonprofits to be placed in multiple categories.

| Founded (year) | | | | | |
|---|---|---|---|---|---|
| Year | 1850-1886 | 1887-1922 | 1923-1958 | 1959-1994 | 1995-2005 | 2005-2017 |
| Count | 6 | 14 | 9 | 24 | 18 | 21 |
| Number of employees | | | | | |
| Class | 0-5 | 6-10 | 11-50 | 51-150 | 151-500 | 500+ |
| Count | 29 | 18 | 13 | 19 | 9 | 5 |
| Revenue (in millions) | | | | | |
| Class | 0-3 | 3-10 | 10-20 | 20-100 | 100-500 | 500+ |
| Count | 17 | 18 | 15 | 16 | 18 | 6 |

**Table 4.1:** Nonprofits of the study

The age of the nonprofits partaking varied greatly. 38 respondents reported their organisation to have been founded after 1995. A further 24 worked in organisation founded between 1959 and 1994. The remaining belonged to relatively old organisations, the oldest of which was founded in 1855, thus reflecting the long tradition of nonprofits in Norwegian society. Through their various income models, these organisations reported revenues of up to NOK one and a half billion. The smallest organisations reported earnings of less than NOK 100 000, reflecting the difference in size. This is also prevalent when

looking at the amount of people employed. Some nonprofits rely almost exclusively on voluntary labour, while some report more than a thousand full-time employees. However, the majority of these organisations were on the smaller side of the spectrum.

| Categories | % | Count |
|---|---|---|
| Arts, culture, choir and marching bands | 6.32 % | 6 |
| Residents' and community associations | 4.21 % | 4 |
| Hobbies, sports, outdoors and social unions | 5.26 % | 6 |
| Teaching, education, kindergartens and research | 13.68 % | 13 |
| Religious and spiritual organisations, including the church of Norway | 7.37 % | 7 |
| Health, care services, and rescue work | 16.84 % | 16 |
| Social services, substance abuse treatment, and temperance work | 18.95 % | 18 |
| International exchange, emergency aid, and human rights work | 11.58 % | 11 |
| Nature, environment, and animal care. | 7.37 % | 7 |
| Others: Free text | 8.42 % | 8 |
| Total | 100 % | 96 |

**Table 4.2:** Category of the nonprofits

## 4.5   Respondents of the study

Looking at the respondents individually, we find women and men to be approximately equal, with a slight majority of women. One respondent identified as "other". Of these, most were relatively highly educated. A total of 79 percent responded having a higher education of three years or more. Only six had no more than upper secondary school level, while 14 where somewhere in-between. The age of the respondents were mostly between 35 and 55. 16 respondents were 34 years or younger, two were older than 65, whereas the rest were relatively evenly distributed between the categories 35 - 45, 45 - 55, and 55 - 65 (24, 29 and 26 percent respectively).

| Gender | % | Count |
|---|---|---|
| Female | 52 % | 50 |
| Male | 47 % | 46 |
| Other | 1 % | 1 |
| Total | 100 % | 97 |

| Education | % | Count |
|---|---|---|
| Elementary School | 1 % | 1 |
| Upper Secondary School | 5 % | 5 |
| Higher education (1-3 years) | 15 % | 14 |
| Higher education (>3 years) | 79 % | 77 |
| Total | 100 % | 97 |

| Age | % | Count |
|---|---|---|
| 16 - 24 | 2 % | 2 |
| 25 - 34 | 14 % | 14 |
| 35 - 44 | 25 % | 24 |
| 45 - 54 | 30 % | 29 |
| 55 - 65 | 27 % | 26 |
| >65 | 2 % | 2 |
| Total | 100 % | 97 |

**Table 4.3:** Respondents of the study

## 4.6   Coding and corrections

### 4.6.1   Corrections in the data file

As the data file became available, a certain number of edits were required. Largely, small changes in format to allow for better analysis. In some cases respondents wrote one number for the number of employees, and another for the number of volunteers. In this case we corrected it to only say the number of full time employees. Similarly, some responses had a "ca" in front of the founding date of the organisations, indicating they were insecure as to the exact year it was founded. These were also corrected by us, removing the "ca" or "circa" in front of the date. Furthermore, several of the respondents responded that their organisation did not fit in any of the established categories of nonprofits, and placed it in the "other" category. This category was underlined with a text box where respondents could write which category they felt their organisation belonged to in their own words.

Some of these self-written categories were almost identical to an existing alternative. These were corrected to fit in the pre-existing categories. In total, 79 responses received minor corrections. A majority of these consisted of changing the numerical format of the revenues (e.g. changing "3,5 mill" to say "3 500 000").

After reviewing all our categories, it was decided to divide the sample into two major categories. This was to strengthen our analysis, and remove unwanted noise. The organisations were divided on whether or not their mission revolved around helping people. Thus, categories 6,7 and 8 were grouped into one overarching category. The remaining categories were placed in the other. This resulted in a distribution of 48 responses in both categories.

Another change was made prior to the analysis. As will be explained later, indexes were calculated from the different subgroups of questions. In one such subgroup, a question was removed from the index. This questions was the last of the three in the subgroup about business model proficiency. Contrary to the two prior questions in the subgroup, the most positive response to this question was 1, making the most negative response 7. In other words, the scale was reversed. Additionally, it came after a streak of questions using the opposite scale (with 7 being the most positive). This might have caused erroneous responses with some respondents. When calculating Cronbach's Alpha for this subgroup of questions, $\alpha$ was calculated to 0.60. After removing the reversed statement, the new Cronbach's Alpha was 0.86. This indicates that the question did not work as intended, or the respondent's misunderstood it. In our analysis the statement is therefore removed. A more detailed discussion on reliability can be found in section 4.7.

### 4.6.2   Coding of the free text responses

To analyse the text responses in the survey, the responses had to be coded. This was done to quantify the qualitative data, preparing it for further analysis. The free text responses in need of coding, asked the respondents to, in their own words explain their: (i) value proposition, (ii) key resources, (iii) target group(s) and (iv) income strategy. How these were coded are explained below. The actual coding was performed by both authors individually in an effort to strengthen the reliability of the results.

## (i) Value proposition

In order to rate the quality of the value propositions, a set of indicators was needed. These were developed based on the business model literature. As presented in section 2.4.2, Teece (2010) argues that business models need to be tailored to the value the organisation aims to create. Value need to be differentiated and specified to its particular purpose. We therefore rated the value propositions on a scale from one to five, based on its degree of differentiation. Secondly, no components in a business model should be designed in isolation. The value proposition should (for instance) include which target group it is designed to create value for. Being connected to a target group received a binary variable (1 if it mentions/has a connection to the target group, 0 otherwise). Similarly the value proposition should reveal which "need" it aims to solve for the target group. Mentioning the need it solves also received a binary 1/0 variable.

## (ii) Key resources

A different method was used when coding key resources. Here, respondents were asked to describe the most important resources for the enterprise's success. The strength of the resources had to be analysed. The VRIO analysis has been established as an efficient way of analysing strengths and weaknesses of organisational resources. We applied the framework when coding these responses. In case of several resources being listed, the framework was applied to the most specific resource. The resource was scored on whether it was Valuable, Rare, and Inimitable. We opted out the "O", as whether or not the resource was organised, was of little relevance to the research. This was aggregated into a "VRI-score", calculated as the average of the VRI ratings. Lastly, as mentioned in 2.3.3, key resources are central in creating value for the customers. Therefore, a binary variable was added if the key resource was connected to the value proposition or not.

## (iii) Target group(s).

When coding the target group(s), a simpler approach was used. Firstly, the amount of target groups were noted. Then, on a sale from 1-5, the target groups were scored based on how specifically it was described (i.e. "Norwegian boys between 13-25 years old in rural Hedmark" is more specific that simply "youth"). In case several target groups were listed, the most detailed target group was chosen. Furthermore, nonprofits will likely have several target groups, for instance key policy makers, potential donors, and the beneficiaries themselves. A strong business model is expected to differentiate between clusters of target

groups, and which "needs" the organisation serves for this group, or needs the group serves for the organisation. In 2.4.2 we saw that business models also need to be tailored to the particular customer groups, and the need the products or services serve for this group. A binary (1/0) variable was added if the target group mentioned the "customer need" of this group, or not.

## (iv) Income strategy

The final free text question asked the respondents to describe their income strategy. A range of binary variables were applied, based on which income sources the nonprofit used. These were: donations, public funds, membership fees, sales/services, project funding, and tender. Finally, income strategies should not be designed in isolation, but emerge as a result of the value created for the selected target groups. Two binary variables therefore measured if the income strategy was tied to the value proposition, and if it was connected to the target group(s).

# 4.7   Reliability

In order for a survey to be valid, it must also be reliable. It is a critical concern that respondents interpret the questions in the same way, and in the way intended by the researchers. The first subsection addresses internal consistency in the various subgroups of the survey. It is also important that the free text questions are reliably coded. The correlations between the coders will therefore be presented in the last subsection.

## 4.7.1   Testing for internal consistency

The questionnaire consisted of several groups of questions intended to measure the same construct. One example is the group of questions measuring the respondent's perceptions of their organisation's social performance. If these questions have strong internal consistency, then the questions should correlate with each other. Internal consistency was measured using Cronbach's Alpha. This is a tool that works well with scaled questions like the ones used in this questionnaire. $\alpha$-coefficients were calculated from three different subgroups. These were: economic performance, social performance, and business model proficiency.

Values of 0.60 or more are considered to indicate satisfactory internal consistency (Lance et al., 2006).

Cronbach's Alpha for the social performance subgroup was calculated to 0.72, which indicates acceptable internal consistency. The three questions on economic performance reported $\alpha = 0.62$. This is acceptable, although barely. The final subgroup measured business model proficiency. Here, $\alpha$ was only 0.60, indicating a barely passable level of internal consistency. By removing the third question in this subgroup, $\alpha$ increased to 0.86. As we described in section 4.6.1, in order to strengthen internal consistency, this question was removed from further analysis. The other two questions in the subgroup remained.

## 4.7.2   Consistency in the free text responses

As presented in section 4.6.2, the free text responses were systematically coded. In order to make sure the codings were as unbiased as possible, all free text responses were coded individually. A mean of the results from each coder was calculated. High levels of consistency between the coders indicate that we, as researchers, coded and rated the questions relatively evenly. Low levels of consistency would imply that responses were coded by different standards. This is referred to as inter-rater consistency.

As presented in 4.6.2, some questions were coded using a scale from one to five. The remaining were rated on a binary 1/0 basis. On scaled questions, the correlation score between the coders was calculated. A high correlation coefficient indicates strong agreement between the coders. A low coefficient indicates no pattern between coder one and two. For the 1/0 questions, the agreement percentage was calculated, as well as Cohen's Kappa. This statistic measures inter-rater reliability by calculating the coefficient $\kappa$. This is a number between 0 and 1, with 1 being perfect agreement, and 0 being agreement equivalent to chance. Values over 0.61 are considered to indicate "substantial agreement". Values between 0.41 and 0.6 indicate "moderate agreement" (Cohen, 1960). Results from these calculations are presented in table 4.4 below. In general, all values are within established boundaries.

Although widely used, Cohen's Kappa has been criticised for providing unreliable results

(Gwet, 2002). The advantage of adding Cohen's Kappa is that it accounts for the raters performing random ratings, i.e. classifying a subject without being guided by its characteristics. Despite accounting for this possibility, Cohen's Kappa should always be used in conjunction with other statistics (Flight and Julious, NA). This is largely because very high values of agreement can result in low values of $\kappa$ (Feinstein and Cicchetti, 1990). This becomes evident when looking at the inter-rater consistency for coding the income strategies. In this case, both coders agreed on 78 out of 79 answers, yet $\kappa$ was calculated to a mere 0.66, (substantial agreement). Still, the Kappa values are kept to provide a more detailed view of inter-rater consistency.

| Value proposition: | |
|---|---|
| Correlation score | 0.88 |
| Agreement percentage | 91.6% [1], 86.7% [2] |
| Cohen's Kappa | 0.83 [1], 0.73 [2] |
| Key resources: | |
| Correlation score | 0.80 |
| Agreement percentage | 92.1% |
| Cohen's Kappa | 0.53 |
| Target group(s): | |
| Correlation score | 0.79 |
| Agreement percentage | 98.8% |
| Cohen's Kappa | 0.88 |
| Income strategy: | |
| Agreement percentage | 98.7% [3], 98.7% [4] |
| Cohen's Kappa | 0.66 [3], 0.88 [4] |

[1] Connected to customer needs.   [2] Connected to target group(s).
[3] Connected to value proposition.   [4] Connected to target group(s).

**Table 4.4:** Correlations between the two coders

# 5    Results

In this section, the main findings from the survey will be presented. As the study is based on a three-fold research question, findings will be presented in chronological order, starting with the first part of the question. This part is best answered through examples from the free text responses. The second part is somewhat abstract in nature, it can largely be described through descriptive statistics. The second part is also best answered through descriptive statistics. The third, and final part requires more in-depth analysis. Using R, the relationships between variables were analysed and will be presented.

## 5.1    *Which are the characteristics of business models in the nonprofit sector?*

To answer the first part of our research question, we should look at the free text responses from the survey. The answers give us information about the four components investigated and would give us information about the characteristics of their business models.

**Free text responses**

The last part of the questionnaire had the respondents explain their value proposition, key resources, target group(s), and income strategy. These questions produced qualitative data by allowing the respondents to explain the nuances of their business models in free text. Furthermore, it allowed us as researchers to gain a stronger understanding of the different components in their business models, thus allowing us to study the characteristics. The coding explained in section 4.6.2 were applied to these responses. This section will, by using examples, try to present how these questions were answered. Three examples from each category have been selected. These

were chosen as they highlight some of the trends identified in the total group of responses. Overall, we can say that the responses were somewhat brief. Many were only one or two sentences, and several also just contained keywords. Some responses were seemingly copied directly from various internal documents and could be very long. Below are translated versions of the Norwegian responses. The original responses can be found in Appendix A3.

| | Value proposition |
|---|---|
| | |
| 1 | Values: Inclusive, committed, honest (slightly altered to preserve anonymity) |
| 2 | We aim to inspire and equip young people for a christian life in sports and congregation! |
| 3 | Will define value proposition here as our vision. The vision is an objective we work to deliver on within 5-10 years. The vision is dependent on political/professional will to inscribe said objective in national plans and mission documents. |

**Table 5.1:** Example responses: Value proposition

When asking the respondents to explain their value proposition, responses varied greatly. As presented earlier, 87% responded to having a defined value proposition. Several responses listed the key values of the organisation, as seen in response #1 above. Others, such as for example #3, explained that their value proposition could be derived from their mission statement or vision. These were often followed by an excerpt from internal documents, presenting said statement or vision. Some of these excerpts explained the value created for the beneficiaries. Others, like #3, made little effort to explain any form of value creation. In general, not many responses had accurate and concise value propositions. Most were relatively short, and only partially explained the value produced, as exemplified by # 2.

| Key resources | |
|---|---|
| 1 | Our employees |
| 2 | Education, care, activities, medical help, clothes, food and a safe home for the children! |
| 3 | Visibility, reputation, profiling. Culture and work culture. Leadership. Professional quality- development |

**Table 5.2:** Example responses: Key resources

Key resources were the component which the lowest amount of respondents claimed to have clearly defined, a total of 75%. Explanations of this component often varied greatly in length. As there was no limit to the number of resources that could be written, several respondents listed more than 10 key resources. The most frequent response was to write employees and/or volunteers. Some wrote this as the only key resource (#1). Overall, most of the resources listed were physical, either as employees with particular skills, or important resources such as medicines or various pieces of property, i.e. #2. A few, such as #3, wrote more abstract resources such as networks of contacts or particularly important cultures.

| Target group(s) | |
|---|---|
| 1 | All who do business or cultural activities in area X |
| 2 | Poor families in rural country X. Orphaned children. Academically strong and impoverished children. |
| 3 | Depends on if you work with the collecting efforts, or towards the social mission. For those working with the collecting efforts, the target group is givers, while those working with the mission, the target groups are people/organisations with the ability to affect the status quo. Consumers, businesses, producers |

**Table 5.3:** Example responses: Target group(s)

Nearly 95% stated that there was a shared agreement as to who the main target group(s) is. Most wrote their intended beneficiaries, but a few also wrote key policymakers and/or groups to influence in order to acquire funding/resources, such as #3. The responses also varied in how specific

they were. Some wrote relatively well-defined groups, such as #2. These were often limited in age and geography. Others wrote several relatively broad categories, but the by far most frequent target group was simply: "the members".

| Income strategy | |
|---|---|
| | |
| 1 | Membership recruitment |
| 2 | Government subsidies, project funds, membership funds, donations, participation fees. |
| 3 | Several large and stable contracting entities with predictable terms and framework agreements |

**Table 5.4:** Example responses: Income strategy

The final component was the income strategy, which 84% claimed to have clearly defined.  Most respondents reported some form of government funding, either through direct funding, or indirectly by applying for special project grants (#2). Many also relied on donations, either from private individuals or from various businesses or institutions. Membership fees were also frequent (#1), and a few reported generating market income by selling various forms of goods or services. All in all, the income strategies were mostly presented through keywords of their different sources of income. Some did the opposite, and explained it in more abstract terms, such as for example #3.

## 5.2 *How proficient are nonprofits in defining business models?*

The second part of the research question asks broadly about the relationship between nonprofits and their business models.  Several questions in the survey were dedicated to this topic.  Their results are presented in the

tables below.

| Statement: | Mean | $\sigma$ | Count |
|---|---|---|---|
| We often focus on the business model in our work | 5.14 | 1.21 | 98 |
| We have a clearly defined business model in our organisation | 5.46 | 1.31 | 98 |
| Only a limited amount of people are engaged with the business model | 4.82 | 1.49 | 97 |
| Index (first two statements) | 5.30 | 1.26 | 98 |

**Table 5.5:** Business models and the organisations

Table 5.1 shows the descriptive statistics for a series of questions relating to how much emphasis the nonprofits put into working on their business model. The first of these, ask directly about business models in the daily work. Using the 7-point Likert scale explained earlier, the organisations reported a mean of 5.14 with a standard deviation of 1.21, indicating a substantial focus on business models. When asking about having a clearly defined business model, a mean of 5.46 was reported with a corresponding standard deviation of 1.31. The third question concerned how many people were involved in working on the business model. Here, the mean was somewhat lower, at 4.82. Standard deviation was 1.49. As mentioned earlier, the third question was excluded from the index, as Cronbach's alpha would be considerably strengthened by removing this question. The index was calculated to 5.30 with a standard deviation of 1.26.

The second statement "we have a clearly defined business model in our organisation" was particularly relevant to the first part of the research question. We, therefore, performed a two-sided T-test on this variable, to see if the observed mean was higher than the expected mean. On the questionnaire, the number 4 on the scale from 1-7 had "neutral" written over it. By setting four as the expected mean, we tested the observed average of all observations to be different from four. Another test was then

run to see if the observed average was greater than the given average.

For both tests, we observe p-values of less than 0.001. We can therefore with high probability say that the observed mean is indeed higher than four on having a defined business model in the organisation. The results showed a 95 per cent confidence interval, ranging from 5.0628 to 5.5391. A printout of both tests can be found in Appendix A4.

**Descriptive statistics of the components**

| | Yes | | No | | Total |
|---|---|---|---|---|---|
| Statement: | Count | % | Count | % | Count |
| Does the enterprise have a defined value proposition? | 85 | 87.63 % | 12 | 12.37 % | 97 |
| Has the enterprise defined what its key resources are? | 72 | 75.0 % | 24 | 25.0 % | 96 |
| Is there a shared agreement of who the main target group(s) are? | 91 | 94.79 % | 5 | 5.21 % | 96 |
| Does the enterprise have a defined income strategy? | 79 | 84.04 % | 15 | 15.96 % | 94 |

**Table 5.6:** Components of a business model

Aside from the self-reported business model proficiency presented earlier, there were also questions on four business model components. For each component, respondents were primarily asked to explain the components using their own words, but we also asked if these components were clearly defined, and how much they worked on the components (on a scale from 1-7). Table 5.2 presents data from the first category, while 5.3 presents data from the latter.

A total of 94.79 per cent report having an agreement on who their target group(s) is, making this the component with the highest degree of "yes". Furthermore, 87.63 per cent report having a clearly defined value proposition. Next, 84.04 per cent report "yes" on having a defined income strategy, while 75.0 per cent report having defined key resources.

| Statement: | Mean | $\sigma$ | Count |
|---|---|---|---|
| We work systematically to improve our value proposition | 5.83 | 1.08 | 93 |
| We work systematically to strengthen our key resources | 5.59 | 1.15 | 90 |
| We work systematically to better understand our target group(s) | 5.74 | 1.15 | 88 |
| We work systematically to improve our income strategy | 5.80 | 1.09 | 89 |

**Table 5.7:** Improving the business model

Table 5.3 shows how much the organisations work on each component. Respondents generally report working systematically on all four components. Systematic work on the value proposition received a score of 5.83 with a relatively low standard deviation of 1.08. The other three components: key resources, target group(s), and income strategy received a mean of 5.59, 5.74, and 5.80 respectively.

In all the tables above, there is a level of variety in the number of responses to each question. Overall, the questions received between 88 and 98 responses. As the respondents were allowed to skip questions, some inconsistencies in the number of responses must be expected.

### 5.2.1   Descriptive statistics from coding

As described in 4.6.2, extensive coding of the free text responses was performed. Descriptive statistics of the results from this is presented in the table below. Note that both authors coded the responses individually, and the results below are the averages between the two coders.

| Value proposition: | | | |
|---|---|---|---|
| Variable | Mean | std | Count |
| Number of sentences | 3.05 | 4.06 | 83 |
| Differentiation (1-5) | 2.63 | 1.24 | 83 |
| | %-yes | %-no | |
| Connected customer needs | 48.8 % | 51.2 % | 83 |
| Connected target group(s) | 46.4 % | 53.6 % | 83 |
| **Key resources** | | | |
| Variable | Mean | std | Count |
| Number of sentences | 1.74 | 1.26 | 76 |
| VRI score (1-5) | 2.15 | 0.79 | 76 |
| | %-yes | %-no | |
| Connected value proposition | 9.2 % | 90.8 % | 76 |
| **Target group(s)** | | | |
| Variable | Mean | std | Count |
| Number of sentences | 1.96 | 1.76 | 84 |
| Specific (1-5) | 3.04 | 1.14 | 84 |
| | %-yes | %-no | |
| Connected customer needs | 5.4 % | 94.6 % | 84 |
| **Income strategy** | | | |
| Variable | Mean | std | Count |
| Number of sentences | 2.18 | 2.10 | 79 |
| | %-yes | %-no | |
| Connected value proposition | 1.9 % | 98.1 % | 79 |
| Connected target group(s) | 5.7 % | 94.3 % | 79 |
| | %-yes | %-no | |
| Donations | 45.6 % | 54.4 % | 79 |
| Public funds | 59.5 % | 40.5 % | 79 |
| Membership fee | 26.6 % | 73.4 % | 79 |
| Sales/services | 16.5 % | 83.5 % | 79 |
| Projects | 21.5 % | 78.5 % | 79 |
| Tenders | 3.8 % | 96.2 % | 79 |

**Table 5.8:** Descriptive statistics from coding

Starting with the scaled questions, these generally received a low score (they are noted in the table with the caption (1-5)). The differentiation of the value propositions has a mean of 2.63 with a standard deviation of 1.24. The VRI scores of the key resources are slightly lower, with a mean of 2.15 and a standard deviation of 0.79. Furthermore, the specificity of the target groups has a mean of 3.04 with a standard deviation of 1.14, being the highest rated of the scaled questions. As we see from the number of

sentences, respondents made the longest responses in the value proposition section. A total of 3.04 sentences on average. However, there were some outliers. A few respondents had very long responses, the longest being 29 sentences, which is again reflected in the high standard deviation of 4.06. The other categories have lower sentence counts, with means of 1.74, 1.96 and 2.18. As there were fewer outliers in these categories, their standard deviations are also considerably lower.

As strong business models have components that are interconnected, we also measured the connections between some of the components (see 4.6.2 for an explanation of these codings). Connections were coded in a binary fashion, with 1 indicating connections to another component, 0 otherwise. These revealed that some components were somewhat weakly connected. Value proposition had the strongest connections, with approximately half of the value propositions being connected to customer needs and/or a target group(s). For all other components, less than 10% had any reasonable connection to other components (that we measured). Lastly, a range of different revenue sources was identified from the income strategies. The most common sources were public funds and donations (59.5 and 45.6). A total of 69.6 per cent reported receiving some form of public funds (either directly, or through tenders and project funding).

### 5.2.2   Free text responses versus subjective assessment

In our survey, business model proficiency can be measured both through the free text responses of the components and through the self-reported business model proficiency (table 5.1 and table 5.8). To see how these correlated

with one another, an analysis was performed. The coded variables were tested against the self-reported business model proficiency. To maintain the strength of the tests, some of the coded variables were left out. The results show a minor correlation between the variable "target group specificity" (TS), and business model proficiency (BMP). With self-reported business model proficiency as the dependent variable and target group specificity being the dependent, a coefficient of 0.443 is found, with a p-value of 0.004. Apart from this, all other associations were not significant. In short, this means that there is only a small correlation between the coding of their responses and their self-reported business model proficiency. Furthermore, the category of the nonprofit was also added, without revealing any significant patterns.

| Dependent.Variables | Independent.Variables | $\beta$ | SE | t.value | p.value |
|---|---|---|---|---|---|
| BMP | TS | 0.443 | 0.598 | 6.593 | 0.004 |
| BMP | VD | 0.096 | 0.131 | 0.729 | 0.469 |
| BMP | VRI | -0.037 | 0.222 | -0.165 | 0.870 |
| BMP | KRConVal | -0.813 | 0.482 | -1.685 | 0.097 |
| BMP | TNeed | -0.262 | 0.603 | -0.434 | 0.666 |
| BMP | InSConTarget | 0.540 | 0.551 | 0.980 | 0.331 |

BMP = Business model proficiency, TS = Target groups specificity, VD = value proposition being differentiated, VRI = VRI-score of key resources, KRConVal = Key resources connected to value proposition, TNeed = Target groups' need being mentioned, InSConTarget = Income strategy connected to target group(s).

**Table 5.9:** Business model proficiency - correlations

## 5.3 *...does proficiency in the business model affect the nonprofit's performance?*

In order to analyse the relationship between business models and performance, more comprehensive analyses were required. This section will start with descriptive statistics from the questions on social and economic

performance, as well as the question on mission drift. These will then be used in conjunction with data on business model components to see if and how business models and performance interrelate. A series of analysis were run in R, testing the variables against each other. The results of these will be presented and commented on last.

### 5.3.1  Performance and mission drift

| Statement: | Mean | $\sigma$ | Count |
|---|---|---|---|
| We achieve better results than other enterprises with similar social missions | 4.98 | 1.25 | 95 |
| In recent years, we have gradually achieved better on our social mission | 5.41 | 1.36 | 92 |
| In recent years, we have been very successful in our social mission | 5.68 | 1.10 | 92 |
| Index | 5.36 | 1.24 | 92 |

**Table 5.10:** Social performance

Table 5.10 above presents social performance as measured in the survey. The fourth line is the aggregated index, with a mean of 5.36 and a standard deviation of 1.24. The lowest score is found in statement one if their organisation outperforms others with similar social missions. Here, a mean of 4.98, with a standard deviation of 1.25 was reported. The final two, on achieving and improving the social mission received slightly larger means of 5.41 and 5.68, and standard deviations of 1.36 and 1.10 respectively.

| Statement: | Mean | $\sigma$ | Count |
|---|---|---|---|
| We have been very successful in generating revenues in recent years | 5.16 | 1.31 | 91 |
| Our revenues have increased in recent years | 5.46 | 1.40 | 91 |
| Our cost-management has been very good in recent years | 5.56 | 1.41 | 91 |
| Index | 5.40 | 1.37 | 91 |

**Table 5.11:** Economic performance

The next table presents the findings on economic performance. The index mean is almost identical to the index mean for social performance. On

aggregate, the respondents feel that their organisations perform almost equally good socially as they do economically. However, the standard deviation for the economic performance index is slightly higher at 1.37. The first statement concerned the revenue generation. This received the lowest mean of the table, 5.16 with a corresponding standard deviation of 1.31. The statement on cost-management has a mean of 5.56 and a standard deviation of 1.41. Finally, a mean of 5.46 and a standard deviation of 1.40 was received on the remaining statement.

| Statement: | Mean | $\sigma$ | Count |
|---|---|---|---|
| Today our focus is on other areas than the original social mission | 2.41 | 1.47 | 98 |

**Table 5.12:** Mission drift

As mentioned earlier, a question concerning mission drift was added. Table 5.12 presents the results from this question. With a mean of 2.41, respondents indicate some level of drifting from the original social mission has occurred. The standard deviation is 1.47.

### 5.3.2   Proficiency versus performance

The relationship between performance and proficiency received close analysis. Their self reported economic and social performance was tested against the coding of the free text responses of the four components. As mentioned, business model proficiency can be derived from both the respondents' descriptions of the components, as well as the self-reported proficiency questions. As a measure of proficiency, the free text responses were considered to be the most accurate and were consequently tested against performance. A discussion on whether to use self-reported business

model proficiency versus business model proficiency derived from the free
text responses will be presented in chapter 6.

Table 5.13 shows the regression that was run. As is evident, there are
three significant findings. Social performance is negatively correlated
with the target group(s) being connected to customer needs. Another
negative relationship is found between economic performance and the
target group(s) being connected to customer needs. Both were strongly
significant with p-values of 0.01 and 0.00. Finally, a positive relationship
was found between income strategy being connected to the target group(s)
and social performance. The remaining variables were tested, but none
were significant to a high enough degree to draw serious conclusions from.

| Dependent.Variables | Independent.Variables | $\beta$ | SE | t.value | p.value |
|---|---|---|---|---|---|
| EP | TS | 0.072 | 0.125 | 0.575 | 0.565 |
| EP | VD | -0.02 | 0.132 | -0.150 | 0.881 |
| EP | VRI | -0.092 | 0.137 | -0.673 | 0.501 |
| EP | PF | -0.162 | 0.117 | -1.390 | 0.165 |
| EP | KRConVal | 0.153 | 0.133 | 1.157 | 0.247 |
| EP | TNeed | -0.419 | 0.110 | -3.793 | 0.000 |
| EP | InSConTarget | 0.040 | 0.116 | 0.344 | 0.731 |
| SP | TS | 0.052 | 0.128 | 0.404 | 0.686 |
| SP | VD | 0.055 | 0.135 | 0.409 | 0.682 |
| SP | VRI | 0.047 | 0.140 | 0.336 | 0.737 |
| SP | PF | -0.165 | 0.119 | -1.39 | 0.165 |
| SP | KRConVal | 0.115 | 0.136 | 0.849 | 0.396 |
| SP | TNeed | -0.306 | 0.119 | -2.572 | 0.010 |
| SP | InSConTarget | 0.248 | 0.114 | 2.184 | 0.029 |
| MD | TS | 0.009 | 0.138 | 0.064 | 0.949 |
| MD | VD | -0.140 | 0.144 | -0.973 | 0.330 |
| MD | VRI | 0.095 | 0.150 | 0.635 | 0.526 |
| MD | PF | 0.037 | 0.130 | 0.282 | 0.778 |
| MD | KRConVal | 0.135 | 0.146 | 0.922 | 0.357 |
| MD | TNeed | -0.167 | 0.133 | -1.253 | 0.210 |
| MD | InSConTarget | -0.075 | 0.127 | -0.589 | 0.556 |

PF = public funds (1 = get supported by public funds, 0 otherwise)

**Table 5.13:** Results from second analysis

# 6 Discussion

In the following, the results from the previous section will be discussed. Initially, a recap of the findings will be presented in brief, and consequently discussed. This discussion is split into theoretical implications, practical implications, and key validity concerns. In the end, implications for future research will be presented and the thesis concluded.

## 6.1 Summary of findings

The first part of the research question concerned the characteristics of the business models. As can be expected, there was a big variety in our sample, but some takeaways can be deduced. Firstly, key resources and value proposition were in general poorly defined. Few respondents were able to provide concise descriptions of the value created for the target groups, or which resources enabled them to do so. These are arguably the most abstract components, and it is perhaps not surprising that these are more imprecise. The responses indicated that nonprofits have a slightly stronger grasp of their target group(s), but even these were often poorly defined. Many only had one target group, often either the beneficiaries or the members. In terms of income strategy, most organisations seemed to have a relatively diverse base of income. A majority received some form of government funding. Respondents often knew the different sources of revenue, but could seldom present a coherent income generation strategy. Generally, the business models of Norwegian nonprofits are (for the most part) poorly articulated, lacking linkages between components, and only

weakly specified. Still, some respondents demonstrated more coherent models, indicating greater business model proficiency in management.

Regarding the managers' proficiency in business models, our results point in two directions. The self-reported proficiency scores are relatively high with an index mean of 5.30 out of 7, significantly higher than the mean. This indicates that the nonprofits are not only proficient in business models, but skilled and capable. When coding the free text responses, the results tell a different story. These suggest a more limited business model proficiency. Many respondents seemingly misunderstood even the most fundamental business model components, as exemplified by those who wrote their organisational values as examples of value propositions. This is not synonymous with high-level business model proficiency.

We would argue that these nonprofits think they are more proficient than they really are. High-level proficiency would be seen in components that are interconnected, well defined, and that tell a story of how the organisation creates, captures and delivers value. Few respondents were able to demonstrate such a level of proficiency, despite rating themselves as highly proficient. Furthermore, only a vague connection between self-reported business model proficiency and the coded scores on the business model components was found (self-reported business model proficiency correlated with how specific the target groups were) as seen in table 5.9. A strong relationship between the felt and actual business model proficiency would be manifested by the most proficient managers providing precise descriptions of their business model components. This was not the case. It is not uncommon to see some overestimation in survey responses, but

this stark contrast between self-reported proficiency and ability to define and articulate business model components exceeds any slightly inflated responses.

The third part of the research question studies the performance implications of business model proficiency. Surprisingly, only three connections were found. Income strategy being connected to the target group(s) has a positive effect on social performance. This seems logical, as organisations that have effectively mapped out potential donors, or particular customer groups, are more likely to generate the income needed to serve a social mission. Resources is often the limiting factor for nonprofits. Note that an effective income strategy does not necessarily imply strong economic performance, as this also requires effective cost management.

The two other significant results are related to the target group(s) mentioning the target group's need. As we recall from 4.6.2, target groups should not be arbitrarily selected, they need to have defined which needs it aims to serve for these target groups. Mentioning the need for this target group is found to have a significantly negative effect on both social and economic performance. These results are somewhat counter-intuitive. One explanation is that these organisations are running on very tight budgets, and therefore need to have a strict focus on the target groups they aim to help. These tight budgets affect not only the economy but also the ability to deliver solid social performance. Another possibility is that these are merely outliers. Only five responses were recorded with this connection, increasing the likelihood that this correlation is at least partially due to chance.

## 6.2    Theoretical Implications

We have selected four main theoretical implications that we will elaborate on. By studying the descriptions of the business model components, it is possible to infer which types of social entrepreneurs are most frequent in our sample. As discussed in 2.1.2 Zahra et al. (2009) sort social entrepreneurs in three categories, namely the social bricoleur, social constructionist, and social engineer. By attempting to place our organisations into these categories, we identified 10 as social bricoleurs, 65 as social constructionists, and no social engineers.

It is important to note how the typology refers to the entrepreneur, not the venture. Sorting the organisations into this typology can, therefore, be complicated, and some had attributes that would place them in different categories. Still, a clear majority were of the constructionists kind. This fits well with the idea of nonprofits as supplements to the welfare state. One reason that there are so few bricoleurs may be that these simply are less frequent in Norway and that municipalities and counties cover this traditional nonprofit domain to such an extent that they are seldom required. This does, however, seem unlikely. A more likely our sample has an overweight of constructionists. These organisations are larger, and will most often make a more significant and visible impact. They are also a more interesting group to study. Bricoleurs may have only one full-time employee, and business models would likely not be a big concern. Reviewing social engineers would be interesting, but as we argued in 2.1.2, few examples of Norwegian social engineers exist.

The thesis has revealed that nonprofits have an overall limited amount of knowledge of and proficiency in business models. The literature on social business models is in its infancy, and the connection between scholars and practitioners is limited. This thesis reinforces this notion and provides some evidence on the size of this gap. We found indications that business model theory is known to nonprofits, but that the actual business model work might be lacking, despite respondents claiming to put significant efforts into it. This indicates that proposition 2 is correct. Furthermore, an argument can be made that managers are overconfident. Respondents might inflate their responses, not wanting to give negative ratings on the survey, despite not fully grasping the different business model components (Monahan and Fisher, 2010). These observer effects might explain some of the contrast between the self-reported business model proficiency, and the proficiency deduced from the free text questions. Lastly, no relationship was found between age, size, and/or categories, meaning that proposition 3 cannot be verified.

Another theoretical implication is the apparent difference in proficiency in components. The respondents were seemingly more comfortable explaining target groups and income strategies than they were value proposition and key resources. An obvious argument can be made that any organisation, whether it is for-profit or not, needs an understanding of who it aims to serve/sell to, and how it is supposed to acquire resources. These are not strictly business model constructs, but relevant to businesses in a range of contexts. The value proposition component is more of a direct business model construct. This might explain why many respondents misunderstood this term and responded with value and mission statements.

Overall, this relates well with the criticism of Hong and Fauvel (2013), that some components in the business model canvas are on different levels of abstraction. Key resources are for instance mentioned as one of the more abstract ones and were also one of the components that respondents struggled the most with. In light of this, proposition 1 seems to also be correct. The business models of Norwegian nonprofits are (in general) poorly defined.

The relationship between business model proficiency and performance also warrants discussion. As presented earlier, no clear relationship could be derived between performance and business model proficiency. We are therefore unable to verify proposition 4, and 5. This is unexpected, considering the strong emphasis on performance as a consequence of strong business models found in the literature (IBM, 2006; Teece, 2010; Casadesus-Masanell and Ricart, 2010). Our lack of correlation between business model proficiency and performance raises the question of whether our research contradicts the theory, or if it is unable to properly predict performance. Although the literature on social business models offers no clear cut performance implications, these implications have so firmly been proven in the business model literature. It seems more likely that our model is under-specified than our research disproving the relationship between business model and performance. There is a wide range of variables affecting the performance of any organisation. Most of these are unaccounted for in our research. Future researchers may re-investigate this relationship by using different performance measures. Another possible explanation of why no relationship is found, can be drawn from Hong and Fauvel (2013) and their critical review of the Business Model Canvas. They argue

how the canvas in isolation ignores strategy, business goals, and is not taking competition into account. These have implications for performance and may explain why no significant correlation between performance and business model proficiency was found.

On a final note, as no significant relationships were found between mission drift and proficiency/performance, we are not able to verify proposition 6 and 7. This is perhaps not surprising, as no relationships were found between business model proficiency and performance in the first place.

## 6.3 Practical Implications

The thesis does not only have theoretical implications but also implications for managers, owners and stakeholders. After studying a sizeable sample of nonprofits, some takeaways can be inferred from the research. Most notably, they seem to systematically over-rate their own business model proficiency. If we believe the literature, that business models increase performance, then performance and efficiency may be improved by more systematic work on business models.

As a starting point, managers of nonprofits could use the Business Model Canvas as a tool to improve their business model. One area that would benefit from extra attention would be the value proposition. Understanding the value created in nonprofits is every bit as important as it is for for-profit ventures. Osterwalder and Pigneur has even written a book called "Value Proposition Design", emphasising the importance of this component in particular. For managers, this area of the business model should receive

particular attention.

The responses also drew attention to one other area that should be of importance to managers and practitioners. Target groups were generally weak. This is exemplified by 49 ventures naming only one target group. This is further reinforced by the 19 ventures who view donations as the mainstay of their revenues but only listed a single target group. In this case, a minimum of two target groups would be expected, both the beneficiaries and the donors. More clearly defined target groups could strengthen both the social mission and the income generating activities.

## 6.4    Assessing validity

Finally, a discussion on validity is in order. The different validity concerns will be discussed, starting with internal validity, referring to the survey's ability to measure what it intends to measure (Saunders et al., 2016). Subsequently follows a review of external validity, to what extent can we generalise based on the findings in this thesis. After external validity, content validity will be discussed. Here we will see if the survey provides satisfactory coverage of the topics we want to analyse. Criterion and construct validity will also be reviewed. The former refers to the accuracy of the predictions made by the survey, the latter if the questions actually measure the constructs we intend them to measure. Finally, the statistical conclusion validity will be discussed. Are the conclusions drawn from this research plausible?

### 6.4.1   Internal validity

The thesis aims to measure business model proficiency and performance. Both are fairly complicated to measure. For instance, in the making of this thesis, several approaches to measuring organisational performance were weighed against each other. Both social and economic performance is important for nonprofits, but they are measured in vastly different ways. Ideally, both should be measured objectively and similarly for all organisations. A measure such as SROI (social return on investment) would have been ideal for measuring social performance. Unfortunately, this would have been more resource and time intensive than this thesis would allow. Self-measuring performance can be inaccurate, but as we have shown, this method has been used successfully in similar research. We believe that this more than adequately measures social performance, thus maintaining strong internal validity.

### 6.4.2   External validity

One key concern was identified related to external validity. By contacting the general manager, and have her (or he) distribute the survey to two other respondents, the respondents selected might be the ones with the best business model proficiency. The manager might have self-selected the most proficient employees to serve as our respondents. This selection bias might lead some nonprofits to appear more proficient in business models than they really are. By re-testing the business model proficiency through other methods, one might find lower proficiency scores than ours.

### 6.4.3   Content validity

Getting a thorough understanding of how proficient someone is in something can be an arduous task. In order to sufficiently measure business model proficiency, it was measured in two different ways. Letting respondents explain their proficiency through scaled questions, as well as explain components using their own words. However, this does not measure every aspect of the business model. Osterwalder and Pigneur's canvas has nine components. Adding the remaining five components to the survey would likely add some insight to the proficiency of the respondents, but would also have made the survey considerably longer. The decision to inquire about four components was a conscious choice, and we feel that this still gives the thesis sufficient content validity.

### 6.4.4   Criterion validity

The third type of validity, criterion validity, can be divided into two main types. Concurrent and predictive validity. The latter has little relevance for this thesis. Concurrent validity refers to the extent to which two measures that are measured simultaneously correlate with each other.

In the literature review, we pointed out that several researchers have proven the effectiveness of business models in strengthening organisational performance. We can therefore with high probability say that business models are related to organisational performance, giving it high concurrent validity. This does not mean that business models are the only variable determining organisational performance, but merely one tool among many

that managers can use. The literature implies that the concurrent validity of business models proficiency related to performance is strong. However, it should be noted that most research is based on for-profit firms, not nonprofits.

### 6.4.5 Construct validity

Despite receiving attention in many Norwegian businesses, business models are still a relatively new concept for nonprofits. The strong (sometimes very strong) responses to the questions on business model proficiency could indicate that some respondents interpreted business models to mean something else. It might have been interpreted to mean something like "business plan" or "business idea". This is strengthened by the inherent contradiction in many responses that reported strong business model proficiency, but were unable to explain their value proposition or a coherent income strategy. This suggests that constructs were misunderstood. It should be noted that this was one of the main findings of the thesis.

### 6.4.6 Statistical conclusion validity

We have in our thesis argued that nonprofits are overconfident in their business model proficiency. Their lacklustre abilities to explain and articulate business model components, paired with their high rating of their business model proficiency, lead us to draw this conclusion. There are other possible reasons for this. One might be that respondents are fully aware of their business model, but put little time and effort into explaining the components in our survey. Taking time out of a busy day to answer a

survey might not be a top priority, and therefore, responses come across as short and shallow. This would, however, not explain the responses that misunderstood the value proposition, and those saying that they don't have an income strategy.

On a final note, the conclusions drawn from the relationships between business model proficiency and nonprofits, although significant, are somewhat weak. Only five responses were recorded where the target groups were tied to the target group's needs. Two of these were from the same organisation. As mentioned earlier, this is a relatively low number of observations to draw solid conclusions from. The risk of type I errors are present here, and we are therefore apprehensive about putting too much emphasis on these conclusions. Furthermore, as argued in the section about criterion validity, strong arguments can be made that business model proficiency and performance should be related. No such relationship was found in our research, raising suspicions about a possible type II error. This further emphasises the need for more varied research in the field of social business models.

## 6.5   Future Research

As with most research, our thesis also has limitations. Hopefully, these can serve as inspiration for future researchers to forward the research on business models and nonprofits.

The first recommendation for future researchers would be to study the same constructs, but with a different research design. In-depth interviews or field

experiments are both relevant research methods that could be applied. One example of a field experiment could be to give some managers training in business models. By measuring performance before and after this training, one could deduce if and how business model proficiency affects performance in nonprofits.

As our findings indicate, nonprofits seemed to be overconfident in their business model proficiency. An interesting experiment would be to investigate if this effect also can be found in for-profit firms. Similarly, more research could investigate if overconfidence affects other areas of the organisation and if this is common in nonprofits.

This thesis was focused on one trend in nonprofit research, namely business models. Another trend, that is closely related to this one, is that of commercialisation. How do the most commercial nonprofits perform, compared to those relying on more traditional sources of income and labour? Does a strong commercial orientation come as a result of business models, or the other way around? The literature is still relatively limited, but we encourage future researchers to explore this phenomenon.

## 6.6   Conclusion

The purpose of this thesis was to investigate nonprofits and business models. Little research is available in this field, which makes this an interesting and exploratory research, that could lead to new insight. Nonprofits in Norway are set to grow rapidly in the years to come, and with the new trend of business models as a managerial tool, this was an interesting avenue of

research. Our findings were both expected and surprising. We have seen how nonprofits believe they have a high level of proficiency in business models, but when explaining business model components themselves, the results tell a different story. Unfortunately, we were not able to discover significant connections to neither performance nor mission drift. These relationships should be explored further with a variety of research methods. All things considered, nonprofits seem to be lagging behind in their business model proficiency, despite it being praised as an important managerial tool.

# References

Amit, R. and Zott, C. (2012). Creating value through business model innovation. *MIT Sloan Management Review*, 53(3):41–49.

Andersson, F. O. (2017). A new focus on nonprofit entrepreneurship research. *Nonprofit Management & Leadership*, 28(2):249 – 258.

Andreasen, A. R. (1996). Profits for nonprofits: Find a corporate partner. *Harvard business review*, 74(6):47–50.

Battilana, J. and Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of management Journal*, 53(6):1419–1440.

Battilana, J. and Lee, M. (2014). Advancing research on hybrid organizing–insights from the study of social enterprises. *The Academy of Management Annals*, 8(1):397–441.

Battilana, J., Lee, M., Walker, J., and Dorsey, C. (2012). In search of the hybrid ideal. *Stanford Social Innovation Review*, 10(3):50–55.

Bhattarai, C. R., Kwong, C. C., and Tasavori, M. (2019). Market orientation, market disruptiveness capability and social enterprise performance: An empirical study from the united kingdom. *Journal of Business Research*, 96:47–60.

Bogen, H. and Backer Grønningsæter, A. (2016). En ideell forskjell? om ideelle aktører i spesialisthelsetjenesten. `"https://www.fafo.no/images/pub/2016/20592.pdf`. accessed 24.04.2019.

Carroll, D. A. and Stater, K. J. (2008). Revenue diversification in nonprofit organizations: Does it lead to financial stability? *Journal of public administration research and theory*, 19(4):947–966.

Casadesus-Masanell, R. and Ricart, J. E. (2010). From strategy to business models and onto tactics. *Long range planning*, 43(2-3):195–215.

Choi, N. and Majumdar, S. (2014). Social entrepreneurship as an essentially contested concept: Opening a new avenue for systematic future research. *Journal of business venturing*, 29(3):363–376.

Coes, B. (2014). Critically assessing the strengths and limitations of the business model canvas.

Cohen, J. (1960). A coefficient of agreement for nominal scales. *Educational and psychological measurement*, 20(1):37–46.

Coombes, S. M., Morris, M. H., Allen, J. A., and Webb, J. W. (2011). Behavioural orientations of non-profit boards as a factor in entrepreneurial performance: does governance matter? *Journal of Management Studies*, 48(4):829–856.

Dees, J. G. (1998). Enterprising nonprofits. *Harvard business review*, 76:54–69.

Defourny, J. and Nyssens, M. (2017). Fundamentals for an international typology of social enterprise models. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 28(6):2469–2497.

Dohrmann, S., Raith, M., and Siebold, N. (2015). Monetizing social value creation–a business model approach. *Entrepreneurship Research Journal*, 5(2):127–154.

Ebrahim, A. S. and Rangan, V. K. (2010). The limits of nonprofit impact: A contingency framework for measuring social performance. *Harvard Business School General Management Unit Working Paper No. 10-099*.

Eikenberry, A. M. and Kluver, J. D. (2004). The marketization of the nonprofit sector: civil society at risk? *Public administration review*, 64(2):132–140.

Feinstein, A. R. and Cicchetti, D. V. (1990). High agreement but low kappa: I. the problems of two paradoxes. *Journal of clinical epidemiology*, 43(6):543–549.

Felício, J. A., Gonçalves, H. M., and da Conceição Gonçalves, V. (2013). Social value and organizational performance in non-profit social organizations: Social entrepreneurship, leadership, and socioeconomic context effects. *Journal of Business Research*, 66(10):2139–2146.

Flight, L. and Julious, S. (N.A.). The disagreeable behaviour of the kappa statistic. https://www.sheffield.ac.uk/polopoly_fs/1.404095!/file/RSS_Poster_Laura_Flight_Final.pdf. accessed 16.05.2019.

Foster, W. and Bradach, J. (2005). Should nonprofits seek profits? *Harvard business review*, 83(2):92–100.

Gwet, K. (2002). Kappa statistic is not satisfactory for assessing the extent of agreement between raters. *STATAXIS Consulting*.

Haggège, M., Gauthier, C., and Rüling, C.-C. (2017). Business model performance: Five key drivers. *Journal of Business Strategy*, 38(2):6–15.

Hockerts, K. (2006). Entrepreneurial opportunity in social purpose business ventures. In *Social entrepreneurship*, pages 142–154. Springer.

Hong, Y. C. and Fauvel, C. (2013). Criticisms, variations and experiences with business model canvas. *European Journal of Agriculture and ForestryResearch.*

IBM (2006). Expanding the innovation horizon: the global ceo study 2006. *Report, IBM Global Business Services, Somers, NY.*

Innsamlingskontrollen (2019). Obs-liste. http://www.innsamlingskontrollen.no/nb/obs-liste/.

Johnson, M., Christensen, C., and Kagermann, H. (2008). Reinventing your business model. *Harvard Business Review*, 86(12):50–59.

Kaplan, R. S. (2001). Strategic performance measurement and management in nonprofit organizations. *Nonprofit management and Leadership*, 11(3):353–370.

Kraglund, K. O. and Enjolras, B. (2017). Norsk frivillighet: Utviklingstrender og samfunnseffekter. avslutningsrapport for senter for forskning på sivilsamfunn og frivillig sektor. "https://brage.bibsys.no/xmlui/handle/11250/2465257. accessed 12.02.2019.

Kulturdepartementet (2018). Statlige tilskuddsordninger for frivillige organisasjoner. https://www.regjeringen.no/no/dep/kud/tilskudd/tilskudd-til-frivillig-virksomhet/Tilskuddsordninger-for-frivillige-organisasjoner/id2342820/. accessed 18.05.2019.

Lance, C. E., Butts, M. M., and Michels, L. C. (2006). The sources of four commonly reported cutoff criteria: What did they really say? *Organizational research methods*, 9(2):202–220.

Liu, G., Eng, T.-Y., and Takeda, S. (2015). An investigation of marketing capabilities and social enterprise performance in the uk and japan. *Entrepreneurship Theory and Practice*, 39(2):267–298.

Lær Kidsa Koding (2019). Om lkk. https://kidsakoder.no/om-lkk/. accessed 16.05.2019.

Magretta, J. (2002). Why business models matter. *Harvard Business Review*.

Mair, J., Battilana, J., and Cardenas, J. (2012). Organizing for society: A typology of social entrepreneuring models. *Journal of business ethics*, 111(3):353–373.

Mair, J. and Schoen, O. (2007). Successful social entrepreneurial business models in the context of developing economies: An explorative study. *International Journal of Emerging Markets*, 2(1):54–68.

Markides, C. and Charitou, C. D. (2004). Competing with dual business models: A contingency approach. *Academy of Management Perspectives*, 18(3):22–36.

Miles, M. P., Verreynne, M.-L., and Luke, B. (2014). Social enterprises and the performance advantages of a vincentian marketing orientation. *Journal of business ethics*, 123(4):549–556.

Molland, E. and Bloch-Hoell, N. E. (2019). Hans nielsen hauge. https://snl.no/Hans_Nielsen_Hauge. accessed 16.05.2019.

Monahan, T. and Fisher, J. A. (2010). Benefits of 'observer effects': lessons from the field. *Qualitative research*, 10(3):357–376.

Morris, M., Schindehutte, M., and Allen, J. (2005). The entrepreneur's business model: toward a unified perspective. *Journal of business research*, 58(6):726–735.

Muñoz, P. and Kimmitt, J. (2018). Social mission as competitive advantage: A configurational analysis of the strategic conditions of social entrepreneurship. *Journal of Business Research*.

NOU 2016:12 (2016). Ideell opprydding. statlig dekning av ideelle organisasjoners historiske pensjonskostnader. https://www.regjeringen.no/contentassets/9420a08b55f34a69be3ba2a7c1747a2f/no/pdfs/nou201620160012000dddpdfs.pdf. accessed 23.04.2019.

Osterwalder, A. and Pigneur, Y. (2010). *Business model generation: a handbook for visionaries, game changers, and challengers*. John Wiley & Sons.

O'Donohoe, N., Leijonhufvud, C., Saltuk, Y., Bugg-Levine, A., and Brandenburg, M. (2010). Impact investments - an emerging asset class. *JP Morgan*.

Pink, D. H. (2011). *Drive: The surprising truth about what motivates us.* Penguin.

Porter, M. and Kramer, M. (2007). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard business review*, 84:78–92, 163.

Ramus, T. and Vaccaro, A. (2017). Stakeholders matter: How social enterprises address mission drift. *Journal of Business Ethics*, 143(2):307–322.

Rasmussen, I. and Simson, K. v. (2014). Effekter og verdier. https://ferd.no/resources/fse/publikasjoner/Vista-Rapport-2014-09-Ferd-Sosiale-entreprenorer-Effekter-og-verdier.pdf. accessed 19.01.2019.

Regjeringen.no (2018). Samarbeid om sosialt entreprenørskap. https://www.regjeringen.no/no/dokumenter/samarbeid-om-sosialt-entreprenorskap/id2585672/. accessed 16.01.2019.

Regjeringen.no (2019). Granavolden-plattformen. https://www.regjeringen.no/no/dokumenter/politisk-plattform/id2626036/Arbeidogsosial. accessed 29.01.2019.

Richardson, J. (2008). The business model: an integrative framework for strategy execution. *Strategic change*, 17(5-6):133–144.

Rosenzweig, W. (2004). Double bottom line project report: Assessing social impact in double bottom line ventures.

Saebi, T., Foss, N. J., and Linder, S. (2019). Social entrepreneurship research: Past achievements and future promises. *Journal of Management*, 45(1):70–95.

Salamon, L. M. and Anheier, H. K. (1997). *Defining the nonprofit sector: A cross-national analysis.* Manchester University Press.

Salancik, G. R. and Pfeffer, J. (1978). A social information processing approach to job attitudes and task design. *Administrative science quarterly*, pages 224–253.

Santos, F., Pache, A.-C., and Birkholz, C. (2015). Making hybrids work: Aligning business models and organizational design for social enterprises. *California Management Review*, 57(3):36–58.

Saunders, M., Lewis, P., and Thornhill, A. (2016). *Research Methods for Business Students (7th edn)*. Pearson Education.

Siebold, N., Raith, M., and Korsgaard, S. (2017). Business models and venture growth in social entrepreneurship. *Universitätsbibliothek der von-Guericke Universität Magdeburg*.

Singh, K. A. and Saebi, T. (2018). The state of business model innovation in norway. *Magma Fagartikler*, 07:29–37.

Sivesind, K. H. (20015). Private bidrag til frivillig sektor i norge - en kunnskapsoversikt. https://www.samfunnsforskning.no/sivilsamfunn/publikasjoner/hovedfunn/a4_folder_hovedfunn_private_bidrag_v12.pdf. accessed 18.05.2019.

Slotterøy Johnsen, S. (Feb. 2019). Personal phone interview.

SSB (2018). satellittregnskap for ideelle og frivillige organisasjoner. https://www.ssb.no/nasjonalregnskap-og-konjunkturer/statistikker/orgsat/aar. accessed 12.02.2019.

Staessens, M., Kerstens, P. J., Bruneel, J., and Cherchye, L. (2018). Data envelopment analysis and social enterprises: Analysing performance, strategic orientation and mission drift. *Journal of Business Ethics*, pages 1–17.

Teece, D. J. (2010). Business models, business strategy and innovation. *Long range planning*, 43(2-3):172–194.

Trætteberg, H. D. and Sivesind, K. H. (2015). Ideelle organisasjoners særtrekk og merverdi på helse- og omsorgsfeltet. https://www.regjeringen.no/contentassets/fe5c39d8a7664f7895dbba29bf350173/ideelle_organisasjoners_saertrekk_og_merverdi_innenfor_helse-og_omsorgsfeltet_2015-2.pdf. accessed 14.05.2019.

Tøyen Unlimited (2019). Unlimitere. https://toyenunlimited.no/unlimitere. accessed 16.05.2019.

Vázquez, R., Álvarez, L. I., and Leticia Santos, M. (2002). Market orientation and social services in private non-profit organisations. *European Journal of Marketing*, 36(9/10):1022–1046.

Virke (2019). Ideell vekst. https://www.virke.no/bransjer/virke-ideell-og-frivillighet//. accessed 29.01.2019.

Volkmann, C., Tokarski, K., and Ernst, K. (2012). *Social entrepreneurship and social business.* Springer.

Weisbrod, B. A. (2004). The pitfalls of profits. *Stanford Soocial Innovation Review.*

Wilson, F. and Post, J. E. (2013). Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation. *Small Business Economics*, 40(3):715–737.

Yunus, M., Moingeon, B., and Lehmann-Ortega, L. (2010). Building social business models: Lessons from the grameen experience. *Long range planning*, 43(2-3):308–325.

Zahra, S. A., Gedajlovic, E., Neubaum, D. O., and Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of business venturing*, 24(5):519–532.

Zott, C. and Amit, R. (2008). The fit between product market strategy and business model: implications for firm performance. *Strategic management journal*, 29(1):1–26.

Zott, C. and Amit, R. (2010). Business model design: an activity system perspective. *Long range planning*, 43(2-3):216–226.

Zott, C., Amit, R., and Massa, L. (2011). The business model: recent developments and future research. *Journal of management*, 37(4):1019–1042.

# Appendix

## A1   Survey – translated version

About yourself
1   Gender
    (Male), (Female), (Other)

2   Education
    (Elementary school), (Upper secondary school), (Higher education (1-3 years)),
    (Higher education (>3 years))

3   Age
    (16 - 24), (25 - 34), (35 - 44), (45 - 54), (55 - 65), (>65)

About the Enterprise
4   In what year was the enterprise founded
    (write an approximate year if you are unsure)
    Free text

5   What is the enterprise's zip code
    Free text

6   Into which category does your enterprise best fit
    1 Arts, culture, choir and marching bands
    2 Residents' and community associations
    3 Hobbies, sports, outdoors and social unions
    4 Teaching, education, kindergartens and research
    5 Religious and spiritual organisations, including the church of Norway
    6 Health, care services, and rescue work
    7 Social services, substance abuse treatment, and temperance work
    8 International exchange, emergency aid, and human rights work
    9 Nature, environment, and animal care.
    10 Others:  Free text

7   How many employees does the enterprise have?
    Free text

8   Approximately what were the revenues of the enterprise in 2018
    (This should include all public grants, membership fees, payments from
    delivering products and services, donations, VAT compensation, etc.)?
    Free text

Performance

9    How well do the statements below match your views of your own organisation?
In recent years, we have gradually achieved better on our social mission
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
In recent years, we have been very successful in our social mission
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
We achieve better results than other enterprises with similar social missions
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
Our revenues have increased in recent years
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
We have been very successful in generating revenues in recent years
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
Our cost-management has been very good in recent years
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
Today our focus is on other areas than the enterprise's original social mission
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)

About the business model

10    How well do the statements below match your views of your own organisation?
We have a clearly defined business model in our organisation
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
We often focus on the business model in our work
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)
Only a limited amount of people are engaged with the business model
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)

Value proposition

11    Does the enterprise have a defined value proposition for its target groups - i.e. a specific description of what value the target groups should receive by making use of the enterprise's services.
(Yes), (No)

12 If Yes:    Describe the enterprise's value proposition
Free text

13 If No:    Even if no defined value proposition exists for the enterprise, there may be a shared experience of what the value proposition is. Please describe the value proposition as you see it.
Free text

14    We work systematically to improve our value proposition
(1 Strongly agree), (2), (3), (4 Neutral), (5), (6), (7 Strongly agree)

### Key resources

| | |
|---|---|
| 15 | Has the enterprise defined what its key resources are - i.e. the most important resources for the enterprise's success. <br> (Yes), (No) |
| 16 If Yes: | Please describe the enterprise's key resources <br> Free text |
| 17 If No: | Even if no defined key resources exist, there may be a shared experience of what these key resoures are. Please describe the key resources as you see them. <br> Free text |
| 18 | We work systematically to strengthen our key resources <br> (1 Strongly disagree), (2), (3), (4 Neutral), (5), (6), (7 Strongly Agree) |

### Target groups

| | |
|---|---|
| 19 | Is there a shared agreement in the enterprise of who the main target group(s) are for the enterprise? <br> (Yes), (No) |
| 20 If Yes: | Describe the enterprise's main target group(s) <br> Free text |
| 21 If No: | Even if the enterprise does not have a defined main target group, there may be a shared experience of what this main target group(s) is. Please describe the main target group(s) as you see it. <br> Free text |
| 22 | We work systematically to better understand our target group(s) <br> (1 Strongly disagree), (2), (3), (4 Neutral), (5), (6), (7 Strongly Agree) |

### Income strategy

| | |
|---|---|
| 23 | Does the enterprise have a defined income strategy - i.e. a strategy for how the enterprise is to acquire revenues? <br> (Yes), (No) |
| 24 If Yes: | Describe the enterprise's income strategy <br> Free text |
| 25 If No: | Even if no defined income strategy exists, there may be a shared experience of what this strategy is. Please describe the income strategy as you see it. <br> Free text |
| 26 | We work systematically to improve our income strategy <br> (1 Strongly disagree), (2), (3), (4 Neutral), (5), (6), (7 Strongly Agree) |

# A2 Survey – Original version

Om respondenten
1 Kjønn
(Kvinne), (Mann), (Annet)

2 Utdanning
(Grunnskole), (Videregående skole), (Høyere utdanning (1-3 år)),
(Høyere utdanning (>3 år))

3 Alder
(16 - 24), (25 - 34), (35 - 44), (45 - 54), (55 - 65), (>65)

Om virksomheten
4 I hvilket år ble virksomheten grunnlagt? (skriv ca årstall hvis du er usikker)
Fri tekst

5 Hva er virksomhetens postnummer
Fri tekst

6 I hvilken kategori passer din virksomhet best?
1 Kunst og kultur, kor og korps
2 Velforeninger, bostedsforeninger, og nærmiljø
3 Hobby, sport, idrett, utendørsaktivitet, og sosiale foreninger
4 Opplæring, barnehager, utdanning, og forskning
5 Religion og livssyn, inkludert Den norske kirke
6 Helse, pleie, og redningsarbeid
7 Sosiale tjenester, rusomsorg, og avholdsarbeid
8 Internasjonal utveksling, nødhjelp, bistand, og menneskerettighetsarbeid
9 Natur-, miljø-, og dyrevern
10 Andre områder: Fri tekst

7 Hvor mange ansatte har virksomheten
Fri tekst

Omtrent hvor store inntekter hadde virksomheten i 2018?
8 (Dette innebærer alt av offentlige tilskudd, medlemskontingenter,
betalinger for produkter/tjenester, donasjoner, momskompensasjon, etc.)
Fri tekst

Resultater

9    Hvor god stemmer utsagnene nedenfor med dine vurderinger om egen organisasjon?
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Vi har hatt gradvis bedre måloppnåelse de siste årene
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     De siste årene har vi lykkes meget godt med oppdraget vårt
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Resultatoppnåelsen vår er bedre enn for andre virksomheter med samme type formål
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Vi har hatt vekst i inntektene de siste årene
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Vi har lykkes godt med å generere inntekter de siste årene
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Kostnadskontrollen har vært god de siste årene
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Vi har i dag fokus på andre ting enn virksomhetens opprinnelige formål
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)

Om virksomhetsmodellen

10   Hvor god stemmer utsagnene nedenfor med dine vurderinger om egen organisasjon?
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Vi har en klart definert virksomhetsmodell (forretningsmodell) i vår organisasjon
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Vi har ofte fokus på virksomhetsmodellen i vårt arbeid
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)
     Det er bare noen få personer som er opptatt av virksomhetsmodellen

Verdiløfte

11.  Har virksomheten et definert verdiløfte for målgruppene – det vil si en
     konkret beskrivelse av hvilket utbytte målgruppen(e) skal ha av å benytte
     seg av virksomhetens tjenester?
     (Ja), (Nei)

12 Hvis ja:   Beskriv virksomhetens verdiløfte
            Fri tekst

13 Hvis nei:  Selv om virksomheten ikke har et definert verdiløfte, kan det finnes en
            felles oppfatning av hva verdiløftet er. Vennligst beskriv verdiløftet slik du
            oppfatter det.
            Fri tekst

14   Vi arbeider systematisk med å levere stadig bedre på verdiløftet.
     (1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6),
     (7 Stemmer meget godt)

**Nøkkelressurser**

15 Har virksomheten definert hva som er virksomhetens nøkkelressurser - det vil si de viktigste ressursene for å lykkes med virksomheten?
(Ja), (Nei)

16 Hvis ja: Beskriv virksomhetens nøkkelressurser.
Fri tekst

17 Hvis nei: Selv om virksomheten ikke har definerte nøkkelressurser, kan det finnes en felles oppfatning av hva disse nøkkelressursene er. Vennligst beskriv nøkkelressursene slik du oppfatter de.
Fri tekst

18 Vi arbeider systematisk med å styrke nøkkelressursene
(1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)

**Målgrupper**

19 Finnes det en felles enighet i virksomheten om hvem som er hovedmålgruppen(e) for virksomheten?
(Ja), (Nei)

20 Hvis ja: Beskriv virksomhetens hovedmålgrupper
Fri tekst

21 Hvis nei: Selv om virksomheten ikke har en definert hovedmålgruppe, kan det finnes en felles oppfatning av hva denne målgruppen er. Vennligst beskriv hovedmålgruppen(e) slik du oppfatter den.
Fri tekst

22 Vi arbeider systematisk med å forstå målgruppene stadig bedre
(1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)

**Inntektsstrategi**

23 Finnes det en felles enighet i virksomheten om hva som er virksomhetens inntektsstrategi, det vil si en strategi for hvordan virksomheten skal skaffe seg inntekter?
(Ja), (Nei)

24 Hvis ja: Beskriv virksomhetens inntektsstrategi
Fri tekst

25 Hvis nei: Selv om virksomheten ikke har en definert inntektsstrategi, kan det finnes en felles oppfatning av hva denne inntektsstrategien er. Vennligst beskriv inntektsstrategien slik du oppfatter den.
Fri tekst

26 Vi arbeider systematisk med å forbedre inntektsstrategien
(1. Stemmer meget dårlig), (2), (3), (4 Stemmer delvis), (5), (6), (7 Stemmer meget godt)

# A3    Original example responses

| | Verdiløfte |
|---|---|
| | |
| 1 | Verdiene: inspirerende, besluttsom, ærlig (delvis endret for å bevare anonymitet) |
| 2 | Vi vil inspirere og utruste unge mennesker til kristen liv idrettslag og i menighet! |
| 3 | Definerer verdiløfte her som vår visjon. Visjonen er en målsetning vi jobber for å levere på innen 5-10 år. Visjonen er avhengig av politisk/helsefaglig vilje til å nedfelle målsetningen i nasjonal planer og oppdragsdokumenter. |

| | Nøkkelressurser |
|---|---|
| | |
| 1 | Våre ansatte |
| 2 | Utdanning, omsorg, aktiviteter, medisinsk hjelp, klær, mat og et trygt hjem for barna! |
| 3 | Synlighet, omdømme, profilering Kultur og arbeidsmiljø Lederskap Faglig kvalitet- utvikling |

| | Målgrupper |
|---|---|
| | |
| 1 | Alle som driver næring eller kulturaktivitet på område X |
| 2 | Fattige familier på landsbygden i land X. Foreldreløse barn. Skoleflink og fattige ungdom. |
| 3 | Det kommer an på om man arbeider med innsamlingsarbeid eller mot formålet. For dem som driver insamlingsarbeid er målgruppen givere, mens for dem som jobber med formålet er målgruppen personer/organsiasjoner som har mulighet til å endre status quo. Forbrukere, næringsliv, produsenter. |

| | Inntektsstrategi |
|---|---|
| | |
| 1 | Medlemsverving |
| 2 | Statsstøtte, prosjektmidler, medlemsinntekter, givermidler, deltakeravgift |
| 3 | Stabile og flere store oppdragsgivere med forutsigbare rammeavtaler og betingelser |

# A4 t-test:"We have a clearly defined value proposition in our organisation"

Two-sided t-test to see if observed average is different from 4

```
##
## One Sample t-test
##
## data                     dat$bizModSelf
## t = 10.842,               df = 97,                    p-value <2.2e-16
## alternative hypothesis    true mean is not equal to 4
## 95% confidence interval
## 5.062868 <-> 5.539173
## sample estimates
## mean of x
## 5.30102
```

One-sided t-test to see if observed average is greater than four

```
##
## One Sample t-test
##
## data                     dat$bizModSelf
## t = 10.842                df = 97                     p-value <2.2e-16
## alternative hypothesis    true mean is greater than 4
## 95 percent confidence interval
## 5.101747 <->Infinite
## sample estimates
## mean of x
## 5.30102
```