

Social Entrepreneurship: Management Development in East-Flanders, Belgium. Overview and Challenges.

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In coöperation with the European Regional Development Fund, and the project "Social profit meets profit":

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Objectives:

This paper has three clear objectives:

- 1.) To develop a qualitative view of the way social profit organizations are managed and governed by analyzing the presence or absence of adequate management skills (as is);
- 2.) To examine how the management skills in the social profit sector did develop, comparing to the situation as observed earlier in 2000 (Heene et al., 2000);
- 3.) To detect the perspectives of the future (to be). To that end, challenges in management are analysed. The question "what does the successful social profit organization of the future look like" is posed.

Prior Work:

The Economic Council of East-Flanders (EROV), in cooperation with the Ghent University, analyzed the management development in the social profit sector in East-Flanders, Belgium.

The following working definition for the purposes of the research was developed in 2000 (Heene et al., 2000). The social profit sector "encompasses all the activities and organizations where an explicit social goal is being pursued which differs from making profit and whereby government or community in a direct or indirect manner subsidizes part of the costs of the services."

Approach:

The research is based on qualitative research in 100 organizations and uses a combination of interviews, focus groups and on-site visits. Interviews took place with 100 managers from the East-Flemish socialprofitsector. These interviews focused on the identification of common management problems and challenges. Two focus groups were organized with participants from different types of social organizations. Finally, eight organizations were visited for in-depth analysis with a multidisciplinary team on a socio-economic tour.

Results:

Comparing with the research conducted in 2000, a strong movement towards a more professional management and a higher performance was observed at all levels. The first step to a professional management is made. Now the sector needs to dig deeper into the management science. Translating concepts from the "profit world" to relevant management concepts for the social profit sector remains crucial. Moreover the boundaries between businesses and social profit have become increasingly blurred. The study concludes with an assessment of the management challenges of the future.

Implications:

The social profit sector is faced with a number of key challenges for the future. Commercialization of the sector, combined with a war for talented employees and globalization make it important to invest in innovation and to search for more efficiency and effectiveness. Defining a good service concept and proving the presence of a social return on investment, appears increasingly crucial. To deal with these challenges, social profit managers can rely on their versatility, creativity and perseverance. A partnership between Social Profit, Academia, Government and Profit provides expertise.

Value:

The increasing relevance of Social Entrepreneurship is indisputable. As the relevance and the expectations increase, the need for good governance and management in the social profit sector gets more and more important. The paper aims to contribute to scientific research about social entrepreneurship. It brings a practitioners view on how social profit organizations are managed in East-Flanders, Belgium. East-Flanders is an interesting case because of the presence of good social capacity and the great importance of the sector for employment and economy.

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Keywords: social entrepreneurship, third sector, leadership, challenges, management development

INTRODUCTION

The increasing relevance of Social Economy and Social Entrepreneurship to European societies is indisputable (Nicolau and Simaens, 2007; Chaves and Monzon, 2008). The sector is considered extremely important in two ways.

First, social entrepreneurship has created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy (Seelos and Mair, 2005). The social economy has the ability to respond to opportunities to establish economic activity where the private sector could, or would, not operate (Bridge, Murtagh and O'Neill, 2008, p. 8). It fills in market opportunities to address needs not met by the public and private sector. Moreover, as Amin et al. (2002, p. 6-8) suggested, the sector has a potential role in building social capital and thus the ability to enhance collective engagement and economic efficiency.

Second, the sector creates a high economic value and employment, and has achieved spectacular growth over the last years (OECD, 2007). The organizations have an economic impact because they spend money, because they employ people and, in some cases, because they generate income by trading (Bridge, Murtagh and O'Neill, 2008, p. 11). The European Commission announced in 2008 that there are more than 11 million jobs in the social economy across Europe, which is the equivalent of 6% of the working population of the European Union. Social economy enterprises represent 2 million enterprises, i.e. 10% of all European businesses.

Moreover, the social economy constitutes a significant movement worldwide (Molloy, McFeely and Connolly, 1999). Amin et al. (2002) describe how social economy evolved from active at the margins of society, to a sector that has to deal with high expectations. Social entrepreneurship is emerging as an increasingly common approach to meeting social and economic needs. While governments and nonprofit organizations have long organized to meet specific human societal ills, social economy has emerged in recent years combining elements of a for-profit focus on efficient use of economic resources with a non profit focus on social value creation (Austin, Stevenson and Wei-Skillern, 2006).

As the relevance and the expectations increase, the need for good governance and management in the social profit sector gets more and more important. The Board of Directors and management work together to built up a strong and successful organization. This paper will shed light on how social profit organizations are managed and governed today. The paper aims to contribute to scientific

research about social entrepreneurship. This research area is relatively new and stands in contrast to the extensive research to support the profit sector (Crijns, et al. 2008; Cornforth, 2003).

The paper brings a practitioners view on how social profit organizations are managed in East-Flanders, Belgium. East-Flanders is an interesting case because of the presence of good social capacity and the great importance of the sector for employment and economy.

OBJECTIVES OF THE RESEARCH PROJECT

The following objectives have been identified:

1. To develop a qualitative view of the way social profit organizations are managed and governed by analyzing the presence or absence of adequate management skills (as is);
2. To examine how the management skills in the social profit sector did develop, comparing to the situation as observed earlier in 2000 (Heene et al., 2000);
3. To detect the perspectives of the future (to be). To that end, challenges in management are analysed. The question "what does the successful social profit organization of the future look like" is posed.

DEFINITIONS

Based on the study in 2000, the following definition for "social profit sector" is used.

The social profit sector:

"encompasses all the activities and organizations where an explicit social goal is being pursued which differs from making profit, and, whereby government or community in a direct or indirect manner subsidizes part of the costs of the services."

The definition is based on findings in the international literature and holds two main components:

1. The main objective is not-for-profit oriented.
2. The government or community intervenes and supports financially, which means that the cost of producing a service is not fully covered by the income generated by selling the service. The intervention by government or by community takes place through offering subsidies, volunteering, donations or contributions.

This definition is well known and commonly used in Belgium (Marée and Mertens, 2002).

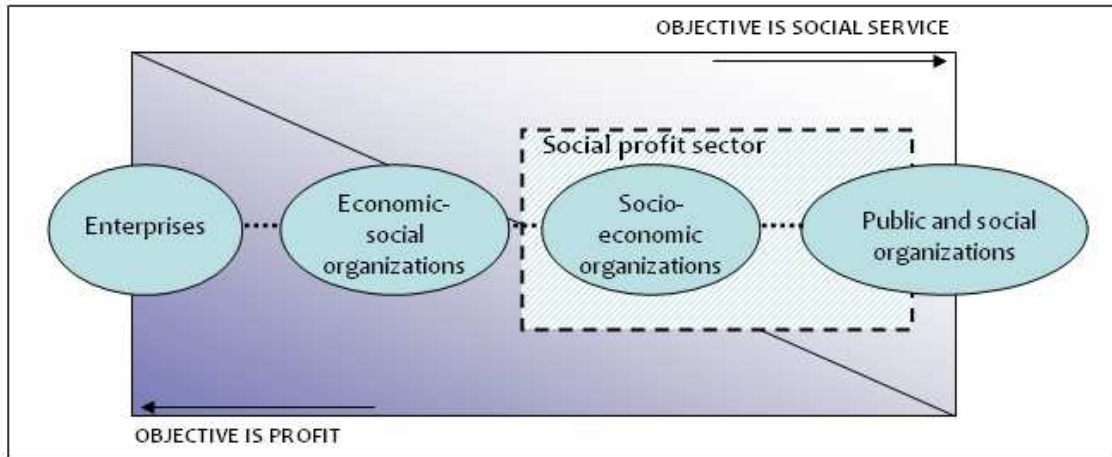
The sector finds itself caught between the profit sector and the public sector (Bridge, Murtagh and O'Neill, 2008). The public sector contains mainly education (employing e.g. teachers and professors) and the public administration (employing civil servants). The profit sector is well known and consists of privately owned firms with regular economic activities.

Stevens, Moray and Fassin (2009, p.2) conclude that, "Traditionally, businesses were expected to maximize profit and contribute to (regional) economic development and growth, whereas the government and civil society were primarily deemed responsible for creating social value for the common good (Barnett, 2007; Brickson, 2005). Several authors have argued that the boundaries between these sectors have become increasingly blurred (Cheever, Kinney and Wolfe, 2000; Loza, 2004; Rondinelli and London, 2003; Seitani, 2008; Selsky and Parker, 2005), especially in the context of taking responsibility in tackling and resolving social issues."

Social enterprises do not belong either to the two previously identified sectors of economy. Therefore, in English-speaking academic literature, reference is increasingly being made to the "third sector" (Bridge, Murtagh and O'Neill, 2008, p. 12; Amin, 2002). In this study, however, we use the term "social profit sector", as defined above.

Figure 1 illustrates the concepts mentioned above. Based on the notion "value creation" and "value distribution", four types of organizations can be described (Joldersma and Winter, 2002). The boundaries between the different types of organizations are of course abstract and in reality sometimes unclear.

FIGURE 1: TYPES OF ORGANIZATIONS: VALUE CREATION - VALUE DISTRIBUTION



Joldersma, C. and Winter, V. (2002). "Strategic Management in Hybrid Organizations." *Public Management Review*, Vol. 4, Issue 1, pp. 83-99.

1. **Enterprises** are pure profit-oriented. They want to create economic value and distribute profit to private owners or shareholders.
2. **Economic-Social Organizations** have social and economic objectives, but the economic value creation and distribution have clear priority over the social value. Examples are private nursery homes, who care for elderly people but their main objective is profit, not caring. Furthermore there are enterprises who realise some social goals as they apply principles of Corporate Social Responsibility. Google for example created google.org as philanthropic arm of the company. Google.org aspires to use the power of information and technology to address the global challenges of our age such as climate change and poverty. The main objective stays achieving profit, but they have added a social objective.
3. **Socio-Economic Organizations** also have social and economic objectives, but the social value creation and distribution have clear priority over the economic value. This is usually described as "social economy".

Illustration: "De Merel", East-Flanders, Belgium

"De Merel" is an organization in East-Flanders active in food packaging. The organisation employs disabled people. Providing work to disabled persons is the first goal of this organization. This is an explicit social goal. To achieve this goal, De Merel developed economic activities as for example packaging Belgian chocolates and candy. The Belgian Government subsidizes almost 50% of the total costs to compensate the loss of productivity as these disabled people are less productive. Summarized, De Merel combines social and economic objectives, but focuses on creating jobs instead of profit.

4. Fourth, **Public and Social Organizations** don't have economic objectives, they only strive for societal value creation and distribution. This contains first the governmental organizations - called public organizations - and second the social organizations.

Illustration: "De Vliet", East-Flanders, Belgium

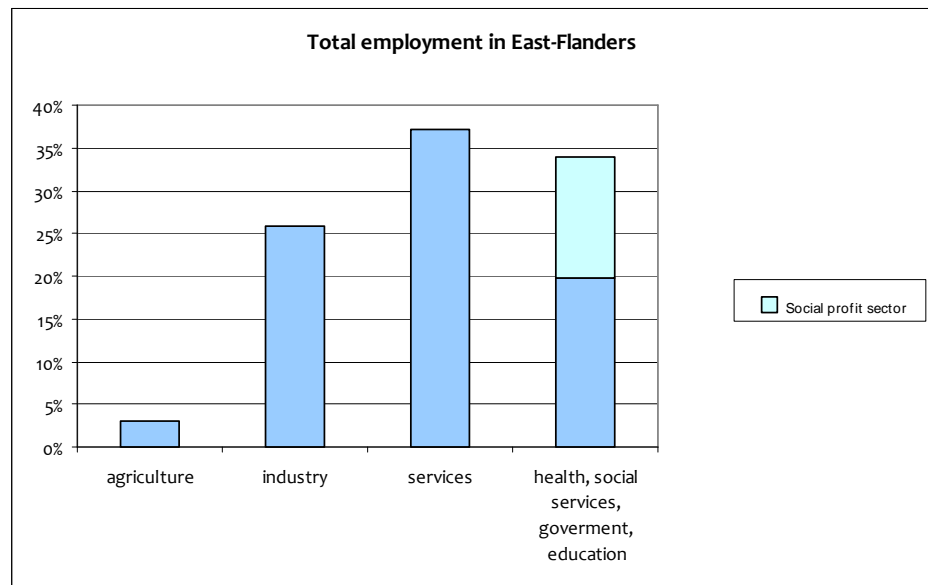
Rest home De Vliet is an example of a social organization. De Vliet just has one explicit social objective which is caring for elderly people, 24 hours a day, 7 days a week. The organization is run as a private initiative, but it has no economic activities and does not generate its own income. The Belgian Government provides the rest home with the necessary financial resources to provide the care. So they can be called a social organization.

Figure 1 gives an overview of what we mean by the *social profit sector*: the social profit sector encompasses all the socio-economic organizations together with all the social organizations. They both have an explicit objective which is social service, and therefore they receive governmental support.

IMPORTANCE OF THE SOCIAL PROFIT SECTOR IN EAST-FLANDERS

After having defined the social profit sector, we can take a look at the importance of the sector in East-Flanders. East-Flanders is a Flemish speaking province in the northern part of Belgium. The province has 1,4 million inhabitants of which 530.000 employees. The total surface is 3000 km². Ghent is the capital of the province.

TABLE A: TOTAL EMPLOYMENT IN EAST-FLANDERS, 2008



De Meyer, P. (2008). *Sociaal-Economische Situatieschets 2007*. Gent, Provincie Oost-Vlaanderen, 57 p.

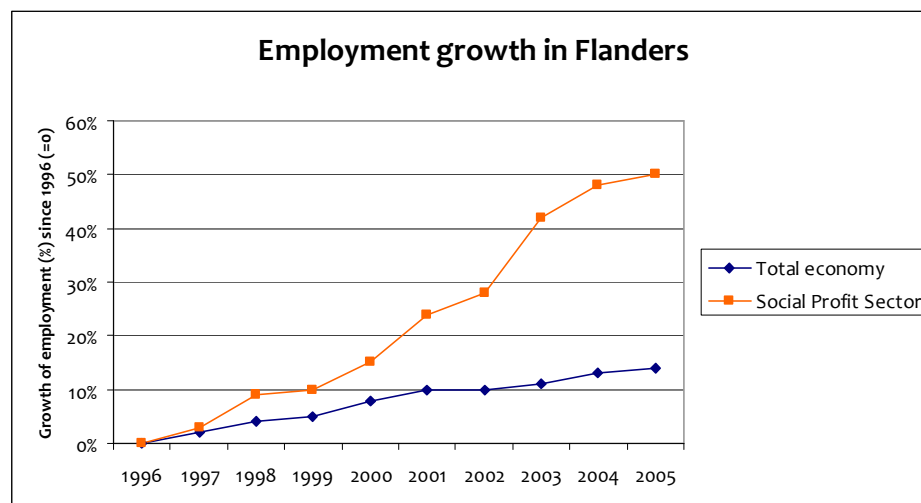
Table A shows the total employment in East-Flanders, using the divide into sectors of industry: primary (agriculture), secondary (industry), tertiary (for profit services) and quaternary sector.

The quaternary sector contains 'health and social services', which we call the social profit sector; and also 'government and education', which are the public organizations (De Meyer, 2008).

The services sector employs about 36% of all employees. The social profit sector in East-Flanders stands for 14,2% of total employment, i.e. 75.000 people. The sector creates 8,6% of the Gross Domestic Product of East-Flanders. On the other hand, for every 10 euro spent in Belgium, 1 euro goes to health care and social services.

Moreover, Table B illustrates that the sector is growing rapidly. In the period 1996 to 2005 the employment in the sector has grown with 50%. Which is huge, comparing to the 15% growth in the total economy. Predictions say this will even grow to 70% in 2013.

TABLE B: EMPLOYMENT GROWTH IN FLANDERS, 1996-2005



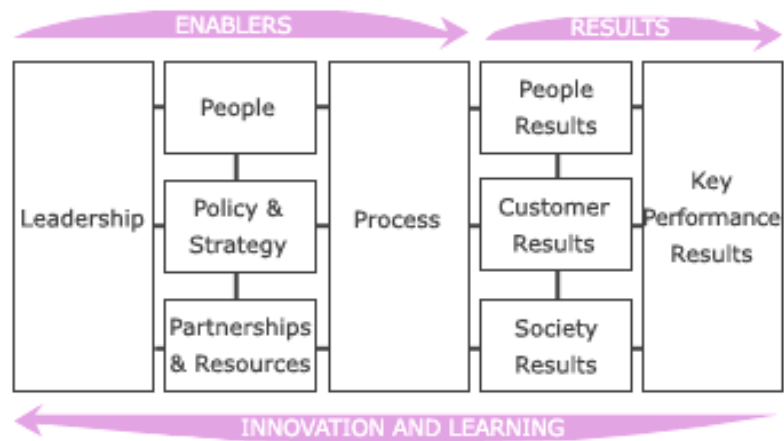
Vander Steene, W. (2007). *Betekenis van de social profit*. Verso, Brussel, 8 p.

RESEARCH METHODOLOGY

This research is based on *qualitative research* in 100 organizations and uses a combination of interviews, focus groups and on-site visits. Interviews took place with 100 managers from the East-Flemish socialprofitsector. These interviews focused on the identification of common management problems and challenges. Two focus groups were organized with participants from different types of social organizations. Finally, eight organizations were visited for in-depth analysis with a multidisciplinary team on a socio-economic tour.

During the research the EFQM Excellence model was used as a framework (see figure 2). This model gives the opportunity to get an overall and complete view on all the management topics used in the social profit sector.

FIGURE 2: THE EFQM FRAMEWORK



European Foundation for Quality Management, www.efqm.org, 2008

RESULTS

Comparing with the research conducted in 2000, a strong movement towards a more professional management and a higher performance was observed at all levels. For example, in 2000 most organizations began to think at a strategic level by attempting to write a strategic plan. In 2008 every involved organization has a mission statement and a strategic plan.

A positive evolution towards more professional management in the social profit sector is clearly observed. This trend is of course welcomed and stimulated by the government.

Now that the first step to a professional management has been made, social profit managers indicate that the sector needs to dig deeper into the management science and knowledge. Translating concepts from the "profit world" to relevant management concepts for the social profit sector is crucial. Moreover, combining the creation of social value and the achieving of economic growth, forms a new challenge (Selsky and Parker, 2005; Seitanidi, 2008).

The following sections give an overview of the most important findings using the EFQM-model as a framework.

Leadership:

Leaders at the top of a social profit organization see themselves as "manager" or as "entrepreneur". They no longer see themselves as "care provider", as observed in the research conducted in 2000, although most managers in the social profit sector have a background as care provider. Moreover, research by Crijns et al. (2008) states that there are great similarities between profit and social profit managers. Although some differences are highlighted concerning "entrepreneurial orientation": social profit managers are less innovative and risk-taking compared to their colleagues in the profit sector.

Concerning the management skills, as already mentioned, a positive evolution since 2000 has been noticed because management tools and knowledge from the "profit sector" were introduced. For example the principles of the Balanced Scorecard, EFQM, ISO (International Organization for Standardization), and many financial concepts got introduced. Managers in the social profit sector need a huge variety of competencies: not only strategic and human resources management; but also financial skills and insights in controlling, ICT, quality management, communication, marketing, cost accounting, etcetera. Additionally a social profit manager must have a kind of social drive and idealism.

One of the reasons for this need for high-potential managers is the limited scale of the researched social profit organizations. A social profit organization in Flanders has an average of 26 employees.

This rather small scale often causes the manager not to have a skilled staff to support him/her in taking management decisions.

At last, the Board of Directors evolves from paternalism to expertise. Members of the Board are frequently unpaid volunteers with an honorary post. Nowadays the composition of the Board develops from paternalist members (e.g. congregations, churches) to members with a specific knowledge such as for example a lawyer, a bank director or an academic professor. This allows the organization to be built upon the expertise of the Board.

People:

Employees are extremely important in the sector, considering also the fact that they incur an average of 75% of the total costs. Talking about “human capital” in this case is not an overstatement. We identified a thoroughly developed human resources management in the social profit sector. Every HR-process is documented in detail.

Let's have a look at the different stages in Human Resources Management; starting with recruiting people. In East-Flanders, just as in most Western countries, there is a “war for talent” going on. The baby boom generation, born in the years following the Second World War, will retire the coming 5 years. Organizations are desperately searching for young people to fill in the open vacancies. Moreover the recent international crisis has no or little impact on the sector. As a result the amount of open vacancies stays high. Managers in the social profit sector argue that it's very hard to find the right man or woman for the jobs they offer.

In attracting skilled people, the social profit sector competes with the profit sector. The profit sector offers higher wages and greater career opportunities. The social profit sector is more restricted (by government) in its reward policy. Therefore the sector focuses on giving attention to people skills and concerns, flexibility, and offering workplaces close to home. To facilitate easier attraction of people, employer branding becomes very important.

The scarcity on the labour market stresses the importance of developing every single talent in the organization. To achieve this, social profit organizations dominantly use competency management. The present skills are mapped and compared to the ideally needed skills. Using training, coaching and education, employees can develop themselves and become better in their job.

When social profit managers talk about motivating people; they always mention:

- Giving recognition to the achievements.
- Giving people responsibility to define their own job content.
- Pointing out the meaningfulness of the work, e.g. by focussing on the aspect of helping people who need care.

This can be compared with Frederick Herzberg's “Motivator Factors” in his Two Factor Theory on motivating people (Herzberg, 1968). These motivator factors lead to employee satisfaction. The “Hygiene Factors” from the theory, such as 'pay and benefits', 'status' and 'career opportunities', are not mentioned a lot in the social profit sector. These are very rigid in the sector, mostly by government regulations. Herzberg states these hygiene factors will not lead to satisfaction, as they are not truly motivating. Hygiene factors will only lead to dissatisfaction if the expectations of the employee are not met.

Creating an acceptable work-life balance forms another challenge for social profit managers. Employees indicate that they have more and more administrative tasks to fulfil. This implies there is less time for offering service or care as such; which leads to higher work pressure. Managers expect a great flexibility from the employees, as some organizations offer care to people 24 hours a day, 7 days a week.

Remarkable is the fact that 80% of the employees are women. This implies a struggle between flexibility at work and flexibility at home and at the household. It even brings some specific challenges, such as temporary replacing pregnant employees.

Policy and strategy:

Success of organizations depends on the capability not only to manage the current activities, but also to define objectives for the future and to shape the way to achieve them. This means that organizations must be managed at operational level and strategic level in a coordinated way. (Nicolau and Simaens, 2007, p. 6)

Social profit managers, as their colleagues in the profit sector, indicate that it is hard to make time to think on the long term. Strategic thinking is defined by the managers as “adapting and preparing the organization to the changing environment, which involves flexibility and innovation”. However, innovation is inhibited by government regulations and financial assistance. The dependence of the government creates a safe haven, where there is no or less need for creativity and innovation.

Social profit managers try to map who can help the organization to achieve strategic objectives. The term “stakeholder” is relatively new in the sector. Stakeholder management is very important as social profit organizations have difficulties to match the expectations of the different stakeholders such as: customers, employees, government, civil society, neighbourhood of the organization, family members of customers, etcetera. The social profit sector has strong partnerships and networks, both formal and informal. Working together is rather normal and stimulated by the government.

Partnerships and resources:

The definition of a social profit organization implies that the government gives financial assistance. In the majority of the participating organizations, 50 to 80% of the income is provided by the government. The financial support from the government is result-oriented and rigid. This financial dependence inhibits innovation and creativity as there is little budget to create new initiatives. The customers normally pay a (rather small) contribution. These financial resources are usually inadequate to fulfil all requests for social service. In other words, the demand is larger than the supply. Therefore, most social profit organizations tend to search extra financial resources by fund raising.

Checking the balance sheets of the social profit organizations, we can see that most organizations are very healthy. The long term assets, particularly the property and equipment, are well developed and take an important part of the balance sheet.

Managers in the social profit sector encounter an increasing competition and commercialization social services in two ways:

1. The private sector gets interested in earning private money through delivery of care or social services. Competition with profit-oriented businesses becomes a focus for managers.
2. The Belgian and Flemish government experiment with a system where patients get a budget they can freely spend. Government gives the budget to the client, instead of to the social profit organization. In this case people can “buy” care or a social service, just as they buy a service from for example a bank company or an airline company. The customer can choose which service to buy and will demand value for money. In other words the patient acts as if he/she is in a market, buying social service with explicit preferences and a high demand for quality.

Concerning the operational financial management, the social profit managers indicate that they can still learn a lot from their colleagues in the profit sector. Detailed management controlling and cost accounting is rather rare in the sector. Formulating and using key financial indicators can be further developed.

A trend towards merging and co-operation can also be identified. The rather small scale of the social profit organization was already mentioned, working with an average of 26 employees. The bigger an organization gets, the more it can benefit from the economies of scale. As the output increases, the cost per unit normally will decrease.

Processes:

As to processes, social profit managers tend to focus on the “as is”-situation. In East-Flanders, documenting processes is a condition for government support. The government sees this to be a guarantee for quality of service. Improving processes, for example through Business Process Management is underdeveloped. The Kaizen principles (Imai, 1997) of continuous improvement are rarely known in the sector.

The managers participating in the research quote two major challenges in their search of efficiency and effectiveness:

1. First, ICT management. The Economic Council of East-Flanders developed two studies of the ICT management and infrastructure in the social profit sector (Deschoolmeester et al., 2005 and De Steur et al., 2007). The results were not surprising: social profit organizations don't have the financial resources, nor the knowledge to invest in ICT infrastructure. Of course there are some exceptions, such as the hospitals, but the majority will need to develop their ICT management and try to catch up with the profit sector.
2. The second challenge is eco-efficiency. Social profit organizations will need eco-efficiency to cut the increasing costs of energy. Moreover, from an environmental concern, managers indicate there are many possibilities to think about such as solar power or better isolation. In Belgium the majority pays little attention to this item due to lack of budget and knowledge. There are a few best practices: for example “Arcor” that works 100% on solar energy. Arcor is a similar organization as “De Merel”. The organization employs disabled people and therefore develops economic activities, mainly packaging and producing textiles. A photovoltaic system with 1530 solar cells on a surface of 6850 m² produces enough electricity to meet the organization's annual needs.

People results:

The researched social profit organizations measure “soft” and “hard” figures.

The “hard” figures are written down in the annual report. The annual report contains a “social balance sheet”, in addition to the normal financial balance sheet, which contains specific information about workforce such as: the number of people employed, the staff movements, the hours of training for employees and the total wages paid.

The “soft” figures measure the employee satisfaction. Most organizations collect this information through surveys. Employee satisfaction is extremely important as scientific research proved that employee satisfaction creates customer satisfaction (Heskett, 1994).

To obtain employee satisfaction there has to be a good psychological contract between employer and employee. An employee offers his time, enthusiasm, flexibility, and expertise; expecting a reasonable wage, appreciation for the delivered work, nice colleagues, good work-life balance and job security.

Customer results:

Social profit organizations can have many different kinds of customers. For example: an organization that offers support to adolescents who got involved in criminality, has many different customers: first of all the adolescent himself, but also family, school, government, judges and society. The different customers obviously have different wishes. Therefore the organization needs good stakeholder management.

Managing the customer satisfaction is, first, managing the expectations by communicating effectively, and second, delivering high quality of service.

Customer results are measured by 60% of the interviewed social profit organizations.

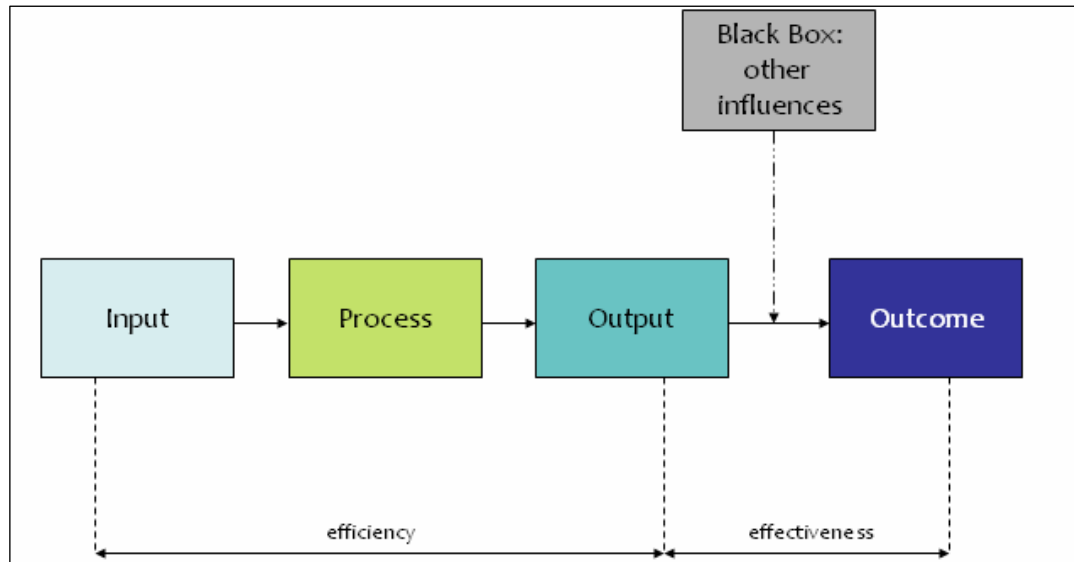
Society results:

Social profit organizations find it very difficult to talk about their societal results, as it is very difficult to measure the outcome/impact on society. Service delivery is - by definition - intangible and inseparable from the service provider; this implies that each service delivery is unique. Standardization and

measuring is not evident. For example: How do you define a “good” conversation with a client? This will depend on the situation.

On the other hand tax payers and politicians want to know what impact the work of the social profit sector has on society. They want to see the “social return on investment” (Lawlor et al., 2008). Today in Belgium both government and the sector are still looking for answers to this question.

FIGURE 3: SERVICE DELIVERY IN THE SOCIAL PROFIT SECTOR



Based on: *The input-process-output-outcome framework, Brown, 1996.*

Figure 3 shows why it is so hard to measure the social return on investment. The input, the process and the output are easy to measure. The outcome on the other hand is very hard to measure because there is a black box between output and outcome. Every social profit organization suffers from this kind of black box. And it forms a great challenge to deal with in the coming years.

Illustration: A non-governmental organization strives to increase awareness about poverty in the world.

A NGO wants to have an impact on society, and strives to create awareness among Belgian inhabitants concerning poverty in the world. This awareness is the outcome.

Therefore, the NGO creates an information brochure and engages some volunteers, this is the input. The volunteers talk to people in their neighbourhood about poverty, spreading the brochures, which is the process. The output consists of the hours the volunteers were talking to people in their neighbourhood. The key question is: "Did the talking to people influence the awareness among the Belgian inhabitants? Is there an evidence-based link between them?"

This question is very hard to answer, as very different aspects influence peoples perception and awareness about poverty. This is called the black box.

Key performance results:

A minority of the social profit organizations we interviewed, 10%, uses a kind of scorecard to measure the key performance results.

The Balanced Scorecard, as developed by Kaplan and Norton (1992), is most frequently used. This scorecard forms a cockpit where facts and figures give a view on the evolution of the organization, considering different aspects (such as financial results, service results, people results, customer satisfaction or employee satisfaction).

Not all managers are in favour of the power of this measuring tool. They argue that figures can prove almost anything... and stick to managing by intuition. As Einstein said: "Not everything that can be counted counts, and not everything that counts can be counted."

On the other hand, most managers believe in the importance of staying up-to-date with the evolution of the organization by measuring some key performance results.

SUMMARY OF THE MAIN MANAGEMENT CHALLENGES

During the interviews, eight challenges for the future were derived. We will give a short description. Most challenges were already mentioned in the text above.

1. The commercialization of the social profit sector:

Meaning the patient becomes a customer and "buys" his own social service, demanding high quality. And on top of that, the tendency towards more private companies getting interested in organizing for-profit social and health services.

2. The need for innovation:

The rigid relationship with the government hinders innovation. In a rapidly changing world, it is nevertheless very important to think in a creative way. Not only technological innovation matters, but also process innovation and service innovation.

3. The war for talented employees:

The search for talented employees and the need to develop every single talent in the organization was pointed out earlier.

4. Globalization and internationalization:

Globalization is influencing the whole economy, and obviously also the social profit sector (Friedman, 2005). For example: It has never been that easy to use a new care technique from Japan or to build service flats for the elderly people in Spain. On the other hand, social services are bounded to their local environment as they often occur face-to-face. "Think global, act local" seems to be the correct slogan.

5. The call for accountability:

The stakeholders of the organization want to know what impact the organization has on their demands. Moreover, the government and the broad civil society want to know what impact an organization has on society. In other words: social profit organization should prove the social return on investment.

6. The increasing search for efficiency and effectiveness:

These four main challenges were mentioned by most managers:

First, Business Process Management, by introducing for example the Kaizen principles of continuous improvement.

Second, working on eco-efficiency and pioneering in implementing the new green technology.

Third, the use of ICT-Management as an innovative tool.

Fourth, the possibilities of merger and cooperation to broaden the small scale some organizations are working on.

7. Sociological tendencies:

Some managers told us they are also influenced by sociological tendencies. For example, increasing individualism in the society: the less people want to help each other, the more social profit organizations will be needed to cover the caring and social services.

8. The need for a good service concept:

As a last challenge, the need for a good service concept and marketing insights in a social profit environment was identified. This comes along with the commercialization of the social profit sector. In the services economy it is very important to have a good service concept. For example, low cost

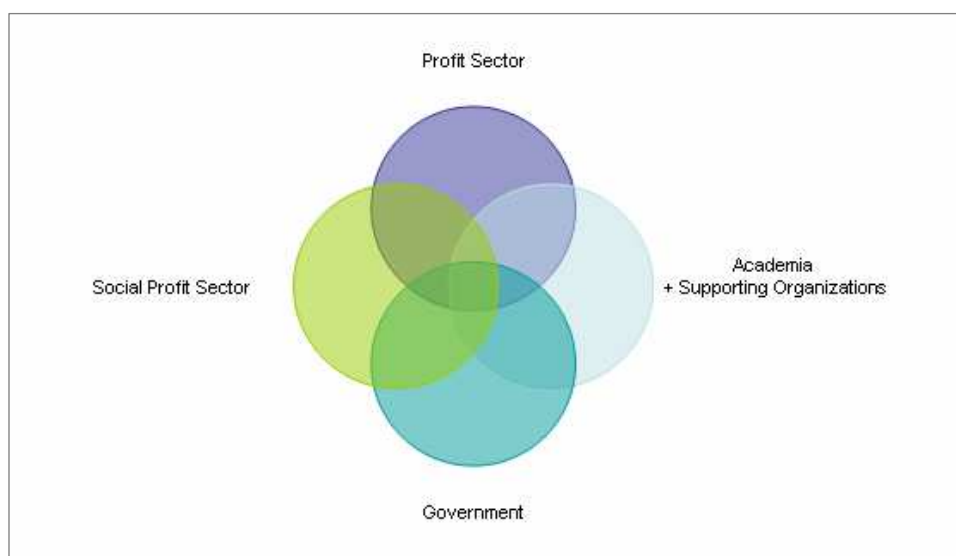
airlines as Ryanair have a clear service concept: low prices, minimum service. On the other hand, clients at the Hilton Hotel will know what they can expect: a high all-in service and a reputation for quality, value, integrity and strength. The mission statement of Hilton even contains the following sentence: "Hilton Hotels Corporation stands above the rest, delivering on all fronts." A good service concept leads the right customers to the organization. In a fully competitive social profit market this will become very important.

IMPLICATIONS & RECOMMENDATIONS

In stimulating the progression and evolution of the social profit sector towards a more professional management, four levers can be used:

1. First, creating *awareness* by introducing unknown management concepts in the social profit sector and setting up management education for managers and entrepreneurs in the social profit sector. It might be interesting to create an education programme for beginners, and one for expert managers. This management education and awareness should pay attention to the challenges outlined above such as efficiency and measuring effectiveness or facilitating and stimulating innovation.
2. Second, giving *support* to the social profit sector in translating and creating relevant management concepts. Management tools from the profitsector should be translated to the specific context of the social profit sector. The social profit sector can add value and surplus to these concepts. For example measuring the social return on investment is a method that is relatively new and needs to be further investigated and made achievable for all the social profit organizations.
3. Third, *networking* is very important. Sharing experiences and benchmarking opens the eyes of social profit managers. We consider it very important to create international networks and to share experiences. Moreover the networking between profit and social profit can be very interesting. The Corporate Social Responsibility thinking creates a win-win situation, whereby profit can learn from social profit and vice versa.
4. Fourth, we propose to conduct in depth *research* on new topics such as: measuring the impact on society of social profit organizations, but also for example risk management in social profit, or Business Process Re-engineering.

Concluding, to achieve the recommendations mentioned above, we suggest to build a partnership between: Social Profit, Academia and supporting organizations, Government, and Profit to keep up striving for a professional and innovative social profit sector.



CONCLUSION

The social profit sector in East-Flanders becomes more and more important as it successfully combines the creation of social value and the achieving of economic growth. This evolution implies that the social profit sector is faced with a number of key challenges for the future. Commercialization of the sector, combined with a war for talented employees and globalization make it important to invest in innovation and to search for more efficiency and effectiveness. Defining a good service concept and proving the presence of a social return on investment, appears increasingly crucial. It is encouraging to determine that the social profit sector seems to stand strong and made a powerful evolution since 2000 towards more professionalism.

Taking into account these challenges and the current management development in the social profit sector, we can determine following conditions which will help to create or preserve a successful social profit organization in the coming years.

Conditions for success in managing a social profit organization:

- Concerning leadership, a variety of management skills is combined with idealism and social drive. The members of the Board all have a specific expertise and together they form a complementary team.
- A successful social profit organization succeeds in recruiting, developing and motivating skilled employees. These employees are the competitive advantage of the organization.
- A long-term strategy is followed and the organization succeeds in matching the different interests of stakeholders. Using creativity and innovation, a unique service concept is created which differentiates the organization from other competitive organizations.
- Social profit managers try to develop a cockpit of the organization by measuring different indicators. These indicators provide all the information needed to evaluate the current situation of the organization. Employee and customer satisfaction are monitored.
- Sufficient financial resources are gathered to achieve the predetermined objectives. Commercialization and competition are used as an opportunity and a trigger for change.
- Social profit managers strive for more efficiency and effectiveness using different approaches such as business process reengineering, implementing a solid ICT infrastructure or investing in eco-efficiency.
- Results are measured, and managers especially try to measure the 'social return on investment'.

To accomplish this challenging task, social profit managers can rely on their versatility, creativity and perseverance. A partnership between Social Profit, Academia and supporting organizations, Government and Profit provides expertise and support.

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