

Evaluating the tension within a not-for-profit organization, when developing a business model for the maintenance of a sustainable profitable business venture

The third sector in Israel faces a competitive war of survival, to mobilize resources to generate social value. Poverty is on the rise. The disparity between the rich and poor continues to widen. Social welfare, education and health have suffered from enormous budget reductions, creating an ominous burden for the third sector.

Not-for-profits consequently need to be innovative to find new methods for sustainability and growth. The enticing challenge of the business world, offers promising hope to initiate resources as a new income generating avenue.

A window of opportunity opened for CLICK, a not-for-profit located in Israel, to test its skill in the business sector. The idealistic cause driven goals of the organization were researched in a three year longitudinal single case study, where the entrepreneurial tensions between achieving sustainability and growth, while maintaining a profitable business undertaking were assessed.

Drawing on network literature, this research examines how different sources of social capital affected venture performance, in specific stages of the business development process. A critical challenge for the developing third sector is to understand the influence of these links on information and resource acquisition and recognizing opportunities.

Using case study methodology (Yin 2003), triangulation was achieved through analyzing data from historical documentation, social capital measures and financial indicators. Results showed that "bonding" social capital from family and friends influenced day to day survival, from early start-up until the establishment stage. "Linking" social capital, from people in control of resources and authority, and "bridging" social capital, from ties with other individuals and societies, were particularly influential on sustainability and growth, according to a time line. This study therefore contributes to current network literature, by assessing the various phases of business creation, focusing on the strengths and weaknesses of social capital gauges, such as volunteering, social trust, network frequency and size, as prospective sources of competitive advantage.

Social capital theory also formed direct input to the framework model for the "opportunity creation process" (Guclu, Dees, and Anderson 2002), which demonstrated a means for social entrepreneurs to create an opportunity worthy to pursue. Building on this method, the concept of social capital was integrated as the social impact theory, when recommending a social entrepreneurial business model for the third sector. This provided a managerial and structural tool, to guide future not-for-profits to adapt to other situations, in balancing the conflicts between mission related social service provisions and developing a business model.