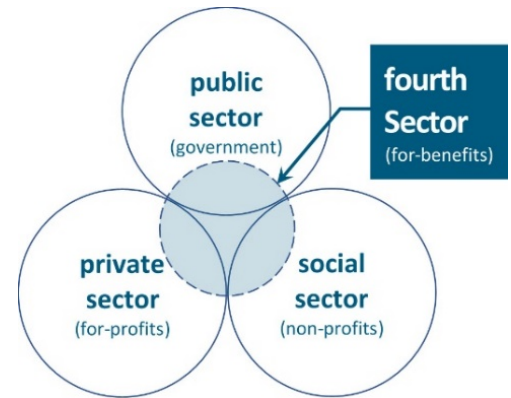


STEERING FOURTH SECTOR CONSORTIUMS FOR PUBLIC GOOD



Enabling consortiums of public, private and non-profit organizations to maximize social value and financial return on investment (SROI & ROI)

THE CONVERGENCE OF ORGANIZATIONS TOWARD A FOURTH SECTOR

Over the past few decades, the boundaries between the public (government), private (business), and social (non-profit) sectors have been blurring as many pioneering organizations have been blending social aims with business approaches. While the mission and method of many organizations in business, government and nonprofit sectors are becoming steadily more similar, something more than simple blurring of the boundaries is occurring. Pioneering organizations in the three sectors are in fact converging toward a fundamentally new organizational sector that integrates social purposes with business methods: **a fourth sector** (Figure 1).

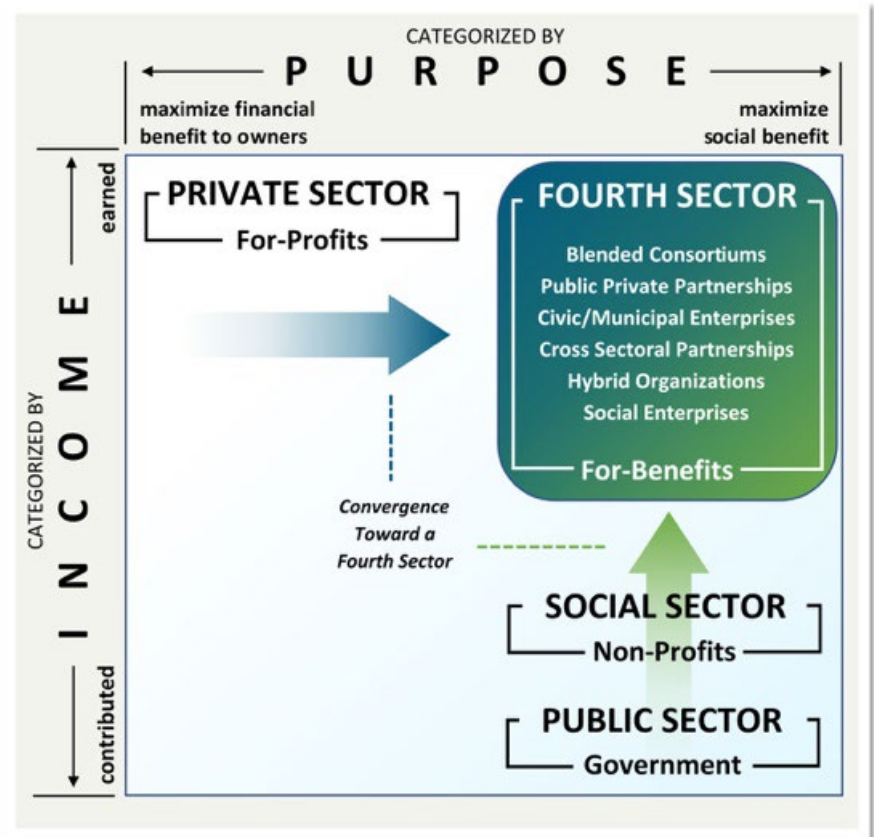


Figure 1. Patterns of Change: Convergence and Emergence

THE THREE TRADITIONAL SECTORS

Businesses create and distribute goods and services that enhance our quality of life, promote growth, and generate prosperity. They spur innovation, reward entrepreneurial effort, provide a return on investment and constantly improve their performance responding to market feedbacks. They draw on the skills, effort and ingenuity of individual workers, and share with them the economic value created by the enterprise.

Non-profit organizations give us ways to celebrate, build and protect the many human values that give rise to healthy, thriving communities. They have worked to ensure that all people have adequate necessities of life, including clean air, water, food and shelter; an equitable share of wealth and resources; and opportunity to develop their full physical, mental and spiritual potential. They create spaces to celebrate the joy of culture and artistic expression and reveal opportunities for generosity. They have helped to ensure that human capacities, technologies and organizations sustain and support and do not systemically alter, degrade or destroy diversity. They remind us that we depend on each other, and that humanity must not only care for itself, but must steward an entire world.

Governmental organizations protect and expand the principles of democratic freedom for both individuals and communities, protecting the public interest while at the same time ensuring a level

playing field of opportunity and a common framework of laws and their enforcement at a scale that matches the scale of human activity. They have been granted, or they have presumed, the responsibility to provide for the common security and to make decisions to promote the best interest of society.

THE BLURRING OF SECTORAL BOUNDARIES

While the boundaries between the public (government), private (business), and social (non-profit) sectors have been blurring, many pioneering organizations have been blending social aims with business approaches.

There are many expressions of this trend, including corporate social responsibility, microfinance, venture philanthropy, sustainable businesses, social enterprise, privatization, community development and others. As this activity matures, it is becoming formalized as a **'fourth sector'** of the economy.

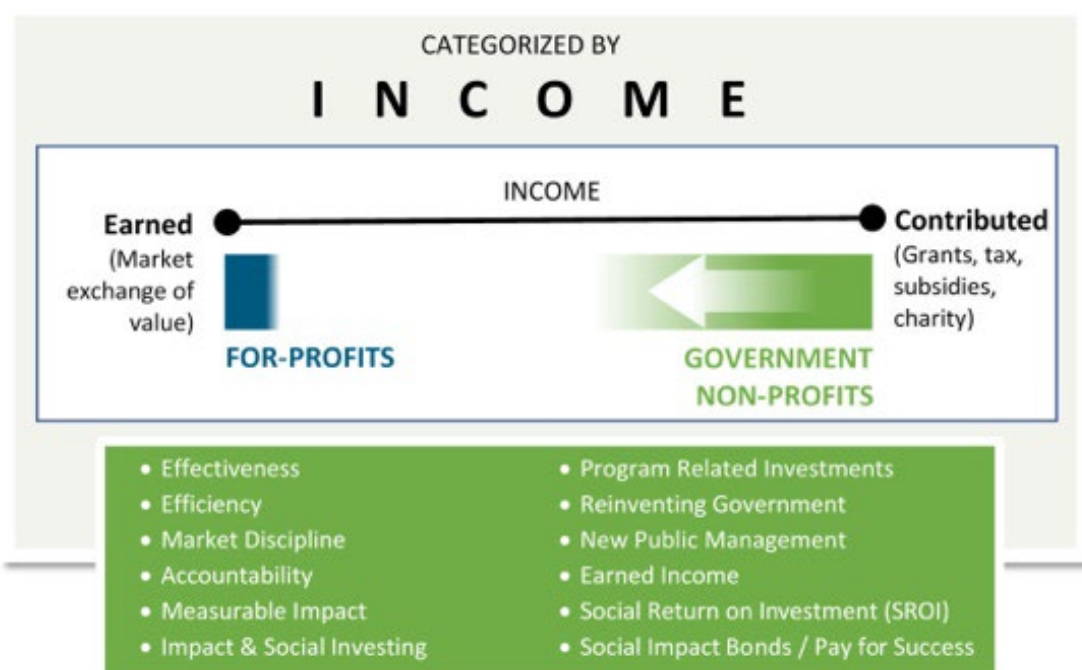
Businesses are dedicating more resources to delivering social benefits. Cause-based marketing, the triple bottom line and corporate social responsibility are a few of the buzzwords that have come into usage in recent years as part of this trend (for more terms, see Figure 2).

Meanwhile, public and social sector organizations are attempting to operate in a more businesslike method (see Figure 3 for examples of trends).

Figure 2. Shifting Purpose in the Private Sector



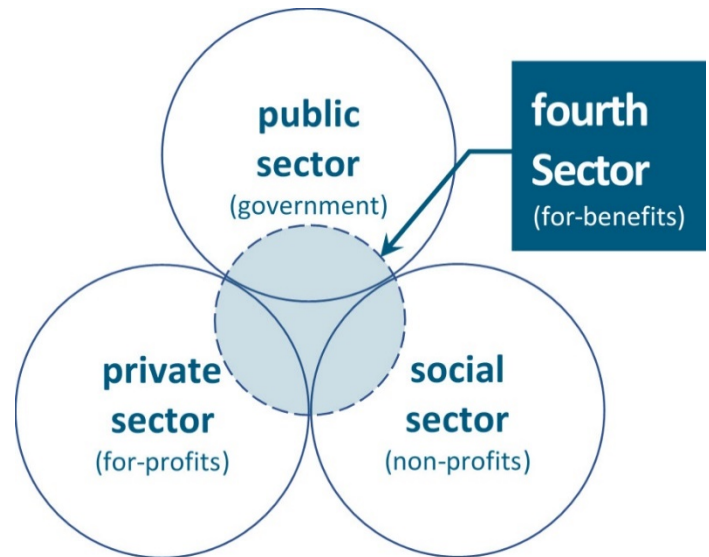
Figure 3. Shifting Method in the Public and Social Sectors



THE EMERGENCE OF HYBRID ORGANIZATIONS & CONSORTIUMS

In addition to convergence, a second significant pattern of organizational activity has been occurring. The past few decades have seen a proliferation of new hybrid organizational models formed to address a variety of societal challenges. These organizations consciously blend attributes and strategies from all sectors and thus resist easy classification within the boundaries of the three traditional sectors. But they share two common characteristics—pursuit of social aims and the use of business methods that position them within the landscape of the emerging fourth sector. The following are examples of hybrid models that have emerged in recent years. Many of these terms define overlapping activities, reflecting the state of fragmentation in which the emerging landscape finds itself today.

- Blended Consortiums
- Chaordic Organizations
- Civic and Municipal Enterprises
- Community Development Financial Institutions
- Cross-Sectoral Partnerships
- Faith-Based Enterprises
- Non-Profit Enterprises
- Sustainable Enterprises
- Community Wealth Organizations
- Social Enterprises
- Blended Value Organizations
- Social Economy Enterprises



CONSTRAINTS OF SECTORAL BOUNDARIES

While many signs point toward the emergence of a fourth sector, a fully developed supportive ecosystem for fourth sector enterprises (legal structures, capital markets, technical assistance, etc.) is not yet in place. Consequently, “hybrid” entrepreneurs have little choice but to operate within the constraints of the three existing sectors. This often requires them to compromise their objectives, complicate their organizational structures, and invent new processes that distract their focus and deplete resources.

The plain fact is that the infrastructures that have come into being to support the three main sectors are not ideal for these hybrid enterprises. The track record of recent years has delivered a mixed message. On one hand, the private, public, and social sectors do have a certain amount of “give,” as evidenced by the considerable amount of organizational evolution that has taken place.

However, their boundaries are pretty inelastic. As pioneering organizations in each sector implement new strategies and innovations in their attempt to meet the expectations of their stakeholders, they often find themselves pushing outside the boundaries of their respective sector. Often, they are unable to take these strategies as far as they would like because they are impeded by legal, capital, and other constraints. In the worst cases, they encounter significant obstacles and lose competitive advantage vis-a-vis their more traditional counterparts by straying too far from the standard rules of the road for their sector.

What is required in the short term are multi-sector consortia and over time supportive infrastructure developed specifically to meet the needs of fourth sector organizations.

FOR-BENEFIT ORGANIZATIONS

The defining characteristic of all fourth sector consortia and organizations is that they integrate social aims with business approaches. Some fourth sector organizations go further by embodying features like inclusive governance, transparent reporting, fair compensation, environmental responsibility, community service, and contribution of profits to the common good.

As the fourth sector expands and becomes more formalized, there is a need to better clarify its boundaries. To that end, a range of efforts are underway to define the criteria for the archetypal Fourth Sector organization, which is referred to as the “for-benefit” organization or corporation.

As broad consensus builds around the definition of the for-benefit archetype, it will become easier for those involved in developing various elements of the support ecosystem for the fourth sector – financial markets, legal forms, technical assistance, assessment and reporting standards, etc. – to focus and integrate their efforts. This will in turn create a more conducive environment for the growth and maturation of the Fourth Sector.

ATTRIBUTES OF A FOR-BENEFIT ORGANIZATION

The following characteristics of an archetypal for-benefit corporation are offered as a starting vision intended to catalyze further dialogue. With this caveat, a fully realized for-benefit could have the following core attributes:

- **SOCIAL PURPOSE.** The for-benefit corporation has a core commitment to social purpose embedded in its organizational structure.
- **BUSINESS METHOD.** The for-benefit corporation can conduct any lawful business activity that is consistent with its social purpose and stakeholder responsibilities.
- **INCLUSIVE OWNERSHIP.** The for-benefit corporation equitably distributes ownership rights among its stakeholders in accordance with their contributions.
- **STAKEHOLDER GOVERNANCE.** The for-benefit corporation shares information and control among stakeholder constituencies as they develop.

- **FAIR COMPENSATION.** The for-benefit corporation fairly compensates employees and other stakeholders in proportion to their contributions.
- **REASONABLE RETURNS.** The for-benefit corporation rewards investors subject to reasonable limitations that protect the ability of the organization to achieve its mission.
- **SOCIAL RESPONSIBILITY.** The for-benefit corporation committed to continuously improving its social performance throughout its stakeholder network.
- **TRANSPARENCY.** The for-benefit corporation is committed to full and accurate assessment and reporting of its social and financial performance and impact.

contribute to the economy. Like non-profits, for-benefits can organize in pursuit of a wide range of social missions.

For-benefits represent a new paradigm in organizational design. At all levels, they aim to link two concepts which are held as a false dichotomy in other models: private interest and public benefit. For-benefits seek to maximize benefit to all stakeholders, and because of their architecture, they can embody some of the best attributes of other organizational forms. They strive to be transparent, accountable, effective, efficient, democratic, inclusive, open, and cooperative.

For the for-benefit organization to move from an idealized model to widespread cultural reality, support in the law will ultimately be required. Substantive changes are needed in corporate, non-profit, intellectual property, tax, securities, consumer protection and other laws at federal, state, and local levels. A range of promising efforts have emerged in recent years to create such regulatory changes.

FORMALIZATION IN LAW

For-benefits are a new class of organization. Like for-profits, for-benefits can generate a broad range of beneficial products and services that improve quality of life for consumers, create jobs, and

ABOUT STEERING

Maximize Social Impact & ROI

As a fourth sector organization Steering combines market-based approaches of the private sector with social aims of the public sector. Steering enables consortiums of public, private and non-profit organizations to advance innovative and scalable service systems that maximize social impact and financial return on investment (ROI). Priority initiatives include: Human Services - (e.g. Early Care & Education, Mental Health) and Public Data - Citizen Identity & Privacy, Public Data Management & Governance (e.g. Smart Cities & Public Information Utilities) and other innovative social impact initiatives.

STEERING

1-519-778-3893 | www.steering.ca | info@steering.ca

This content is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International License](https://creativecommons.org/licenses/by-sa/4.0/).