

Foreword (1983)

Dennis Young's study of entrepreneurship in nonprofit organizations emerges at a strikingly appropriate moment in the long history of the U.S. voluntary sector. This country has, since its early days, relied heavily on voluntary nonprofit institutions to carry out a wide range of important social and economic tasks—relied on them more heavily, it seems clear, than any other modern society. But in recent years new pressures have been imposed on the nonprofit sector. It faces new and more urgent demands, generated by the high level of social and cultural services that the American people have come to accept—services that have become more difficult to provide in the face of inflationary pressures, reduced or unreliable endowment returns, and, most recently, dramatic governmental retrenchment. For the nonprofit sector, this is a time of great demand and constraint.

As a result, two central questions about the U.S. nonprofit sector have become more salient than ever before. First, what functions should the nonprofit sector take on, expand, reduce, or abandon—in other words, what is an efficient, equitable, and otherwise appropriate division of labor among the nonprofit, governmental, and for-profit sectors of our society? Second, what avenues lead to increased financial and programmatic effectiveness for nonprofit organizations, and how can such effectiveness be measured in the absence of a conventional market or ballot bottom line?

Neither of these issues can successfully be tackled without a better understanding of the incentive systems that work in the nonprofit sector and that distinguish that sector from the worlds of government and commerce. We must know more about the factors that screen individuals—managers, founders, employees, donors, and volunteers—into one of these three sectors, and more about the incentives affecting their behavior once they have been screened. These incentive systems have a great deal to do with the way different types of organizations behave—and therefore with the appropriate division of labor among organizations. They also have a great deal to do with how nonprofit organizations can improve and measure their performance.

For most of Dennis Young's scholarly life, he has studied alternative institutional arrangements for delivering human services and the incentive structures that characterize the organizational alternatives. His books on day care and foster care broke new ground. Accordingly, when Yale launched its Program on Non-Profit Organizations in 1977, one of the very first people to whom we turned as a possible participant was Professor Young. To the great delight of those of us who were designing

the research agenda for this new program, Professor Young was interested in exploring one crucial aspect of the incentives picture: the role of entrepreneurs, those managers and founders of nonprofit organizations who succeed in building or giving new life to voluntary organizations as a result of their own imagination, drive and talent. Professor Young was fascinated by the question of what, in a world without conventional profit incentives, distinguishes entrepreneurs from those in the worlds of government and commerce. We usually associate the word *entrepreneur* with the for-profit arena—indeed, it is a reflection of our limited view of the U.S. economic system that when entrepreneurship is mentioned for the first time to most observers, the common reaction is: "How can there be entrepreneurial activity without profit?" or "You mean, I suppose, a study of how nonprofits can save themselves by engaging in commercial enterprise."

This book should open the eyes of those who entertain so narrow an understanding of entrepreneurship. The culmination of Professor Young's imaginative and energetic travail over the past few years, this book makes it clear that the entrepreneurial spirit is remarkably alive in the nonprofit world, and that entrepreneurial activity extends well beyond the production of commercial revenue for nonprofit groups. (His work also required enormous patience, for nothing is harder than corralling a score of exceedingly busy entrepreneurs, not necessarily interested in scholarship, and getting them to sit still long enough to discuss their work and dreams and frustrations.) If Professor Young's painstaking empirical work, reflected in 21 case studies of entrepreneurship, did nothing more than document the existence of this behavior, so widely doubted or underestimated, it would represent a considerable contribution. But Professor Young's work, by casting a new light on the incentives that spawn entrepreneurial activity in all three organizational sectors, also gives us a far better understanding of the behavior of the various organizational species that inhabit our society. As a result, this work advances by a giant step the twin missions mentioned earlier: developing a better understanding of the division of labor among sectors, and promoting effectiveness within the nonprofit world.

Professor Young thus brings us much closer to developing a general theory of the role and performance of the nonprofit sector in the United States. At the same time, he helps us to think about the difficult policy dilemmas that will arise more and more often in the years to come. (These include, for example: Should regulatory and tax measures encourage all organizations in a given industry such as the nursing home, or hospital, or funeral parlor to become nonprofit? Or to become for-profit? Should we more tightly police the behavior of the managers of voluntary organizations? Or should we loosen the restrictions on their pecuniary rewards?) In addition to these insights, Professor Young's work gives us an extra dividend: it helps us to understand the wellsprings of entrepreneurial activity *outside* the nonprofit sector, at a time when there is acute concern about the level of dynamic and innovative activity in U.S. industry.

A brief account of the Yale Program on Non-Profit Organizations indicates how nicely Professor Young's scholarship fits into the program's overall work. The program is an interdisciplinary center for research on the world of nonprofit institutions: their past, present and potential role in our social order, the financing and management problems they face, their impact on the government and business sectors, and their patterns of governance and accountability. Located within Yale's Institution for Social and Policy Studies, the program was launched by Yale's former president, Kingman Brewster, as a way of redressing a long tradition of scholarly neglect of voluntary institutions. Despite the wide variety of social and economic tasks these institutions perform in the United States, our nonprofit sector has been the least studied and the least well understood aspect of our national life.

The Program on Non-Profit Organizations seeks to stimulate academic inquiry and attention, to build a body of data, theory, and analysis about the nonprofit sector, and to generate research that will help resolve major policy and management issues confronting nonprofit organizations. Approximately 150 senior and junior scholars have participated in the program, representing a wide range of disciplines and using many approaches. Approximately 100 articles, working papers, reports and book manuscripts have emerged to date. As this preface is written, the program is entering its second five-year phase of activity, in which it will explore new research territory; consolidate, on the basis of several cross-cutting themes, much of the work of the first five-year phase; and seek new ways to spread the results of this research to a variety of nonscholarly as well as scholarly audiences.

As we look back on the first five-year phase of this program, a paramount source of pride and pleasure is the work of Dennis Young, which we have been privileged to sponsor and which now reaches the general public with this book.

John G. Simon

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