

# Entrepreneurship in a Multi-Sector World

by Peter M. Frank

Dennis Young's pioneering work exploring entrepreneurial behavior in the nonprofit sector was path-breaking in many ways. Thirty years ago this book was published long before widespread research into entrepreneurship in the nonprofit sector was popular, and it subsequently catalyzed a research stream that also forms the basis for an entire academic discipline. Just as other economists failed to account for the entrepreneur in the general equilibrium framework, established theory to explain the formation of nonprofit organizations was still evolving in the early 1980s yet without attention given to entrepreneurial behavior. The theoretical framework grounded in this volume has launched a burgeoning research program that includes the established fields of social entrepreneurship, social enterprise, nonprofit enterprise, and social ventures. It is rare that a book can make such a significant contribution that stands the test of time. Three of the key contributions of this work are outlined below.

The first, and possibly the most important, contribution Young makes is the extension of entrepreneurship theory beyond the profit-making sector. He explains entrepreneurship "denotes mobilizing and catalytic activity in all sectors." This notion of entrepreneurial behavior, as phenomena that transcends sector boundaries, lays the foundation for a broad understand of how the nonprofit sector emerged and thrives in America. Other researchers have helped build the theoretical foundation of the third sector, but Young's entrepreneurial approach best provides a bridge between ideas and what is empirically observed. By extending the Schumpeterian entrepreneur from commercial activity to nonprofit innovation, this volume explains with myriad examples how entrepreneurs establish organizations to fill gaps in the provision of goods or services where markets or government lack the incentive to provide.

Many scholars have continued entrepreneurship theory-building in the nonprofit sector, as well as research to explain the existence of the overall sector, and many of these efforts extend from Young's contribution. This volume has helped shape research on the role of entrepreneurship in multiple contexts driven by the institutions that motivate these decisions. Young rightly points out, "It may be argued that much of what is called entrepreneurship constitutes attempts to change, rather than play by the existing rules and environmental constraints." This is a picture of the nonprofit sector that is often forgotten but is a beautiful reality of a vibrant civil society. The entrepreneurs who shape this sector are those who seek to change the old way of doing things for a new way given the existing institutional incentives and constraints. This way of understanding the voluntary sector, and the subsequent research stream that flows from it, is an unmistakable contribution of this volume.

Next, this volume encourages the examination of entrepreneurial behavior in the voluntary sector but also entrepreneurship that is deemed “social” at its core or ventures that seek to fulfill what Jed Emerson calls the “double bottom line.” Social entrepreneurship is firmly established as a discipline that expands from nonprofit programs to schools of business and departments of public administration. These programs have grown substantially during the past three decades. One continual critique of social entrepreneurship is that lack of theoretical and conceptual clarity. In schools of business social entrepreneurship is often referred to as any venture with a social vision or one that creates social value. Others define social entrepreneurship as those ventures that reside in the nonprofit sector alone. Young lays the foundation whereby these debates and perpetual questions, as to the “what is social entrepreneurship,” are answered. It is the manifestation of what results from entrepreneurial activity which demonstrates that it is “indeed a real, significant, and widespread phenomenon.” Thus, the field of social entrepreneurship owes its theoretical roots to Young’s work as well, as this volume brings to bear the economic framework where conceptual questions are answered.

Finally, this work establishes a lasting contribution to practice in the nonprofit sector which has implications for policy. The entrepreneurial approach to understanding the creation of nonprofit organizations informs practitioners and policymakers alike by explaining the emergence of a sector given the existing institutions. Policymakers are then called upon at the institutional level to help facilitate product or service provision by impacting the incentives for entrepreneurs to create and innovate. These entrepreneurs operate at the grassroots level to ameliorate social problems, establish arts organizations, and operate educational programs to name a few examples. This volume provides a conceptual framework that clarifies the role of policy.

These three contributions represent the profound influence of Young’s work over the past thirty years. Researchers in the fields of social entrepreneurship or social enterprise as well of those who have expanded theory in the nonprofit sector have relied upon this volume to help lay the foundation for their analysis. It is not an overstatement to say that this work not only introduced entrepreneurial theory into the explanation of the nonprofit sector, but also helped to catalyze analysis of organizational formation in a three-sector world. Entrepreneurship exists in a private, public, and nonprofit context and Young’s work provides a framework to better understand this multi-sector application of a robust economic phenomena. In my own work I have utilized this volume as a basis for further analysis into entrepreneurial behavior, and after three decades, Young’s research provides a continual source of ideas and conceptual rigor for research in the nonprofit sector today.

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