

Dennis Young and Supply Side Theory

by Peter Frumkin

For many years, early theories about nonprofit organizations were confined to a relatively narrow bandwidth. Many of the early foundational theories of Weisbrod, Hansmann, and Salamon were based on some variation on a single common starting point: Nonprofit organizations could be understood in some shape or form as responses to failures in the government or market to meet demand. To understand nonprofits, one simply had to understand the need for goods and services these non-state and non-market organizations were meeting and why other sectors could not step up and satisfy unmet demand. Against this tide of early theorizing about the origins of nonprofit activity, Dennis Young offered a novel idea and approach. Instead of focusing on the demand side, what if, Young asked, we turned the tables and looked instead at the supply side. The value of his early contribution was and continues to be his focus on the way the values, personal traits, and skill sets of individual entrepreneurs are a useful starting point in understanding where nonprofit ideas and organizations originate.

I

In the business world, entrepreneurship is an old and trusted idea and practice, which has spawned a voluminous literature. Entrepreneurship is an appealing idea because it speaks to the desire of many individuals to take control of their lives and financial futures. Still, definitions continue to vary as to what exactly an entrepreneur is. The entrepreneur has variously been defined as a person who pursues opportunity with or without regard for resources currently controlled¹, who brings resources, labor, materials and other assets into combinations such that their value is greater than before², and who innovates by developing and applying new technology.³

The importance of innovation to entrepreneurship was the critical insight of Joseph Schumpeter, who defined an entrepreneur as someone who “revolutionizes the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way.”⁴ By linking the idea of entrepreneurship to that of innovation, Schumpeter emphasized the creative aspect of enterprise formation. He also recognized that innovation could take many forms, including product innovation, marketing innovation, process innovation, and organizational innovation. The driving force behind innovation is the entrepreneur and his impulses. “First of all, there is the dream and the will to found a private kingdom, usually, though not necessarily, a dynasty... Then there is the will to conquer, the impulse to fight, to prove one’s self superior to others, to succeed for the

sake, not of the fruits of success, but of success itself... Finally, there is the joy of creating, of getting things done, or simply exercising one's energy and ingenuity."⁵ By focusing on the social motivations of economic activity, Schumpeter attempted to move beyond the economist's usual attraction to explanations based on rational choice and efficiency maximization.

As a behavioral phenomenon, entrepreneurship can quickly become a highly creative and personal process. The entrepreneur has a very important role in shaping the new organization, which often reflects the founder's priorities and vision. How then can we understand the process through which entrepreneurs gravitate to different kinds of undertakings and organizations? The answer is that entrepreneurs are attracted to endeavors that fit their personalities, skills and expertise. Stevenson has argued that there is a spectrum of entrepreneurial business behavior, one that runs from the pure "promoter" who is willing to do anything to achieve the desired result all the way to the "trustee" who focuses on the effective use of resources currently at hand.⁶ While in the past the link between personality and entrepreneurial activity has focused on different business fields (manufacturing, retailing, professional services, etc.), we now think more in terms of entrepreneurship across all three societal sectors. Entrepreneurship is now part not only of the business sector, but also a prominent component of the public sector, where policy entrepreneurs drive ideas from conception through legislation. Social entrepreneurship has been equated with the pursuit of important missions and purposes. It is the driving force behind the entry of a new generation of people attracted to doing good.

Entrepreneurship has emerged as a critical determinant of nonprofit ideas and programs. Driving this process has been a generation of nonprofit entrepreneurs who have approached their work with open minds about nonprofit financing and mission definition. Instead of looking at the guidelines of government funders or at the demands of certain constituencies, this new group has started with the questions of "what interests me?" and "where do I best fit?" Because theories of entrepreneurship are essentially behavioral theories, they attempt to develop detailed frameworks and typologies that help us organize the range of possible answers to these kinds of questions. Dennis Young produced one of the earliest attempts to develop a theory of nonprofit entrepreneurship by building a typology of personal traits in the nonprofit world.

II

Young has defined a set of models of nonprofit motivations that are a good starting point. Young's models of entrepreneurs are best thought of as "pure types."⁷ In reality, many people will represent some combination of the various traits and motivations in Young's pure types. A first type, the artist, is attracted to nonprofits by the promise of finding a place where his own creative energies can be translated into organizational and programmatic reality, where his need to create, nurture and watch organizations grow

can be fulfilled. The professional is more discipline bound and will seek to implement the latest insights and ideas in the field. The believer is an entrepreneur who has a strong commitment to a cause and formulates his plans to advance a particular moral, political, or social cause. The searcher is out to prove himself, to find a niche, and to escape his present employment in pursuit of recognition and a clearer sense of identity. The independent enters the sector to find autonomy instead of working under others, to be the boss who calls the shots, and to avoid shared decision making. The conserver is a loyalist who is animated by a desire to preserve an organization's character and heritage. Finally, according to Young, there is the power seeker who is drawn to nonprofit work by the possibility of having authority over other people, sometimes for the sake of simply having control over others, sometimes to reap financial rewards.

To build a theory around these pure types, Young goes on to describe a two part "screening process," the first part of which filters the various types of entrepreneurs into different fields of nonprofit activity. How does this screening or matching process work? Entrepreneurs will gravitate to various parts of the sector depending on four factors: (1) the intrinsic nature of the services delivered, (2) the degree of professional control, (3) the level of industry concentration, and (4) the social priority of the field.

In order to understand how this fourfold screening process within the sector might operate, consider two different nonprofit organizations, one a homeless shelter, the other a major performing arts organization. Some individuals will gravitate to shelters because they want to work in a field where services are provided directly to clients, where professional standards for service delivery are far from fixed, where many small organizations populate the field, and where the need for the given services is such that public support for the work is overwhelming. On the other hand, other individuals will be attracted to creating an independent theater company because they like the idea of working in a context where the client is a bit removed from the daily work of the organization, where standards of artistic excellence are determined by a small group of opinion makers, where a few organizations dominate the scene, and where public support is not a major consideration because work is directed toward pleasing a small, well-defined elite group. Obviously, the calling of creating an effective and compassionate shelter is very different from that of running a professional theater. Just as obviously, believers and searchers are more likely to apply their entrepreneurial skills to the delivery of needed social services, whereas artists and independents are better suited for the cultural world.

The goal of behavioral theories of entrepreneurship is to render these broad-brush generalizations more concrete and consistent by elaborating both the motives of the actors and the characteristics of the enterprises in which these actors pursue their work.

Beyond a filtering by field, entrepreneurs will also be screened by the choice of sector they make. Entrepreneurial energies may find expression in public agencies, business firms, or nonprofits. This second part of the selection process is driven, accord-

ing to Young, by three factors: (1) the desire to realize income, (2) the level of hierarchy and bureaucracy that is acceptable, and (3) orientation toward service. Thus, for example, controllers who seek financial gain are more likely to gravitate to the business sector while searchers are more likely to find their way to nonprofits. Because much variation exists across fields within each sector, and because conditions are constantly changing within fields, ironclad predictions cannot be made. A screening theory based on motives and behavior gives us a framework to think about the ways in which the matching process of opportunities with interests takes place and how skills and motives come into alignment.

If one accepts the notion that a behavioral theory of social entrepreneurship involves both a typology of motives and a matching or screening process that connects these motives to specific parts of the organizational landscape, the challenge then becomes one of clearly specifying both these critical elements. While Young's early model moves in the right direction, more work is still needed to define the archetypes of nonprofit motivation and the organizational channels that direct these impulses. In particular, a more fully elaborated cross-sectoral theory of what draws particular types of people to particular types of entrepreneurial ventures is still needed, especially for the critical issue of sector selection. Young's model was rooted in the traditional three-sector paradigm and focused on nonprofit organizations, but now that boundaries have blurred between nonprofit and for-profit forms, a new theoretical lens is needed.

Dees' work on sector selection provides a useful starting point for new theory building. Dees has argued that sector selection comes down to four critical considerations: 1. efficiency of structure and the ability to mobilize human and financial capital; 2. economic robustness and how will the form do in the competitive environment; 3. political viability or the extent to which goodwill is needed; and 4. the values of key stakeholders. The problem with these four drivers is that they leave out the fundamental insight of Young and others that the personality and motivations of the entrepreneur will be critical in understanding the fateful choice of organizational form. A new model could be developed that builds on Young's starting point, integrates Young's ideas with those of Dees, and produces a concise yet comprehensive predictive model of entrepreneurship in the broader social sector.

Instead of looking at what pulls donors, staff, and volunteers into nonprofit and voluntary organizations, we begin to get a picture of what pushes these individuals toward doing good. Some may be attracted to socially oriented businesses, like Levi Strauss or Ben & Jerry's while others will be attracted to commercial nonprofits, like hospitals. Still others will seek out community groups that are dedicated to a particular social cause. It is clear that social entrepreneurship can and does occur in all these contexts and many others. Social entrepreneurs will scan the environment and select the causes and organizational forms that best fit their interests and needs. Understanding not just how they make this choice in practice but how they should make this fateful choice is the challenge of a compelling normative theory of sector selection.

Defining this normative theory of sector selection is the next major challenge for the field and it is one that owes much to Young's early work on nonprofit entrepreneurship. In this way, the most significant and lasting contribution of Young lies in both introducing the supply side perspective and opening new questions for the next generation of researchers to examine.

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References

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- ³ Joseph Schumpeter, *Can Capitalism Survive?* (New York: Harper & Row, 1952).
- ⁴ *ibid.*, 72
- ⁵ Joseph Schumpeter, *The Theory of Economic Development* (New York: Harper & Row, 1947): 93.
- ⁶ Howard H. Stevenson, Michael J. Roberts, and H Irving Grousbeck, *New Business Ventures and the Entrepreneur* (Burr Ridge, Illinois: Irwin, 1994).
- ⁷ Dennis R. Young, "Entrepreneurship and the Behavior of Nonprofit Organizations: Elements of a Theory," in *The Economics of Nonprofit Institutions: Studies in Structure and Policy*, ed., Susan Rose-Ackerman (New York: Oxford University Press, 1986), pp. 161-184.