

The Origins of Social Entrepreneurship

by Michael O'Neill

“Social entrepreneurship” has become big business. The Library of Congress lists 742 items under this keyword, and those do not include thousands of articles, web sites, TED talks, and seminars on this subject and such allied concepts as “social enterprise,” “blurring of [nonprofit and business] sector lines,” “hybrid organizations,” “flexible purpose corporations,” “social return on investment,” and my personal favorite, “low-profit limited liability companies [L3C’s].”

Most of these items may safely be ignored. Still the one essential book, after 30 years, is Dennis Young’s pioneering *If Not for Profit, for What? A Behavioral Theory of the Nonprofit Sector Based on Entrepreneurship* (1983; see also Young, 1981). This book presents an in-depth analysis of social entrepreneurship (hereafter “SE”) that is theoretically strong and filled with real-life examples.

Here’s what Young’s book has that the later onslaught of SE literature largely lacks: solid grounding in the theory of entrepreneurship (rooted in economics but with the valuable addition of related sociological, psychological, and management/organization theory), broad knowledge of the nonprofit sector, and insights about the cross-sector generalizability of entrepreneurialism.

Young begins with Joseph Schumpeter’s classic analysis of entrepreneurship (1934), which was largely focused on the for-profit sector. But Young claims that we need to take a much broader view of this phenomenon. He says, “Entrepreneurship is a universal process, pervading all sectors and industries of the economy” (1983, p. 43), and “Schumpeter’s concept of implementing new combinations seems entirely applicable to the production of government, or nonprofit-sector services” (p. 23). Young elaborates this claim by analyzing nonprofit examples of entrepreneurial types or models (artist, professional, searcher, believer, etc.), entrepreneurial incentives (pride in workmanship, acclaim of peers, creativity, autonomy, etc.), and “venture scenarios” (initiative, evolution, organizational renewal, etc.). Into this mix he adds characteristics of various industries that support or inhibit entrepreneurship, such as government laws and regulations, income potential, professional status, and relative opportunity.

The book is rich with examples of nonprofit entrepreneurs: Mother Teresa of Calcutta, Ralph Nader, Thomas Hoving, Werner Erhard, Charles William Eliot; and organizations like the March of Dimes, the Rockefeller Foundation, New York University, and the Oregon Shakespeare Festival. The Eliot example is an interesting one, since popular literature on entrepreneurship is so heavily weighted toward creating something brand new like Facebook (unlike Schumpeter’s focus on new *combinations* of existing means of production). Eliot, president of Harvard from 1869 to 1909—a term

of office that must seem almost miraculous to modern university presidents—essentially took a small, comfortable, stagnant college and transformed it into one of the world’s great universities. Young’s book constantly reminds us that entrepreneurship comes in many guises: creating the new, reconstituting the old, making money, fleeing from money.

In a sense, Young’s book brings us full circle: perhaps the “third sector” is really the “first sector” with respect to entrepreneurship. It can be argued that, historically, entrepreneurial behavior occurs at least as often in what we now call the nonprofit sector as in business. Religion is one example. In Christianity alone, Jesus, the apostles, Paul, Luther, and the founders of major religious orders of men and women like the Benedictines, Franciscans, Dominicans, Jesuits, and Carmelites were entrepreneurs of the first order who gave no serious thought to profitmaking or wealth accumulation. The great social movements in the United States—temperance, abolition, women’s suffrage, civil rights, environmentalism—yield dozens of examples of high-level entrepreneurial behavior. Young’s essential contribution is rescuing the concept of entrepreneurship from narrow and unwarranted limitation to profit-seeking.

Young’s analysis has influenced later theories of the nonprofit sector (Steinberg, 2006). It also has intuitive appeal for nonprofit practitioners, many of whom experience the entrepreneurial realities of their everyday work. However, it is important to note not only the strengths of this important book but also the paths it chose not to tread. Young’s central contribution is showing in detail—again, both theoretically and with many concrete examples—that a broader and deeper view of entrepreneurship can explain much nonprofit behavior, that Mother Teresa is every bit as much an entrepreneur as Steve Jobs. By contrast, much of the SE literature and experimentation in the last 30 years has been about developing new organizational models that attempt to combine the virtues of business and the virtues of nonprofits (“hybrids”). Young’s theory in *If Not for Profit, for What?* is essentially agnostic on the latter question (one hopes that he has in mind a future book on that topic). The potential of SE in the latter sense is the subject of some scholarly debate and much boosterism. SE may or may not be the coming of a new age, “the fourth sector,” as some have termed it. In the meantime, it is useful for both scholars and practitioners to know that Young’s book established beyond all reasonable doubt the fact that entrepreneurship is alive and well in the nonprofit sector, as it is in the business and government sectors.

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