

***If Not for Profit for What?* and the Frontiers of Nonprofit Sector Research**

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When Dennis told me of the electronic reprinting of his classic book and asked me to write this commentary, I was thrilled. The original publication had enormous influence on my research career, which was then at the formative stages. Upon rereading it for this review, I found that the task of building on this work is still fresh and barely begun. For the book title is one of the big questions that define our field of philanthropic and nonprofit studies, up there with “what makes people volunteer their money, time, and treasure?” and “which activities are best assigned to which sectors?” (Weisbrod, 1978).

It was an exhilarating time when the book first appeared. Prior to 1975, there was nothing like a unified academic field studying nonprofit organizations. There were pockets of research in specific disciplines like law, social work, sociology, economics, or history and in specific fields of activity like arts management, educational administration, church administration, or health services administration. In 1975, the cross-disciplinary academic field began to gel with the publication of 86 research studies commissioned under the leadership of Gabriel Rudney by the Commission on Private Philanthropy and Public Needs, better known as the Filer Commission. That growth and consolidation continued under the leadership of John Simon as the Program on Non-Profit Organizations (PONPO) at Yale University beginning in 1977. It was at PONPO that Dennis’s initial work on nonprofit organizations began to flourish with the case studies that underlie this book (Grennon, Barsky, and Young, 1980) and, one month later, the theory of entrepreneurial sorting (Young, 1980).

Economic models of nonprofit organizations began, to my knowledge, in 1966, with Tullock’s paper on budget-maximizing versus service-maximizing nonprofits. Other models specified a variety of alternative objectives, such as output maximization, income maximization, social welfare maximization, and quantity-quality tradeoffs. Each paper proposed an objective and constraints and mathematically derived behavioral predictions for that objective. And thus ended what I have elsewhere called the first wave of nonprofit modeling (Steinberg, 2004). Valuable as it was, the first wave could not answer any of the big picture questions. Which organizations chose

¹ Peter Dobkin Hall (e.g., 2006) argues that coherent conceptions of “the nonprofit sector” began in the decades following World War II, as an effort to “describe and classify the organizational domain for tax, policy, and regulatory purposes.” (p. 32).

which objectives and why? Is the organizational choice of objectives fixed or malleable over time? How do organizations behave in markets that contain a variety of differently-motivated organizations?

Dennis's earlier PONPO working papers and this book catapulted the field to what I have called the third wave of nonprofit theories. This wave is still at an early stage, containing integrated theories in which the objectives of nonprofit and competing organizations emerge naturally from the decisions of individuals within a technical, socio-demographic, and policy environment. Notably, Dennis's framework is thoroughly cross-disciplinary, challenging the simplifying assumptions embedded in single-discipline analyses. Attempts to interpret his book in any of the prevailing paradigms in economics, sociology, management, or organizational behavior will succeed. But this book doesn't favor any of those paradigms, and challenges disciplinarians to think more broadly.

Briefly, I believe the main contributions of this book are:

- The search for a single model of nonprofit objectives, and hence behaviors, is fruitless.
- Yet objectives are not randomly distributed, but are systematically determined by forces that can be studied and manipulated through public policy.
- In particular, entrepreneurial traits of those who create and/or transform organizations matter.
- Entrepreneurial traits are distributed among potential entrepreneurs, but a sorting process imperfectly matches different types to different activities/industries and sectors.
- Public policy can have perverse effects when they affect entrepreneurial sorting.

Another contribution may turn out to be vital for further development of the field. Dennis proposed that a useful way to classify entrepreneurial traits is into the following eight stereotypical types of entrepreneurs: Artists (subtypes Architects and Poets), Professionals, Believers, Searchers, Independents, Conservers, Power Seekers (subtypes Players and Controllers), and Income Seekers. With little follow-on research using this taxonomy, it is too soon to tell how successfully it will be used.

Dennis was ahead of his time in rooting his theory of nonprofit objectives and behaviors in the literature on entrepreneurship. The concept was hardly new in 1983, when the book was first published. Google Scholar finds 1,220 books and articles on the subject that year. But academic interest in the subject has exploded, with 35,100

books and articles listed in 2012.² More recently, interest in social entrepreneurship has taken off. Young's analysis clearly can be extended to the theory of social ventures, whether they take place in for-profit, nonprofit, or hybrid organizations.

Since 1983, the scholarly community has grown and matured and we are ready to take the next steps in the research program suggested by this book. Here are some possibilities, either specified in the original book or advanced here:

- Entrepreneurial types:
 - Can entrepreneurs be reliably classified into Young's taxonomy? Are the classifications of different raters consistent? Would a factor analysis of entrepreneurial traits produce factors similar to those postulated by Young? Are there existing psychometric scales that are useful for classifying type? If not, can we develop and validate such scales?
 - How stable is the entrepreneur's type over time? Are some types more stable than others? If type is malleable, are there public policies or board practices that can help undesirable types evolve into more appropriate types?
 - The only study I know of that examined entrepreneurial traits across sectors (Rawls et al., 1975) is old, has a limited sample, studied managers but not others who may play an entrepreneurial role (e.g., board members; major donors; foundation grant makers) and did not look for differences across industries involving nonprofits. We need more.
 - We need empirical work that links managerial preferences over nonprofit activities to the type taxonomy.
- Effects of entrepreneurial sorting:
 - How predictive is evidence of entrepreneurial type for subsequent organizational behaviors? How do organizational dynamics and politics change the granting of power to competing entrepreneurs? How enduring is the founder's vision in this evolution of power?
 - When does entrepreneurial sorting enhance or detract from organizational legitimacy? Do different entrepreneurial types set different goals and behaviors towards distributive justice? What are the relations between entrepreneurial type and the associative and expressive dimensions of nonprofit behavior?
 - What are the mechanisms governing entrepreneurial influence over organizations? How do public policy and the structure of governance affect entrepreneurial influence?
- Who are the entrepreneurs? How prevalent is entrepreneurial behavior among managers, funders, board members, and perhaps others?

² <http://scholar.google.com/>, accessed 6/15/2013.

- Sorting of other stakeholders: There has been a small amount of research since the book was first published that looks at the sorting of consumers (e.g., Hirth, 1999), line workers (e.g. Mirvis, 1992; Slivinski, 2002), and volunteers (e.g. Segal and Weisbrod, 2002) across sectors. I speculate that entrepreneurs will consider sorting of other stakeholders when considering whether to form or transform a nonprofit organization. Are there tractable ways to analyze the sorting of other stakeholders with that of entrepreneurs as a multistage game?
- Relation to disciplinary paradigms: What else can be brought from organization ecology, institutional, life cycle, resource dependency, neoclassical, and other organizational behavior theories into Young's framework? When should we discard specifics from each of these theories to make them more useful in the nonprofit and mixed sector settings?
- Formalization. Young's framework is presented verbally. Since then, I and others have attempted to formalize aspects of his framework in economic models (e.g., Preston, 1992; Steinberg, 1993; Eckel and Steinberg, 1993; Bilodeau and Slivinski, 1996; Steinberg, 2011).
 - Advantages: Mathematical models allow us to better characterize equilibria. When does a single entrepreneurial type sort into a single sector/industry niche (that is, when is there a separating equilibrium)? When do multiple types sort into niches (pooling equilibria). Formal models also test the consistency of each conclusion with the set of simplifying and other assumptions made for tractability and external validity. Formal models allow us to extract causal meaning from empirical work. Finally, formal models allow us to more carefully compare the positive (which types of entrepreneurs sort into which niches?) and the normative (which types should, in the interest of society, be assigned to which niches?).
 - Cautions: Young's framework is far too vast to incorporate into a single and tractable model. A more intuitive approach is needed to put the various formalizations of pieces of the problem into the big picture laid out in this book. Although Young's warning that (p. 61) "a theory based on entrepreneurship inherently conflicts with the constrained-optimization approach of neoclassical economics" seems incorrect in light of progress since then, his related points remain relevant (pp. 61-2): "[Theory] requires more of a behavioral framework in which innovation and rule- and process-changing activity is explicitly recognized."

With or without these tests and refinements, Young's framework can be extended to a variety of additional applications. The dynamics of markets containing nonprofit organizations (entry, exit, merger, and intersectoral conversions) can be analyzed. The effects of within-sector and cross-sector competition can be analyzed in terms of whether equilibria are separating or pooling. The analysis of the merits of various public policies are already contained in the book, but there is room for many more applications.

Therefore, republication of this book is timely, as the field has, perhaps, finally caught up with Dennis Young's original insights. For the many new and established scholars looking for research topics, I heartily commend this book.

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