

# ***If Not for Profit, for What?* as Hypothesis Hotbed**

by Charles M. Gray

I am delighted to have this opportunity to recognize and comment on the seminal influence of Dennis Young's *If Not for Profit, for What?* As a relative latecomer adding a commentary to earlier postings by seasoned as well as emerging nonprofit and social entrepreneurship scholars, I faced the challenge of figuring out how to add new value while avoiding repetition. At risk of being overly self-referential, my commentary starts with a bit of personalized professional history to establish the context of parallel, occasionally overlapping, career progressions.

In 1980, having recently transitioned back into academe after several years as a Federal Reserve economist, nonprofit manager, and government research scientist, I was recruited to supervise a curriculum development project at the University of Minnesota's graduate program in public policy, the forerunner to today's Humphrey School. The project built on earlier work addressing what was labeled "Public Service Options," conducted by the Citizens League of the Twin Cities (and subsequently published as Citizens League, 1982). The project funded a group of graduate students, who joined me in brainstorming alternative organizational structures that might step in to deliver government services, including for-profit (for example, for-profit criminal corrections was in its early stages), cooperative (Minnesota was home to a number of producer and consumer cooperatives), and, of course, nonprofit.

When we began assembling bibliographies that would support our deeper digs, we found sparse treatments of the nonprofit sector and alternatives to government service provision by economists. One prominent exception was the Phelps (1975) volume which included a chapter by Weisbrod (1975). We also found some exploratory work presented and published by an economist at SUNY-Stony Brook named Dennis Young (Young, 1974, 1976). Both of these early works focused on expressions of service demand, based on Hirschman's (1970) exit and voice alternatives, but both also included elements that foreshadowed the supply side approach of *If Not for Profit* (the ellipses reflect my effort to focus on the most pertinent elements of Dennis's propositions and conclusions, and I hope they are not too disruptive):

It must be realized ... that there are serious intellectual barriers to expanding the scope of economic organization theory to the public and non-market sectors. ... [T]he behavior of new types of institutions must become understood, and a taxonomy must be evolved with includes ... the elements and patterns of making up the organization of supply. (Young, 1974, p. 50).

The twin concepts of market failure and nonmarket failure bring to mind ... immediate ideas seemingly worthy of further development. ... [W]e can ... attempt to visualize ideal circumstances ... where self-governing communities or organizations are composed of small homogenous units. (Young, 1976, p. 384)

Both of these papers were cited in my introductory survey (Gray and Gray, 1981) to a special issue of *American Behavioral Scientist* which featured the survey papers assembled by the Humphrey students.

By the time Dennis's work had begun to gel, I had been absorbed by other teaching and related duties on my home campus, and I had embarked on a more specialized research stream, so I was unaware of the work being carried out at PONPO, including Dennis's subsequent effort that led directly to *If Not for Profit*. We turn now to that early research thrust.

### **Economists and Social Entrepreneurship<sup>1</sup>**

The earliest published economics-based treatment of what would now be considered a subset of social entrepreneurship—nonprofit entrepreneurship—seems to be Dennis's chapter in White's (1981) edited volume. Dennis used Schumpeter's definition of entrepreneur—"an individual who carries out 'new combinations of means of production'"—as a mechanism for blending two seemingly disparate approaches to explaining the nonprofit sector within the context of received economic theory. On the one hand were the "selfless, public-spirited" aspects of early work by Weisbrod (1975) and Hansmann (1980), wherein NPOs produce semi-public goods. On the other hand, the behavioral models inherent in James (1978) assumed self-serving managerial objectives.

As Dennis pointed out at the time, he was curious about how organizations responded to need. He identified a number of exploratory case studies ("fieldwork") to support his inductive approach to theory development, and in this approach he anticipated the qualitative research revolution in the social sciences.

Dennis's description of entrepreneurs in the nonprofit context deserves a lengthy pair of quotes:

Entrepreneurs are just one group of organizational participants, and thus entrepreneurship is but one determinant of organizational behavior. Nonetheless, entrepreneurship is a particularly strategic focal point for attempting to characterize the more global and externally visible aspects of organizational performance that concern economists and policymakers—for example, the extent to which expansion, innovation, self-aggrandizing, quality emphasizing, cost inflating, or socially responsive organizational behavior is exhibited, or not exhibited. (Young, 1981, 136-7)

And, a bit later:

It may be observed that focusing on entrepreneurship implies, almost by definition, a behavior rather than maximizing theory of organizational behavior. In particular, since a conventional maximizing theory focuses on what managers routinely do, on a day to day basis within accepted rules and technical constraints, such a theoretical framework cannot accommodate the entrepreneurial function which is specifically oriented to changes in the ends and means of production.

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<sup>1</sup> The following section is an edited excerpt from Gray and Cooper (2013).

(This is why the entrepreneurial function is essentially ignored in classical microtheory.) (Young, 1981, p. 137)

With this last statement, Dennis offers an early insight into a question that nags at us still: Why are economists not participating more fully in the social entrepreneurship conversation? And as we are all aware, this early query on Dennis’s part led directly to the fuller theory development and application embodied in *If Not for Profit*.

**Theory Development and Hypotheses Formulation**

Dennis’s approach was to “postulate a set of stereotype models [hereinafter referred to as “archetypes”] that seem to capture the driving motivations and styles of entrepreneurs who conceivably may choose the nonprofit sector as their base of operations.” (Young, 1981, p. 140) As more fully developed in *If not for Profit*, “The theory set forth in this book presumes a certain pool of latent entrepreneurial talent and motivation. ... The thrust of the theory is that entrepreneurs of different motivations and styles sort themselves out by industries and economic sectors in a way that matches the preferences of these entrepreneurs for wealth, power, intellectual or moral purposes, and other goals with the opportunities for achieving these goals in different parts of the economy. Once screened, such entrepreneurial agents are assumed to be largely responsible for giving each sector its particular behavioral flavor and performance characteristics.”(Young, 1983, p. 3)

**Exhibit 1 - Archetypes by Motivator**

<i>Type</i>	<i>Principle Source of Satisfaction</i>
Artist	
Architect	Pride in <b><i>building</i></b> and workmanship
Poet	Creativity and implementation of ideas
Professional	Acclaim of disciplinary peers
Believer	Pursuit of a cause or <b><i>mission</i></b>
Searcher	Self- <b><i>identity</i></b>
Independent	Autonomy
Conservator	Preservation of a cherished organization
Power seeker	
Controller	Stimulation and security of feeling in control of people
Player	Acclaim, notoriety, and excitement of having power
Income seeker	Wealth

(Young, 1983, Table 5-1, p. 67)

Dennis’s corresponding table is reproduced here as Exhibit 1. The categorization in this table can be taken to imply an objective function, using the bold-and-italicized letters to denote associated principle source of satisfaction, such as:

$$U = U(B,C,D,M,I,A,P,S,N,W;\{x_i\}),$$

where  $\{x_i\}$  is a set of control variables. Utility maximizing agents would show differential responses to these influences by sector, and hence we have the basis for more explicit behavioral hypotheses.

Dennis’s further hypothesis of a sorting by sector along a continuum is depicted in a second table, reproduced here at Exhibit 2. “The set of motivations of potential entrepreneurs constitute the entrepreneurial engines potentially at work in the economy at large. The processes of screening—by sorting entrepreneurial objectives into relatively homogeneous groups—then provide a sense of the different directions in which the drivers of these engines would prefer to steer their associated ventures within different industries and sectors. (Young, 1983, p. 105)

**Exhibit 2 - Archetypes by Sector**

Profit		Nonprofit		Public
Income seekers	Architects	Believers	Controllers	Players
Independents		Conservers		
		Poets		
		Searchers		
		Professionals		

(Young, 1983, Figure 7-1, p. 99)

Devising and applying the archetypes provided Dennis a context for concluding that “For the social scientist, the principal lesson here is that the inherent diversity of participation in nonprofit organizations preordains failure in the search for any single, satisfactory, homogeneous model of a generic corporate nonprofit firm.” (Young, 1983, p. 161) Instead, the sector “is best characterized as a mix of motivations, the nature of which depends on the relative attributes of the particular industry compared with other industries and on the relative structure of the nonprofit sector compared with other sectors that participate within the industry.” (Young, 1983, p. 162)

**Conclusion**

The brief overview in the prior section seems to me not to yield a definitive conclusion as much as a clarion call for motivation-based research. To be sure, psychologists and others using psychometric and related methods have begun exploring social entrepreneurial motivation, but no economists seem to have built on Dennis’s foundation by bringing the economics paradigm into play.<sup>2</sup> And recent efforts to formulate theories of social entrepreneurship have overlooked Dennis’s work (Santos, 2012).

Among the explicit research questions are these:

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<sup>2</sup> In their review of 59 social entrepreneurship articles, Gray and Cooper (2013) found that 26 made an explicit mention of social mission, creating change for social benefit, or making an environmental or social difference in a motivational context.

- How and to what extent do Dennis's social entrepreneurship archetypes correspond to psychometric personality measures?
- Are Dennis's satisfaction sources (motivations) amenable to specification and measurement?
- Can the sorting by sector be confirmed by empirical research?
- Is the social entrepreneur, no matter her/his manifestation, ultimately a utility-maximizing economic agent?
- Can Dennis's "latent pool of talent" be explored with latent variables techniques? (Bollen, 2002)

Let the games begin.

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