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## *Entrepreneurship theories of the non-profit sector\**

### Abstract

This article summarises the main results of entrepreneurship theories of the non-profit sector and discusses the impact they may have on theory development and on the real world non-profit sector. It is pointed out that the entrepreneurship approach advances our knowledge of the non-profit sector, especially by stressing the supply-side aspect and by focusing on the preferences individuals must have in order to engage in non-profit activities. There is empirical evidence consistent with entrepreneurship theories. Yet most observations do not exclusively support entrepreneurship theories but also provide evidence consistent with other economic theories of the non-profit sector. This illustrates that the various economic theories of the non-profit sector are more complements than substitutes. Furthermore, entrepreneurship theories indirectly help to improve the image non-profit organisations have in the real world; therefore they play a prominent role in teaching programmes which have been established to train non-profit managers.

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Among economic theories of the non-profit sector, entrepreneurship theories are usually seen as one of the main lines of reasoning, although exact borderlines between theoretical concepts are not easy to define. This article summarises the main results of entrepreneurship theories and discusses the impact they have on theory development and on the real world non-profit sector.

While the majority of theoretical research on non-profit organisations (NPOs) has been done in the United States, this article will also refer to relevant discussions in Europe, especially in the German-speaking countries. This may appear surprising in a article dealing with theoretical

questions. Yet there is good reason to take a broader view in evaluating entrepreneurship theories.

This is the fact that the understanding of what an 'economic theory' is about differs between scientific communities. In the German-speaking countries, academic disciplines have always made a distinction between two main areas of economics, which are called *Volkswirtschaftslehre* and *Betriebswirtschaftslehre*. The first term translates into 'economics', and the second may be translated as 'management science' or 'business administration'.

Although this distinction is not always helpful, it is worth recognising it here, since a considerable portion of the literature on non-profit entrepreneurship reflects theories in the sense of what would be called *Betriebswirtschaftslehre* in German-speaking countries. This is not to express a value judgement on how 'useful' or how 'scientific' particular writings are; it is more a question of whether it makes sense to compare them with theories like asymmetric information, public goods theory and so on, and whether they can be evaluated applying the same standards as are used in those theories, which are located in the *Volkswirtschaftslehre*.

The main arguments of this article will be developed in three steps. Section 1 provides a brief summary of entrepreneurship theories; section 2 discusses the predictive power of the theory; while section 3 deals with the impact entrepreneurship theories may have on the further development of our theoretical understanding of the non-profit sector and on the real world of NPOs.

## 1. The basic arguments of entrepreneurship theories

### *The concept of entrepreneurship*

Entrepreneurship theories focus on the supply behaviour of NPOs. They point out that NPOs are the result of a specific form of entrepreneurial behaviour. On this basis, various hypotheses on the objective function of NPOs and on actual behaviour of NPOs are formulated.

In order to understand entrepreneurship theories, it is useful to recapitulate the concept of entrepreneurship. In his seminal pieces on entrepreneurship theories, Dennis Young (1980, p.2ff) refers to Schumpeter's basic characteristics of an entrepreneur as described in his theory of economic development (see, particularly, 1934, p.65ff). An entrepreneur is portrayed as an individual with a specific attitude towards change. Schumpeter defines development as the process of 'carrying out new combinations' in the process of production (1934,

p.66). The individuals whose function it is to carry out those new combinations are called 'entrepreneurs' (1934, p.74).

The concept of 'new combinations' covers five cases:

- the introduction of a new good or a new quality of a good;
- the introduction of a new method of production;
- the opening of a new market;
- the conquest of a new source of supply of raw material; or
- the carrying out of the new organisation of any industry (Schumpeter, 1934, p.66).

Schumpeter explicitly states that 'entrepreneurs' are not necessarily owners of enterprises nor are they necessarily independent businessmen whom – in everyday life – may be called by the same term. Describing entrepreneurship is a question of a type of *conduct* and of a type of *person*<sup>1</sup> (1934, p.81). For example, it is the extent to which 'initiative' is taken which characterises the entrepreneur's behaviour. It is 'more by will than by intellect that the entrepreneur fulfills his function' (1934, p.88).

Furthermore, it is a special structure of motives behind this behaviour which describes the personality of an entrepreneur. The typical entrepreneur is 'self-centred' (1934, p.91), but his motivation is not of the hedonistic kind. Typical motives behind his behaviour are the struggle for power and independence, 'the will to conquer ... and ... the joy of creating, of getting things done, or simply of exercising one's energy and ingenuity' (1934, p.93). Although entrepreneurship in the literature on NPOs has mostly referred to Schumpeter, the more recent discussion on the management of NPOs has also provided insights into leadership, mission setting and personal development of non-profit 'entrepreneurs' – which are quite often called 'non-profit managers'<sup>2</sup> (for example, Drucker, 1990). Non-profit 'managers' are described as individuals 'to bring the new to the marketplace', as somebody who 'welcomes the new ... and who wants to succeed' (Drucker, 1990, p.14).

#### *Entrepreneurship as an explanatory factor of NPOs*

Traditional economic theory is based on the assumption that ownership claims to the residual income is the basic incentive for engaging in production processes. According to entrepreneurship theories, it is entrepreneurial behaviour which explains why NPOs are founded and their engagement in the provision of services.

While most theories of the non-profit sector emphasise the demand question (why do individuals want to consume goods and services

from NPOs?), entrepreneurial theories give a rationale for the existence of NPOs from the supply side. In this sense, they introduce the concept of 'institutional choice' or 'organisational choice' (Weisbrod, 1988; Badelt, 1990, 1997c; Ben-Ner and Van Hoomissen, 1993, p.31ff) in a supply-oriented theory of the non-profit sector. Therefore, entrepreneurship theories can be viewed as 'institutionalist' theories of the non-profit sector – which makes it difficult to compare them with more formal neo-classical theories.

Although entrepreneurship theories take a different perspective than most theories of the non-profit sector, their main results are consistent with many demand-oriented theories. This can particularly be shown for the trust-oriented line of arguments and for the differentiated demand hypotheses. As James has shown, for example, for religious organisations (1987, 1993; James and Rose-Ackerman, 1986, p.53), consumers may demand services from NPOs for the same reasons that make non-profit entrepreneurs form an NPO. Ideological or other religious values may underpin both supply and demand arguments.

Furthermore, whenever asymmetric information becomes relevant, the 'trust' argument (Hansmann, 1987), which makes the consumer purchase the service from an NPO, may be identical to the dominant reason for the entrepreneur to set up his non-profit enterprise in the first place. Finally, the existence of an entrepreneur is also one of the preconditions to be fulfilled in stakeholder theory for an NPO to be formed (Ben-Ner and Van Hoomissen, 1993, pp.40-44; 1994, p.402ff).

*The main contents of the theory: types of entrepreneurs*

The general concept of entrepreneurship has to be made more concrete in order to help to understand and explain the existence or behaviour of particular organisations. In his various writings on the subject, Dennis Young has developed a number of entrepreneurial 'prototypes' to give some initial insights into the behaviour of NPOs (1980, p.7ff).

When Young draws the picture of 'professionals', 'believers', 'searchers', 'conservers', 'power seekers', 'controllers', 'players', and several others, he suggests that certain types of personalities will be attracted to certain types of firms or industries forming certain types of non-profit enterprises. These non-profit entrepreneurs will pursue other than merely pecuniary goals and will steer their NPOs according to their preferences. Thus, Young's categorisation forms a conceptual basis for behavioural theories of NPOs which are broader than most neo-classical models of non-profit behaviour (for an overview of the latter, see James and Rose-Ackerman, 1986, p.31ff; Rose-Ackerman, 1996).

Most differences between entrepreneurs can be explained by their different objective functions. As a consequence, a more detailed description of entrepreneurship theories has to deal with the motives of the entrepreneurs; or, to couch it in the more traditional terminology of economic theory, entrepreneurship theories emphasise the analysis of preferences more than the analysis of behavioural restrictions.

The motives of non-profit entrepreneurs have been the subject of several theoretical and empirical publications. This has been done both for non-profit enterprises in general (for example, James, 1987; for religious values, see Hansmann, 1980; Rinderer, 1989) and for NPOs working in specific industries, for example in educational services, in hospitals, in law firms and so on (Weisbrod, 1983; Preston, 1989; Badelt and Weiss, 1990a).

As early as 1983, Young had described a broad spectrum of entrepreneurial motivations in the non-profit sector. Some of them focus on personal development and other process-oriented factors (for example, search for personal identity; need for autonomy and independence), others are more oriented toward the outcome of the production process, like the pride of a creative accomplishment, the belief in a cause or the desire to gain power or control (Young, 1983).

The typical motives of non-profit entrepreneurs have also been the subject of many German publications in the area of non-profit management. Some of them relate the American tradition of 'mission setting' to the individual objectives of non-profit entrepreneurs (see, for example, Horak et al., 1997). Others have been the result of an active search process for goals in order to fill the gap which non-profit managers otherwise would face, since they need substitutes for the clear profit orientation which can be pursued in for-profit enterprises (see, for example, Schwarz, 1991).

To summarise, the literature on entrepreneurship theories provides explanations of non-profit behaviour to a large extent in qualitative terms. In accordance with the original Schumpeterian concept of entrepreneurship, they concentrate on essential changes in an NPO, like the foundation phase of an organisation, the identification of a new need and the set up of a new service, and so on. (This can be seen especially in case studies; cf Young, 1985.) They do not deal much with the routine behaviour in everyday internal organisational matters.

Although some formal theories of NPOs which conceptualise non-profit behaviour as neo-classical maximisation models are based on objective functions not too different from entrepreneurship theories (for example, output maximisation, quality maximisation), an integration of both lines of reasoning has not been made in an explicit way, although there is no doubt that the qualitative hypotheses forwarded

by entrepreneurship theories may be a good starting point also for the development of formal theories (Young, 1996).

*Business administration elements in entrepreneurship theories*

It is not easy to draw a line between entrepreneurship *theories* of NPOs and literature which is focused on directly educating non-profit managers or dealing with NPOs from a consulting perspective. Seen from the academic world of a German-speaking country, much of the literature on entrepreneurship theories would be categorised as business administration (*Betriebswirtschaftslehre*).<sup>3</sup> As will be shown in section 2, this is not just a matter of terminology; this categorisation may be the root of confusion in the underlying concept of a 'theory' and on the evaluation criteria which should be applied to test the validity of a theory.

Good examples of this ambiguous line are the numerous case studies on NPOs (Young, 1985; Drucker, 1990, 1993). On the one hand, case studies are excellent ways to describe the characteristics of entrepreneurship. At the same time, they can be used – and in fact are often written explicitly – to teach 'efficient' non-profit management. In economic theory, it is usually the *implications* of theoretical work which can be used for educational purposes; here, this line is no longer clear.

This is to say that a complete review of the literature on entrepreneurship in NPOs would also have to include much material on practical matters of NPO management. Yet when working through this kind of literature, an interesting theoretical question emerges again, which has only been touched on in the discussion of objective functions. What differences can be identified between entrepreneurial behaviour in NPOs and in for-profit enterprises?

The behavioural differences between NPOs and for-profit enterprises have been the focus of theoretical and empirical work on institutional choice for a long time (for an overview see, for example, Weisbrod, 1988; Ben-Ner and Gui, 1993, pp.6-15; Rose-Ackerman, 1996). Here, in the literature dealing with practical problems of NPO management, the common roots of business life in the various sectors of an economy are explicitly described. Used for educational purposes, this material is the basis for the development of a form of non-profit behaviour which in economic theory is investigated on a much more abstract level, for example as non-profits 'in disguise', 'unfair competition' between NPOs and for-profit enterprises and so on.

## 2. The 'predictive power' of entrepreneurship theories

A review of a certain line of theoretical reasoning calls for an overall evaluation of the theory in the light of the empirical evidence available (see the introductory article to this issue). This task can only be fulfilled when the evaluation criteria are made explicit.

Usually it is seen as the task of a theory to *explain* real world phenomena by formulating hypotheses on causal relationships. Yet, in practice, different disciplines have developed different habits on what exactly would be accepted as a theoretical statement. In particular, the understanding of what is seen as a theory differs between economics and business administration. In the case of the latter, descriptions which are formulated in rather general terms are quite often seen as elements of a theory (Scheuch, 1997).

In this context, some elements of 'entrepreneurship theories' represent a different concept of a 'theory' than, for example, public good theories or theories on contract failure, and it is therefore difficult to evaluate entrepreneurship theories by applying the same standards as are used for other theories of the non-profit sector. In particular, an evaluation based on purely econometric tests or other forms of quantitative analysis would not be appropriate. The implications which follow from entrepreneurship theories are broad and often qualitative in nature, so that other forms of judgement are also necessary.

In what follows, a number of testable hypotheses will be discussed which are forwarded by advocates of entrepreneurship theories (for an overview see Young, 1997).

### *The innovative role of NPOs: the product aspect*

If NPOs are characterised by Schumpeterian entrepreneurship, they would be of particularly innovative character. At first, this can be investigated by considering the NPOs' capacity to produce new kinds of services or to implement new qualities of goods or services.

In principle, this hypothesis is open for empirical testing. In practice, there are numerous examples and counter-examples for the innovative potential of NPOs, some of which are documented in regular case studies (for example, Young, 1985). Others are the result of macro-oriented research projects on the role of the non-profit sector. Empirical evidence of this kind also has to be seen in the context of a particular country or society.

Looking at this issue from a European welfare state perspective opens up interesting perspectives. In the area of social services, most 'new' services which have been established during the last years have originally been provided by NPOs. Good cases in point are homes

for battered women, counselling centres for sexually abused children, social work for refugees and immigrants, or – more general – services which react to needs which have formerly been ignored, stigmatised or may not have existed at all (Badelt, 1994).

This observation often flows from ‘anecdotal evidence’, which is sometimes the essence of political science or sociological studies on the role of the non-profit sector (for example, the ‘welfare mix’; see Evers and Wintersberger, 1988 and later studies in that series). In an historical perspective, it should be added that the public sector has often gradually taken over the tasks which formerly have been fulfilled by NPOs. Currently, this happens quite frequently through financial arrangements: private initiative (‘entrepreneurship’?) launches a project which can only be kept alive over a longer period of time through the financial help of government.

This example serves as a good illustration of the problems of an evaluation of entrepreneurship theories. First, while there are numerous examples of the innovative power of NPOs, there are also plenty of counter-examples (for example, the bureaucratic behaviour of large, well-established welfare organisations). The non-profit sector is too heterogeneous to be explained just by one specific theoretical approach. Second, it is hard to tell whether the observed innovative behaviour is caused by entrepreneurship *per se*, or by other factors (unless every form of innovative behaviour is *defined* as entrepreneurial behaviour). Third, the examples can also be interpreted as ‘proving’ the validity of other economic theories of the non-profit sector, especially under-supply arguments – which claim to be more demand-oriented than entrepreneurship theories.

In summary, there is empirical evidence consistent with entrepreneurship theories. Yet this evidence does not say much about the comparative advantages entrepreneurship theories may have over other theoretical approaches.

#### *The innovative role of NPOs: the factor aspect*

The Schumpeterian entrepreneur is also innovative by employing new means of production, especially new factor combinations. The issue of NPOs employing different inputs has been extensively discussed in empirical studies comparing the ‘efficiency’ of NPOs and other institutions (for example, Weisbrod, 1988; Knapp, 1989; Badelt and Weiss, 1990a,b). In particular, there is plenty of evidence that NPOs make more use of volunteer labour than any other form of institution.

While there is no doubt about the validity of this observation, it is again not clear whether this phenomenon can be interpreted as a result of entrepreneurship. The employment of volunteers may have



an innovative element, if an NPO succeeds in working with volunteers in order to provide services which either have been produced by paid labour or have not been produced at all before.

In European welfare states, there is a definite tendency to provide social services through various forms of 'irregular' or 'atypical' employment, which is substituted for regular paid labour (OECD, 1993). This is true not only for volunteers but also for self-employed labour, for employees working very few hours in order to stay outside the compulsory social security system and so on. Of course, this is done in order to reduce labour costs.

NPOs in the social services have turned out to be very creative in inventing various forms of irregular employment. This strategy can be interpreted as the behaviour of an innovative entrepreneur who finds ways to avoid welfare state regulations in the labour markets. But, at the same time, this behaviour could be interpreted as *any* profit-oriented business behaviour which reacts to restrictions and incentives given by public policy. (In fact, analagous efforts can be observed in for-profit firms, albeit less successful, since it is more difficult for them to find people working on a semi-volunteer basis – an observation which is consistent with the typical trust arguments in the contract failure theory; see Holzmann and Reischl, 1995).

#### *The growth of the non-profit sector*

Apart from the aspects of innovation, Young (1997) describes other phenomena in the real world of the non-profit sector as indicators of entrepreneurship. The significant growth of the non-profit sector is interpreted as an indicator for the 'presence of considerable entrepreneurial effort' (p.3) in this part of the American economy.

Outside the USA only in a few European countries is there reliable statistical evidence on the size and the composition of the non-profit sector. Anecdotal evidence seems to indicate that the non-profit sector is also growing in Europe, although there are industries in which this development is not clear at all (see, for example, Goll, 1991; Anheier, 1993; Badelt, 1997b; Kendall and Knapp, 1996).

If, for the sake of the argument, the proposition about the steady growth of the non-profit sector is taken as given, there is still the question of whether this can be seen as a clear consequence of entrepreneurship behaviour. Unless *any* founding of new firms and therefore any growth in the number of enterprises is *defined* as entrepreneurial behaviour, there is no reason *a priori* why the growth of the non-profit sector should be caused by entrepreneurship.

Most economic theories of the non-profit sector provide other explanations of the growth of the non-profit sector. Cuts in government

spending, the increasing role of social services in a mature society (with a growing portion of services where output is difficult to monitor) and so on could all be causes to explain this growth.

While most of these arguments are demand-oriented, entrepreneurship theories do have a specific message in this context. They make clear that entrepreneurs are needed to organise the changes in the supply structure which are necessary to meet the changing demand – as entrepreneurs are required to implement *any* structural change in the economy which is the result of changing demand structures.

#### *Specific motives of non-profit entrepreneurs*

Schumpeter has drawn a picture of entrepreneurial behaviour which is based on motives other than those which are regarded as usual for regular business life. Schumpeter emphasised the non-hedonistic kind of entrepreneurial motivation, which in practice means that entrepreneurs are guided not only by the profit motive. This position is consistent with the broad variety of 'organisational rationales' described in the sociological and political science literature on NPOs (for an overview see Seibel and Anheier, 1990, p.12ff).

The literature on entrepreneurship theories of NPOs provides several examples for entrepreneurial motives in NPOs which differ from pure profit maximisation. The most prominent examples have been studied by Estelle James in her various pieces on religious values and cultural heterogeneity as key sources for NPO behaviour (see, for example, 1987, 1993). Also, an econometric study on NPO behaviour in the Austrian market for nursery schools and kindergartens (Badelt and Weiss, 1990a) has provided evidence that church-affiliated NPOs show different supply behaviour from other non-profit providers. To give an example, they do not make use of potential cost advantages by running afternoon classes – as is done by other providers – since these classes would be inconsistent with the value judgement that children should stay with their mothers during the afternoon. If behaviour of this kind is called 'entrepreneurial behaviour', there is indeed strong support for entrepreneurship theories. There are, however, a number of issues which indicate that caution may be necessary before jumping to hasty conclusions.

First, it is hard to directly observe motivations, at least not by utilising survey methods. As a consequence, behaviour as described above in the example of nursery schools, can be called *consistent* with particular motivations; but the same observation is also consistent with other forms of explanations. (For example, the example given above might reflect ineffective management in which the relevant cost functions have never been calculated; or with specific demand behaviour

of parents who are not interested in, or may not be able to afford, sending their children to school in the afternoon.)

As a consequence, it is hard to evaluate the validity of entrepreneurship theories primarily on these empirical grounds. Of course, the fact that data are consistent with alternative theories is a well-known phenomenon in empirical research. However, empirical tests are not very helpful in gaining new knowledge if the results are consistent with *conflicting* theoretical explanations. As the above-mentioned example showed, this problem may come up with tests of particular motives.

Second, a terminological problem should be mentioned. Most American publications define NPOs in terms of the non-distribution constraint. This implies that an important restriction on behaviour is used for the purpose of definition. Under this formulation, empirical investigations of the objective functions of NPOs are logically possible – which does not mean that it is easy to investigate objective functions empirically.

The situation is different in the German business administration literature on NPOs, which discusses extensively their entrepreneurial behaviours. Here, some authors (for example, Schwarz, 1991) *define* NPOs by specific assumptions about the objective function, usually by stating that NPOs emphasise non-monetary goals ('direct demand orientation'). In such a terminological world, a direct application of the motivation argument provided by entrepreneurship theories would come close to a tautology. Therefore, the explanatory power of entrepreneurship theories depends on the definitions of NPOs, which are not always identical.

### Conclusions

Overall, the discussion of the predictive power of entrepreneurship theories has led to ambiguous results. On the one hand, a number of hypotheses which follow from the basic line of arguments are open to empirical tests. On the other hand, real world phenomena which can actually be observed are hardly *exclusively* consistent with entrepreneurship theories. Still, the entrepreneurship approach advances our knowledge of the non-profit sector. Two main examples should be given.

First, the theory makes clear that it needs an entrepreneur in order to build a new NPO (as it needs an entrepreneur to build a new for-profit enterprise). Demand-oriented theories may give good reasons for an NPO to come into existence, but the demand arguments always have to be complemented by specific supply behaviour. In order to make this supply happen in the real world, it needs special types of

human beings, with special personalities. Entrepreneurship theories describe these personal characteristics.

Second, NPO behaviour may be different from the behaviour of other organisations because of the *preferences of the suppliers*. This is an important extension of neo-classical theory which adopts a very technocratic view of a firm. The real world NPO is more than a set of objective functions plus restrictions. It is a social phenomenon in which human beings are pursuing their personal goals. In this sense, entrepreneurship theories enrich mainstream economic ways of thinking by an interesting institutionalist element. They also build a bridge to a more psychological view of NPOs, although they do not really go very far in this direction.

### 3. Impact of entrepreneurship theories – further developments

Theories of the non-profit sector do not only play a role in the scientific community. They also may have implications for policies toward the non-profit sector as they may affect the image of non-profit organisations in the real world. This is particularly true for entrepreneurship theories.

#### *Normative aspects: the image of the non-profit sector*

NPOs quite often suffer from the image of being unprofessional and ineffective, especially when compared to private for-profit enterprises. In German political science there is even the argument that 'dilettantism' is the key characteristic of the non-profit sector (Seibel, 1992). Given the financial pressure which is now often exerted on NPOs (usually because of decreasing government funds), there is growing interest from representatives of the non-profit sector to change this image and to introduce professional management into NPOs in cases where it did not exist before.

In such a context a theory which pictures NPOs as a specific form of entrepreneurship helps to improve the image of the non-profit sector. When famous practitioners in business administration, like Peter Drucker, write popular books on 'true' entrepreneurship in the non-profit sector, and when successful cases of non-profit entrepreneurship are made popular, this has an impact on how NPOs are perceived by the public, both in government and in the for-profit world.

Therefore, the concept of entrepreneurship in NPOs is not only a matter for discussions in the academic world. Entrepreneurship theory is also an instrument to increase the self-consciousness of non-profit organisations. The term 'entrepreneurship' has a positive connotation; when non-profit managers are drawn as 'entrepreneurs', they are no

longer second-class managers – as this would follow from the lower wages which are usually paid in the non-profit sector (for empirical examples, see Knapp, 1989; Preston, 1993).

The 'upgrading' of non-profit managers through the concept of entrepreneurship is also reflected in academic degree programmes which have been established in the United States and are increasingly being established in Europe as well. Entrepreneurship theories provide the theoretical basis for a message to students, which could read: You are excellent entrepreneurs who show that things can be made to happen even without the pure profit motive!

#### *Impact on business life practice*

Entrepreneurship theories make clear that the concept of entrepreneurship is not confined to the for-profit sector; it is a general principle which can be applied to the non-profit sector as well; in doing so, special patterns of non-profit behaviour can be drawn, but, on the other hand, generic patterns of 'good' and 'successful' management behaviour are also identified.

The concept of entrepreneurship therefore provides an excellent basis for a two-way communication between managers of the for-profit and the non-profit sectors of an economy (Badelt, 1997b). This is also an indirect implication of the 'upgrading' of NPOs which has been described in the preceding section. When both non-profit and for-profit managers are seen as 'entrepreneurs', it is socially acceptable for both groups to learn from each other (see Billis, 1993).

In real business life, this mutual exchange of ideas and experiences can be increasingly observed. It is also reflected – and partially institutionalised – in teaching programmes. For years a main issue in educating non-profit managers was to find out what concepts, techniques and problem solutions non-profit managers could learn from the for-profit world. Now the reverse question is also legitimate.

Only slowly has a similar trend developed in academic business administration and the textbooks written there. While recent American textbooks (for example, Steinberg and Young, 1995) start to focus on NPOs, there are only a few books in German dealing with NPO management (for example, Schwarz, 1991; Badelt, 1997a).

#### *Changes in attitudes of NPO managers: the case of 'social management'*

Contrary to the above examples, there are also cases in which the idea of 'entrepreneurship' is *not* welcome in NPOs. As Young (1996) points out, the concept of entrepreneurship is sometimes wrongly identified with profit-maximising behaviour. When this view is adopted,

entrepreneurship may be seen as a threat to the 'inherent' goals NPOs pursue. Good examples can be found in social work or cultural services.

Many practitioners in social work resent any form of management thinking in their work (see, for example, Flösser and Otto, 1992; Effinger and Luthe, 1993). Portraying them – or even their superiors – as 'entrepreneurs' is sometimes seen as a provocation, even if they actually behave as entrepreneurs in the sense of entrepreneurship theory.

The strong economic pressures which governments exert on the providers of social services in Europe are gradually changing the attitudes of practitioners of social work. Many of them have enrolled in educational programmes on 'social management', where they work on resolving the conflicts between their professional goals and their experience of scarcity of resources.

For these non-profit managers, thinking in terms of 'entrepreneurship' is very attractive, since this can help them to handle their intra-personal conflict. Entrepreneurship behaviour shows them how to integrate their 'social' goals (beyond pure profit orientation) with basic principles of management, like 'effectiveness', 'getting things done' and so on.

#### *Impact on theory development*

To summarise, it is not the strength of entrepreneurship theories to make concrete predictions on the formation of NPOs or on NPO behaviour. Nevertheless, entrepreneurship theories provide interesting insights which may advance our understanding of the non-profit sector. Furthermore, by merely propagating the idea of entrepreneurship as a driving force of NPOs, the theory may have considerable impact on the real world of the non-profit sector. To exaggerate only slightly, it could be said that entrepreneurial theories have more power to *change* NPOs than to *explain* them.

Moreover, entrepreneurship theories may significantly contribute to further developments of theories of the non-profit sector. Hardly any other economic theory of NPOs can be extended as easily into an integrated social science approach of the non-profit sector. This article has shown that entrepreneurial theories integrate elements of economics, business administration and public administration.

Even beyond these disciplines it should not be too difficult to extend entrepreneurship theories into the direction of psychology (for a thorough analysis of motivation) and towards sociology of organisations. It is a pity that these bridges have not really been constructed so far.

While it is very popular to ask for more interdisciplinary research, entrepreneurship theories also illustrate the price to be paid for such an approach. The broader the concepts and assumptions of a theory, the less precise will be its predictive power.

## Notes

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- \* The author gratefully acknowledges the comments of the participants of the *Voluntas* Symposium at Yale University, especially the comments made by Estelle James, James Ferris and Dennis Young.
- 1 This specification was added in the second edition of Schumpeter's *Theory of Economic Development*. Schumpeter wanted to make clear that 'entrepreneurial behaviour' is different from the behaviour of ordinary businessmen, an argument which is also relevant for the application of entrepreneurship to NPOs. In the sense of entrepreneurship theories, NPOs are *not* business firms like for-profit enterprises.
- 2 Schumpeter himself made a strict distinction between entrepreneurs and managers (see Schumpeter, 1934, p.75; for a more detailed discussion of this matter see Young, 1985, p.2).
- 3 The recent *Handbook of Nonprofit Organization* which summarises the current scientific debate on NPOs in the German-speaking countries has a management part and a part describing the economic aspects of the non-profit sector (Badelt, 1997a).

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