

# 7

## Screening by Sector

The industry-choice process is one of two, basic, intertwined processes of selection through which the pool of entrepreneurial talent available for enterprise in a given part of the economy is formed. The second process is sector choice, through which individuals select specific organizational contexts in which to work within a given industry. As for the industry-choice decision, there is more than one scenario through which the sector-choice decision may take place.

1. A potential entrepreneur may become initially employed and gain the bulk of his experience in a given sector and remain in that sector throughout his entrepreneurial phase.

2. A potential entrepreneur may gain initial experience and even undertake enterprise in one sector but eventually move on to focus the bulk of his entrepreneurial energies in another sector.

Strong inertial tendencies govern the movement of personnel who favor scenario 1 as the dominant mode. Entrepreneurs of the income-seeker, power-seeker, and searcher varieties exhibit greater inclinations toward scenario 2 than do other types. The discussion that follows treats these latter cases as if such entrepreneurs initially chose to work in the sector in which they ultimately undertake the bulk of their entrepreneurial activity.

Sectoral considerations may influence selection by industry. In particular, the predominance of a given sector within some industry is likely to affect certain structural characteristics (for example, the concentration of economic activity) on which industry selection is based. In general, however, the industry decision—which reflects a basic career choice—comes first, and sector selection is secondary, although significant. Having selected an industry, the potential entrepreneur will often have some choice of sector because most service fields are not totally dominated by a single sector.

### Screening Factors

Some empirical evidence suggests systematic differences among employees in alternative economic sectors. Guyot, for example, observes that public employees are more likely to be female, come from minority group, low socioeconomic backgrounds, and to have more formal education than their private sector counterparts.<sup>1</sup> It is therefore reasonable to expect that the motivations of employees—latent entrepreneurs,

in particular—may also differ systematically by sector.

I will proceed, as in chapter 6, by postulating a certain amount of good intuition, rational thought, and foresight on the part of potential entrepreneurs in their early choices of employment in organizations. In particular, I assert that there is a strong correlation between the motives that the entrepreneur will ultimately exhibit (when he begins to venture) and the character of organizations in which he chooses to become employed and gain experience. Thus reference to the various types of entrepreneurs—believers, power seekers, and so on—will apply to latent motivations that may not yet have become manifest but are presumably part of the individual's consciousness at the stage of choosing an organization for which to work. The factors on which sector screening of potential entrepreneurs takes place include the following.

*Opportunity.* Within any given industry, some sectors tend to be larger and more vital than others at a given point in time. The relative abundance of employment opportunities will vary accordingly. For example, until the mid-twentieth century when public universities began to develop, opportunities in higher education were concentrated almost totally in the nonprofit sector. The pattern in child care is similar. For nursing homes, however, the proprietary sector has been the main locus of opportunity.

A few statistics illustrate the variety of sectoral splits among industries. According to the American Hospital Association, general hospitals were distributed across sectors in 1976 as follows: 35 percent government; 52 percent nonprofit; 13 percent proprietary. For psychiatric hospitals the figures are 59 percent, 17 percent, and 23 percent. For nursing homes the distribution was 8 percent, 19 percent, and 73 percent. In education, according to 1976 U.S. Department of Health, Education, and Welfare (HEW) statistics, elementary schools were 82 percent public and 18 percent nonpublic, whereas secondary schools were 87 percent public and 13 percent private (See Miller).<sup>2</sup>

In higher education, according to Nielsen, the distribution in enrollments between public and private, nonprofit institutions has gone from 50 percent each in 1950 to 78 percent versus 22 percent in favor of public institutions in 1977.<sup>3</sup> For medical schools in 1977, the division was 57 percent and 43 percent, in favor of public institutions.

In the day-care-center industry, according to a study by Abt Associates, approximately 41 percent of centers were profit making, compared with 59 percent nonprofit or governmental, in 1976-1977.<sup>4</sup> Of the 59 percent labeled nonprofit, 7 percent were governmental, 4 percent Headstart; and 3.2 percent, school affiliated.

According to Netzer, 85 percent of the arts sector (broadly defined) in

terms of annual expenditure is commercial.<sup>5</sup> For 1971-1972, about 56 percent of museums were private nonprofit, compared with 34 percent government, 5 percent attached to public educational institutions, and 5 percent attached to private educational institutions.<sup>6</sup> (Proprietary galleries or exhibitions are excluded from the count.)

In the research and development industry, Dickson indicates roughly a 70 percent-30 percent division between profit-making and nonprofit or public agencies in the late 1960s and early 1970s.<sup>7</sup> Of the six hundred or so agencies that he considers think tanks, about half are profit making, one-third are nonprofit, and one-sixth are governmental.

In broadcasting, according to figures presented by Schutzer, public and nonprofit educational FM radio stations constituted slightly less than one-eighth of all radio stations in 1979, whereas educational television stations (VHF and UHF) represented about 25 percent of all television stations in that year.<sup>8</sup>

Government funding or licensing policies often underlie these patterns of sectoral distribution (see chapter 10). For example, some states refuse to certify proprietary foster-care agencies. In contrast, programs such as FHA mortgage guarantees helped underwrite the growth of proprietary nursing-home enterprise, and other legislation, for example, state higher-education programs, sponsored the specific development of public systems (universities).<sup>9</sup>

Although latent entrepreneurs of various types may have strong leanings by sector, they may also be limited in their ability to exercise those preferences, that is, sector choice may be constrained by existing sectoral opportunity structures within industries. If opportunities are restricted by sector, that is, if there is a mismatch between available opportunities by sector and the sector preferences of entering personnel, then some latent entrepreneurs who have selected a given field will be forced to become employed in less preferred sectors. The less preferred sectors will then include entrepreneurial types that they would not otherwise attract. Given a more open opportunity structure, latent entrepreneurs would be sorted into more homogeneous motivational sets by sector. The implications of this important phenomenon will be developed in chapter 10.

What determines if a sector is more or less preferred by a latent entrepreneur? Aside from opportunity constraints, other factors will tend to sort out the entrepreneurial types. Most of these factors, including income potential, internal bureaucratic structure, and service ethic, vary in a fairly unambiguous way from sector to sector for a wide range of industries.

*Income Potential.* The nonprofit sector is by definition restrained by the so-called nondistribution constraint, which formally precludes appropriation of differences between revenues and expenditures as profits by managers or trustees.

As Hansmann and others argue, the existence of this constraint discourages income augmentation in the nonprofit sector by signaling what is meant by appropriate behavior and by raising the threat of legal penalties for violation of this norm. Income-increasing behavior in the nonprofit sector is not impossible or even terribly unusual, however. Devices such as the inflation of salaries and perquisites or kickback and sweetheart schemes for the purchase of other inputs are possible and observed. (See Mendelson, for example.)<sup>10</sup> Thus in industries whose resources are concentrated in the nonprofit sector (perhaps reflecting explicit policy or relative states of sector development), the nonprofit sector may be seriously viewed as a source of wealth enlargement.

Nonetheless, income potential is nominally more restricted and blunted in the nonprofit sector than it is in the profit sector. In the proprietary sector, income-maximizing behavior is the prescribed norm and may be legally implemented directly through profits, ownership, and appreciation of capital as well as through increases in salary and perquisites and control over input factors. Of course, the relative potentials for increasing income in the profit and nonprofit sectors will also depend on market factors, including the demand for particular services and the level of competition, and on tax and other revenue considerations. Nonprofits in some fields can conceivably combine tax concessions and access to philanthropy to generate income potentials in excess of proprietary capabilities. The appropriation of surpluses as personal income can, within wide limits, be held in check by accountability to the groups (government, donors, consumers) responsible for enforcing the conditions under which such special advantages are granted (see chapter 8).

Income potentials and expectations in the public sector are quite variable: corruption, opportunities for advancement, and remuneration levels of public employees tend to differ considerably over time and place. Significantly, in some parts of the public sector, for example, within the federal government and some state and large local governments, civil-service and political-appointee pay scales and other benefits can be sufficiently attractive to warrant the attention of those whose career objectives may center heavily on income augmentation. Alternatively, the public sector may be viewed by some as a training ground or springboard from which income-seeking careers may be launched into the private sector. Much depends on the particular political conditions associated with given parts of the public sector, including the wealth and level of demand for public goods by the relevant constituencies, the strength of public-sector unions, and the tolerance levels for corruption and conflicts of interest.

In the upper managerial ranks at least, such as assistant-commissioner or deputy-assistant-secretary levels, the public sector is often viewed as a broad vertical continuum. Hence those with long-term income-increasing goals may conceive

of career ladders that begin at the local level and proceed upward through state and federal echelons, featuring increased benefits along the way. Since lateral mobility across local or state jurisdictions is fairly uncommon, however, the latent entrepreneur's view of the income potential of the public sector will be highly conditioned by his local origins. On balance, the public sector would appear to constitute a middle ground between the clear income potentials of the profit sector and the restrained income orientation of the nonprofit sector.

*Bureaucratic Structure.* Within a given industry, the profit-making, nonprofit, and public sectors differ in their degrees of dependence on hierarchy and political accountability and hence in the flexibility, independence, and authority that staff members and officials can maintain. For example, chapter 6 briefly noted the tendency of economic activity in service fields to become more concentrated and more hierarchical as one moves from proprietary to nonprofit to government sectors.

Concentration and hierarchy were observed to affect the selection of potential entrepreneurs by industry because of implications for power seeking, autonomy, and other motives. Within industries, a similar selection process will take place by sector.

There are several implications of hierarchy. Although large hierarchical structures may provide more opportunity for power-seeking behavior, they also tend to entail more cumbersome and restrictive internal systems of control and accountability. Those who value personal flexibility and freedom from rigid systems of rules, reporting, and authorizations, would thus prefer working in less hierarchically structured sectors. This inclination is further strengthened by the tendency of staffs of large, hierarchical organizations to develop an inertial character of their own that restricts the freedom of action of those who would promote new initiatives. As Smith explains, such problems have inspired the formation of government corporations and nonprofit agencies separate from government itself:

[These] types of organization arose in part out of a need to have a public function performed in a more flexible administrative framework than was easily available within one of the traditional executive departments. . . . [They] initially enjoyed considerable autonomy in regard to personnel and staffing practices; the normal civil service pay scales did not apply and, consequently, employment opportunities tended to be more attractive than civil service.<sup>11</sup>

It is not simply the dependence on hierarchy, however, that differentiates the bureaucratic structure of the three sectors. The degree of interaction with and restraint from overseeing bodies and political entities also varies systematically by sector, with important implications for latent entrepreneurs who value autonomy and may

disdain the requirement to share decision-making authority. Agencies in each sector are normally associated with a board or council of trustees in one form or another. In the public sector, a government bureau is accountable to a legislature or a sublegislative committee and often to a community-advisory board as well. Nonprofit agencies are required to have boards of directors or trustees composed of responsible community members to whom the ultimate well-being of the corporation is entrusted. These boards normally have the power to appoint the agency's executive director and to approve basic fiscal and program policy. In the proprietary sector, corporate responsibility resides in a board of directors composed of shareholders, often including the executive director. In some cases, proprietary and nonprofit agencies have additional advisory committees attached to specific program activities, often to satisfy requirements of government-funding programs in which they may be involved.

Within each sector, the authority asserted by these overseeing bodies varies considerably, perhaps most widely in the nonprofit sector. Nonprofit-agency boards of directors are known to range from those whose officers insist on major day-to-day influence on policymaking to those which are virtually rubberstamps for the executive director. The public and proprietary sectors show less variance. Legislative committees usually assume a reasonable level of control over an agency's budget and executives are normally well advised to pay homage to their legislative benefactors. In the proprietary sector, the executive usually has strong, often dictatorial control, commensurate with his financial interest and ability to keep the enterprise solvent and prosperous. Clarkson explains that nonprofit (and, by extension, public-sector) trustee control over the executive function tends to be more inhibiting than it is in the proprietary sector because output is more difficult to measure and managerial rewards are only loosely related to changes in organizational wealth.<sup>12</sup> Trustees of nonproprietary organizations must therefore compensate by imposing stricter rules and procedures.

Because such issues seem to amplify as one moves from commercial to private-nonprofit to governmental realms, it may be said that the requirement of executives to share authority and to be constrained by overseeing bodies increases systematically from proprietary to nonprofit to public sectors.

A similar spectrum obtains with respect to entanglement of a more general political nature. The proprietary-agency director must be careful to cultivate certain relationships to secure zoning, licensing, or other approvals that he may need for operation. He may have to be careful not to arouse community opposition to his operation if he is dealing with sensitive areas, such as services to the retarded, delinquent, or mentally ill. He may also be required to follow particular rules and reporting protocol if he decides to accept government funding. The proprietary

director, however, will be fundamentally less entangled and constrained by political considerations and government regulation than his nonprofit or public-sector counterparts.

The nonprofit agency is based on the notion of a public purpose for some constituency, whether it be a particular neighborhood, ethnic or religious group, or those interested or needing a particular type of service. Its board of directors, staff, and volunteers are more likely to have roots in this constituency and to bring a strong element of political responsiveness and responsibility to the agency itself. Even those nonprofit agencies which might be incorporated without such community ties will normally be required by government to constitute a board of trustees representative of the public purpose for which nonprofit status is granted. Thus there will be at least a nominal sensitivity to political pressures and constituencies by the nonprofit. Furthermore, when the nonprofit receives public funds or is designated as a vehicle for public-service delivery, it will become enmeshed in the broader spectrum of political concerns and regulatory requirements. Meyer describes an example of both political accountability and trustee control in the case of the Metropolitan Museum of Art:

As a result of . . . news stories, the attorney general of New York State ordered an official inquiry to determine whether the museum had deliberately ignored donor wishes. . . . Under pressure to make a full public accounting of past sales, the Metropolitan for the first time disclosed its transactions and agreed reluctantly to establish new procedures for deaccessioning. Satisfied, the attorney general absolved the museum of intent to violate the law. [Museum director] Hoving thus survived a scandal that would surely have toppled any other museum director; that he was able to do so was in good part attributable to his skill in managing the board and in retaining the support of its president, C. Douglas Dillon.<sup>13</sup>

By far the most overwhelming set of political constraints is faced by directors of public bureaus whose decisions must often reflect partisan, geographic, ethnic, and other political sensitivities. New policies or program initiatives must be checked or modified for their effects on multiple groups before action can be taken.

Overall, therefore, sectoral differences in organizational structure provide differential opportunities to those potential entrepreneurs whose ultimate motives concern power, autonomy, and flexibility. In general, the public sector is the most concentrated in terms of hierarchy and outside restraint on freedom of action; the proprietary sector tends to be least intense in these dimensions; and the nonprofit sector constitutes a broad middle ground.

*Service Ethic.* Just as the different sectors vary in the norms that they encourage with respect to money-making, they also differ in the ideals and service

orientations that they espouse. Whereas such normative codes may not in themselves be powerful influences on behavior, their importance as signaling devices for latent entrepreneurs at the stage of employment choice cannot be totally ignored.

Each sector has its lofty traditions and positive self-images. As Nielsen says in his discussion of private versus public colleges, "Each of these subsectors has developed its separate (and sometimes self-glorifying) definition of itself."<sup>14</sup> Government has the notion of public service—devotion to country and community through the competent provision of essential services. In earlier eras, public servants—policemen, firemen, soldiers, even postmen and teachers—were heroes in the public mind, and in the managerial and political ranks, statesmanship, patriotism, and leadership were important values. In recent years, this imagery has faded, but there remains a concept of public interest that underlies the value system for government work. Although this notion is vague, it connotes selfless attention to the needs of a society or community as a whole. As such, public sector employment may still attract idealists who identify with the public-service image.

Traditionally, the profit-making sector has been the domain of the rugged individualist, the self-made man who works hard for his living and makes it on his own. It is the domain of commerce, subject to the harsh discipline of the marketplace, where activity is frankly viewed as business and only secondarily as service. It is where fortunes may be made, but where every cent must be earned, where free enterprise rules and government is viewed as an intrusive and corrupting influence. As Vladeck observes for nursing homes: "Proprietary nursing home owners are not averse to reminding legislators that they are independent, taxpaying entrepreneurs with payrolls to meet and bottom lines to be looked at."<sup>15</sup> In the modern era of large, multinational corporations and complex entanglements between government and private industry, this individualist image too has worn thin, yet it maintains an essence of viability, especially in the arena of small business and many service industries. This image influences latent entrepreneurs who see themselves as individualists who want to make it on their own.

The nonprofit sector has its roots in voluntarism, charity, community, and in large measure, organized religious denominations. It is a mode of organization based on the notion of voluntary mobilization of close-knit communities to assist those of its members in need or in trouble. Whether it is a social agency, hospital, or museum, the nonprofit agency is seen to be supported by voluntary contributions, manned by volunteers or those who work for some sacrifice in pay, controlled by community elders, and administered by those whose interests are benevolent and specifically attuned to local-community needs. As with the folklore of the other sectors, the nonprofit's idealized imagery has also been tarnished as the application of this organizational device has been modified, extended, and intertwined with other sectors over time.

Still, the imagery continues to bear some semblance of fact and hence to serve as a signal to those potential employees (latent entrepreneurs) who find it appealing.

### **Screening of Entrepreneurs**

The relatively systematic differences in income potential, bureaucratic structure, and service ethic serve to sort out latent entrepreneurs among sectors.

Income seekers will be most strongly attracted to the proprietary sector, where the avenues for money-making are more numerous and open and where profit making is a socially approved and legal mode of behavior. (See Vladeck's account on nursing homes in the 1950s and 1960s.)<sup>16</sup> This tendency will be modified to the degree that the market or regulatory environment restricts financial gain in the profit sector or generous income streams and salary opportunities are channeled to the nonprofit or government sectors. (See chapters 8 and 10.)

Independents will also tend to gravitate to the proprietary sector because of the less overbearing requirements in that sector for shared decision making and accountability to others, and because the lower concentration of activity in that sector provides greater opportunity for achieving positions of executive autonomy. This tendency will be modified to the extent that small nonprofits with rubber-stamp boards are able to insulate themselves from outside pressures and hence attract independents. In few cases, however, will independents be attracted to government, where hierarchical and political-accountability arrangements are omnipresent.

Power seekers will generally gravitate to the public sector for the same reasons that independents reject this alternative. Government exhibits major hierarchical structures and arenas of public visibility in which power seekers may climb to greater heights of control and notoriety. As Schaffner observes, "management in government is indeed different from management in industry. . . . High and frequent turnover in top levels of government . . . political considerations, complicated bureaucratic procedures, and media limelight all contribute to the rarefied climate in the public sector."<sup>17</sup> This atmosphere will be especially appealing to the bold and ambitious player-type power seeker. The controller-type power seeker is more complex, however. Whereas the opportunities for expanding control in the public sector appeal to him, at some level the public sector becomes overwhelming. Major departments become too large to control and accountability relationships too complex to manage. The latent controller type may therefore decide that organizations in the nonprofit sector present more comfortable alternatives.

The believer is most likely to be attracted by the service ethic of the

nonprofit or public sectors, but his uncompromising ideas for social reform and social change are more likely to be accommodated by the less overbearing accountability structure of the nonprofit arena. Thus, the nonprofit sector is likely to employ more than its share of believers.

According to Nielsen, believerism is common across many nonprofit industrial sectors:

In the world of the nonprofits, there is constantly present a great latent righteousness because most of the inhabitants feel they are serving some high moral purpose in behalf of the commonweal. As a result, educators, scientists, artists, and reformers can be readily aroused to assert the claims of their institutions in passionate and absolute terms. To educators, education is not only virtuous but the bedrock and precondition of democracy. . . . Scientists view the quest for knowledge . . . as essential to human advancement and well-being. . . . Those devoted to cultural activities see them as the core and very definition of civilization. . . . Likewise doctors, religious leaders, and social activists all can express the value of the work to which they have committed their lives in the most ardent and uncompromising terms.<sup>18</sup>

Conservers, too, are most likely to be employed in the nonprofit sector, for several reasons. First, they have a loyalty to traditions and sentimentalities more likely to be found in the nonprofit and public sectors than in the proprietary sector. (An exception here is the multi-generation family business, which may invoke conserver-type loyalties in the profit sector.) Second, conservers are more likely to be attracted by the smaller size and greater informality of organizations in the nonprofit sector, where traditions and personal relationships are more easily cultivated and maintained.

Like the power seekers, the two varieties of artist are also somewhat different in their likely employment preferences. Neither the poet or architect varieties are likely to be heavily attracted to the public sector because of their desires to use activities as personal expressions of accomplishment. In the public sector, more people are involved with specific activities because of the greater hierarchy and complexity of accountability arrangements; consequently, there is less opportunity for personal identification with the product. (Men like Robert Moses, who have managed to put their personal signature on works, are more the exception than the rule. Incumbent politicians tend to receive credit for accomplishments within their domains, whether or not they were personally responsible.) Both artist types can be accommodated by the relatively less encumbered structure of the nonprofit sector, but the poet may be more confined to this sector than the architect. The architect is more concerned with the fact *that* he is building than with *what* he is building. Hence opportunities in the profit sector, where vistas for new projects may be wide, may be as appealing as those available in the nonprofit sector. For the poet, however, activity is more a matter of personal

expression of ideas and values than of structure building or pride of technique. The poet is more likely to feel inhibited by the rigor and restraint of the profit criteria and to feel more comfortable in the nonprofit sector where the diversity of support sources is more apt to be indulgent of diverse ideas, irrespective of direct-market potential (or political content).

Finally, professional- and searcher-type latent entrepreneurs will be inclined to find the nonprofit sector a comfortable middle ground, for reasons similar to those cited in the industry-selection process. For the professional, nonprofits are likely to be large enough to provide the necessary resource base and logistical support to underwrite the pursuit of disciplinary accomplishment, while less inhibiting than government in following such a chosen path. Similarly, the searcher may be attracted to the ideals of the public or nonprofit realm, but likely to become stifled by governmental hierarchy.

Figure 7-1 summarizes the nominal sorting of entrepreneurial types by sector. This sorting provides a preliminary basis for modeling nonprofit-sector behavior. If nonprofit sectors follow the general patterns of income potential, bureaucratic structure, and service ethic described above and industries in which such sectors are imbedded do not seriously constrain the opportunities for entrepreneurial employment by sector or severely screen particular types of entrepreneurs into or out of the industry as a whole, then it is possible to hypothesize that nonprofit sectors are characterized by the behavioral tendencies of the entrepreneurs listed in the second column of the figure. However, this view is naive and too abstract for two reasons. First, the relative structural characteristics of nonprofit sectors do vary considerably from one industry to another, hence the pattern in figure 7-1 is not universal. Second, the postscreening behavior of entrepreneurs is influenced not only by their internal motivations but also by the constraint and accountability conditions that exist at the time of venture. Still, the behaviors implied in the screening pattern displayed in Figure 7-1 may be taken as a description of central tendency in nonprofit sectors, from which variations will be considered.

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

**Figure 7-1.** Nominal First Preferences of Entrepreneurs by Sector

### **The Permanence of Industry and Sector Screening**

The early screening of potential entrepreneurs by motivation into industries and sectors of employment significantly influences the character of enterprise and behavior in a sector, because there is a notable degree of immobility of these latent entrepreneurs at later career stages when most venture activity tends to take place. Specifically, strong inertial tendencies restrict the crossing of industry and sector boundaries by potential entrepreneurs once these people have made their early career decisions. These tendencies may be stated in the form of two general propositions.

1. Entrepreneurs whose early employment history is concentrated in a particular industry will tend to undertake future ventures in that same industry. Within industries, entrepreneurs whose employment history is concentrated in a given sector will tend to undertake future activity in that same sector.

These statements apply to first-time entrepreneurs as well as to those who have already begun entrepreneurial phases of their careers. The effect will tend to be stronger for industries as a whole than for sectors within industries because adaptation to different sectoral cultures is usually easier than learning whole new technologies and economic markets.

Nevertheless, inertia exists within sectors as well. Each sector tends to have its own culture to which individuals become accustomed. The profit sector preaches efficiency; the nonprofit sector stresses voluntarism and community involvement; and government uses public service and political awareness as its frame of reference. More significantly, each sector requires different modes of operation and management (financial, personnel, and so on), which individuals master by experience and which create psychological and practical barriers to lateral movement across sectors. Thus the public-sector official becomes experienced with political considerations and bureaucratic procedure; the profit maker becomes experienced with marketing and capital financing; and the nonprofit official becomes experienced with philanthropic fund raising and dealing with community groups. As a result of these cultural and operational factors, individuals who are familiar with a given sector become oriented to maintaining their activities (and hence pursuing ventures) in that sector. This situation is least true of searchers, who have previously failed to establish a comfortable foothold in a given organizational context, and most true of conservers, whose loyalties are the most keenly developed of all entrepreneurial types. The careers of power seekers and income seekers constitute additional possible exceptions. Power seekers are likely to exhibit a climbing pattern, with each successive job representing a step upward in terms of status, position, and authority over people and resources. This ladder may involve some crossovers between sectors. For example, a power seeker may begin in a relatively small nonprofit

agency, move to another, more important one, and ultimately move into government at a high level. The pattern may cross sectoral borders several times, depending on the timing of opportunities. Because significant managerial opportunities may open up earlier in one's career in the nonprofit sector, but more powerful positions may be available later at the top of the public sector, the careers of power seekers often begin in the nonprofit sector but gravitate toward government. For reasons cited earlier, this pattern more often holds for a player than for a controller.

A similar argument may be made for income seekers, but with different directional patterns. This variety of latent entrepreneur may begin his career in a public or perhaps a nonprofit agency, where initial salaries may be better and where he can gain professional experience and learn about service provision. Later, having gained experience and accumulated some capital, he may decide to move into the proprietary domain. This is not an unusual career pattern for physicians, psychologists, and even academicians with highly marketable skills (engineers and economists, for example). In the research field, Smith<sup>19</sup> and Dickson<sup>20</sup> both cite a number of instances of individuals who left nonprofit think tanks to form their own private consulting outfits.

Even for power seekers, income seekers, and searchers, however, venture itself is likely to be concentrated in a single sector, that is, sector of ultimate destination, following various sector transitions that such individuals may make earlier in their careers.

A similar inertial tendency exists at the level of particular organizations.

2. Entrepreneurs associated with a particular organization will tend to undertake future ventures within the context of that same organization. The reasoning behind this proposition is similar to that underlying the first proposition. Specifically, familiarity and identification with the value structure and operational procedures of a given agency will make it costly and disruptive for those contemplating new ventures to seek a less familiar context. Again, the stipulated tendency is strongest for the conserver and weakest for the searcher. In addition, proposition 2 holds only weakly for the independent, whose entrepreneurship will often be centered on the goal of founding a new agency under his own jurisdiction. The independent may, however, find his opportunity for entrepreneurship by assuming the helm of his current organization or by working from within to spin off an autonomous agency that he can direct.

## Summary

The factors of relative opportunity, income potential, bureaucratic structure, and service ethic screen latent entrepreneurs who have selected a given industry into

alternative sectors within that industry. Sector screening tends to be relatively permanent for individual latent entrepreneurs, although notable exceptions have been discussed. Even these exceptions may be analyzed as if sector choices are made by certain entrepreneurs a bit later in their careers—after early experience has been gained but before the major portion of entrepreneurial activity has been undertaken. Thus early industry and sector screening still form the basic mechanisms for determining the motivational mix for enterprise in a given sector. These motivations constitute a crucial element for determining the ultimate shape of organizational behavioral in a sector. The constraining influences on those motivations are considered next.

## Notes

1. James F. Guyot, "Public and Private: A Distinction That Makes a Difference" (Bernard Baruch College, City University of New York, presented to American Political Science Association, August 1980). Also, "The Convergence of Public and Private Sector Bureaucracies" (American Political Science Association, 1979).

2. Lohr E. Miller, "A Quantitative Guide to the Nonprofit Sector of the U.S. Economy" (Draft, Program on Non-Profit Organizations, Yale University, March 1980).

3. Waldemar A. Nielsen, *The Endangered Sector* (New York: Columbia University Press, 1979).

4. Richard Ruopp, Jeffrey Travers, Frederic Glantz, and Craig Coelen, *Children at the Center* (Cambridge: Abt Books, 1979) and, *Day Care Centers in the U.S.: A National Profile 1976-1977* (Cambridge: Abt Books, 1979).

5. Dick Netzer, *The Subsidized Muse* (Cambridge: Cambridge University Press, 1978).

6. *Museums U.S.A.: A Survey Report* (National Research Center of the Arts for the National Endowment for the Arts, Washington, D.C. 1974).

7. Paul Dickson, *Think Tanks* (New York: Atheneum, 1971).

8. George J. Schutzer, "Prevalence of Nonprofit Organizations in the Broadcast Media" (PONPO working paper 14, Institution for Social and Policy Studies, Yale University, March 1980).

9. Bruce C. Vladeck, *Unloving Care* (New York: Basic Books, 1980).

10. Mary A. Mendelson, *Tender Loving Greed* (New York: Alfred A. Knopf, 1974).

11. Bruce L.R. Smith, *The Rand Corporation* (Cambridge: Harvard University Press, 1966).

12. Kenneth W. Clarkson, "Managerial Behavior in Nonproprietary Organizations," in *The Economics of Nonproprietary Organizations*, eds. Kenneth W. Clarkson and Donald L. Martin (Greenwich, Conn.: Jai Press 1980).
13. Karl E. Meyer, *The Art Museum* (New York: William Morrow and Co., 1979).
14. Nielsen, *Endangered Sector*.
15. Vladeck, *Unloving Care*.
16. Ibid.
17. Robert M. Schaffner, "Can a Scientific/Technical Executive from Industry Find Happiness in a Government Agency?," in *Managing Nonprofit Organizations*, eds. Diane Borst and Patrick J. Montana (New York: AMACOM, 1977).
18. Nielsen, *Endangered Sector*.
19. Smith, *Rand Corporation*.
20. Dickson, *Think Tanks*.