11 Summary and Perspective

The most meaningful test of a descriptive social theory is not so much whether it is correct in all its details, but whether it stimulates people to think in some new and productive terms. These pages have put forth a theory that involves a series of descriptive details—most notably the specific motivations that characterize entrepreneurial behavior and the structural factors that influence the channeling and control of these motivations within different sectors of the economy. These descriptions are based on the author's empirical work and reading of the literature. Other observers may differ with the particulars presented here. Certainly the subject is open for further empirical study aimed at verifying and clarifying the nature of the parameters on which this analysis is based, but such refinement is secondary to the matter of attending to the essential ideas developed here. These ideas have implications for the way in which social scientists, particularly economists, model and analyze the behavior of nonprofit organizations as well as for the manner in which analysts and decision makers formulate and anticipate the consequences of policies designed to improve the performance or enlarge the role of nonprofits in the delivery of public services. 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. Industry-wide perspectives that transcend sector boundaries are needed. For the policymaker, the essential point is that nonprofits cannot be properly viewed in isolation. Thus problems solved by ministering to nonprofits alone or by attempting to exploit the presumed purity of the nonprofit structure will tend only to change the shape or form of the problems rather than to make them disappear.

The central concept from which these lessons emanate is the mechanism of screening applied to entrepreneurial motivation, that is, the self-selection of entrepreneurial characters into industries and sectors that best suit their individual motives and styles. From this key notion, the following essential ideas have emerged:

1. The nonprofit sector is inherently flexible and diverse, capable of entertaining a wide variety of entrepreneurial motivations and giving such motivations substantial discretionary movement because of the absence of any dominant market or political-accountability mechanism.

2. The behavior of a nonprofit sector cannot be represented by a single behavioral mode, but 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.

On the basis of attributes generally descriptive of nonprofit sectors relative to proprietary and public sectors, it has been argued that nonprofit sectors tend to exhibit mixes of entrepreneurial motivation that offer assurances of trustworthy behavior but a slowness of response to societal demands for service. This nominal nonprofit motivational mix may be expected to vary widely among industries, however.

3. Screening of entrepreneurs is necessarily coarse because of the many factors involved in sector choice and the inertial tendencies (resistance to further screening) of entrepreneurs after early career decisions have been made. As a result, there will be discretionary behavior within nonprofit sectors, not only by those dominant types who have successfully screened themselves into sectors with attributes generally consistent with their motives, but also by those whose motives are relatively inconsistent with the structures within which they operate. The latter will tend to subvert the structural characteristics of their sectors, for example, the income-moderating constraints of nonprofits or the autonomy-reducing features of sectors that restrict new entry.

4. The particular behavior patterns and social performance of a given service industry and its nonprofit component may be affected in a significant way by the implementation of various social policy instruments that alter short-run behavior and long-run screening processes. These instruments include the nonprofitization of industries, the control of entry by new organizations, the requirement of professional certification of managerial and program personnel, and the targeting of public resources to the nonprofit parts of an industry.

5. The expected effects of such public policies may not always match the good intentions of policymakers. For example, the screening and short-run behavior effects associated with such policies as nonprofitization and resource targeting may corrupt the nonprofit sector and subvert the intent of policymakers to make particular service industries more trustworthy.

6. Complementarities may exist in the use of public resources to promote use of the nonprofit sector and to regulate that sector. For example, nonprofitization or the targeting of programmatic resources to nonprofit organizations might best be carried out in a regime of reinforced policing of the nondistribution and shared-decision-making mandates of organizations in that sector.

In short, the nonprofit sector must be viewed as an entity whose qualities can only be properly appreciated in the context of its economic environment. In particular, the performance qualities of this sector, inspired by its entrepreneurial elements, are seen to hinge on the screening and secondarily, on the restraint of these elements. The outcomes of these processes, in turn, depend on alternative opportunities outside the nonprofit sector as well as specific characteristics of organizations in the sector. Thus nonprofits must be seen as components of industrial systems, rather than as fully independent subsystems.

Much of the mystery surrounding nonprofits has emanated from an apparent lack of consistency in behavior and purpose of these organizations, both within and across industries. This lack of consistency has led to difficulty in describing these organizations, because there is no single, coherent, objective function with which to characterize the nonprofit agency. This difficulty is overcome by a screening theory that allows the nonprofit sector to filter out or absorb different behavioral elements as the ground rules for it and the other sectors with which it interfaces vary. In this light, the nonprofit sector has a residual character and is able to accommodate a range of entrepreneurial motivations that may clash with the more well-defined accountability and survival rules of the commercial and governmental sectors of the economy. The nonprofit sector can thus provide an invaluable, if changeable and fragile, refuge for enterprise and service provision based on various forms of idealism, emotional attachment, and intellectual purpose not accommodated elsewhere. The chemistry through which such motives mix with the more conventional economic and political drives commonly associated with other sectors is, however, also a crucial aspect of this analysis. This aspect fundamentally colors how well nonprofits can be expected to respond to demands for, and faithfully deliver, essential public services.