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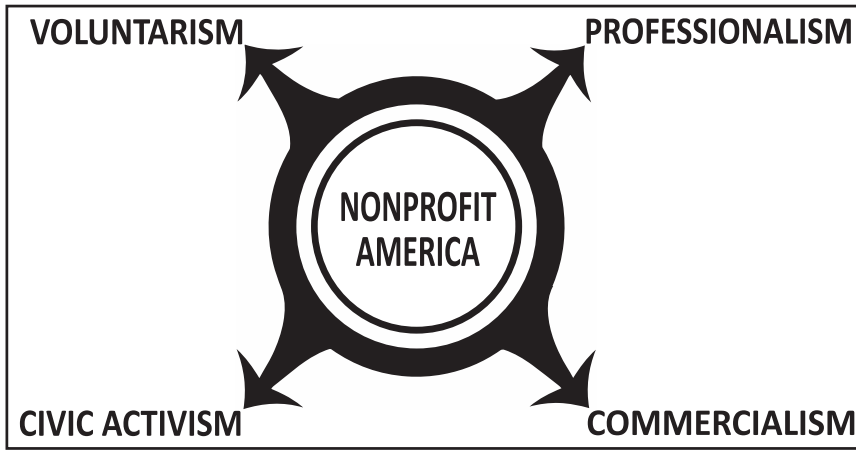
Introduction

A struggle is under way for the "soul" of America's nonprofit sector, that vast collection of private, tax-exempt hospitals, higher-education institutions, day care centers, nursing homes, symphonies, social service agencies, environmental organizations, civil rights organizations, and dozens of others that make up this important, but poorly understood, component of American life.

This is not a wholly new struggle, to be sure. From earliest times nonprofits have been what sociologists refer to as "dual identity," or even "conflicting multiple identity," organizations.[1] They are not-for-profit organizations required to operate in a profit-oriented market economy. They draw heavily on voluntary contributions of time and money, yet are expected to meet professional standards of performance and efficiency. They are part of the private sector, yet serve important public purposes.

In recent years, however, these identities have grown increasingly varied and increasingly difficult to bridge, both in the public's mind and in the day-to-day operations of individual organizations. In a sense, America's

Figure 1-1. *Four Impulses Shaping the Future of Nonprofit America*



nonprofit organizations seem caught in a force field, buffeted by a variety of impulses, four of which seem especially significant. For the sake of simplicity I label these *voluntarism, professionalism, civic activism*, and *commercialism*, as shown in figure 1-1, though in practice each is a more complex bundle of pressures.

What makes these four impulses especially important is that their relative influence can profoundly affect the role that nonprofit organizations play and the way in which they operate. Understanding this force field and the factors shaping its dynamics thus becomes central to understanding the future both of particular organizations and of the nonprofit sector as a whole.

Sadly, far too little attention has been paid to the significant tensions among these impulses. The nonprofit sector has long been the hidden subcontinent on the social landscape of American life, regularly revered but rarely seriously scrutinized or understood. In part, this lack of scrutiny is due to the ideological prism through which these organizations are too often viewed. Indeed, a lively ideological contest has long raged over the extent to which we can rely on nonprofit institutions to handle critical public needs, with conservatives focusing laser-like attention on the sector's strengths in order to fend off calls for greater reliance on government,

and liberals often restricting their attention to its limitations in order to justify calls for expanded governmental protections.

Through it all, though largely unheralded—and perhaps unrecognized by either side—a classically American compromise has taken shape. This compromise was forged early in the nation's history, but it was broadened and solidified in the 1960s. Under it, nonprofit organizations in an ever-widening range of fields were made the beneficiaries of government support to provide a growing array of services—from health care to scientific research—that Americans wanted but were reluctant to have government provide directly.[2] More, perhaps, than any other single factor, this government-nonprofit partnership is responsible for the growth of the nonprofit sector as we know it today.

Since about 1980, however, that compromise has come under considerable assault. Conservative critics, concerned about what they see as an unholy alliance between the once-independent nonprofit sector and the state, have called for a return to the sector's supposed purely voluntary roots.[3] Liberal critics have bewailed the sector's departure from a more socially activist past and its surrender to professionalism.[4] At the same time, the country's nonprofit managers, facing an extraordinary range of other challenges as well—significant demographic shifts, fundamental changes in public policy and public attitudes, new accountability demands, massive technological developments, and changes in lifestyle, to cite just a few—have been left to their own devices and have turned increasingly to the market to survive. Through it all, nonprofit America has responded with considerable creativity to its many challenges, but the responses have pulled it in directions that are, at best, not well understood and, at worst, corrosive of the sector's special character and role.

Despite the significance of these developments, little headway has been made in tracking them systematically, in assessing the impact they are having both generally and for particular types of organizations, and in effectively getting the results into the hands of nonprofit managers, policymakers, the press, and the public at large. This book seeks to fill this gap, to offer a clear, up-to-date assessment of a set of institutions that we have long taken for granted but that the Frenchman Alexis de Tocqueville

recognized over 175 years ago to be "more deserving of our attention" than any other part of the American experiment.[5] More specifically, the book makes available, in a more accessible form, an updated summary of a much larger inquiry into the state of America's nonprofit sector that the present author carried out with an extraordinary team of collaborators and that was published in a prior volume.[6]

Perhaps the central theme that emerged from this larger project, and that is a central theme of this book, is the theme of *resilience,* of a set of institutions and traditions facing not only enormous challenges but also important opportunities and finding ways to respond to both with considerable creativity and resolve. Indeed, nonprofit America appears to be well along in a fundamental process of reengineering that calls to mind the similar transformation that large segments of America's business sector have been undergoing since the late 1980s.[7] Faced with an increasingly competitive environment, nonprofit organizations have been called on to make fundamental changes in the way they operate. And that is just what they have been doing.

The problem, however, is that, although the sector's organizations have been responding resiliently, those responses are taking a toll on their ability to perform some of their most important functions. As a consequence, nonprofit America is ironically endangered by its own resilience. In a sense, nonprofits have been forced to choose between two competing imperatives: a *survival imperative* and a *distinctiveness imperative,* between the things they need to do to survive in an increasingly demanding market environment and the things they need to do to retain their distinctiveness and basic character.[8] In recent years, the survival imperative seems to have gained the upper hand. The question for the future is whether it will continue to do so, or whether the nation's nonprofit sector will find better ways to balance these demands, and how much understanding and help they will receive from the broader society to allow them to do so.

Any account of the future of nonprofit America must therefore be a story in three parts, focusing, first, on the challenges and opportunities that America's nonprofit sector is confronting, then examining how the sector's institutions are responding to these challenges and opportunities, and finally assessing the consequences of these responses both for indi-

vidual organizations and subsectors and for nonprofit America as a whole. Against this backdrop, it will then be possible to identify some of the steps that might be needed to help America's nonprofit organizations evade the dangers they face.

The balance of this volume offers such an account. To set the stage for it, however, it may be useful to remind readers what the nonprofit sector is and why it is so deserving of our attention. It is to this task that we therefore turn in the next chapter.