

1 *An Invitation to Rethink the Nonprofit Sector*

CURTIS CHILD AND EVA WITESMAN*

1.1 An Invitation

The chapters in this volume speak to what the nonprofit sector is and why nonprofit organizations exist. As the editors of this volume, we take the opportunity in these introductory pages to describe what we mean by asking these questions, to explain what we believe good explanations of the nonprofit sector should do for us, and perhaps most importantly, to persuade readers that these are issues worth caring about.

Nonprofit activity is an enormously important part of the social, cultural, and economic life of many countries – for good or ill – and for that reason alone demands our attention (Frumkin, 2002; Weisbrod, 1991). This is true whether nonprofits are officially recognized or loose coalitions of individuals operating outside of state purview. By almost any measure, nonprofits (referred to variously as tax-exempt organizations, nongovernmental organizations, civil society organizations, voluntary organizations, third-sector entities, and the like) matter (Salamon, 2015). Formally organized nonprofits are numerically plentiful, employ millions of people throughout the world, and contribute substantially to national economies (Salamon & Sokolowski, 2004), which is to say nothing of their social significance. Worldwide, people associate in the nonprofit space to advocate, resist, celebrate, amuse, elevate, and inspire (Berry & Arons, 2003; Frumkin, 2002). Indeed, whether it be through participation in the arts, sports, the outdoors, politics, religion, education, social movements, or health care, it is hard to imagine a life not touched in some way – and often in a meaningful way – by the nonprofit sector (Salamon, 2015).

Recognizing this, many scholars now engage in the difficult work of classifying nonprofits, documenting their activities, and estimating

* Many thanks to Jon Jarvis, Megan LePere-Schloop, Jane Lopez, and Becky Nesbit for helpful comments on previous versions of this chapter.

their impacts. They do so within and across nations, standardizing measurements over space and time (e.g., Hall & Burke, 2006; Salamon & Sokolowski, 2004; United Nations Department for Economic and Social Affairs, 2018). They profile nonprofits' economic and social contributions (McKeever et al., 2016) and debate the finer points of nonprofit management, strategy, and marketing (e.g., Guo & Saxton, 2020; Renz, 2016). They document the work that sustains civil society through volunteering and philanthropic giving (e.g., Barman, 2017; Bekkers & Wiepking, 2011; Frumkin, 2006; Wilson, 2000) and offer critical perspectives of the sector and its organizations (Eikenberry et al., 2018; INCITE! Women of Color against Violence, 2017). It is demanding work, and all of it is worthy of time and effort.

However, we fear that, in its effort to shine light on the varied aspects of social life shaped by the nonprofit sector, the field of nonprofit studies has collectively turned its attention away from the basic, existential questions about the sector that once animated nonprofit scholarship and that deserve our continued contemplation. The result is that the empirical scrutiny of all things nonprofit has blossomed, while thinking deeply about the *what* and *why* of the nonprofit sector has grown stagnant. We are left dependent on intuitions about the sector's place in modern society that are in some cases decades old and, more problematically, do not represent the fulness of nonprofit organizations' rich diversity.

We have organized this volume on the premise that it is imperative to continue asking deep questions about the existence of the nonprofit sector and how it fits into society. Only in so doing can we begin to understand why (some would say *whether*) it makes sense to distinguish a nonprofit sector from the institutions of business, government, or family. Further, it is worth considering whether a "third" sector should command such significant amounts of privilege and influence. By considering questions about the *what* and *why* of the nonprofit sector, including how it is justified and what makes it unique, we are able to evaluate whether current arrangements are best for a thriving society. We are advocating, in short, for a renewed attention to first-order questions because such questions permit us to reflect on the current state of affairs in new and productive ways.

A simple thought experiment might help to illustrate. Imagine a new settlement in a previously uninhabited and ungoverned land. Eager to create the institutions that will be most likely to advance human

flourishing, the settlers must decide on what their world should look like. Surely, there are countless decisions to make, but for our purposes, let us consider how they might *organize* their new world. Quite literally, what will be the nature of the organizations that they create to carry out the work of building and maintaining a society? Based on the contexts from which they came, the settlers would have several templates available to them: government-like entities, owned by the people and supported by a system of taxation; business-like associations, directed by the financial interests of their owners who are free to make decisions accordingly; nonprofit-like organizations that are private but without owners, whose purpose is to produce a benefit to society; and perhaps others still. If our settlers were creating their world anew, would these options and distinctions be obvious? Which organizational types would be desirable, or even necessary? Is it possible that the settlers would construct different arrangements, perhaps experimenting with combinations of existing entities, prohibiting other types, or innovating new forms altogether?

The answer to admittedly hypothetical questions like these have implications for how we regard the realities of today across varying national, cultural, and economic contexts. If we can imagine that our settlers would choose to support a type of nonprofit organization like those that now exist, which specific types of arrangements would they prefer, and what is that decision based on? What is the added value of promoting and protecting a sector of such organizations? What do those organizations have in common, and to what extent are they truly distinct from other types of organizations? If, on the other hand, we find it difficult to imagine our settlers justifying the creation of nonprofit-like organizations, then what are we to make of the actual existence of a nonprofit sector today? Such insights might shape how we reorganize and govern the nonprofit sector that actually exists.

This thought experiment helps us develop an imagination about the organized world. It is an exercise to aid us in considering not only what nonprofits are but why they exist. The experiment locates us in the role of creator, artists before an empty canvas. It is a fiction to be sure, but a fiction that is useful for thinking clearly about reality.

Let's leave that hypothetical world and come back to our own. The social world presents itself to us (Berger & Luckman, 1967), and we are left to navigate it, perhaps making incremental improvements along the way if we are lucky. Does that mean that considering these

issues is pointless? No. Even in this real world – a world that is stubborn about change and in which we may never enjoy a fresh start – sector distinctions matter in ways that are not simply academic. For one, policy and managerial decisions could be informed by a more sophisticated understanding of nonprofit organizations' place in the modern economy (Weisbrod, 1991). On the consumption side, buyers regularly make choices between products and services that could be produced by different types of organizations, and these decisions potentially have profound consequences in their lives. Consider the choice of receiving medical care from a nonprofit, for-profit, or government provider, or the choice of receiving an education from a nonprofit, for-profit, or government college. Why these different options exist, and how (and why) the choice of sector matters in the quality of service, if at all, are questions whose answers direct us, again, to reflect on the existence and purpose of a nonprofit sector.

The time is right to reengage in conversations about what the nonprofit sector is, why it is, and what we hope it might do for us. Our traditional understanding of nonprofits has viewed them as a remedy to the failures of business and government to effectively meet the needs of a diverse society. However, as businesses evolve into an increasingly prosocial space (through social enterprise, corporate responsibility efforts, and an increased focus on environmental, social, and governance metrics), the narrative that has long defined nonprofits as fundamentally different from business is shifting. Indeed, the boundaries separating the nonprofit sector from governments and businesses have long been, and continue to be, fuzzy (Powell, 2020; Steinberg & Powell, 2006). We live in a so-called sector-bending era (Dees & Anderson, 2003), in which sector boundaries once thought to be rigid are being crossed by organizations of all types. Nonprofit organizations develop commercial revenue streams (Child, 2011), businesses pursue prosocial missions (Vogel, 2005; Yunus & Weber, 2010), nonprofits and governments are evaluated according to their business-like efficiencies (Box, 1999; Dunleavy et al., 2006), and new legal designations formalize different types of hybrid ventures (Reiser, 2010, 2011). Bromley and Meyer (2017) have argued that such boundary spanning is multidirectional, implying that, with the ascendancy of organization as a social form, sector distinctions may continue to erode until a future day in which they are either nonexistent or functionally meaningless. Although some research suggests that the classification of

sector remains important to practitioners' work (Child et al., 2015), it is nevertheless the case that scholars largely consider sector blurring the new normal.

We also now live in a world that is much more globally connected than it once was (Friedman, 2005). Yet our primary ideas about what nonprofits are and why they exist are rooted in a single cultural perspective – primarily a Western, affluent, academic one. Moreover, they are deeply intertwined with the US legal system. Through the greater cultural exchange that has come with the Internet and other improvements in global awareness, it is clear that there are many forms of nongovernment, nonbusiness organizing that differ from country to country, from culture to culture, and even from organization to organization. Explanations for the existence of nonprofits based in American tax law do a poor job, in many cases, of explaining the existence of nonprofits in Asia, Africa, or Latin America (for example); the role of nonprofit organizing among indigenous peoples; or the social organizing that occurs without formalization but creates the glue that holds neighborhoods, movements, and societies together.

These realities – the blurring of sector distinctions, the ascendancy of hybrid forms, increased globalization, and questions about the importance of sector as a defining characteristic of the organized world – render an evaluation like this especially timely. They suggest a need to revisit and revitalize our conversations about the nature and role of nonprofits. The landscape has shifted, and we need a new map.

1.2 A Note about Theory

Scholars often characterize this volume's motivating questions – about the *what* and *why* of the nonprofit sector – as “sector theory.” Unfortunately, the word “theory” has developed a rather negative connotation as something inscrutable, cerebral, and, dare we say, boring. We hope to convince you otherwise. Esoteric though it might sound, theory isn't only for eggheads. Rather, theory's abstract quality (even if the abstraction is modest) provides a medium through which we communicate with one another to convey our ideas (Suddaby, 2014). Theory thus understood is the collection of ideas that form an understanding of something we care to know more about. If you are reading this volume because you care about understanding nonprofit organizations, then you are necessarily interested in theories of the

nonprofit sector. Contrary to what students in introductory theory classes might conclude, theory is not necessarily the canon of old ideas from (mostly) dead thinkers. It is the collection of living ideas about a particular puzzle, incorporating the best parts of a conversation that has taken place, sometimes for many years.

Still not convinced? Consider trying to make sense of a series of observations – in this case, about the set of all nonprofit organizations – without an overarching theme, guiding questions, or guesses about what you are observing. Without a theory, you would be left, essentially, with an unfiltered pile of empirical observations and one-off conclusions about nonprofit organizations, none of which would be connected to the others in a meaningful way. They would necessarily be disconnected because the thing that connects them into a cohesive statement about this puzzle is, after all, theory. Said differently, it would be difficult to build a body of knowledge about nonprofits if there was not some narrative thread tying observations and insights together, in turn creating, questioning, and revising those explanations. This is the process of developing and refining theory.

Eva Witesman unpacks this more in Chapter 4, but for now we can think of theories of the nonprofit sector simply as explanations for what the nonprofit sector is and why nonprofits exist. These explanations come in many varieties (Abend, 2008), but in all cases, sector theory answers the simple questions of *what* and *why*: What is the sector? Why nonprofits? The chapters in this volume consider these questions in one way or another.

For those wanting a more technical definition, in this volume we'll think of theories as explanations of social phenomena, in which "explanations" are not necessarily statements about causes (Sutton & Staw, 1995; Whetten, 1989) – although they certainly could be – but something more akin to accounts. These accounts come in the form of insights, interpretations, concepts, or frameworks that shed light on a phenomenon, rendering it understandable. The phenomenon in question here is the nonprofit sector. Nonprofit sector theories in this more technical sense are therefore statements that help us account for voluntary, prosocial, and organized action. Accordingly, sector theories have two basic qualities: First, they provide generalized statements, meaning that they do more than account for the idiosyncrasies of one particular place in time. Even if theory is rooted deeply in a particular case or illustration, there is at least some abstraction involved in sector

theorizing, which makes the arguments transferable beyond any single context (Lincoln & Guba, 1985). Second, the explanations we're dealing with here focus on voluntary (and organized) action that is not aimed at generating profit. We are not concerned here with why individuals engage in philanthropic (or other) action. Nor are we seeking explanations for government-imposed action (which is involuntary) or business action (which we assume to be focused on generating profit). Nonprofit sector theory deals with nonprofit action, with the term "nonprofit" used in its broadest sense to encompass the range of non-state, nonbusiness actors and actions, both formal and informal.

Countless others have reflected on or offered more technical definitions of what it means to be nonprofit (e.g., Frumkin, 2002; Hansmann, 1987; Powell, 2020; Salamon, 2015; Steinberg & Powell, 2006; Weisbrod, 1991). We take a decidedly forgiving approach, casting a wide net and not fretting too much about delineating precise sectoral boundaries. This is partly because what it means to be nonprofit is fluid (Child & Witesman, 2022). But it is also because we want to give our contributors as much flexibility as they need to develop their own ideas about sector theory, including where the boundaries of the nonprofit sector might be.

It should be clear that this volume does not focus directly on topics that have recently become the bread and butter of much academic work on nonprofit organizations and related topics, even those that are theoretical in nature. But that does not mean that current empirical work should be seen as disconnected from the theoretical foundations of sector scholarship that we ponder here. Indeed, studies of philanthropic giving, volunteering, nonprofit management, strategic planning, finances, board function and effectiveness, advocacy, capacity, measurement, and the like are mostly outside of the volume's direct scope, but it is our belief that one cannot properly consider any of these subjects if one does not hold an idea of what the nonprofit sector is and why it exists in the first place.

1.3 Looking Ahead

If we have persuaded you that asking first-order questions about the nonprofit sector is worth your time, and if we have likewise succeeded in establishing how we regard theory (including why it is valuable), then join us as we explore perceptive critiques of existing theory and

fresh attempts at developing new theory. Our approach here has been to gather a wide array of perspectives, with the purpose of jump-starting a new generation of debates about the role of nonprofit organizations in society. Some of the chapters use past sector theory as a launching point, while others begin with completely new ideas. In all cases, the contributors to the volume have sought to expand our understanding of what nonprofits are and why they exist. We have aimed to include a diversity of authors. While we lament that it is not possible to include all relevant perspectives in a single volume, we have nevertheless sought to provide a wide enough array of them that many more will be inspired to enter the conversation.

The three main parts of this volume proceed in the following way: In the first part, we explore the general idea of sector theory in more depth, reviewing trends in theorizing about nonprofit sectors and priming the exploration of sector theory by defining it more carefully. In Chapter 2, Curtis Child provides an overview of traditional sector theories on which the field of nonprofit studies is currently based. We include this chapter especially for newcomers to the field or for those wanting a refresher. In Chapter 3, Megan LePere-Schloop and Rebecca Nesbit offer an empirical analysis of how nonprofit theory has been used in academic publishing. In Chapter 4, Eva Witesman develops the idea of sector theory more rigorously, reflecting on the characteristics of “good” sector theory. Together, these introductory chapters set the stage for a conversation about sector theory that continues throughout the remainder of the volume.

The chapters in the second part of the volume critique established sector theories. For instance, Ruth K. Hansen and Gregory R. Witkowski show in Chapter 5 how the standard models for making sense of the provision of services by the market, government, and nonprofit sectors systematically fail to account for the needs of the most underprivileged in society. They adapt the Behaviors from Intergroup Affect and Stereotypes (BIAS) model to assess factors that lead to the invisibility of certain populations. Next, Laurie Mook and John R. Whitman offer in Chapter 6 a critique inspired by the social economy perspective for understanding nonprofit and similar activity. This perspective, popular in Europe, Canada, and Latin America, does not start from the premise that there are three distinct sectors of the economy (i.e., for-profit, government, and nonprofit). Rather, the social economy perspective focuses attention on the intersection of the

sectors as part of a mixed economy. In Chapter 7, Richard Steinberg, Eleanor Brown, and Liza L. Taylor (re)conceptualize “three-failures” theorizing by proposing the Sectoral Advantage Framework, which revises and generalizes the three-failures approach.

Continuing with critique, in Chapter 8, Ana Clarissa Rojas Durazo invites us to consider the nonprofit sector and its relationship to the state and market. Rojas Durazo warns of a nonprofit industrial complex, which paradoxically works against the interests of the very communities that one could be forgiven for expecting the nonprofit sector to support. Shariq Siddiqui then uses concepts and traditions from Islam, in Chapter 9, to highlight the value of looking at nonprofit action with fresh eyes. In Chapter 10, George E. Mitchell and Jason Coupet reexamine the informational problems that form the basis of contract failure theory. They introduce the idea of an “asymmetry of uninformedness” that restructures our understanding of traditional economic models of the nonprofit. And in Chapter 11, Elizabeth A. Castillo considers what sector theorizing might look like if we draw from different epistemological positions, such as those found in the natural sciences.

Together, these critiques of traditional nonprofit theory prepare us to move to new ground: exploring alternative theories of the nonprofit sector. This is the purpose of the third part of the volume. Patricia Bromley and Heitor Santos start things off in Chapter 12 by situating nonprofit organizations within the broader context of organization itself. They suggest that focusing on sector theory, as traditionally understood, diverts our attention from a more fundamental socio-cultural development: the expansion of organization. Moving from sociology to political science, Catherine E. Wilson, in Chapter 13, conceptualizes nonprofits as key components of representation – broadly defined – in democratic societies. Her theory of multilayered representation prevents the reduction of individual and community expression to solely political variables.

The four chapters that follow draw insights from a range of international contexts. In Chapter 14, Ada Ordor suggests that nonprofit law plays a role in creating a legal framework that allows people to participate in the improvement of their own lives and communities through self-development, facilitating the improvement of individuals, institutions, and communities from within. She uses examples from the African continent, and Nigeria and South Africa in particular, to make her point. Meeyoung Lamothe, Jiwon Suh, Misun Lee,

Hee Soun Jang, Bok Gyo Jeong, and Seongho An then use the South Korean context in Chapter 15 to view the nonprofit sector as being intentionally engineered by government. This is different from seeing nonprofits as partners in public service (Salamon, 1995). In their view, states may actively collaborate with nonprofits to direct and shape the sector in measurable ways, with the end goal *not* necessarily being partnership. In Chapter 16, Ming Hu and Yung-pin Lu examine how political parties – particularly, the ruling party – determine the development of the nonprofit sector in a one-party state, such as China. The view is very different from what we would expect if relying primarily on ideas developed in Western, democratic contexts. The same is true when looking at insights gained from theorizing nonprofit sectors that operate under authoritarian regimes like Russia, which is the focus of Chapter 17. In it, Yulia Skokova and Irina Krasnopolskaya suggest that a state’s political regime is related to the hierarchy of functions performed by the nonprofit sector in that state, with a focus on the specific function of legitimacy.

The final set of chapters in this part continue to offer visions of nonprofit sectors – and sector theory – through applying interdisciplinary lenses and frameworks. In Chapter 18, Robert W. Ressler introduces a sociological theory of symbolic reality – physically and temporally bounded social contexts that facilitate some human interactions and inhibit others – as the reason nonprofits exist. Eva Witesman, in Chapter 19, distinguishes nonprofit institutions from public and private ones through the voluntary (rather than coercive) assignment of roles and the use of the good or service by nonpayers. And in Chapter 20, Robbie Waters Robichau and Kandyce Fernandez develop a theory of *nonprofitness* (based in moral authority), which they contrast with publicness (based in political authority) and privateness (based in market authority).

Together, these perspectives on nonprofit organizing demonstrate new directions for thinking about the role – or roles – of nonprofits in society. The diversity of concepts and ideas also opens the door for future theorizing about what the sector is and why it exists. In the final chapter of the volume, we (the editors) synthesize the volume’s contributions and suggest directions for future scholarship.

Our aim throughout the volume is to rekindle a curiosity about the nonprofit sector and its many roles in society. How and why do people organize in the nonprofit sector, and what are the defining