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The Marketization of the Nonprofit Sector: Civil Society at Risk?

The public sector has increasingly adopted the methods and values of the market to guide policy creation and management. Several public administration scholars in the United States have pointed out the problems with this, especially in relation to the impact on democracy and citizenship. Similarly, nonprofit organizations are adopting the approaches and values of the private market, which may harm democracy and citizenship because of its impact on nonprofit organizations' ability to create and maintain a strong civil society. This article reviews the major marketization trends occurring within the nonprofit sector—commercial revenue generation, contract competition, the influence of new and emerging donors, and social entrepreneurship—and surveys research on their potential impact on nonprofit organizations' contributions to civil society. The article ends with a discussion of the significance of marketization in the nonprofit sector for public administration scholars and public managers.

The public sector is increasingly adopting the methods and values of the market to guide policy creation and management. As the reinventing government (Osborne and Gaebler 1992) and New Public Management (Kettl 1997) movements have expanded in the United States, several scholars have pointed out the problems with overrelying on market approaches and values within the public sector. Many of these writers are especially concerned with the impact on democracy and citizenship (Box 1999; Box et al. 2001; deLeon and Denhardt 2000; Denhardt and Denhardt 2000; King and Stivers 1998; Terry 1998). Central to their argument is a concern that the market-based model of public management, with its emphasis on entrepreneurialism and satisfying individual clients' self-interest, is incompatible with democratic accountability, citizenship, and an emphasis on collective action for the public interest. Furthermore, the market model places little or no value on democratic ideals such as fairness and justice. Similarly, nonprofit organizations have increasingly adopted the approaches and values of the private market (Weisbrod 1998), leading to what Salamon (1997) calls the "marketization" of the nonprofit sector. Though marketization may be beneficial for the short-term survival needs of nonprofit organizations, it may have negative long-term consequences. Marketization may harm democracy and citizenship because of its impact on nonprofit organizations' ability to create and maintain a strong civil society.

The concept of civil society has many meanings. In its contemporary version, Walzer broadly defines civil society as "the space of uncoerced human association and also the set of relational networks—formed for the sake of family, faith, interest and ideology—that fill this space" (cited in Barber 1998, 4). Elshtain further describes civil society as "a sphere of our communal life in which we answer together the most important questions: what is our purpose, what is the right way to act, and what is the common good. In short, it is the sphere of society that is concerned with moral formation and with ends, not simply adminis-

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tration or the maximizing of means" (1999, 21). Edwards and Foley outline three roles played by civil society. First, civil society carries out a variety of public and quasi-public functions. In this context, associations aid or directly act to provide services to the community. Second, civil society "stresses the *representative or contestatory functions* of social organizations outside the state" (2001, 6). Third, civil society includes a neo-Tocquevillean emphasis on socialization, where "the associations of civil society are thought to play a major role … in building citizenship skills and attitudes crucial for motivating citizens to use these skills" (Edwards and Foley 2001, 5). In this case, civil society is essential to participatory democracy because "citizens learn citizenship partly through public-spirited activity and partly through bringing their experiences to bear on the consideration of public questions in open debate" (Alexander, Nank, and Stivers 1999, 454).

Salamon (1997), building on Kramer (1981), outlines several ways that nonprofit organizations enhance civil society through their role as value guardians, service providers, and advocates**,** and builders of social capital. Using these roles as a framework, this article surveys research on the potential impact of marketization in relation to nonprofit organizations' contributions to creating and maintaining a strong civil society. The first section of the article provides an overview of major marketization trends: commercial revenue generation, contract competition, the influence of new and emerging donors, and social entrepreneurship. The second section discusses the potential impact of these trends on the nonprofit sector's ability to create and maintain a strong civil society. The article closes with a discussion of the significance of the marketization of the nonprofit sector for public administration scholars and public managers.

The Marketization of Nonprofit Organizations

Scholars are increasingly aware of the multilayered and interactive dependencies, or the blurring of boundaries, among the nonprofit, government, and market sectors (Ostrander and Langton 1987). Recent changes in these relationships are compelling nonprofit organizations to become more market-like in their actions, structures, and philosophies. Both resource-dependency theory and institutional theory help to explain why this is occurring. Resource-dependency theory assumes that organizations require resources to survive, and so must interact with others who control these resources. In this sense, organizations depend on their environments. According to Jaffee, resource-dependency theory "emphasizes *proactive strategies* that can be pursued to deal with environmental constraints [rather than] viewing organizations as largely passive or impotent in relation to environmental forces" (2001, 218). This theory is useful for understanding the relationship nonprofit organizations have with their public and private funders. Changes in these relationships have influenced the need for nonprofit organizations to use market strategies (such as, commercial revenue generation) to deal with resource constraints.

One of the main assumptions of institutional theory is that "organizations are best understood as embedded within communities, political systems, industries, or coordinative fields of organizations" (Feeney 1997, 490). Within the institutional environment, there are "rules and requirements to which individual organizations must conform if they are to receive support and legitimacy" (Scott and Meyer, cited in Jaffee 2001, 228). Thus, "organizations are driven to incorporate the practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized society" (Meyer and Rowan, cited in Jaffee 2001, 228). This implies that to understand the internal attitudes and behaviors of nonprofit organizations, one must understand the external environment and its pressures on an organization. This explains why, given the pressures of government and donor demands, nonprofit organizations have taken on the methods and values of the market (such as, compete for contracts or practice social entrepreneurship).

Environmental constraints and influences have compelled nonprofit organizations to adopt the methods and values of the market in at least four areas. Major public policy changes over the past few decades have played a significant role in nonprofit organizations' growing reliance on the generation of commercial revenue, as well as increased emphasis on performance-based contract competition. More recently, donors of the "new philanthropy" have exerted increased pressure on nonprofit organizations to be more market-like, while many nonprofit executives have embraced social entrepreneurship as a model of management. These are discussed in more detail below.

The Generation of Commercial Revenue

Federal spending cuts to social welfare programs in the late 1970s and 1980s resulted in nonprofit organizations *outside the healthcare field* losing a total of $38 billion in federal revenue between 1980 and 1994. More social welfare cuts were enacted in 1996, reducing federal support for nonprofit organizations an additional 12 percent, or $8.5 billion (Salamon 1997, para. 23–24). During this time of retrenchment, many hoped that private donations would offset government cutbacks; however, private contributions declined from 26 percent of nonprofits' total annual funds in 1977 to only 18 percent in 1992 (Hodgkinson and Weitzman 2001, 11). Data for 1997 show this amount remained at around 20 percent of total annual funds (Independent Sector 2001, 5).

While government spending and private funding declined for social service programs, demographic and social changes continued to expand the need for social services (Alexander 1999, 63–64; Salamon 1993, 32). The number of nonprofit organizations grew to meet the increased demand. By 1992, the number of 501(c)(3) nonprofit organizations in the United States had nearly doubled to 1.03 million institutions (Hodgkinson and Weitzman 2001, 9–10). Figures for 1998 show an estimated 1.27 million tax-exempt organizations registered with the Internal Revenue Service (NCCS 2001). In spite of declines in government and private funding and an increase in the number of nonprofit organizations, the sector experienced financial growth in the 1980s and 1990s, increasing its total revenues from $211.9 billion in 1982 to $664.8 billion in 1997 (Independent Sector 2001, 7). One of the major reasons for this was the sector's increased reliance on commercial income such as fees for services, product sales, and other profit-making ventures (product sales, publications, mailing lists, etc.). Though some of these activities have long been used by nonprofit organizations, their use began to increase in the 1970s (Backman and Smith 2000, 360). According to Salamon (1997), commercial income accounted for "52 percent of the growth of the nonprofit sector during the 1982–92 period" (para. 42). Furthermore, fee income not only grew as a source of overall nonprofit income, it extended its reach to other parts of the sector. For example, fee income in the past was largely confined to the education and health subsectors; however, "between 1977 and 1989, nearly 40 percent of the growth of social service organization income and 51 percent of the growth of civic organization income came from fees and other commercial sources" (Salamon 1993, 24).

Contract Competition

As a result of public policy initiatives influenced by the reinventing government and New Public Management movements, sweeping changes have occurred in the structure of government outsourcing. One change is a governmental shift away from using grants to using contracts and vouchers, with increased emphasis on competition and performance measurement for the delivery of social services. The contract approach incorporates the language (risk sharing, pay-for-performance, and bonuses) and methods of the market, shifting risk to providers who get paid only for successfully completed assignments on a fixed-rate basis (Ryan 1999, 130).

Additionally, government agencies have become more open to outsourcing work to for-profit organizations. The traditional approach to contracting in social services has been a noncompetitive, quasi-grant arrangement, primarily involving nonprofit organizations (Nightingale and Pindus 1997, para. 6). In today's environment, government agencies no longer award contracts to providers "because of what they are but what they can do" (Ryan, 1999, 129) and how efficiently they can do it. As a result, for-profit businesses have increased their share of social service provision on behalf of government, from 36 percent of all social service establishments in 1977 to 47 percent of new establishments created in 1977–92 (Salamon 1997, table 5). Private companies have increased this share since the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was enacted (Rom 1999). These combined changes—government using the competitive performance contract approach and no longer giving nonprofit organizations preferential treatment in outsourcing—provide for-profit organizations with an edge in the bidding process because they generally have more capital to assume greater risk (Ryan 1999, 130) and greater information technology capacity to meet contract requirements (Skloot 2000, 319).

The Influence of New and Emerging Donors

According to McCully (2000), the United States is experiencing a paradigm shift in philanthropy. As opposed to the "old" philanthropy—led by private foundations and characterized by separate philanthropic constituencies, professionalization, and a focus on large charitable institutions—the "new philanthropy" is led by individual donors and emphasizes collaboration across groups and sectors, unconventional modes of giving and volunteering, and a focus on issues rather than institutions (Catalogue for Philanthropy 2000, 61; Greenfeld 1999). Indicative of this new paradigm are the newly wealthy donors found among such groups as new economy entrepreneurs, executives of large companies, and financial advisors (Philanthropic Initiative 2000, 20). These new and emerging donors scrutinize charitable causes like potential business investments. They desire a way of giving that is "consistent with their own results-oriented values and their own patterns of behavior" (Pozorski 2000, 24). These donors like to practice "venture philanthropy," which is "the application of venture capital principles and practices to achieve social change.... They want a ROI (return on investment), a SROI (social return on investment), FROI (financial return on investment), or EROI (emotional return on investment)" (Gingold 2000, para. 4).

This new style of giving is most visible in the numerous venture funds created in recent years. The Roberts Enterprise Development Fund (2002), for instance, "develops and implements innovative approaches to critical social issues based on its experience *investing* in a *portfolio* of nonprofit-run social purpose *enterprises* in the San Francisco Bay Area" (para. 1, emphasis added). The New Schools Venture Fund (2002) strives to improve public K–12 education by supporting education entrepreneurs; they do this by "*investing* in 10–20 of the most promising, scalable education *ventures* in the country, and creating a nationwide network of education *entrepreneurs*, educators, New Economy leaders and others committed to improving our public education system" (para. 1, emphasis added).

Social Entrepreneurship

In conjunction with the shift in philanthropy, nonprofit organizational leaders are embracing market values and methods through "social entrepreneurship." Social entrepreneurs are nonprofit executives who pay attention to market forces without losing sight of their organizations' underlying missions and seek to use the language and skills of the business world to advance the material well-being of their members or clients (Dees, Emerson, and Economy 2001). They are driven by two strong forces, according to Reis and Clohesy: "First, the nature of the desired social change often benefits from an innovative, entrepreneurial or enterprise-based solution. Second, the sustainability of the organization and its services requires diversification of its funding streams, often including the creation of earned income streams or a partnership with a for-profit" (1999, 5).

As a result of this entrepreneurial attitude, and in reaction to funding constraints, nonprofit organizations are entering into new relationships with for-profit organizations. First, nonprofit organizations are subcontracting or partnering with for-profit businesses in new ways. For example, instead of making a donation to the Boys and Girls Clubs of America, the Coca-Cola Company negotiated a $60 million marketing contract with them (Reis and Clohesy 1999, 3). Similarly, in 1996 the American Cancer Society agreed to "endorse" NicoDermCQ nicotine patches, Nicorette nicotine gum, and Florida orange juice for several million-dollar grants (Young 1998, 202). Second, some organizations are creating for-profit enterprises. For example, a youth-serving nonprofit organization in Orlando decided, after completing extensive research, to purchase a for-profit service franchise to generate additional revenues to support programming (National Center for Social Entrepreneurs 2002). Finally, some organizations are converting to outright for-profit status. According to Salamon (1997, para. 47), approximately 31 nonprofit hospitals shifted to for-profit status in 1994, and an additional 59 shifted over in 1995.

Civil Society at Risk

Nonprofit organizations receive several benefits from marketization trends, such as more reliable resource streams, greater efficiency and innovation, better targeting of services to client needs, increased legitimacy, and possibly greater accountability (Aspen Institute 2001). Though these are important and much-needed contributions, their achievement at the expense of the nonprofit sector's role in creating and maintaining a strong civil society—as value guardians, service providers and advocates, and builders of social capital—may be too high a price to pay. This section discusses how marketization trends have affected

Table 1 The Nonprofit Sector's Contributions to Civil Society

Marketization trends	Value guardians	Service and advocacy	Social capital
Commercial revenue generation	• Shift away from goals and mission	• Shift from serving poor to serving those who can pay • Imperative to weed out those difficult to serve • Less likely to provide services that do not cover marginal cost • Focus on client demands rather than community needs	• Less need to rely on traditional stakeholders and networks • Discourage civic participation • Recruit board members with connection to revenue generation rather than to community
Contract competition	• Competition replaces benevolent spirit • Mission made to be consistent with performance-based contracts	• Increased emphasis on management and public relations at expense of service delivery • Encourage provision of reimbursable services that can be measured • Smaller surplus revenues for community services • Advocacy not supported • Concentration of power with larger service providers	• Threaten interorganizational networks • Devalue work of volunteers • Focus on bottom line instead of strengthening social capital
New and emerging donors **Social entrepreneurship**	• Difference in purpose and social expectations • Essential value and mission compromised • Not enter into mission-related activities if unprofitable	• Eliminate unprofitable services • Only enter into profitable markets • Not support change in status quo	• Less need to rely on traditional stakeholders and networks • Discourage civic participation • Focus on bottom line instead of strengthening social capital • Recruit board members with connection to business rather than to community

these roles. In practice, the civil-society roles of nonprofit organizations are not so clearly defined; nonetheless, for greater clarity, each role is discussed separately.

Value Guardians

Nonprofit organizations are important in and of themselves because they protect "a sphere of private action through which individuals can take the initiative, express their individuality, and exercise freedom of expression and action" (Salamon 1997, para. 9). This inherent value is challenged when nonprofit organizations adopt the tools and values of the market. Jeavons contends that nonprofit organizations "come into being and exist primarily to give expression to the social, philosophical, moral, or religious values of their founders and supporters" (1992, 403–4). For this reason, nonprofit organizations face special societal expectations, where "how the organization goes about setting and attaining specific goals becomes as important as the goals themselves" (409). For example, Hodgkin (1993, 422) writes that, unlike corporations, nonprofit organizations have an obligation to represent the public interest; thus, they must consider not only what is legal, but also what is right. In this context, nonprofit organizations should maintain an upright and trustworthy reputation—which could easily be compromised when nonprofit organizations endorse business products or enter into other types of partnerships with for-profit organizations (Pratt 1997; Young 2002). A corporate model, which stresses the values of strategy development, risk taking, and competitive positioning is incompatible with the nonprofit model, which stresses the values of community participation, due process, and stewardship (Alexander and Weiner 1998, 235).

Because of their inherent value, it is extremely important for nonprofit organizations to focus on their organizational missions. Yet, organizational mission is threatened when for-profit partnerships, the generation of commercial revenue, and social entrepreneurship activities emphasize profit at the expense of a nonprofit organization's mission. For example, with increased involvement in for-profit partnerships, nonprofit organizations have a difficult time preserving their organizational mission while fulfilling the demands of corporate stakeholders (Young 2002). In a survey of 25 commercial "venturers," Adams and Perlmutter (1991, 30) found that 22 identified conflicts between the venture's goals and the organization's goals and mission. Likewise, in a survey of 10 small agencies using commercial ventures, Haycock found the two with the greatest commercial successes experienced a shift away from their stated mission (cited in Adams and Perlmutter 1991, 31).

Market-driven, social entrepreneurial nonprofit organizations may only enter into or continue activities that are profitable. The National Center for Social Entrepreneurs (2002, para. 1) tells this "success" story on its Web site: "A nonprofit serving seniors, one of many providing adult day care, found it was not a preferred provider and was losing money. IT [sic] dropped this program and, along with other research-based cost-cutting measures, will save more than $150,000 annually." The story does not describe whether this program, dropped because it was not making enough money, was essential to the mission of this organization. A similar trend is occurring in contract competition, where the new emphasis on the market has forced nonprofit organizations to reconfigure their operations and organizations to meet competitive, performance-based contract requirements (Alexander 1999). This may lead nonprofits to compromise their missions (Ryan 1999, 134) and replace a benevolent spirit with a mindset of competition (Bush 1992).

Service and Advocacy

Nonprofit organizations, according to Salamon (1997, para. 10–11) are a "first line of defense" where social or economic problems can be addressed and where collective goods, only portions of a local community consider essential, can be provided. Nonprofit organizations also play an important role in mobilizing public attention to social problems and needs, serving as conduits for free expression and social change. These activities are significantly challenged in a marketized environment. For example, Salamon (1993, 23) contends the nonprofit sector's increased reliance on commercial revenue has caused a shift from services targeted to the poor to those able to pay. Similarly, Rosenman, Scotchmer, and VanBenschoten (1999, 11) suggest nonprofits that rely on commercial revenue are driven to "weed out" clients who are difficult to serve. They also see these types of organizations as less likely to provide additional services beyond their marginal cost, suggesting a movement away from serving larger societal issues to serving individual need. Additionally, Alexander, Nank, and Stivers (1999, 460) find in their study of social service nonprofits that market-oriented organizations have shifted their focus from public goods such as research, teaching, advocacy, and serving the poor, to meeting individual client demands.

Contract competition among nonprofit organizations causes a shift away from a focus on service. Alexander, Nank, and Stivers (1999, 462) find that government contract stipulations emphasize management concerns such as documentation, fundraising, and outcome measurement at the expense of service delivery. Furthermore, Alexander (1999) suggests the current contract environment encourages nonprofits to "provide reimbursable services of individual benefit where the outcome can be measured and documented … and financially discouraged from serving populations with deepseated [sic] and chronic needs or providing services to the community when outcomes are difficult to measure" (68). Adams and Perlmutter (1991, 33) find that nonprofit organizations put more energy and money into the image they project to funders and the community when they are in a competitive environment. Ryan (1999, 135) notes that competition for contracts may mean smaller surpluses for nonprofit organizations to continue to reinvest into additional services for the community.

Contract competition has also had an impact on advocacy efforts. Ryan (1999, 136) states that because nonprofit organizations "are consumed by the challenges of becoming competitive providers," they may have less time and energy for public goods such as education and advocacy. Regardless of resource and time constraints, some nonprofit executives are reducing advocacy efforts because they "are unsure if they could keep their contracts if they became critics of government or private sector contractors" (Skloot 2000, 323). It is unlikely that for-profit organizations, which are increasingly being awarded government contracts over nonprofit organizations, will advocate for the community. By their very nature, for-profit organizations will advocate for public policies that increase their short-term profitability at the expense of the long-term public interest (Ryan 1999, 134). The increasing use of large service providers may lead to a concentration of power that is detrimental to advocacy (Rosenman, Scotchmer, and VanBenschoten 1999, 10).

The values of new and emerging donors and social entrepreneurs encourage nonprofit organizations to eliminate unprofitable activities and to enter only into new areas with prospects of profitability. This does not leave much room for advocacy or social change efforts. The National Center for Social Entrepreneurs (2002) promotes the strategy of "cutting programs no longer needed or valued by the market" and generating "significant increases in earned income by finding new payer sources, identifying new markets, developing new programs or changing pricing policies." It also promotes nonprofit partnerships with businesses as a potential revenue source. Yet, businesses generally do not have policies that seek to create social change or alter the status quo (Wagner 2000, 107). Rather, they want to tie their business or product to noncontroversial causes that add to their investment potential. Thus, growing partnerships between nonprofits and businesses may serve to keep nonprofit executives from addressing the underlying social issues that led to the creation of their organizations in the first place.

Building Social Capital

Nonprofit organizations traditionally create and sustain "social capital": the "bonds of trust and reciprocity that seem to be pivotal for a democratic society and a market economy to function effectively, but that the American ethic of individualism would otherwise make it difficult to sustain" (Salamon 1997, para. 13). Though all types of organizations may contribute in some way to social capital, "nonprofits may be more capable than government or market organizations of generating social norms of trust, cooperation, and mutual support due to their noncoercive character and appeals to charitable and social motives" (Backman and Smith 2000, 362).

The marketization activities of the nonprofit sector affect social capital in two major areas. First, nonprofit organizations have less need to build strong relationships with traditional key stakeholders or constituencies (Backman and Smith 2000, 363). In the past, a nonprofit organization's long-term survival depended to some degree on its capacity to sustain relationships with core constituencies, such as private donors, members, community volunteers, and other community organizations, thereby creating a network of social trust around the organization. These social networks are essential for mobilizing collective action and addressing social problems (Backman and Smith 2000, 356). Yet, when nonprofit organizations rely on commercial revenue and entrepreneurial strategies, there is less need to build networks among constituencies, thus discouraging civic participation (Aspen Institute 2001, 6). Rather, stakeholders who were once donors or members become consumers or clients, and the focus of the organization shifts from creating networks of trust to creating opportunities for selling more products or services to individuals. Likewise, the emphasis on competition within the government-contracting process threatens nonprofit interorganizational networks (Alexander, Nank, and Stivers 1999, 462). An emphasis on contract competition means that rather than building cooperative networks, nonprofit organizations are increasingly forced to compete with each other and with for-profit organizations. Furthermore, contract competition's increased focus on professional competency areas devalues the work of volunteers (Alexander, Nank, and Stivers 1999, 462; Ryan 1999, 135). Second, marketized nonprofit organizations do not have the support or resources to spend on building social capital. In expressing his concern with nonprofit organizations' competition with for-profit providers for government contracts, Ryan suggests that citizen engagement is endangered "when a nonprofit seeks to become a more competitive provider. In most cases, nonprofits are not being funded to strengthen society but to provide social services. As the market pressures them to become more competent at jobs like project management and more attentive to the strategic demands of their industry, how committed can they remain to this civic dimension?" (1999, 135). Alexander, Nank, and Stivers (1999, 462) note that the focus and influence of government and business to do more with less "inevitably forces priorities to be set in terms of the bottom line rather than in terms of building social capital." For example, Backman and Smith

(2000, 369) describe an arts organization that eliminated its volunteer program because it was not considered cost-effective. Another example of this can be seen in the trend for organizations to replace community volunteers with entrepreneurial, business representatives on their boards of directors (Adams and Perlmutter 1991; Backman and Smith 2000).

Conclusion

The nonprofit sector in the United States has increasingly adopted the values and methods of the market to guide management and service delivery. The outcome is the potential deterioration of the distinctive contributions that nonprofit organizations make to creating and maintaining a strong civil society. Why is this important to public administrators? We believe there are several reasons.

First, though the impacts of marketization are different in relation to the public and nonprofit sectors, the incorporation of private-market values by either or both appears to be detrimental to democracy. For the public sector, an emphasis on entrepreneurialism and satisfying individual consumer self-interest is incompatible with democratic citizenship and its emphasis on accountability and collective action for the public interest (Box 1999; Box et al. 2001; deLeon and Denhardt 2000; Denhardt and Denhardt 2000; King and Stivers 1998). Furthermore, the market model places little or no value on democratic ideals such as fairness and justice (Terry 1998). For the nonprofit sector, marketization trends such as commercial revenue generation, contract competition, the influence of new and emerging donors, and social entrepreneurship compromise the nonprofit sector's civil society roles as value guardians, service providers and advocates, and builders of social capital.

Second, many public administration scholars believe that a collaborative relationship between citizens and public administrators is desirable—even necessary—for legitimate and effective public administration (Box 1998; Denhardt and Denhardt 2000; King and Stivers 1998; McSwite 1997; Stivers 1994). These scholars emphasize "giving citizens the knowledge and techniques they need to deal with public policy issues and providing an open and non-threatening forum for deliberation and decision making" (Box et al. 2001, 616). Nonprofit organizations are important to this endeavor because of the role they play in civil society, especially in their function as "schools or laboratories of democratic citizenship" (Alexander, Nank, and Stivers 1999, 453). This role and function are threatened by marketization. Thus, public administration scholars and practitioners have a vested interest in the nonprofit sector's ability to continue to serve as a training ground for citizenship.

Finally, it is important for public managers to understand the role of the nonprofit sector in a democracy and the impact of marketization. Of primary importance is the necessity to shift our way of thinking about and working with nonprofit organizations. They are more than just tools for achieving the most efficient and effective mode of service delivery; they are also important vehicles for creating and maintaining a strong civil society. Public managers can play a major role in maintaining the nonprofit sector's ability to make such contributions. First, public managers play an influential role in determining how existing funding for social services is distributed. As we have discussed, awarding contracts is about much more than efficient service delivery. As opposed to the short-term view of providing contracts to the lowest bidder, a long-term view that considers the value added by nonprofit organizations may ultimately benefit society to a larger degree.

Additionally, public managers can play a significant role in enhancing nonprofit organizations' ability to add to civil society by supporting collaborative and cooperative efforts among nonprofit organizations rather than promoting competition. Collaboration and cooperation can be especially powerful in retaining the essential characteristics of the sector. When nonprofit organizations work together, they empower themselves to retain their unique values, focus on service and advocacy, and maintain civic involvement (Semel 2000). An example of how public managers can play a role in convening such collaborative efforts is the City of Omaha's Continuum of Care for the Homeless. Initiated by the Omaha City Planning Department, this cooperative effort connects local public and nonprofit housing and support service providers "to form an effective and accountable Continuum of Care" (HUD n.d., para. 1). According to the U.S. Department of Housing and Urban Development's "blue ribbon" practices Web site, the Continuum of Care has "an unprecedented degree of cooperation and collaboration on the part of local government and the 'shelter and support services' community" (para. 10) to create a comprehensive, gap-free approach to solving the problem of homelessness. It is through such collaboratives that public managers can play a leading role in enabling nonprofit organizations to not only provide services, but also to add value and social capital—roles that are essential to civil society and democracy.

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