

Center for Civil Society Studies

Working Paper Series

No. 16

SERVICE PROFESSIONALS AND THE FORMATION OF NONPROFIT ORGANIZATIONS: THE CASE OF POLAND IN THE EARLY 1990s

by

S. Wojciech Sokolowski

© S. Wojciech Sokolowski 1999

About the working paper series:

The Johns Hopkins Center for Civil Society Studies distributes working papers in this series by authors affiliated with the Center in the interest of timely dissemination of information and ideas. The papers are not reviewed and the views represented in them are solely those of the authors.

Center for Civil Society Studies
The Johns Hopkins University Institute for Policy Studies
3400 N. Charles Street, Wyman Building / Baltimore MD 21218-2688
(410) 516-5463 / Fax (410) 516-7818 / ccss@jhu.edu / www.jhu.edu/~ccss

INTRODUCTION¹

Nonprofit organizations have been playing the role of a messiah in contemporary political discourse. While some public opinion makers tend to portray them as the new hope to solve virtually every social problem, others view them as a sham to avoid taxation (Gaul and Borowski, 1993) or a subterfuge to dismantle the welfare state (for a review of normative concepts of the nonprofit sector, see Van Til, 1988). Consequently, the question of the “proper” role of nonprofits in a modern society dominates much of the political and theoretical debates pertaining to this organizational form. The question of the “proper” nonprofit role received special prominence in Central and Eastern European countries during the social and political reforms that swept that part of the world after 1989. As public officials, opinion makers, and social activists sought to overhaul the ossified institutions created under central planning, nonprofits appeared as a tantalizing alternative to state bureaucracy. One could often hear opinions citing Western developed countries as the “role model” with regard to the nonprofit service sector that the East ought to follow. Perhaps the most interesting aspect of such opinions is that they promote the emulation of a selective and often idealized image of Western institutions as a model for social reform aimed to modernize Eastern European societies. It is interesting, because despite its rhetoric of innovation, it follows a pattern well-established in the last century.

The Harvard historian Alexander Gerschenkron ([1952] 1992) proposed a theory that Russia, and by implication Eastern Europe, captured a peculiar windfall advantage from its relative economic backwardness. The modernization process in that part of the world started much later than in Western Europe. While this delay put the Eastern European countries at a technological disadvantage (especially in military technology), it also gave them a unique opportunity to selectively emulate those organizational forms that were developed and tested in more advanced countries. Consequently, instead of going through a lengthy and costly process of trial and error, the leaders of these countries were in a position to take advantage of the organizational forms tried elsewhere that they perceived as most effective. Central planning, argues Gerschenkron, was merely the adaptation of industrial organization (cartels) developed in Western Europe, especially in Germany, to Eastern European conditions.

Karl Marx ([1869] 1987) once remarked that history occurs twice—the first time as tragedy, the second time as farce. The post-revolutionary government in Soviet Russia used the promise of overcoming the country’s backwardness through Western-style industrialization and an ideology selectively grounded in Western philosophy (especially Marxism) to legitimate its rule and solidify its grip on power under the guise of the

¹ I would like to express my gratitude to the principal investigator of the KLON team, Mr. Jakub Wygnański, for making the raw data available for research. The original data were in a narrative form, which I coded for quantitative analysis. Information about the coding methodology is available upon request.

“vanguard party” ideology. That strategy was emulated in other Soviet-bloc countries, where the legitimacy of the ruling parties was explicitly tied to economic development (Gerschenkron, [1952] 1992; Kennedy, 1991, pp. 202 ff.). As that economic development run out of steam, precipitating an overhaul of the central planning system in 1989, various interest groups again looked to the West for material and ideological support. With the downfall of the Berlin Wall, Eastern Europe experienced an influx of Western assistance aimed to accomplish different economic and political objectives—from building local capacities, to dismantling the institutional edifice of central planning, and to peddling political influence. And once again, local elites opportunistically used that assistance as a resource to promote their own power and political influence, or simply enrich themselves (Wedel, 1998).

From a more general perspective of organizational theory, Eastern European development can be viewed as a case of organizational isomorphism—the process of emulating those organizational forms that various stakeholders perceive as most successful in a given field (DiMaggio and Powell, 1983). An important aspect of that argument is that “most successful” can be defined by various often subjective criteria that reflect local norms, expectations, and beliefs as well as different interests and power of different stakeholder groups. One of the most prominent groups among those stakeholders is professionals who often opt for those organizational forms that best serve their occupational interests (DiMaggio and Powell, 1993; Larson, 1977; Abbott, 1988; and Wholey, Christianson and Sanchez, 1993).

This paper examines the role of nonprofit organizations in the transfer of Western human service technologies to Eastern Europe during the political economic reforms of 1989-1993. The social agents involved in that transfer were health care and social service specialists who attempted to introduce various forms of treatment to the Polish service market, most of which had been developed in Western Europe and the U.S. Although the services in question varied, attempts at their introduction shared one common element—reliance on the nonprofit organizational form.

As this inquiry will show, one of the most important challenges these professional innovators face is establishing the legitimacy of their innovations. The demand for professional services is socially constructed, that is, contingent on cultural norms and expectations regarding the “proper” way of treating everyday life problems. For example, upper class New Yorkers may see professional psychotherapy as a fashionable antidote for emotional disorders, whereas working class people may see such services as shameful and avoid any professional assistance in dealing with emotional stress.

Moreover, clients generally lack necessary expertise to assess the quality and effectiveness of a professional service, the condition known as informational asymmetry. The only way to overcome that condition is the bond of trust between the practitioner and clients, which in turn is grounded in commonly accepted beliefs and expectations, or the so-called “stock knowledge” (Berger and Luckmann, 1966) about the value of different types of professional services.

For these reasons, most professional services need social legitimacy before they can be successfully marketed to prospective clients. This essay will demonstrate that under specific circumstance, the choice of the nonprofit organizational form is a professional strategy to attain such legitimacy. The capability to legitimate controversial professional services is an advantage that the nonprofit form offers to service providers.

From a theoretical standpoint, the relationship between the nonprofit organizational form and occupational interests of service providers is that of “elective affinity.” The concept of elective affinity, introduced by Max Weber (for a discussion see Westby, 1991, pp. 396 ff.), denotes accord between the contents of a belief system, such as ideology, religion, or ethics, and economic interests of a social group. That accord explains the reasons why the group in question may adopt and promote that belief system as the means of legitimating its economic interests.

The case under investigation consists of a selected group of Polish service professionals who created nonprofit service delivery organizations between 1989 and 1993. The data come from two sources, a survey of 1,796 organizations conducted by KLON research team (KLON, 1993), and in-depth interviews with representatives of 15 organizations. These organizations were selected from the KLON database. The key selection criterion was the potential relevance for the theoretical propositions provisionally developed from the analysis of the KLON data set (the so-called generalization to theory rather than to population). Specifically, I was looking for organizations providing novel, in the Polish context, professional services that differed in the social-occupational status of the provider. I use the social-occupational status term as a shorthand for a broad public recognition of a service providers’ expertise, competence and “jurisdiction” in a specific service area. Providers with a high social-occupational status are widely regarded as uniquely qualified to deliver services in question, and usually enjoy a high social prestige (e.g. physicians or lawyers). Providers with a low social-occupational status, in contrast, are often perceived as charlatans, and their services may be subject to derision (e.g. healers or psychic advisors). (See Larson 1977; Abbott 1988.) In 1994, I interviewed nineteen informants (founders or leaders of the selected organizations) and collected additional information in the form of printed documents and by eye-witnessing demonstrations of the services. All interviews were tape-recorded and transcribed for an analysis. (For a more detailed description of the methodology and the qualitative data see Sokolowski, 2000.)

USES AND GRATIFICATIONS OF THE NONPROFIT FORM

One of the outcomes of the 1989 political-economic reform in Poland was the emergence of a relatively large number of nonprofits in the health care field. Two of the most puzzling aspects of that development are that it was concentrated in health care rather than other fields of activity, such as education or culture, and that it involved a substantial number of health care professionals, as shown in Tables 1 and 2.

**TABLE 1 SOCIAL PROXIMITY ORGANIZATIONS IN POLAND,
BY FOUNDER CATEGORY, 1993**

Founder Category	Organizations	
	Number	% of total
Professionals	431	31%
<i>of which medical</i>	<i>294</i>	<i>21%</i>
Clergy	273	20%
<i>of which Roman Catholic</i>	<i>262</i>	<i>19%</i>
Civic association affiliates	259	19%
<i>of which labor unions</i>	<i>51</i>	<i>4%</i>
Activists	242	17%
<i>of which stakeholders^{*)}</i>	<i>188</i>	<i>13%</i>
Public officials or employees	127	9%
<i>of which prov. Or loc. Government</i>	<i>50</i>	<i>4%</i>
Other	68	5%
TOTAL**)	1,400	100%

Data Source: KLON, 1993

^{*)} Stakeholders are members who directly benefit from the organization's activity.

^{**)} Entities with unknown status of founder have been excluded.

**TABLE 2 SERVICE-PROVIDING SOCIAL PROXIMITY ORGANIZATIONS
IN POLAND, BY FIELD, 1993**

Field of Activity	Organizations	
	Number	%
Health Services	701	39%
Social Services	295	16%
Income Support	264	15%
Civic and Advocacy	233	13%
Community Development	128	7%
Research and Science	67	4%
Professional and Labor	54	3%
Other	54	3%
TOTAL	1,796	100%

Data Source: KLON, 1993

Health care and social service workers were among the lowest paid occupational groups in Poland under central planning. One would thus expect them to be among the first to seize the opportunity of privatization and boost their income by selling their skills

for a profit. But instead, many of them continued working in the field already dominated by public institutions and chose an organizational venue that by definition precludes financial gains. Why? To explain that puzzle, I propose a theoretical model, which I call “uses and gratifications of organizational forms.” This term is borrowed from Katz, Blumer, and Gurevitch (1973-74), who use it to describe different functions of mass media for different audiences, whereas my approach focuses on the role of professional interests in the origins of nonprofit organizations.

The uses and gratifications model applied in this context holds that social actors use the nonprofit organizational form in ways that reflect both the social norms and expectations associated with this form and their own interests and goals defined by their social milieu. In other words, the use of the nonprofit organizational form by social actors reflects their strategic choice in response to opportunities, constraints, and expectations created by a particular set of social-historical conditions. It thus follows that the understanding of social institutions and the relationship of the social actors to those institutions is the key to explaining the role and function of the nonprofit organizations.

Social norms and expectations define the legitimate goals of social actors as well as legitimate means of their attainment. The issue of legitimacy is thus one of the most crucial elements in the understanding of institutional influences on the uses and gratifications of an organizational form. The use of the organizational form both reflects the legitimate norms and expectations conventionally associated with it in a given society and creates the aura of legitimacy for actions undertaken under its auspices.

The issue of legitimacy becomes particularly important in the areas involving high levels of information asymmetry, risk, and uncertainty. Information asymmetry, or insufficient knowledge of the actual value and effectiveness of services on the part of the recipients, can be a serious obstacle to service production and distribution. Suffice it to say that most people rarely avail themselves of assistance if the outcomes and effects of that assistance remain a mystery. Since most professional services require specialized knowledge that is not easily available to laypersons, service producers face an inherent need to assure potential recipients that the service is legitimate, that is, sound and safe by commonly accepted standards.

The connection between information asymmetry and the nonprofit organizational form has been discussed in literature. Hansmann (1987) as well as Ben Nér and Van Hoomissen (1991) argue that high levels of information asymmetry may encourage cheating on the part of the providers, who would take advantage of the buyer’s ignorance and deliver goods of substandard quality. Since quality monitoring may pose a substantial transaction cost, some alternative measures are needed to ascertain an economically efficient production of the said goods. That alternative measure is the nonprofit distribution constraint, which signals to the buyer that the provider has no incentive to cheat.

This argument has several problems. First, it is not clear why the “alternative measure” in question is the nonprofit status, which provides a rather weak guarantee against cheating (for example, profits can easily be disguised as “operating costs” or salaries), and not government control of the production process. Arguably, governments and large bureaucracies in general have a much greater capacity to overcome information asymmetries and transaction costs than single individuals under the free market condition (Williamson, 1975).

Moreover, if the concern over information asymmetry were the only reason for recourse to a nonprofit organizational form, then all high-information-asymmetry services would be provided via nonprofit venues. But that is not always the case. Insurance or stock market management have high levels of information asymmetry and are rife with fraud, yet they are almost exclusively delivered by for-profit providers. Clearly, it must be something else than (or at least in addition to) transaction costs considerations that determines the choice of organizational form.

The proposed uses and gratifications model overcomes these limitations by substituting the concept of economic rationality based on utility maximization with one of “stock knowledge” (Berger and Luckmann, 1966). The “stock knowledge” denotes perceptions, convictions, and beliefs that are generally regarded as true and legitimate in a given society, regardless of their actual truth value. Social behavior is thus guided by stock knowledge rather than individual utility maximization concerns, or at least a combination of the two. To illustrate that with a simple example, most people tip their waiters, even if they are unlikely to dine at the same restaurant again. They do it because tipping is a socially appropriate thing to do, even though it produces economic disutility to the payer.

The uses and gratifications model thus proposes that in everyday life situations, information asymmetries are reduced by the means of conventional stock knowledge rather than (or in addition to) economic utility considerations. When it comes to the assessment of professional or occupational competence, the frequently used stock knowledge mechanism is status generalization (Webster and Driskell, 1978; Lee and Ofshe, 1981; Ridgeway, Berger and Smith, 1985; Mohr, 1986; Berger, Webster, Ridgeway and Rosenholtz, 1986). Status generalization is a process whereby a person’s specific competence and abilities, unknown to the observers, are inferred from conventional status cues or symbols that include a wide range of features, from ethnicity or gender, to dress, appearance, eye contact, or speech pattern.

In the case of professions, such cues signaling professional competence may involve a framed university diploma hanging on the wall, thank-you letters from former patients displayed in the waiting room, a white robe, or the tone of voice projecting authority. Another type of professional status signals is the referral system (Abbott, 1988), or semi-formal rules requiring service providers to direct the patient to an appropriate specialist. These symbols and gestures signal to the patient that the service provider has a legitimate

authority in the field, and thus can be trusted even if the patient may not fully understand the nature of the treatment prescribed to him.

Sometimes, however, the ordinary symbols of professional status are insufficient, either because the treatment itself is novel, controversial, seemingly beyond the conventional area of the provider's expertise, or because the professional status of the providers themselves appear questionable or controversial. In such situations, professionals may turn to another device to signal the value and trustworthiness of their product. This essay will show that such an alternative signaling device is the nonprofit organizational form of service production and delivery.

The two main factors that organizational theorists credit with reducing uncertainty are formal organizational structures (Williamson, 1975) and informal social ties, networks, expectations, and shared values (Granovetter, 1985). I call the latter "social proximity." While both factors are usually present in all organizational forms (such as corporations or public agencies), the programmatic reliance on both the formal organizational structures and social proximity networks are the essential feature of nonprofit organizations. "Programmatic" in this context simply means that the defining characteristics of the entities in question combine formal organizational structure (as opposed to more amorphous kinds of collective action such as informal networks or social movements) with spontaneous participation and personal involvement (volunteering, donations) that are usually absent from, or much less salient than, other organizational forms such as business or government.

For that reason I call these types of entities Social Proximity Organizations (SPORGs) which I propose as an alternative to the term "nonprofit." The term "nonprofit" has two flaws that limit its application in a cross-national context. First, it is negative, it tells us what the said organizations are not, but fails to reveal their essential attributes and roles. Second, the reference to the profit motive (or rather its absence) might carry a message in a society dominated by the ideology of the market, such as the U.S., but it could be obscure or misleading in societies where profit making occupies a different place in the social hierarchy of values. For example, certain arts organizations in Poland often described themselves as "commercial" even though they depended mainly on grants and donations. The reason behind that label was that "commercial" signified a greater level of autonomy than a name that suggested dependence on donations.

Both features, formal organization and social proximity, can be instrumental in dealing with various contingencies and uncertainties of professional practice, especially in a highly volatile environment of sweeping social changes. Those groups of professionals who seek to redefine the hitherto established professional practice and introduce novel forms of treatment to the professional service market find the nonprofit organizational form instrumental in the attainment of two major goals of their professional project. The first goal is convincing potential recipients as well as public officials responsible with regulating professional services, who generally lack the necessary technical knowledge, that the offered service is sound and beneficial. The

second goal is the enhancement, or in some cases, attainment of their professional status, that is, a generally accepted recognition of their unique qualifications as the sole providers of that service.

Stated differently, the social proximity (nonprofit) organizational form can serve as a convenient tool in marketing a professional service and establishing a professional monopoly over the production or distribution of that service. That creates an elective affinity between professional interests and the nonprofit organizational form that explains the professional involvement, under favorable social-historical circumstances, in the creation of new social proximity entities.

The function of the social proximity form in professional practice depends on two factors: the level of uncertainty due to risk and information asymmetry associated with the nature of the service itself, and the social-occupational status of the service providers. This is so because the higher the uncertainty, the greater the need to reduce the anxiety and doubts of potential service recipients, and thus the greater the need to convey the legitimate nature of the service. Since social-occupational status of service provider is generally the primary vehicle for establishing service legitimacy, the choice of organizational venue plays a supplementary role in that process. If service practitioners cannot rely on conventional occupational status cues, either because they do not have the required characteristics or because the characteristics they have are not legitimate in that particular context, they will have to use alternative means of legitimating the service and their role as service provider. Organizational form may be such an alternative means of legitimation.

In sum, the uses and gratifications model of nonprofit organization claims elective affinity between that organizational form and occupational interest of professional service providers. Specifically, the organizational form in question may bestow legitimacy on the otherwise controversial professional practice and thus help the practitioners to market their services. This is the benefit of the social proximity organizations that explain their popularity among Polish service professionals during the 1989 reform.

In the Polish context, the legitimacy of the social proximity form is linked to several factors. First, while it is an alternative to public bureaucracy, which had been discredited under the central planning regime, it still carries the notion of public entitlement that defines public expectations of health care and social services, shaped by welfare state policies. For the providers, that translates into greater occupational autonomy and freedom from bureaucratic regulations; for the public, a private, thus more personalized, service without the private service price.

Second, the social proximity organizational form conveys the notion of public service that has traditionally defined professional ethos in Poland and legitimated demands to reform the central planning system. In that discourse, public or national interest was often evoked to discredit the ruling elite, perceived as self-serving.

Consequently, any action undertaken in the “official” capacity, which includes professional services, is expected to serve the public good rather than individual interests.

Third, social proximity organizations espouse the ideas of voluntarism, spontaneity, and informality that are highly valued in Polish society (Wedel, 1992). Moreover, these ideas are defining features of civil society and Western democracy, again highly valued in Poland.

Because of its favorable perception, the social proximity organizational form can legitimate activities undertaken under its auspices, which in turn creates elective affinity between that form and service providers in need of legitimacy. That need may arise either from public uncertainty about the value of the service itself, or from the lack of public recognition of the provider’s professional competence.

EMPIRICAL EVIDENCE

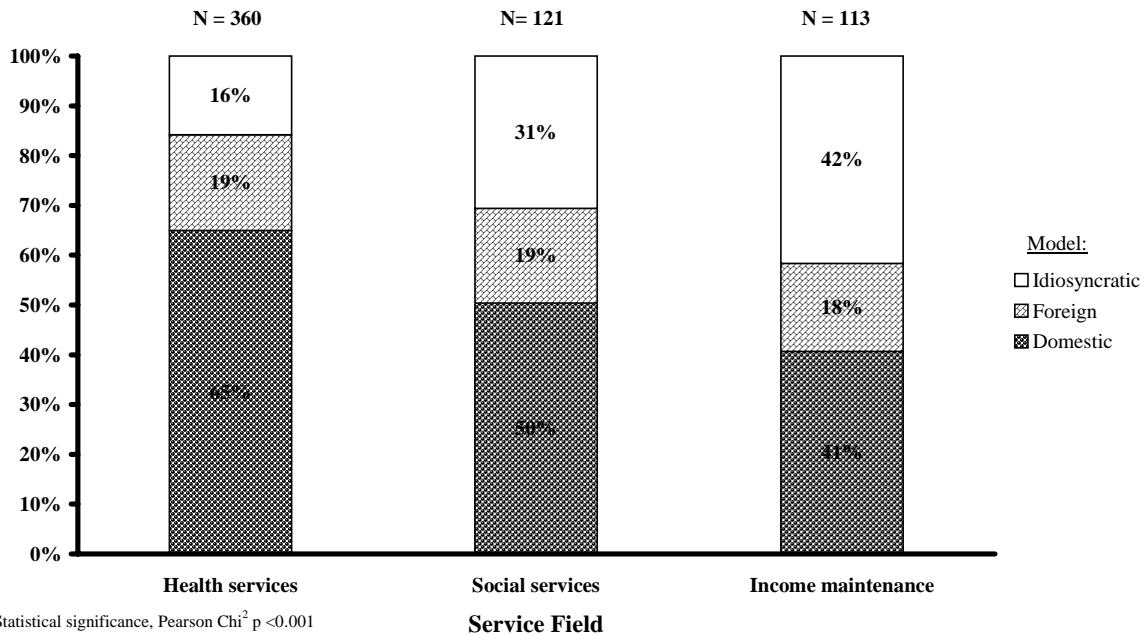
The preceding section introduced the uses and gratification model of the social proximity organization, which leads to the following testable hypotheses:

- (i) The greater the level of risk or uncertainty of a service, the greater the reliance on social proximity (nonprofit) organizational forms to legitimate that service; and
- (ii) The more questionable the professional status of the provider, the greater the reliance on social proximity (nonprofit) organizational form to legitimate the service.

Both relationships can be demonstrated with empirical data. First, we can observe a direct correlation between the level of risk and uncertainty in a service field, and the frequency of using a more familiar, thus legitimate and legitimating, organizational form.

The interpretation of Figure 1 rests on the assumption that health services carry more risk and information asymmetry than social services or income maintenance (i.e. distribution of charitable aid). The risk factor in health services is obvious on its face, since the procedures directly affect the patient’s body and errors or malpractice may have life threatening consequences. Moreover, health care requires highly specialized knowledge, generally unavailable to the lay public. Thus, health care patients are not in a position to assess the quality of care, at least before the treatment is completed. By contrast, potential recipients of social assistance can usually tell beforehand if the service they are offered suits their needs. Moreover, the treatments are usually less intrusive and thus less threatening than medical procedures.

FIGURE 1 EFFECT OF SERVICE FIELD ON SELECTION OF ORGANIZATIONAL MODEL



With that in mind, let's examine the distribution of organizational models in the service fields shown in Figure 1. Health care organizations took a familiar domestic form more frequently (65 percent of 360 entities in this category) than organizations in fields with lower risk/uncertainty levels: social services (50 percent) and income maintenance (41 percent). At the same time, the latter could afford a greater freedom to innovate in the organizational form itself, as 42 percent of entities in income maintenance reported using idiosyncratic (i.e. not based on established models) organizational models while only 16 percent of health care entities reported using such models.

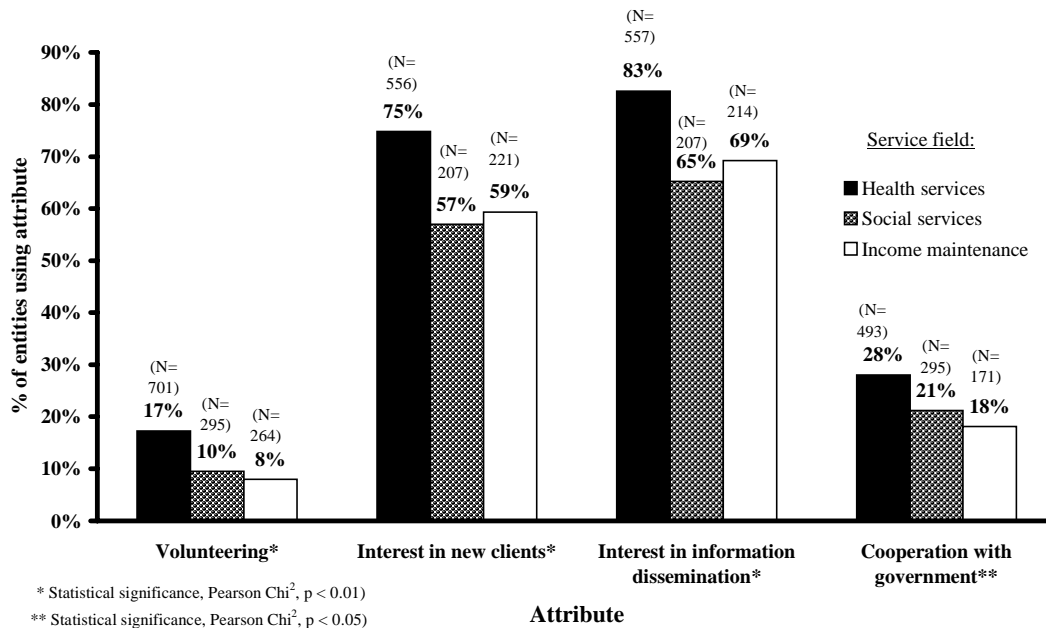
While Figure 1 unveils a relationship between the familiarity of the organizational model and the level of risk and information asymmetry associated with different service fields, Figure 2 focuses on the relationship between the latter defining features of the social proximity organizations. In both instances, the organizational form is conceptualized as a "signaling device" aimed to bestow legitimacy on the activities undertaken under its auspices.

Organizations in those service fields that carry more risk and information asymmetry have a greater need to legitimate the treatment. In the Polish context, claims to serve national interests and public benefits have been traditionally used as the means of legitimating interests, goals, and demands of social actors. Consequently, providers with greater need for legitimacy will put more emphasis on those organizational attributes that further signify its public benefit character (such as use of volunteers, attracting new

clients, information dissemination, or cooperation with public authorities) than organizations in “less risky” service fields.

Health service organizations (higher risk and information asymmetry) are almost twice as likely to require volunteering as either social service or income maintenance organizations (lower risk and information asymmetry). This is particularly striking because due to the specialized nature of treatment, health organizations have fewer uses for volunteers than either social services or income maintenance agencies. A likely explanation of that observed difference is that volunteers are employed for symbolic reasons, to signal the public benefit nature of their work, rather than for the use-value of their labor.

FIGURE 2 EFFECTS OF SERVICE FIELD ON USAGE OF PUBLIC BENEFIT ATTRIBUTES



(Source: KLON, 1993)

Health care organizations are also more likely to cooperate or seek cooperation with government agencies (28 percent versus 21 percent in social services and 18 percent in income maintenance). The likely reason for that tendency is that government control is often an important source of legitimacy for organizational activity (Lindblom, 1977; Baron, Dobbin and Jennings, 1986; Campbell and Linberg, 1990; and Scott, 1995, pp. 93 ff). Hence, the service providers in a greater need for legitimation use that attribute more often. In the same vein, efforts to attract new clients and inform the broad public about the service can also be seen as legitimation efforts. Consistent with our hypothesis, health care entities used these forms of legitimation more often than either social services or income maintenance groups.

TABLE 3 ELECTIVE AFFINITY OF ORGANIZATIONAL FORM TO OCCUPATIONAL INTERESTS OF SERVICE PROVIDERS

Cases	Founders' Occupational Status	Information Asymmetry/ Legitimacy Problem	Elective Affinity of SPORG form
<u>Health care:</u> Amazons Ami Alzheimer	recognized and high; working in conventional area of competence	professionalization of conventional care raises doubts about practitioner's intentions in recommending treatment	reduce perceived cost of professionalization by using volunteers
<u>Health care:</u> Hospice <u>Social svcs:</u> Theater Patronage	recognized but working outside conventional area of competence	application of practitioners' conventional competencies in unconventional way raises doubts about social value of service	expand perceived value by enlarging social scope of beneficiaries
<u>Unconventional</u> <u>Health Care:</u> Hippotherapy Herbalists	not recognized amateurs; trying to attain professional recognition	lack of recognized status and competence raises doubts about social value of service and its comparative advantage vis-à-vis competing alternatives	expand perceived value by enlarging social scope of beneficiaries; limit perceived value of alternatives by enlarging costs and narrowing scope of beneficiaries; formal membership separates professionals from non-professionals
<u>Idiosyncratic:</u> Meditation Anti-Abortion (counter-examples)	conventional occupation irrelevant; service legitimized by external to occupational interests ideology	none - potential challenges disqualified by narrowing scope of beneficiaries to already convinced adherents of legitimating ideology	none - organization used for purely administrative tasks

The second hypothesis derived from the uses and gratifications model claims that the use of the nonprofit organizational form also depends on the social-occupational status of the service providers, or more precisely, supplements that status in legitimating their services. This can be demonstrated by the data coming from case studies, summarized in Table 3. Ten cases selected for this analysis have been grouped into categories according to the occupational status of the providers and the information asymmetry problems associated with that status (independent variables), as well as corresponding elective affinities (uses) of the social proximity form (dependent variable). The logic underlying this analysis aims at showing the causal connection by the Mill's method of concomitant variation (represented by categories one through three) and the method of difference (category four contrasted with all other cases, especially those in category two).

The first category represents entities whose founders have a sound and recognized professional status—medical doctors employed in public health institutions. The second category comprises entities founded by recognized and certified professionals (a priest, a thespian, lawyers and probation officers), but working in the areas considered outside their conventional areas of competence. The third category includes organizations founded by service providers without a recognized professional status, but striving for professional recognition. Finally, the fourth category represents two cases in which occupational status of the founders were irrelevant, and legitimacy of the service was established by appeals to potential clients who shared the organization's ideology.

The interviews uncovered different types of information asymmetry/legitimacy problems faced by these organizations, which correspond to different social-occupational statuses of the providers. Informants in the first category shown in Table 3 reported that their patients often raised doubts about conventional forms of treatment recommended by physicians. For example, patients who underwent cancer surgery (such a mastectomy) often developed fatalistic attitudes about their chances for a recovery and refused conventional rehabilitation. To overcome that problem, a group of physicians and rehabilitation specialists formed a support group (the "Amazons"), modeled after similar groups in the U.S., that used volunteers who successfully underwent similar treatment.

The group therapy "Ami" addressed a similar type of problem, offering an alternative to hospitalization in mental health institutions. The psychiatrist who founded the organization observed that patients who participated in informal self-help therapy groups showed better progress and required shorter hospitalization. The Alzheimer's association was established to change the attitudes of public health authorities, who viewed Alzheimer's disease as a form of senility rather than a medical condition that required specialized care. The association promoted a training program for volunteer caretakers of Alzheimer's patients.

Informants in the second category in Table 3 reported a different kind of legitimacy problem, originating in the fact that the services they offered lay outside their conventionally recognized area of competence. The hospice association, patterned on British models, advocated a home-based spiritual, holistic treatment of terminally ill patients as an alternative to hospitalization. Although the group was established by a Roman Catholic priest, it emphasized a nondenominational, humanistic counseling combined with palliative treatment. The social proximity (nonprofit) organizational form signaled the distinctive public nature of the care that distinguished it from both conventional forms of religious services and purely palliative treatment offered by hospitals.

Such usage of the social proximity form to legitimate professional service can be apparent when contrasted with the practices of a group providing alternatives to abortion (last category in Table 3). Both were formed with the help of the Catholic clergy and both adhered to similar views on the value of human life. They differed, however, in the "usage" of the organization to legitimate their treatment. While the hospice care

providers used the organization as a signal of the universal, humanistic, and nondenominational aspects of their work and a platform to seek government endorsement and financial support for the treatment, the anti-abortion activists preferred to work as an informal group and avoided public assistance, because they targeted their service only to a narrow group of people who shared their religious and political views and were already convinced about the benefits of the service. The same approach was taken by the group promoting meditation based on Far Eastern philosophy—the founders were interested in serving only those people who were already “sold” on the idea, and preferred to work on an individual basis. They used the organization mainly to perform the necessary administrative tasks.

Another organization in the second category, established by a professional actor, promoted art therapy for blind children, troubled youth and their families. The source of his inspiration was a similar group he observed in France. However, his credentials as an entertainer did not qualify him, in the eyes of the public, as a legitimate provider of social services. Recourse to an organizational form that is by definition synonymous with public service was explicitly intended to solve this legitimacy problem.

The third organization in this category, the “Patronage,” offered various forms of social assistance to convicts and their families. The philosophy underlying this form of service favored resocialization modeled on Western European countries over a strictly punitive treatment of lawbreakers, and was rather unpopular in Polish society. Moreover, the convicts themselves often did not trust the organization’s volunteers because of their occupational connections with the law enforcement system. To overcome these legitimacy problems, the organization’s representatives emphasized the public service aspect of their service, such as human rights advocacy and reduction of crime and recidivism rates.

The two entities in the third category in Table 3 were established by service providers who lacked any recognized professional credentials, but strove for public recognition of their services and their occupational status. The “Hippotherapy Foundation” advocated horse-back riding as a form of physical therapy for children with severe psychomotor disorders. Such a form of therapy was popular in Germany and other Western European countries, and was introduced to Poland by a group of enthusiasts. The second organization promoted non-conventional medicine and herbal remedies for a wide variety of ailments. These providers faced a severe legitimacy problem, which stemmed from the fact that their treatment was barely distinguishable from leisure activities or alternative life styles, and that similar services were also offered by amateurs and charlatans. The organizational form they adopted was intended to redefine their services as public benefit by combining them with various social causes such as charity or environmental protection. It was also instrumental in distinguishing their services from similar forms provided by their competitors for a profit.

The above comparative analysis demonstrates different uses of the social proximity (nonprofit) form and its attributes to solve different kinds of legitimacy problems. The

nature of the latter are in turn linked to the occupational status of the providers. The problem of over-professionalization in various forms of hospital care was addressed by recourse to voluntarism. The problems of service providers working outside their conventional areas of expertise were solved by emphasizing the public benefit of their services. Finally, the lack of a recognized occupational status and poor definition of the therapeutic nature of a treatment were addressed by fusing the treatment with recognized public causes and by de-legitimizing competing service as furthering interests of individual providers rather than those of the general public.

These findings support the hypothesis derived from the uses and gratifications model of nonprofit organization, which claims that service professionals use the nonprofit form as a means to legitimate their services and occupational status. This conclusion is further supported by the fact that those providers who linked the legitimacy of their services to an ideology, rather than to the social-occupational status of the provider (the fourth category in Table 3), did not use the nonprofit form to further legitimate their services. In other words, while the variations of the hypothesized cause (need for legitimacy due to questionable occupational status) was linked to the variations in uses of the social proximity forms as a legitimating device (categories one through three), the absence of that cause in category four led to the absence of the hypothesized effect.

DISCUSSION AND IMPLICATIONS

This essay examined the role social proximity (nonprofit) organizations play in the process of professional innovation, specifically transfer of human service technologies, in Poland during the 1989 reform. To explain that role, I introduced a theoretical model, which I call “uses and gratifications of an organizational form,” that posits the existence of elective affinity between the social proximity form and occupational interests of service providers. Specifically, the social proximity form bestows social legitimacy on novel or controversial types of services, and thus it is instrumental in marketing those services. Both quantitative data and in-depth interviews support the hypotheses derived from the uses and gratifications model, which warrants a provisional acceptance of that model.

The proposed model has several implications for the existing theories of nonprofit organizations and professions. First, it outlines the motives underlying nonprofit organizational behavior without falling into the trap of functionalism that plagues the existing economic theories. The demand heterogeneity theory (Weisbrod, 1978) claims that the *raison d’être* of this organizational form in a modern market economy is the insufficient production of public goods by either for-profit firms or government agencies. This unmet demand provides an opportunity for nonprofit vendors. Unsatisfied demand alone, however, does not provide a sufficient reason for nonprofit vendors to meet it, since the expectation of a profit is excluded by definition. Unless we determine, in a non-circular manner, the actual motives of such vendors to produce the goods in question, we are forced to stipulate that the “invisible hand” of Pareto optimum (i.e. optimal

satisfaction of all social needs) miraculously “causes” the production of goods that nobody has a reason to produce.

While the problem of human agency was addressed by the subsequent elaboration of this model, the proposed explanations were limited to one particular type of social agent, such as religious entrepreneurs (James, 1987). Such entrepreneurs were said to use nonprofit agencies as a platform facilitating their proselytizing efforts. The proposed uses and gratifications model expands and generalizes this line of thought by linking it to the issue of social legitimacy. The nonprofit form legitimates a wide variety professional services and interests, from religious proselytizing to social assistance, and to post-surgical rehabilitation. The theoretically important aspect of this argument is that the motives behind using this organization form are inferred from empirically determined social and occupational roles rather than assumed a priori.

Furthermore, the proposed model expands and generalizes the information asymmetry model of nonprofit organization (Hansmann, 1987, Ben Ner and Van Hoomissen, 1991). Unlike the conventional model, which limits the source of information asymmetry mainly to three-party transactions (provider-payer-recipient), the uses and gratifications approach perceives such asymmetry as a general condition characterizing most transactions, especially ones involving professional services. Consequently, all such transactions require trust that is typically created by social legitimacy grounded in cultural norms and expectations. And unlike the conventional model, which limits the concept of trust to a restraint on self-interest, the model proposed in this essay expands that concept to any culturally sanctioned form of economic interaction. In other words, the nonprofit form is trustworthy not only because it keeps profiteering under control, but also because it is independent of state bureaucracy, or because it serves social or national interests, or because it substantially relies on social proximity ties (volunteering, personal commitment) in its operations.

The proposed uses and gratifications model contributes to the existing theory of professions as well. One of the key elements identified by this theory is the “system of professions,” (Abbott, 1988) the more or less formally accepted division of professional labor among different groups of specialists and the procedures of referring clients with specific needs to the appropriate specialist. The main functions of the system of professions are the reduction of uncertainty resulting from insufficient knowledge on the part of the clients of the competencies of different types of specialists, and the reduction of competition among different types of specialists providing closely related services. This essay demonstrates that in a highly volatile professional service market, such as that existing during a systemic transition in Central and Eastern Europe, the system of professions cannot satisfactorily perform its functions. Under such conditions, the recourse to the nonprofit organization form is an alternative social mechanism of reducing uncertainty and protecting providers from competition.

A more general reflection that flows from this study is that the growing importance of service industries and resultant increasing reliance on service professionals and

specialists in solving a wide range of social problems, especially in the developing economies, inevitably encounters the social legitimation problem. Expert knowledge alone is insufficient to address everyday life problems; it also needs to be dressed in a form that is trustworthy and legitimate. Ordinary people will likely reject the expert solutions, regardless of their claimed or factual merits, if they do not grasp the rationality behind such solutions and the institutional forms they require, or if they do not trust the experts and public officials who try to save them against their own will from a peril they do not quite understand. What ordinary people need is a “bridge of trust” that connects the esoteric and the mundane, expert knowledge and the everyday life experience.

The past experience with central planning in Eastern Europe suggests that the experts and policymakers neglected or altogether ignored legitimacy problems when they presented and applied their solutions to economic backwardness and underdevelopment in an autocratic, arrogant, “top-down” fashion. This study suggests, however, that there is progress in this area after all. The new generation of Polish professionals showed a far greater sensitivity to legitimacy concerns when they employed nonprofit organizations to create a “bridge of trust” between specialists, public officials, and the lay public.

REFERENCES

- Abbott, A. (1988). *The System of Professions: An Essay of the Division of Expert Labor*, The University of Chicago Press, Chicago.
- Baron, J. N., Dobbin, F. R., and Jennings, P. D. (1986). War and Peace: the Evolution of Modern Personnel Administration in US Industry. *American Journal of Sociology*, 92, 350-383.
- Ben-Ner, A., and Theresa Van Hoomissen, (1993). Independent Organizations in the Mixed Economy: A Demand and Supply Analysis, in: Avner Ben-Ner & Benedetto Gui (eds.), *The Independent Sector in the Mixed Economy*, Ann Arbor: The University of Michigan Press
- Berger, J., Webster, M., Jr., Ridgeway, C., and Rosenholtz, S. J. (1986). Status Cues, Expectations, and Behavior. *Advances in Group Processes*, 3, 1-22.
- Berger, P. and Thomas Luckmann (1966). *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*, New York: Anchor Books.
- Campbell, J. L., and Lindberg, L. N. (1990). Property Rights and the Organization of Economic Activity by the State. *American Sociological Review*, 55, 634-647.
- DiMaggio, P., and Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organization Fields. *American Sociological Review*, 48(2), 147-160.
- Gaul, G. M., and Borowski, N. A. (1993). *Free Ride: The Tax-exempt Economy*, Andrews and McMeel, Kansas City.
- Gerschenkron, A. ([1952] 1992). Economic Backwardness in a Historical Perspective. In M. S. Granovetter and R. Swedberg (eds.), *The Sociology of Economic Life*, Westview Press, Boulder.
- Granovetter, M. S. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91, 481-510.
- Hausner, J., Jessop, B., and Nielsen, K. (eds.) (1995). *Strategic Choice and Path Dependency in Post Socialism in the Transformation Process*, Edward Elgar, Aldershot and Brookfield.
- James, Estelle, 1987, The Independent Sector in Comparative Perspective, in Walter Powell (ed.), *The Independent Sector: A Research Handbook*, New Haven: Yale University Press, pp. 27-42.
- Katz, E., Blumler, J. G., and Gurevitch, M. (1973-74). Uses and Gratifications Research. *Public Opinion Quarterly*, 37, 509-523.
- Kennedy, Michael D., (1991), *Professionals, Power and Solidarity in Poland*, Cambridge: Cambridge University Press.

- KLON, 1993, *Informator o organizacjach pozarządowych działających na polu pomocy społecznej* (The Directory of Social Service Non-Governmental Organizations), [computer file and directory], Warszawa.
- Larson, M. S., (1977). *The Rise of Professionalism: A Sociological Analysis*, University of California Press, Berkeley.
- Lee, M. T., and Ofshe, R. (1981). The Impact of Behavioral Style and Status Characteristics on Social Influence: A Test of Two Competing Theories. *Social Psychology Quarterly*, 44(2), 73-82.
- Lindblom, C. E. (1977). *Politics and Markets: the World's Political-Economic Systems*, Basic Books, New York.
- Marx, Karl ([1869], 1987), *The Eighteenth Brumaire of Louis Bonaparte*, New York: International Publishers.
- Mohr, P. (1986). Demeanor, Status Cue or Performance? *Social Psychology Quarterly*, 49(3), 228-236.
- Reskin, Barbara F. and Patricia A. Roos, (1990). *Job Queues, Gender Queues: explaining Women's Inroads into male Occupations*, Philadelphia: Temple University Press.
- Ridgeway, C. L., Berger, J., and Smith, L. (1985). Nonverbal Cues and Status: An Expectation States Approach, *American Journal of Sociology*, 90(5), 955-978.
- Scott, W. R. (1995). *Institutions and Organizations*, Sage Publications, Thousand Oaks.
- Sokolowski, W. (2000). *Civil Society and the Professions in Eastern Europe: Social Change and Organizational Innovation in Poland*, New York: Plenum/Kluwer.
- Van Til, J. (1988). *Mapping the Third Sector: Voluntarism in a Changing Economy*, Foundation Center, New York.
- Webster, M., and Driskell, J. E. (1978). Status Generalization: A Review and Some New Data. *American Sociological Review*, 43(April), 220-236.
- Wedel, Janine R., (ed.), (1992). *The Unplanned Society: Poland During and After Communism*, New York: Columbia University Press.
- Wedel, Janine R., (ed.), (1998). *Collision and Collusion, The Strange case of Western Aid to Eastern Europe 1989-1998*, New York: St. Martin's Press.
- Westby, David L., (1991). *The Growth of Sociological Theory: Human nature, Knowledge, and Social Change*, Englewood Cliffs: Prentice Hall.
- Weisbrod, Burton, (1978), *The Voluntary Independent Sector*, Lexington: Lexington Books.
- Wholey, D. R., Chirstianson, J. B., and Sanchez, S. M. (1993). The Effect of Physician and Corporate Interests on the Formation of health Maintenance Organizations. *American Journal of Sociology*, 9(1), 164-200.
- Williamson, O. (1975). *Markets and Hierarchies*, The Free Press, New York.

CENTER SUPPORTERS

Academy of Finland
Aga Khan Foundation
Arab Gulf Fund
Arts and Humanities Council of Montgomery
County/ Pew Charitable Trusts (U.S.)
Aspen Institute Nonprofit Sector Research Fund
(U.S.)
Australian Bureau of Statistics
Australian Research Council
Austrian Science Foundation
Canadian Fund (Slovakia)
Catholic Relief Services
Charities Aid Foundation
Civil Society Development Foundation (Czech
Republic)
Civil Society Development Foundation
(Romania)
Civil Society Development Foundation
(Slovakia)
Colombian Center on Philanthropy
Comission Communautaire Commune
(Belgium)
Confédération des entreprises non marchandes
(Belgium)
Department of Welfare (South Africa)
Deutsche Bank Foundation (Germany)
FIN (Netherlands)
Fondation de France
Ford Foundation
Foundation for an Open Society (Hungary)
Fundación Antonio Restrepo Barco (Colombia)
Fundación Banco Bilbao Vizcaya (Spain)
Fundación FES (Colombia)
Morris Goldseker Foundation (U.S.)
Humboldt Fd/Transcoop (Germany)
Productivity Commission (Australia)
Institute for Human Sciences (Austria) Inter-
American Development Bank
Inter-American Foundation
Juliana Welzijn Fonds (Netherlands)
Kahanoff Foundation (Canada)
W.K. Kellogg Foundation
King Baudouin Foundation (Belgium)
Körber Foundation (Germany)
Andrew W. Mellon Foundation (U.S.)
Ministère des affaires sociales (Belgium)
Ministère de la Communauté flamande
(Belgium)
Ministère de la Communauté française
(Belgium)
Ministère de l'emploi et de l'environnement
(Belgium)
Ministère de la Région Bruxelles-Capitale
(Belgium)
Ministère de la Région wallonne (Belgium)
Ministry of Church & Education (Norway)
Ministry of Culture & Sports (Norway)
Ministry of Education, Culture, & Science
(Netherlands)
Ministry of Environment (Norway)
Ministry of Family & Children (Norway)
Ministry of Family/The World Bank
(Venezuela)
Ministry of Foreign Affairs (Norway)
Ministry of Health, Sports, & Welfare
(Netherlands)
Ministry of Social Affairs & Health (Finland)
C.S. Mott Foundation
National Department of Planning (Colombia)
National Research Fund (Hungary)
Norwegian Research Council
OPEC
Open Society Foundation (Slovakia)
Open Society Institute/Budapest
Open Society Institute/New York
David and Lucile Packard Foundation (U.S.)
Research Council of Norway
Rockefeller Brothers Fund
Joseph Rowntree Foundation (U.K.)
Sasakawa Peace Foundation (Japan)
Surdna Foundation (U.S.)
U.S. Agency for International Development
U.S. Information Service
Yad Hadaniv Foundation (Israel)

THE CENTER FOR CIVIL SOCIETY STUDIES WORKING PAPERS

The Influence of the Legal Environment on the Development of the Nonprofit Sector

Service Professionals and the Formation of Nonprofit Organizations: The Case of Poland in the Early 1990s

The Nonprofit Sector and the Arts in the United States: Bridging the Gap

Myths and Misconceptions? Evaluating the Government/Foundation Relationship in Germany against the American Experience

Nonprofit Sector Six Years After Unification

The Three Faces of the Third Sector

The Civil Society Sector: A New Global Force

Exploring the State-Dependency Thesis: Nonprofit Organizations in Germany

The Third Route: Government-Nonprofit Collaboration in Germany and the United States

The Federal Budget and the Nonprofit Sector: Implications of the Contract with America

Nonprofit Management Education: A Field Whose Time Has Passed?

The Crises of the Nonprofit Sector

The Federal Budget and the Nonprofit Sector: FY 1995

The Global Associational Revolution: The Rise of the Third Sector on the World Scene

The Federal Budget and the Nonprofit Sector: FY 1994

The Federal Budget and the Nonprofit Sector: FY 1993

The Federal Budget and the Nonprofit Sector: FY 1992

To order copies of the CCSS working papers, visit our Web site or call 410-516-4617 to request a publications catalog.

ON THE CENTER FOR CIVIL SOCIETY STUDIES WEB SITE www.jhu.edu/~ccss

- ▲ Research findings from the Comparative Nonprofit Sector Project
 - Full text of *The Emerging Sector Revisited: A Summary*
 - Comparative data tables
 - Country-at-a-glance tables
- ▲ Research findings from the Nonprofit Employment Data Project
 - Full text of *Maryland's Nonprofit Sector: A Major Economic Force*
- ▲ Abstracts of books and working papers
- ▲ Available in September 2000: The full text of CNP and CCSS working papers published *after January 1999*
- ▲ Links to online book ordering
- ▲ Program and project information
- ▲ Staff biographies/contact information
- ▲ Interview with Center Director Lester M. Salamon
- ▲ And much more