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Comparing Member-Based Organizations Within a Social Economy Framework

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The purpose of this study is to determine whether nonprofits that serve a membership (that is, mutual nonprofits) have more in common with cooperatives (also member-oriented associations) than with nonprofits that are oriented toward the public. A MANOVA was used to analyze the effect of organizational type of which there were four categories (publicly oriented nonprofits, mutual nonprofits, cooperatives without shares, and cooperatives with shares) on the five dependent measures (social objectives, volunteer participation, democratic decision making, government dependence, and market reliance) derived from the social economy framework. The results offer some support for the hypothesis that serving a membership is an important factor in the basic characteristics of an organization, and that is true regardless of whether the incorporation is nonprofit or cooperative. However, charitable status also appeared to influence on the results. The implications for the social economy and civil society are discussed.

The social economy is a multidimensional, dynamic framework that is popular in Western Europe (particularly in francophone nations) and Quebec. This framework conceptualizes nonprofits and cooperatives as belonging to a social sector that differs from both the private and public sectors of the economy (Defourney, 1988; Defourny & Monzon Campos, 1992; Jeantet, 1991; Quarter, 1992; Snaith, 1991). The assumptions underlying this framework are that (a) the organizations within the social economy (that is, social organizations) have enough in common that an inclusive category is justified, and (b)

Note: The data used for this study were collected with the help of a grant from the Kahanoff Foundation. The data were previously used for Quarter, Richmond, Sousa, and Thompson (in press), a paper to be published by the Queen's University Centre for Policy Studies.

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the categories *nonprofit* and *cooperative* may not be the best procedure for grouping such organizations.

This study seeks to test the assumption that an inclusive category for nonprofits and cooperatives is justified using criteria derived from the social economy framework. Earlier research by Quarter, Richmond, Sousa, and Thompson (in press) found that in spite of the significant influence of incorporation type, organizations within the social economy could be clustered on a broader range of criteria. This current study extends the earlier work by testing empirically whether nonprofits that serve a membership (that is, mutual nonprofits) have more in common with cooperatives than with publicly oriented nonprofits.

The social economy has tended to emphasize both the social and economic value associated with social organizations (Richmond, 1999). In that respect, the social economy differs from civil society, which is the predominant framework for studying nonprofits. In the civil society framework, voluntary associations are granted an important role in strengthening the economy (Putnam, 1993, 1995, 1996, 2000). But in general, civil society is characterized as “economically passive” (Keane, 1998, p. 17).¹ In the social economy framework, by comparison, the economic value of social organizations receives greater consideration. We shall return to the relationship between the social economy and civil society in the Discussion section.

CLASSIFYING NONPROFITS AND COOPERATIVES

Two broad classifications of nonprofits are used in this study—mutual nonprofits and publicly oriented nonprofits. In mutual nonprofits, the members are the recipients of the service. In general, organizational revenues come from members either through an annual fee or a fee for service, and the members have the right to participate in the affairs of the organization through electing representatives to the board of directors. Common examples of such organizations are business associations, labor unions, professional associations, consumer associations, religious congregations, ethnocultural associations, self-help groups, social clubs, and sociopolitical organizations.

Even though mutual nonprofits share a common form of incorporation with other nonprofits, and as such share other characteristics such as being corporations without shares and having distribution constraints for surplus earnings, they differ in the orientation of their service. Mutual nonprofits, as noted, are inwardly oriented, whereas other forms of nonprofits are outwardly oriented, either to the public at large or to a specific public (for example, people living in poverty or people with a particular affliction). No value judgment is made about inward and outward, but this orientation may be fundamental to the organizational dynamics, and perhaps of greater importance

than other factors such as the form of incorporation, charitable status, and type of service.

Comparisons with cooperatives—organizations that also serve a membership but with a different form of incorporation—provide an opportunity to test this assumption. The International Co-operative Alliance (the umbrella association for cooperatives internationally) defines a cooperative as “An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (International Co-operative Alliance, 1997). Cooperatives are guided by seven defining principles, referred to originally as the Rochdale Principles (after the founders of the first cooperative in Rochdale, England) and redefined at Manchester in 1995 (International Co-operative Alliance, 1997). These are as follows: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community. Although cooperatives have a different form of incorporation than nonprofits, they too are set up to provide a service to a membership and hence are also referred to as *mutual associations* (Craig, 1993; MacPherson, 1979).

There are at least two basic forms of incorporation among cooperatives—without shares and with shares. Cooperatives without shares are also referred to as *nonprofit cooperatives* because they also are corporations without shareholders. Such organizations are in fields such as housing, child care, and health care, although they may also be involved in other services. In the balance between social and economic objectives, cooperatives without shares place relatively greater weighting on the social than cooperatives with shares. In Canada, cooperatives without shares generally operate in less competitive markets and have a greater dependence on government (that may subsidize their services in part) than cooperatives with shares.

The more common structure among cooperatives is to have shares, but shares held by members differ from those in private sector companies in that their value is neither tied to the market, as in a publicly traded corporation, or to an independent evaluation of the net assets, as in a closely held company. Member shares in a cooperative are analogous to a loan in the private sector in that typically they tend to remain at a constant value and they do not entitle their holders to dividends. If dividends are paid, they are usually according to patronage (that is, use of the service) or in the case of a worker cooperative according to labor contribution. Arguably then, a cooperative with shares has an ownership arrangement that is similar to a nonprofit. The exception might be those cooperative corporations that can be demutualized; that is, they can be sold on the market with the members as the beneficiaries. This is an unusual circumstance, as the primary objective of the members is to have an organization that provides a service to themselves. However, it can occur and therefore

might be a reason for categorizing cooperatives as to whether they have shares.

This current study is related to a body of research on nonprofits that considers various approaches to grouping them (for a review of that literature, see Febraro, Hall, & Parmegiani, 2000). That research includes such characteristics as type of service, market sector, and legal considerations. In general, these studies have viewed nonprofits as a group unto themselves rather than situating them within a broader framework.

As noted, this study follows from an earlier one (Quarter et al., in press), which applied the social economy framework to undertake a cluster analysis of nonprofits and cooperatives. That study found that even though there was a substantial relationship between the form of incorporation and the clusters (chi-square = 59.9, $p < .005$), all of the major clusters had nonprofits and cooperatives. That earlier study used five dimensions derived from the social economy framework to classify nonprofits and cooperatives. These dimensions were as follows: social objectives, volunteer participation, democratic decision making, government dependence, and market reliance. Given that this current study utilizes those same dimensions, a brief discussion follows of each and the rationale for its inclusion in the social economy framework.

THE SOCIAL ECONOMY FRAMEWORK

All organizations in the social economy satisfy a prerequisite condition with respect to their property arrangements. They are owned socially or, arguably, by no one. We shall refer to this ownership arrangement as the *social property principle*. The net assets belong to the organization as a whole for as long as it operates and, subsequently, become a social dividend (social patrimony in the words of Ellerman [1990]) passed from generation to generation. These social dividends become the building blocks of the social economy—building blocks that are the property of neither the individual nor government. In the social economy, members do have the right to control the organizations to which they belong. But unlike owners in the other sectors, they do not benefit financially from the sale of their assets. The board of directors is analogous to trustees, with the responsibility to see that the assets are being utilized in a manner consistent with the organization's objectives.

The ownership arrangements in the social economy lead to what economists refer to as a *distribution constraint* because, unlike private sector firms, there are no shareholders to whom profits can be distributed (Hirshhorn, 1997).² The social property ownership arrangement and the related distribution constraint are prerequisites for inclusion within the social economy. All social organizations satisfy those conditions. In addition, there are variable conditions—that is, dimensions that differentiate organizations within the social economy from each other. These dimensions are social objectives,

volunteer participation, democratic decision making, government dependence, and market reliance. With respect to this study, these dimensions are viewed as mechanisms for comparing mutual nonprofits and publicly oriented nonprofits with cooperatives, with and without shares.

SOCIAL OBJECTIVES

Organizations within the social economy—whether they are nonprofits or cooperatives—start from a social purpose, one example being charity. In the modern world, there is a distinction between charitable status, which permits social organizations to grant a tax benefit to donors, and charity, which as in the past, is associated with assistance to indigent members of a community. Most organizations with a charitable status are not engaged in charity. Rather, charitable status has been extended to such social objectives as education, youth programs, health care, the arts, heritage preservation, and protection of the environment. Even religion, which remains the most common form of charitable objective, has been broadened from its roots in charity to include the many services in which religious organizations are involved. Therefore, charity has been secularized, in that it has moved beyond its religious roots, and universalized, in that it may be associated with services to which the public-at-large may have access.

Social organizations with a charitable status typically depend, to a degree, on external donors with whom they attempt to connect through fund-raising drives. Therefore, the variable charitable status may be of particular significance in comparisons between mutual nonprofits, publicly oriented nonprofits, and cooperatives.

Social organizations serving a membership (particularly, mutual nonprofits and cooperatives) are guided by the principle of self-help (Craig, 1993). For such services as insurance, finance, and farm marketing, many forms of mutual benefit societies and cooperatives were formed in the late 19th and early 20th centuries to protect their members from exploitation in the marketplace (MacPherson, 1979).

Although many mutual nonprofits and cooperatives were formed to overcome exploitation of one form or another, there are some that represent privileged social groups (e.g., golf clubs and elite social and business clubs). Therefore, social organizations may differ in the ways that they express their social objectives, but this criterion is fundamental to their being.

VOLUNTEER PARTICIPATION

Organizations within the social economy are often referred to as *voluntary* because volunteers have an important role in the provision of their service. All have volunteers who serve on their board of directors, and research by Sharpe (1994) indicates that among 70% of nonprofits with a charitable status,

volunteers provide other services as well. A survey conducted by Statistics Canada (1998) based on the year 1996-1997 indicated that 7.5 million Canadians over the age of 15 (31% of the population) volunteer in nonprofit organizations in such areas as social services, recreation, sports and social clubs, religious congregations, and health organizations. During that year, these volunteers contributed more than 1.1 billion hours of service.

However, organizations that use volunteers are not necessarily voluntary associations; that is, more spontaneous, grassroots groups without a permanent administrative structure (D. Smith, 1997). Most volunteers fit into predefined roles in mature social organizations with permanent administrative structures and bureaucratized roles rather than creating their own role either within such organizations or in voluntary associations. Therefore, the term *voluntary* is more appropriately used in reference to a subset of associations within the social economy than the roles undertaken by most volunteers.

DEMOCRATIC DECISION MAKING

Within social organizations, democratic decision making is manifest in different ways. In member-based organizations such as nonprofit mutual associations and cooperatives, the members (each bearing one vote) have the right to elect a representative board of directors that functions as the official governance and appoints the chief executive to take charge of the organization's operations. The principle of one member/one vote is not a guarantee of democracy, but it does satisfy a basic condition, and differentiates these types of social organizations from private-sector firms where voting rights are based on property holdings (Ellerman, 1990).

Publicly oriented nonprofits often have a closed, self-perpetuating board without a broader membership. Nevertheless, some of these (for example, women's health clinics, domestic violence shelters, food banks) establish either a collective structure or some variation of it that allows staff and volunteers to participate in decision making (Rothschild-Whitt, 1982). Other publicly oriented nonprofits with a closed, self-perpetuating board (particularly, large organizations) may practice consensus decision making within the board, but generally have a traditional decision-making structure within the organization.

GOVERNMENT DEPENDENCE

This issue has always been problematic for organizations in the social sector and has become even more so as government has come to play an increased role in financing social organizations. Among cooperatives, for example, independence from government was one of the defining principles of the movement; the most recent version of the International Co-operative

Alliance's principles uses the words *autonomy* and *independence* (Wilkinson & Quarter, 1996). Yet some forms of cooperatives (for example, housing, child care, and health care) depend to a degree on government funding, and the same is true to an even greater extent for a subset of nonprofits (for example, hospitals, universities, extended care settings, heritage institutions). Mutual nonprofits serving a broad membership tend to be relatively independent of government and like most cooperatives in that regard.

In the modern world, government has come to play a more important role in many aspects of society. In Canada, for example, government funding for nonprofits has increased historically (Martin, 1985) to a point that it provides more than half of the funding of nonprofits with charitable status (Sharpe, 1994). This dependence on government is most apparent among publicly oriented nonprofits with a charitable status; such organizations typically work closely with government—a relationship that has been conceptualized as a partnership (Salamon, 1987, 1995) and also as an extension of government (S. Smith & Lipsky, 1993).

MARKET RELIANCE

In general, social economy theorists have not used this criterion, but it cannot be ignored because the market has become such a dominant force in the modern world. Increasingly, social organizations are undertaking entrepreneurial activities as they attempt to compensate for recent cutbacks in government funding (Dees, 1998). Even charitable organizations in Canada earn 19% of their revenues from market-based services (Sharpe, 1994). However, because of distinct ownership arrangements, entrepreneurship takes on a different meaning in the social economy than in the private sector. Whereas personal gain and share values are hallmarks of ownership in the private sector, social benefit is the defining characteristic for organizations in the social economy. Therefore, entrepreneurship in the social economy might be appropriately referred to as social entrepreneurship (Ellerman, 1982). Its purpose is to provide a service either to members or to the public, and organizational rearrangements are undertaken with that objective in mind.

Social organizations vary in the extent to which they earn their revenues from the market. Some (for example, farm marketing and retail food cooperatives as well as commercial nonprofits) earn either all or a large portion of their revenues from the market. Others (for example, the YMCA and YWCA, Scouts and Guides, and competitive youth teams) are not as explicitly commercial in their focus but still rely heavily on the market.

Mutual nonprofits earn a substantial portion of their revenues from membership fees supplemented by donations from members. These fees should be considered as the payment for a service, something that is more characteristic of cooperatives, both those without shares and with shares. In the case of

cooperatives, the membership fee is usually a small part of the overall revenues and the payment for services is the largest part.

Therefore, even for social organizations engaged in commercial activities, their financial dynamics differ from that of a private-sector firm. Commercial activities, where they are undertaken, serve the organization's social objectives not the shareholders' desire for personal gain.

METHOD

This study looks at the impact of organization type, of which there are four categories (publicly oriented nonprofits, mutual nonprofits, cooperatives without shares, and cooperatives with shares) on the five dependent measures (social objectives, volunteer participation, democratic decision making, government dependence and market reliance) derived from the social economy framework. Charitable status and organization size are also considered in the data analysis.

PARTICIPANTS AND PROCEDURE

To conduct the study, a sample of nonprofits and cooperatives in the province of Ontario was drawn. For nonprofits, the directory *Associations Canada 1998-99* containing 7,354 listings for Ontario was used to draw a sample. This appeared to be the most comprehensive sampling frame available in that it contained a range of organizations in many different fields, a range of size, and also of those with and without charitable status. It did not, however, contain all nonprofits in the province. For cooperatives, a list was obtained from the Co-operatives Secretariat of the Government of Canada (Co-operatives Secretariat, 1998). The Co-operatives Secretariat compiles an annual statistical profile of cooperatives in Canada and provided us with the list of all such organizations in Ontario. In total, there were 2,056 on the list, including 601 financial cooperatives (that is, credit unions/*caisses populaires*). The list of cooperatives was an ideal sampling frame in that it contained all of the cooperatives in Ontario. Given the limitations of the sampling frame for nonprofits, it seems appropriate to describe the sample as purposive rather than representative. Nevertheless, the sample was comprehensive and effort was taken to choose the participants in a nonbiased manner. Yet, they were volunteers and there was no way of accounting for biases associated with volunteering.

Given that it was not possible to know in advance what portion of the organizations would agree to participate, a larger pool was employed than would be needed. For nonprofits, the pool consisted of 300 organizations, or every 24th one in the directory. Using this procedure guarded against any possible bias related to alphabetical position (for example, that organizations beginning with *Canadian* might have different characteristics than the overall

group). Similarly for cooperatives, a pool of 300 was drawn, or approximately every 7th one on the list.

Three telephone interviewers collected the information for the study, either from the general manager or another key participant who was sufficiently knowledgeable to answer the questions in the survey. The participation rate was 84%, somewhat higher among nonprofits than among cooperatives, and particularly credit unions.

The final sample consisted of 212 social organizations: 66.5% were corporations without share capital, or nonprofits, and 33.5% were cooperatives. A total of 48% of the organizations had a charitable status. These were predominantly among the nonprofits, where two thirds had a charitable status. The organizations in the study had the following median descriptors: 25 years of age, 6 employees, 30 volunteers (that is a ratio of 5 volunteers to 1 employee), and just over \$500,000 of revenues.

MEASURES

The interviews were based on a 37-item survey that elicited information related to the five variables—social objectives, volunteer participation, democratic decision-making, government dependence, and market reliance—and in addition, some background information such as the form of incorporation, charitable status, age, and number of employees. The items related to the five dependent measures were developed by the research team, and before being finalized, were piloted on four organizations. The primary structure for each item was a Likert-type scale followed by the opportunity to add supplementary information.

DATA ANALYSIS

There were three primary steps in the data analysis. The first step was to determine whether each of the hypothesized scales was sufficiently reliable and whether any of the items should be dropped because of an inconsistent relationship with the other items on a particular scale. To meet this goal, Cronbach's alpha for internal consistency was computed for each hypothesized scale; that is, the five dependent measures. Then, each of the five scale scores was standardized with a mean of zero and a standard deviation of one. The second step in the data analysis, a MANOVA, was undertaken using these five standardized scales as dependent variables and the organization type as the independent variable. The third step in the data analysis was paired comparisons using the Tukey test.

For all of the analyses, only organizations with complete data were included. The number of missing cases was highest for the MANOVA because this analysis included all of the scales simultaneously.

RESULTS³

SCALE RELIABILITIES

The reliabilities for the five scales ranged from .51 to .67, relatively low alphas but sufficient to proceed. By scale, the reliabilities were as follows: social objectives = .67, volunteer participation = .52, democratic decision making = .51, government dependence = .54, and market reliance = .59. The actual items for each scale are in the Appendix section.

MANOVAS AND TUKEY-PAIRED COMPARISONS

The MANOVA analyzed the effect of organizational type of which there were four categories (publicly oriented nonprofits, mutual nonprofits, cooperatives without shares, and cooperatives with shares) on the five dependent measures (social objectives, volunteer participation, democratic decision making, government dependence, and market reliance). The analysis included 52 publicly oriented nonprofits, 48 mutual nonprofits, 34 cooperatives without shares, and 20 cooperatives with shares. Table 1 shows the mean scores and standard deviations for the five measures and organization type. Figure 1 portrays the mean scores of the four categories of organization type on each of the five scales.

As Table 2 shows, the multivariate results were significant ($F = 12.39$; $df = 15, 403$; and $p < .005$). The table also indicates that the univariate F ratios are significant for each scale with a probability level of at least .005. To determine the source of the significance, Tukey-paired comparisons were undertaken on each scale for each combination of the four categories within the independent variable; in effect, six comparisons for each scale. Only differences that were at the .05 level or less were considered as significantly reliable and are reported below.

As indicated in Table 3, on all five scales, there was a significant difference between publicly oriented nonprofits and cooperatives with shares. Publicly oriented nonprofits also differed from mutual nonprofits on three scales (democratic decision making, government dependence, and market reliance) and from cooperatives without shares on three scales (volunteer participation, democratic decision making, and market reliance). By comparison, mutual nonprofits differed from cooperatives without shares on only one scale (market reliance) and from cooperatives with shares on market reliance and volunteer participation. The two cooperative groups also differed only on one scale (market reliance). In other words, if the four groups were displayed on a continuum, publicly oriented nonprofits would be at one end and cooperatives with shares would be at the other. Mutual nonprofits and cooperatives without shares would be closer to cooperatives with shares and cooperatives without shares being closer than mutual nonprofits.

Table 1. Mean Scores and Standard Deviation for Five Dependent Measures and Organization Type

Scale	Organization Type							
	Nonprofits Public (n = 52)		Nonprofits Membership (n = 48)		Cooperatives Without Shares (n = 34)		Cooperatives With Shares (n = 20)	
	M	SD	M	SD	M	SD	M	SD
Social objectives	0.32	0.99	0.07	0.99	-0.19	0.94	-0.56	1.07
Volunteer participation	0.27	1.09	0.05	0.79	-0.23	0.90	-0.84	0.60
Democratic decision making	-0.66	1.03	0.33	0.87	0.23	0.69	0.42	0.87
Government dependence	0.45	1.20	0.08	0.98	0.06	0.90	-0.38	0.55
Market reliance	-0.73	0.62	-0.26	0.76	0.54	0.79	1.50	0.74

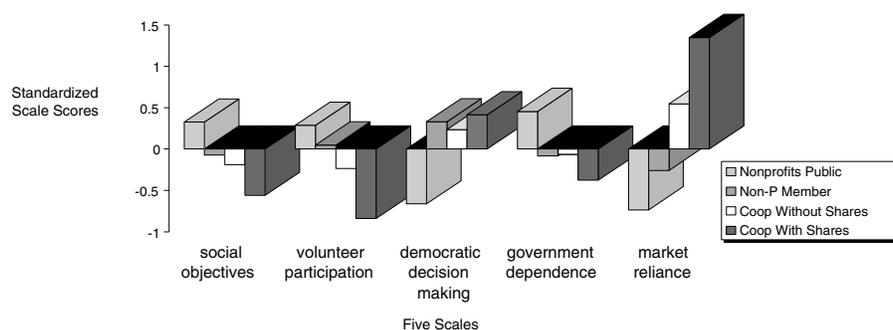


Figure 1. Organization Type by Scale

This pattern offers partial support for the hypotheses that mutual nonprofits have more in common with cooperatives than with publicly oriented nonprofits. However, a qualifier is that mutual nonprofits appear to have relatively more in common with cooperatives without shares than cooperatives with shares. We shall return to this point in the Discussion section.

One problem in interpreting these results is that there is a strong relationship between the four levels of the independent variable and charitable status (chi-square = 84.98; $p < .005$). Put simply, publicly oriented nonprofits are almost synonymous with charitable status and the two cooperative groups have very few cases with a charitable status (four without shares and only one with shares). Only mutual nonprofits have a relatively equal division between charitable and noncharitable status. Given the asymmetrical relationship between charitable status and the four categories of the independent variable,

Table 2. Multivariate and Univariate Analyses of Variance for Five Dependent Measures and Organization Type

Source	Univariate											
	Multivariate		Social Objectives		Volunteer Participation		Democratic Decision Making		Government Dependence		Market Reliance	
	df	F	df	F	df	F	df	F	df	F	df	F
Organization type	15,403	12.39*	3	4.38*	3	6.67**	3	11.19**	3	4.49*	3	25.91**

Note: Multivariate *F* ratios were generated from Wilks's lambda statistic.

* $p < .005$. ** $p < .0005$.

Table 3. Summary of Statistically Significant Scales in Planned Comparisons (four categories of independent variable) $p < .05$

	<i>Nonprofits Public</i>	<i>Mutual Nonprofits</i>	<i>Cooperatives Without Shares</i>
Mutual nonprofits	Government dependence Democratic decision making Market reliance		
Cooperatives without shares	Volunteer participation Democratic decision making Market reliance	Market reliance	
Cooperatives with shares	Social objectives Government dependence Democratic decision making Volunteer participation Market reliance	Market reliance Volunteer commitment	Market reliance

it would be difficult to determine the relative contributions of these two variables to the outcome. In effect, there would be too few publicly oriented nonprofits that lacked a charitable status and too few organizations in the two cooperative groups with a charitable status. Nevertheless, the fact that the mutual nonprofits have a relatively equal division between charitable and noncharitable status does provide the opportunity to explore the influence of membership and charitable status in the relative positioning of that group. If charitable status were an important influence, then one would expect that mutual nonprofits with charitable status would have relatively few significantly different scores on the scales from publicly oriented nonprofits (almost exclusively organizations with charitable status).

To undertake this test, we eliminated the small number of noncharitable organizations from publicly oriented nonprofits and the charitable organizations from the cooperative groups. Therefore, only mutual nonprofits had both a charitable and noncharitable group. The MANOVA was repeated using five categories of the independent variable: publicly oriented nonprofits/charitable status ($n = 51$), mutual nonprofits/charitable status ($n = 25$), mutual nonprofits/noncharitable status ($n = 23$), cooperatives without shares/noncharitable ($n = 30$), and cooperatives with shares/noncharitable ($n = 19$).

Table 4 shows the mean scores and standard deviations for the five measures and organization type (including charitable status). Figure 2 portrays the mean scores of the five categories of organization type on each of the five scales.

The results of the MANOVA are summarized in Table 5 and, as is to be expected, are similar to the first MANOVA both for the multivariate and univariate tests. However, our primary interest is in the relative positioning of the group mutual nonprofits/charitable, using as a measuring stick the number of statistically reliable differences from the other groups on the Tukey-paired comparisons tests.

As shown in Table 6, the results indicate that mutual nonprofits/charitable status had only one scale (democratic decision making) that was different from publicly oriented nonprofits.

Mutual nonprofits/charitable status differed from cooperatives with shares on two scales (market reliance and volunteer commitment) and from the mutual nonprofits/noncharitable and cooperatives without shares on only one scale (market reliance). In other words, if mutual nonprofits/charitable status were included in the continuum referred to above, it would be positioned between the end point of publicly oriented nonprofits and mutual nonprofits/noncharitable. Figure 2 summarizes these relationships.

We also checked one additional possible influence on the results—organizational size—measured as both the total number of staff and the total revenues of the organization. The two measures of organizational size were introduced separately as a covariate in the MANOVA, and the analysis of the data was undertaken using both four levels and five levels of the independent

Table 4. Mean Scores and Standard Deviation for Five Dependent Measures and Organization Type (including charitable status)

<i>Scale</i>	<i>Organization Type</i>									
	<i>Nonprofits Public With Charitable Status (n = 51)</i>		<i>Nonprofits Membership With Charitable Status (n = 25)</i>		<i>Nonprofits Membership Without Charitable Status (n = 23)</i>		<i>Cooperatives Without Shares (n = 30)</i>		<i>Cooperatives With Shares (n = 19)</i>	
	M	SD	M	SD	M	SD	M	SD	M	SD
Social objectives	0.33	0.90	0.14	0.96	-0.30	1.00	-0.23	0.92	-0.59	1.09
Volunteer participation	0.32	1.07	0.07	0.85	0.02	0.74	-0.22	0.90	-0.80	0.59
Democratic decision making	-0.68	1.04	0.41	0.93	0.24	0.82	0.22	0.72	0.44	0.88
Government dependence	0.44	1.21	0.01	0.99	-1.80	0.97	-0.25	0.72	-0.42	0.52
Market reliance	-0.75	0.62	-0.30	0.78	-0.22	0.75	0.67	0.75	1.33	0.76

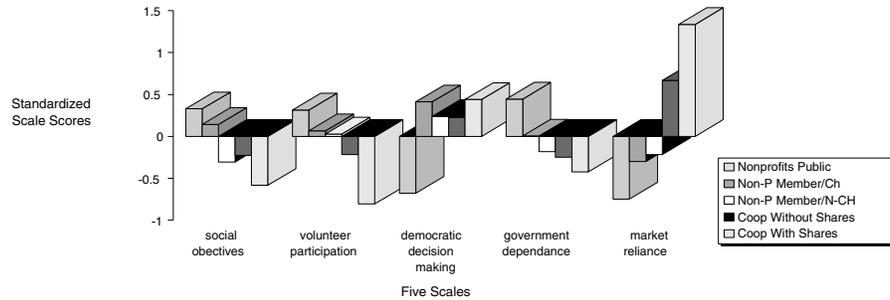


Figure 2. Organization Type (including charitable status) by Scale

variable (that is, with and without charitable status). Controlling for organizational size made little difference to the results; neither size variable was significant in these analyses. Therefore, we are not presenting the additional tables with the details.

DISCUSSION

The results offer some support for the hypothesis that serving a membership is an important factor in the basic characteristics of an organization, and that is true regardless of whether the incorporation is nonprofit or cooperative. The mutual nonprofit group differs from the publicly oriented nonprofit group on more scales than from the cooperative groups. This finding appears to be due primarily to those mutual nonprofits that lack a charitable status (labor unions, business associations) as opposed to those with a charitable status (for example, religious congregations).

Mutual nonprofits, however, are closer to cooperatives without shares than those with shares. Cooperatives with shares rely more on the market for their revenues than cooperatives without shares and also rely less on volunteers than mutual nonprofits. Cooperatives without shares, by comparison, have a similar emphasis on volunteer participation to mutual nonprofits. This may be due to the type of service that they provide (child care, housing, health care); that is, largely social services. Cooperatives with shares, in contrast, tend to be businesses that with the exception of their board, are operated predominantly by paid staff. Members of organizations in the cooperatives without shares category may on average be more involved in their organization than the members of cooperatives with shares. In Kurt Lewin's (1935) terms, the activities of the organization occupy a greater part of the members' life

Table 5. Multivariate and Univariate Analyses of Variance for Five Dependent Measures and Organization Type (including charitable status)

Source	Univariate											
	<i>Multivariate</i>		<i>Social Objectives</i>		<i>Volunteer Participation</i>		<i>Democratic Decision Making</i>		<i>Government Dependence</i>		<i>Market Reliance</i>	
	df	F	df	F	df	F	df	F	df	F	df	F
Organization type	20,462	9.02**	4	4.38*	4	5.78**	4	10.36**	4	4.18*	4	38.54**

Note. Multivariate *F* ratios were generated from Wilks's lambda statistic.

* $p < .005$. ** $p < .0005$.

Table 6. Summary of Statistically Significant Scales in Paired Comparisons (five categories of the independent variable) $p < .05$

	<i>Nonprofits Public Charitable</i>	<i>Mutual Nonprofits Charitable</i>	<i>Mutual Nonprofits Noncharitable</i>	<i>Cooperatives Without Shares</i>
Mutual nonprofits charitable	Democratic decision making			
Mutual nonprofits noncharitable	Democratic decision making Market reliance			
Cooperatives without shares	Volunteer participation Democratic decision making Market reliance	Reliance on market	Market reliance	
Cooperatives with shares	Social commitment Government dependence Democratic decision making Volunteer participation Market reliance	Market reliance Volunteer participation	Market reliance Volunteer participation	Market reliance

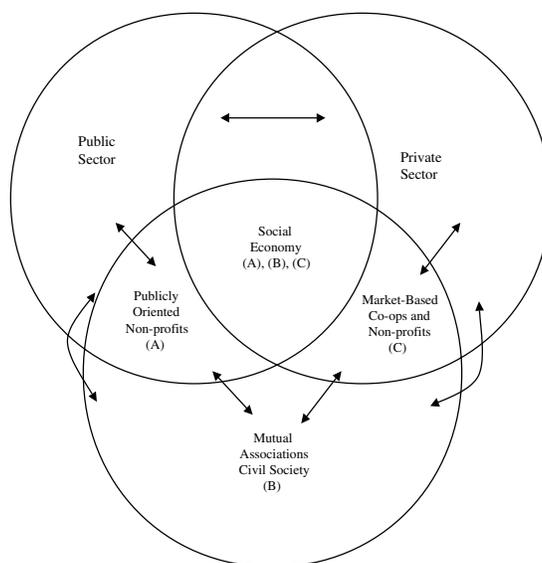


Figure 3. The Social Economy and Civil Society

space. The members in the latter group may perceive themselves more like consumers of a service than the members in cooperatives without shares and mutual nonprofits.

These results suggest that the social economy framework has some utility for grouping social organizations. There appears to be as much similarity between mutual nonprofits and cooperatives without shares as for any of the other categories. Therefore, treating these groups separately because of differing forms of incorporation seems artificial. The groups that would most justify separate treatment are the publicly oriented nonprofits and the cooperatives with shares.

THE SOCIAL ECONOMY AND CIVIL SOCIETY

As noted in the Introduction, the social economy and civil society are two ways of exploring the significant role of nonprofits and cooperatives. A Venn diagram is used (see Figure 3) to present the relationship between the social economy and civil society and also the relationship of these two entities to the private sector and the public sector.

Figure 3 illustrates that these categories are subcomponents of society and that they interact and influence each other. The private and public sectors have distinct functions, but governments regulate to a degree the private sector,

and for particular services, government corporations function in the market. Similarly, the nature of the private sector (the extent to which it embraces a free market philosophy) affects government policies and related services.

As indicated in Figure 3, the social economy consists of three components: market-based cooperatives (primarily with shares) and commercial nonprofits; publicly oriented nonprofits; and most important, mutual associations (including nonprofit mutual associations and cooperatives without shares). This latter group, as shall be argued, best fits the civil society framework.

Cooperatives with shares form a bridge between the social economy and the private sector. Farm marketing cooperatives, in particular, are among the largest corporations in many Western countries. In Canada, for example, 7 of the 10 largest farm corporations are cooperatives, and two of these are on the *Fortune 100 List* (Co-operatives Secretariat, 1998). However, it is not only cooperatives with shares that form this bridge to the private sector; there are also entrepreneurial nonprofits earning their revenues from the market that have a similar status. These include automobile associations, insurance organizations such as Blue Cross and mutual insurers, organizations providing various educational and recreational activities, and some arts groups.

The organizations in the overlap between the social economy and the private sector also include businesses with shares held in charitable trusts such as the German corporations Zeiss and Bosch, and a number of British firms such as the John Lewis Partnership and Scott Bader (Quarter, 2000; Quarter & Richmond, in press). Also to be included are capitalist firms owned predominantly by their employees and with a high level of workplace democracy, as well as those with an exemplary environmental record (for example, the German firm Wilkhahn).

Figure 3 shows that publicly oriented nonprofits (almost exclusively with a charitable status) are part of the overlap between the public sector and the social economy. Although most publicly oriented nonprofits overlap with the public sector, some organizations of this type operate independently of government, relying on donors and volunteers to provide their services. Amnesty International and many international-aid organizations represent this important type of publicly oriented nonprofit. Even though these organizations are serving the public rather than a membership, they fit within civil society, the third (and, arguably, most important) component of the social economy.

As shown in Figure 3, there is an interactive relationship between the public sector, publicly oriented nonprofits, and civil society. For example, within public sector organizations like schools, there are member-based associations such as home and school and parents and teachers that fit within civil society. Indeed, schools and other public sector organizations spawn many types of mutual associations (for example, unions and other staff associations, professional associations, social clubs and teams, to name but a few). The same is true of private sector businesses and the market-based cooperatives and nonprofits in the nexus between the private sector and the social economy.

Therefore, civil society has organizations with distinct characteristics, but like all of the components of the social economy, these associations are not an island unto themselves but in an interactive relationship with society as a whole, including the private and public sectors. In his research, Putnam (1993, p. 176) argued, "Good government in Italy is a by-product of singing groups and soccer clubs" (in other words, voluntary associations). Similarly, he suggested, "norms and networks of civic engagement have fostered economic growth, not inhibited it" (Putnam, p. 174).

In spite of this interaction with government and the private sector, the predominant characterization of civil society is that of a social space distinct from the state that can serve as a means of counteracting despotism (Keane, 1998). Hall (1995) refers to "societal self-organizing in relation to the state" (p. 2). The voluntary associations that Alexis de Tocqueville referred to in his travels to the United States or grassroots associations of the type referred to by D. Smith (1997) might be viewed as the ideal type. However, Putnam (1995, 1996, 2000) has suggested that such associations are in decline in the United States and other Western countries.

Within the data for this study, the group that most closely approximates these characteristics is the member-based mutual associations (mutual nonprofits and cooperatives without shares). However, relatively few of these organizations are grassroots. Rather, most are mature organizations with paid staff and a stable administrative structure. Their structures reflect the relationships of modern society in which citizens largely disconnected from each other associate for a specific function. As Putnam (1995, 1996, 2000) notes, membership is primarily nominal in character and without any organizational involvement. Unlike ideal voluntary associations, members might not even know each other.

FUTURE RESEARCH

The current study does not research the reasons that people join mutual associations. Even though the involvement of most members is superficial and reflective of the relations of modern society, mutual associations still provide a type of social connectedness—less ideal than what Putnam (1995, 1996, 2000) argued has existed in the past but nevertheless of importance. The meaning of this form of connectedness to the participants is a matter for further research.

The relationship between the social economy and civil society should also be researched further. We have suggested that the social economy is best used as a framework for three broad groupings—the member-based associations of civil society, publicly oriented nonprofits, and market-based cooperatives and nonprofits. Perhaps these classifications should be further refined and mutual associations and civil society should be differentiated. For example, Seligman (1998) reminds us, "Voluntary organizations can be of a particularly nasty

nature and based upon primordial or ascriptive principles of membership and participation that put to shame the very foundation of any idea of civil society" (1998, p. 80). Mutual associations can be racist (for example, Ku Klux Klan), anti-democratic (the Nazi movement and more current variants) and elitist (some social clubs and business associations). Although these examples are extreme, they underline the point that there is much variety among mutual associations, including those that are grassroots. Therefore, continuing to develop classification systems could be useful.

The results suggest that a multidimensional approach is best suited for mapping the organizations of the social economy. This argument has been made with respect to the nonprofit sector by Febraro, Hall, and Parmegiani (2000) and more generally by Sokal (1974). With further research, it should be possible to create more refined breakdowns of the organizations within the social economy and civil society. The primary difficulty with this type of research is that increasing the number of dimensions can be unwieldy. Nevertheless, this research strategy seems worth pursuing.

In conclusion, this current study suggests that member-based organizations, be they nonprofits or cooperatives, have much in common, and that may also be because they serve a similar social function in helping people who are alienated by the structures of modern societies to reconnect with each other. This study includes a mapping of the social economy, as well as its relationship to civil society, that can be continued with further research.

Appendix

SOCIAL OBJECTIVES

How would you rate your organization's social objectives relative to its commercial objectives?

To what extent does your organization view itself as part of one or more social movements?

To what extent does your organization view itself as an agency of social change?

Relative to service to its consumers, how important are your organization's social movement goals?

VOLUNTEER PARTICIPATION

The total number of volunteers divided by the total number of employees converted to a 5-point scale.

The percentage of revenues from donations from individuals, businesses, and foundations converted to a 5-point scale.

The number of activities in which volunteers participate converted to a 5-point scale.

To what extent is your organization referred to as a volunteer organization?

DEMOCRATIC DECISION MAKING

Describe the process for becoming a board member?

To what extent does the general membership influence the decisions of the board of directors/trustees?

To what extent does the board of directors/trustees influence the decisions of senior management?

To what extent does the general membership influence the decisions of senior management?

GOVERNMENT DEPENDENCE

The percentage of revenues from government, converted to a 5-point scale.

Apart from the financial relationship, which of the following best describes your organization's relationship to government?

MARKET RELIANCE

The percentage of revenues derived from the sale of services, products, and membership fees was converted to a 5-point scale.

To what extent does your organization have to compete in the market with private sector companies to earn its revenues?

Notes

1. There are civil society theorists who grant social organizations an economic role (for example, Green [1993] who argues for a "civic capitalism") that would be used to supplant the welfare state. However, this is an atypical interpretation of civil society.

2. As noted, some forms of cooperatives pay dividends to members, but the payment is not based on shareholding as in the private sector.

3. We would like to thank Tahany Gadalla for her advice with the data analysis.

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