

# Relation between Raison d'être and Organizing in the Nonprofit Sector

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## 1. Introduction

Nonprofit organizations (NPOs) give the impression that they have a smaller financial scale, function as somewhat vulnerable organizations, and rely heavily on the competence of an individual leader. Moreover, some nonprofits do not even meet the requirements of an organization (Tao, 1998). According to the 1999 survey we conducted in this study, 84% of all nonprofit organizations have an annual turnover of JPY 5 million or less. The Economic Planning Agency Bureau's (2000) income survey states that 63.2% of incorporated nonprofit organizations earn less than 10 million yen per year, and 84.1% of non-incorporated nonprofit organizations earn less than 2 million yen. An increasing number, as a result, are calling for sufficient independent organizational operation. Several external supporters of NPOs strongly hope that NPOs take an autonomous growth path, and the importance of improving organizational performance is also occurring (Matsumoto & Takahashi, 2002).

Organizations are oriented by nature to keeping members in their system's framework. Volunteers, in contrast, demonstrate initiative and autonomy, and attempt to remove themselves from these systems. NPOs as a result face a dilemma as organizations (Tao, 1999). Those discussing the merits of non-governmental organizations (NGOs), as opposed to official development assistance (ODA), often emphasize NGOs' small scale and amateurism (Dentsu Institute, 1996). On the other hand, so-called "organizing" is a dynamic process of reducing equivocality through interlocked behaviors (Weick, 1969), which accepts specialization and routine divisions of labor. This conflicts to an extent with the amateurism and small scale of organizations, which are often features of volunteer activities. Fujii (1999) claims that the institutionalization and commercialization of NPOs as organizations increases bureaucratization, weakens voluntary participation, and can result in the loss of an NPO's mission. Thus, the "organizing" of NPOs has become a source of much discussion in itself.

Quinn & Cameron (1983) present a life cycle model regarding the organizing of NPOs, noting the start-up, association, formalization, and maturity stages, based on a theoretical study by review<sup>(1)</sup>. Tao (1998; 1999) discusses the process leading from association to bureaucracy. Fujii (1999) presents what can be interpreted as an NPO growth model by examining the definition of an NPO from a dynamic perspective. Additionally, Gann (1996) divides the life cycle of nonprofit organizations into three stages of development—immature, adolescent, and mature—and summarizes the characteristics of funding sources, services, and handling of staff in each stage. Korten (1990) classifies NGOs into four generations using strategies referred to in historical accumulation<sup>(2)</sup>. Inada and Kosaka (1998), in terms of empirical and quantitative studies on the organizing process of NPOs

in Japan, categorize organizations using Boolean algebra, based on the results of their interviews and analysis.

However, these studies are limited in mentioning what type of NPO is easily formalized and established as an organization, and they sometimes include vague distinctions between causes and results in the organizing process. Many previous studies are concerned with the individual events on the way of organizing processes and, thus, lose sight of discussing how the organizing process relates to the organization's essential nature, based on the reason for its existence.

Thus, this study thinks back to the *raison d'être* to address organizing in NPOs. This study, by empirically linking "organizing" with the essential nature of organizations, based on interviews and survey data, discovers how differences in opinions of organizations' representatives regarding the organization's reason for existence affect organizing<sup>(3)</sup>.

Additionally, various ideas exist regarding the definition of NPO. However, all definitions tend to keep vagueness and rather, the definition of NPO has a paradoxical aspect of becoming clear in portraying an organization's dynamism (Matsumoto, 2003). This study takes a similar perspective. Nevertheless, a lack of clear operational definitions in empirical research can lead to confusion. Thus, this study uses the range treated by the Economic Planning Agency (2000) as the definition of NPO, namely including incorporated NPOs (NPO Corporations); volunteer organizations; and civic activity organizations. Nonprofit organizations for public interests in the private sector are treated as NPOs in this paper, regardless of a presence or absence of legal person, and regardless of whether their member activities are fee-based or free of charge.

## **2. Problem-solving and emphasizing-existence NPOs**

Salamon (1992) demonstrates the representative reasons for NPOs' existence, which Kojima (1998) also follows. These five reasons include the following: market failure, government failure, free and pluralistic values, solidarity, and historical production. However, Yamauchi (1997) chooses two of these: government and market failure. Tao (1999) illustrates the maturity of civil society and the desire for civil independence in addition to market and government failure. Ben-Ner & Van Hoomissen (1993) discuss the distinction between NPOs' demand and supply, and that the demand for NPOs is caused by market and government failure. Kawaguchi (1997) follows this concept, and employs dichotomized theories of the demand side, such as the quasi-public goods theory and contract failure, and the supply side, such as stakeholder management and non-profit supply good types. However, the quasi-public goods theory and the contract failure theory referred to by Kawaguchi (1997) essentially translate to government and market failure. Additionally, both the stakeholder control-state and non-profit supply good types referred to by Ben-Ner & Van Hoomissen (1993) and Kawaguchi (1997) can be considered descriptions of the structure of supply rather than a reason for existence. Their descriptions can be aggregated to the demand side of the debate as to why nonprofits exist. Further, the historical production adopted by Salamon (1992) and Kojima (1998) is not appropriate as one reason of the existence of nonprofits because other reason is dispensable as the origin after all.

Table 1 notes two reasons as to why NPOs exist, simplifying the classification of these theories: the demand side description highlights the limits of workings of the government and the market, and the supply side descriptions find the significance of the nonprofit activity itself. In actuality, some NPOs may have both demand and supply side perspectives; however, for convenience, NPOs are assumed to emphasize either one side or the other. Therefore, this study intends to determine which of the two types of organizations tend to be better formulated: demand-oriented or supply-oriented.

NPOs on the demand-side, which solve social problems that cannot be resolved by governments and corporations, are referred to as “problem-solving NPOs” in this paper. On the other hand, NPOs on the supply side that emphasize the social significance of their existence, and contribute to citizens’ self-reliance and solidarity, are referred to as “emphasizing-existence NPOs.”

**Table 1 Overview of Raison d’être in Previous Studies**

Previous Studies	Possible Interpretation of Raison d’être				
	Demand-Side (problem-solving)		Supply Side (emphasizing-existence)		Inappropriate Reason
Salamon (1992) Kojima (1998)	Governmental Failure	Market Failure	Freedom and Pluralism	Solidarity	Historical
Tao (1999)			Maturity of Civil Society		
Yamauchi (1997)			/		
Ben-Ner & Van Hoomissen (1993)					
Kawaguchi (1997)					Quasi-Public Goods Theory

How does the difference between the two types affect NPOs’ continuation and formation? Drucker (1990) notes that the “mission” should be at the core of nonprofit management. Therefore, the relationship between an organization’s goals and mission must first be considered.

For-profit companies in this respect generally attempt to survive in order to continue to make a profit using the capital provided by investors. If an NPO loses its role in society and becomes unnecessary, it may be dissolved (Tanaka, 1998). This might lead to such ideas as the following: problem-solving NPOs do not assume their permanent survival, and will dissolve once they have attained their goals. Emphasizing-existence NPOs, irrespective of their needs, are significant to the organization itself; therefore, they will survive regardless of success or failure in achieving their initial purpose. NPOs formed because of a disaster, for example, lose their roles once the disaster recovery is complete and people return to daily life after the NPO has provided cover for government or market failure<sup>(4)</sup>. This idea could lead us to the conclusion that emphasizing-existence NPOs can be better formed and established as organizations.

However, the following objections should be noted against this conclusion. Certainly, an NPO can be dissolved once its purpose becomes obsolete; however, we should consider that they can also modify, expand, or improve their purpose to ensure their survival<sup>(5)</sup>. The purpose in a continuing organization is automatically generalized by constantly recruiting a series of new special purposes (Barnard, 1938). Korten (1990) argues that NGOs’ activities and mission had changed to more abstract and longer-term. The situation can be explained in that problem-solving NPOs can ensure their long-term survival by expanding their mission and goals<sup>(6)</sup>. Therefore, the organizing of an NPO is examined, in addition to the degree with which it embodies the organization’s values, along with a higher level of its objectives and mission.

Selznick (1957) argued that once an organization is complete, it will keep trying to hold its value

strongly, which he referred to this nature of organizations as a “system.” Even when an NPO achieves its original purpose, if a system is in place, it will survive naturally.

Moreover, demand-side reasons lead to trying to improve specific problematic situations, and the goals and mission are easy to understand. Thus, problem-solving NPOs, heading in the direction of activities, can design their own futures. This also seems to result in smooth management and making them being easily formed and organized.

On the other hand, the *raison d'être* for the supply side corresponds to the concept of the realization of civil society. Thus, if the back is returned, irrespective of how inefficient an NPO might be, it can become an important symbol of the civil society from the reason. Further, under the way of thinking significance of NPOs' activities itself, the level of satisfaction depends on the decisions of the organization's members. The supply side's *raison d'être*, in other words, includes self-satisfaction<sup>(7)</sup>, and emphasizing-existence organizations does not necessarily involve a social aspect. Therefore, it may be difficult for the NPO to obtain support from the outside and to evolve as an organization. Note that when such an affiliation with external sources occurs and help is obtained as a way to achieve clear goals, shared interests will become clearer<sup>(8)</sup>.

### 3. Summary of survey and empirical framework

This study conducts an empirical analysis based on the previous discussion. The analysis uses the results of the survey conducted with the help of the volunteer division at the Nippon Foundation. The sample comprises NPOs that applied for a volunteer support services project that was conducted by the Nippon Foundation beginning in 1994. Questionnaires were sent to 1,270 groups in December 1999, and were completed by group leaders or representatives. Consequently, 1,107 organizations responded, with a response rate of 87.1%.

The findings obtained by this survey are limited to NPOs that applied for the Nippon Foundation's volunteer support project. For example, one constraint is that the survey does not reflect the views of NPOs that 1) did not apply for the Nippon Foundation's grant program because they did not match its purpose, and 2) that did not respond to the questionnaire. Therefore, despite the survey's scale, this research has the nature of a kind of case study that only addresses NPOs that applied for the Nippon Foundation's volunteer grant support program.

However, the survey results note that target groups covered all of Japan's prefectures, various areas of nonprofit activity, and various sizes of NPOs. Thus, we can expect that this survey reflects something not far from the reality of NPOs in Japan at the time of the survey.

NPOs are classified as problem-solving or emphasizing-existence NPOs to prepare a comparative analysis, using the following question:

Question: What do you think is the most significant reason for volunteering at your organization? Please select one answer.

1. Activities of companies and the government alone are not enough to make society work.
2. Volunteer activities have a social significance by nature.

The responses to this question included 1,074 organizations, while 33 declined to answer. Of these, 609 (56.7%) organizations chose option 1, and 465 (43.3%) chose option 2. It is inferred that organizations may actually have both reasons for volunteer activities<sup>(9)</sup>, and thus, choosing only one

from these two alternatives is a type of ultimate choice. It may be difficult for the party to answer the question; in other words, the result was considered from the perspective of “if anything,” as they ultimately barely broke even, compared, and answered.

Additionally, this research assumes that the representatives’ response reflects the character of their organizations, for the sake of simplicity. Accordingly, these two choices reflect both demand-side and supply-side reasons, based on the aforementioned discussion. Option 1 corresponds to the demand-side activities of market and government failure, and option 2 reflects the supply side, of pluralistic values and solidarity. Both concepts of supply and demand are common sense as economic terms, while market failure and government failure, and solidarity and pluralistic values, are professional expressions. These expressions may not be easy for NPOs’ stakeholders to understand, and were rephrased in plain words, as noted earlier.

The groups that chose option 1 are referred to as problem-solving NPOs because they correspond to demand-oriented organizations, which focus on activities that corporations and governments cannot adequately meet within society. The groups that chose option 2 are referred to as emphasizing-existence NPOs because they are supply-oriented organizations, which consider the social significance of supply activities to activate volunteer activities, regardless of social demand<sup>(10)</sup>.

First, a question was posed regarding future vision: “How do you think your organization should be in the future? Please select one answer.” It can be noted here that problem-solving is more growth-oriented. The results of this question are as follows: 310 organizations (28.5%) chose the option “1. Desirable to retain the status quo,” and 759 organizations (69.8%) chose “2. Desirable to work extensively to expand.” Only 19 groups (1.7%) chose “3. Should reduce in size, and have work done by a select few.” This result was classified as problem-solving or emphasizing-existence; therefore, the relationship between the future direction and the idea of reason for NPOs’ existence can be examined; see also Table 2.

**Table 2 Raison d’être and Future Vision of Organizations**

Types of NPO (Raison d’être)	Future Vision of Organizations			
	1. Status Quo	2. Expansion of Size	3. Elect Few	Total
Problem-solving	135 (22%)	456 (76%)	11 (2%)	602 (100%)
Emphasizing-existence	169 (36%)	287 (62%)	8 (2%)	464 (100%)
Total	304	743	19	1066

Cramer’s  $V = 0.154$ ,  $\chi^2 = 25.275^{***}$ ,  $p < 0.001$

The status quo group is worth noting here. Maintaining the status quo has a slightly higher proportion in emphasizing-existence NPOs, while expanding demonstrates the greatest percentage in both problem-solving and emphasized-existence. While the total number of emphasizing-existence NPOs is less than that of problem-solving, with regard to maintaining the status quo, the absolute number of emphasizing-existence is higher than that of problem-solving. This implies that emphasizing-existence tends to be satisfied with the status quo, without hoping for a larger scale<sup>(11)</sup>.

However, is what referred as “scale” here the same consistent idea for all the organizations? People may have even different ideas about “scale,” as is evident from the following questions. The results are as follows: “1. The number of members” for 403 organizations (37.1%), “2. Budget” for 78 organizations (7.2%), “3. Business areas” for 565 organizations (52.0%), and “4. Fame” for 40 organizations (3.7%). Although the number of members and number of business areas are almost occupied and approximately equal, the number of business areas is somewhat higher. When classified

as problem-solving and emphasizing-existence, the highest is “3. Business areas”; see also Table 3. However, when focusing on the number of members, the relative frequency of emphasizing-existence is higher than that of the problem-solving type. Emphasizing-existence, in other words, tends to emphasize the number of members more than problem-solving. This makes sense in that emphasizing-existence NPOs consider the reason for their activity as seeking significance in itself, such as with citizens’ solidarity.

**Table 3 Raison d’être and Image of Size**

Types of NPO (Raison d’être)	Image of Size				
	1. Members	2. Budget	3. Domain	4. Visibility	Total
Problem-solving	195 (32.39%)	54 (8.97%)	328 (54.49%)	25 (4.15%)	462 (100%)
Emphasizing-existence	199 (43.07%)	22 (4.76%)	227 (49.13%)	14 (3.03%)	602 (100%)
Total	394	76	555	39	1064

Cramer’s  $V=0.126$ ,  $\chi^2=16.868^{***}$ ,  $p < 0.001$

These suggest that problem-solving NPOs aim to expand their business areas. More emphasizing-existence NPOs tend to demonstrate maintaining the status quo of their business areas and expand their organization’s membership. Thus, their future vision involves maintaining the status quo, and their idea of scale is reflected in the number of members.

The next section illustrates how these two types of NPOs, problem-solving and emphasizing-existence, hold slightly different future visions, and differ in terms of their organizational infrastructure.

#### **4. Setting standards for organizing**

The founder of modern organization theory, Barnard (1938), provides more descriptions of NPOs than for any for-profit organization. The most typical examples are regarding churches and the military, and one naturally occurring organization is the relief efforts of voluntary and cooperative people in a catastrophic disaster. Modern organization theory, in other words, was interested in the analysis of organizations in general, regardless of whether they are non-profit or for-profit. Thompson (1967) is one of more prominent examples. Thus, a study on the organizational establishment and continuation thought in modern organization theory should give effective suggestions for NPOs.

Therefore, based on the theory of the modern organization, how are NPOs created or constructed as organizations? The following eight items are taken as standards for organizing. The meaning of each item is described as follows:

##### **(1) Whether the NPO has a full-time administrative staff**

An NPO has collective, organized portions, and they are mixed, involved, and intertwined (Tao, 1997). For example, individuals may sometimes create and manage NPOs for a specific activity. Thus, in the case of NPOs, the conditions that signal the formation of an organization and approve its organizational equilibrium (Barnard, 1938; Simon, 1947) must be clearer and stricter. An essentially established management office is symbolic of the process of organizing. If it is essentially well prepared, it can be considered as a signal of organizational equilibrium. Thus, a full-time staff indicates that organizational equilibrium has been established. It is generally typical to have some full-time management staff, as this situation reflects conscious management (Tanaka, 1998), and is

the turning point for establishing a formal organization beyond a circle or association (Tao, 1999).

**(2) Whether the NPO has supporting members**

The existence of supporting members means that an organization has external approval and support by those wishing to increase the goods or services it supplies. Supporting members might be particularly used as a symptom by which an organization has obtained a buy-in from the outside, has adapted to the external environment, and has formed an external equilibrium, as indicated by Barnard (1938) and Simon (1947). This is because supporting members can be viewed as variations of donations and grants.

Moreover, organizational equilibrium considers even enterprise customers as participants in the organization<sup>(12)</sup>. The theory of organizational equilibrium, in other words, states that formation and continuation conditions,  $I_i \geq C_i$ , or that incentives should exceed contributions, are essential for all stakeholders. Supporting members are also stakeholders in NPOs; therefore, their existence can also be a signal of organizational equilibrium.

**(3) Whether a “procedure for the dissolution of the organization” is stipulated in the association’s bylaws, rules, or similar**

One of the questions in this survey pertains to an organization’s bylaws, agreements, and so on. The questions are as follows: 1. Objectives; 2. Type of activities or enterprises; 3. Office location; 4. Procedure for the dissolution of the organization; and 5. How to change the constitution of the organization. The numbers and percentages of respondents in each case are as follows: 1,007 (91.0%); 937 (84.6%); 816 (73.7%); 294 (26.6%); and 602 (54.4%), respectively. The lowest response is for “4. Procedure for the dissolution of the organization.” The Law to Promote Specified Nonprofit Activities, that is, NPO Law, article 11, paragraph 1, number 11, requires outlining “matters concerning dissolution” as a standing rule of incorporated NPOs. However, there were originally only 23 incorporated NPOs in this survey, and 62 organizations that were applying for incorporation. Thus, far more organizations declared that they had a procedure in place for the dissolution of the organization.

Many of these organizations, in fact, also have procedures in place for other matters. Fewer than 10 organizations that had established procedures for dissolution did not have established any other procedures. Importantly, that an organization has a procedure for dissolution does not mean it is likely to dissolve; however, it does mean that it has strict rules and become institutionalized as an organization. The likelihood of dissolution is unrelated to the provision of its procedures for dissolution. If an organization dissolves, it must cease to exist, regardless of whether there is a procedure in place. Paradoxically, organizations that stipulate a procedure for dissolution are essentially refined as an organization, and are the farthest from natural extinction.

**(4) Whether the NPO used nonprofit support (not financial) or advice of local intermediary assistance centers, such as NPO support centers**

Whether an NPO has received help and advice from regional intermediate nonprofit centers, such as an NPO support center, can reflect conforming to an external environment and establishing an external equilibrium, as in case (2). Supporting members indicate adaptation to external environments outside of the same industry, while support and advice from a support center indicates adaptation to the external environment inside the same industry. Conformity with the external environment is important when an NPO is established as an organization. Acquiring such external assistance and advice can be regarded as a signal of the organizations’ outside acceptance.

However, it could be argued that organizations that receive assistance and advice seem rather immature. However, such networking activities cannot be ignored as a signal of organizing an NPO because without creating an organization, there cannot be coordination and cooperation among organizations (Tao, 1999). Many studies on NPOs discuss the importance of partnerships<sup>(13)</sup>.

Administrative agencies and companies are not the only networking actors. Horizontal cooperation, through which NPOs assist one another, is a networking activity. Most NPOs tend to consider their web pages as linked from intermediary support organizations, and their names being registered in the directories issued by intermediary organizations, as evidence of social acknowledgement.

Therefore, the presence or absence of support centers' assistance could be an organizational criterion for NPOs.

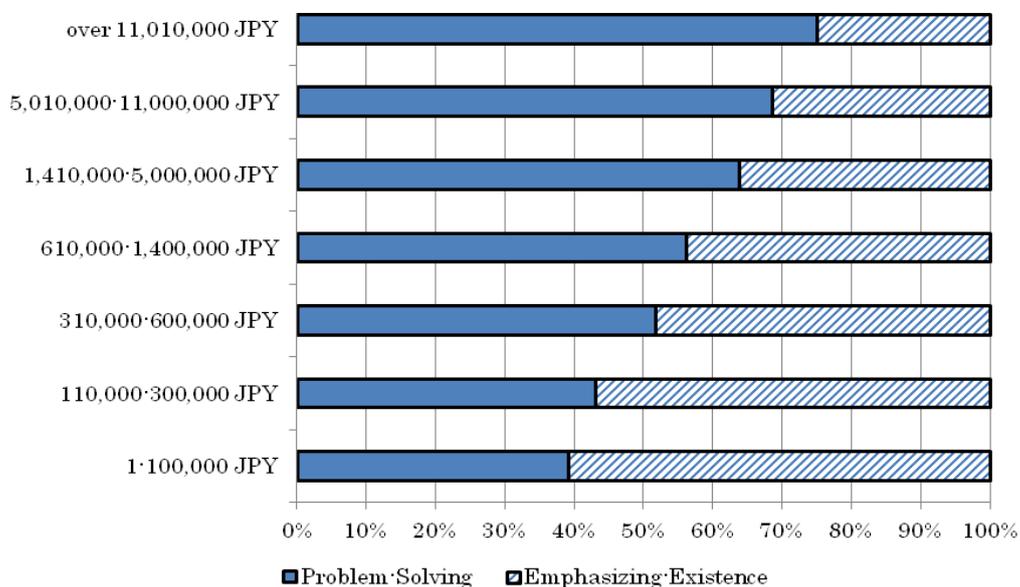
**(5) Total annual income**

According to the frequency table, organizations' gross annual income does not follow a normal distribution, with an unusually large number of organizations with 0 JPY. Further, the numbers of 0 JPY organizations with problem-solving and emphasizing-existence labels are 148 and 106, respectively, with problem-solving at 57.8%. However, the percentage of problem-solving NPOs in the overall survey was 56.7%. Thus, the ration of problem-solving NPOs with 0 JPY is near the overall percentage. This figure may include many so-called new entrants as 0 JPY organizations contain many relatively short-term organizations.

Therefore, 0 yen organizations are regarded as special observations, and they are eliminated from the data. Figure 1 illustrates a band graph of problem-solving and emphasizing-existence NPOs. It is evident from the graph that the percentages of problem-solving NPOs increase with the amount of income<sup>(14)</sup>.

Generally, more formulated NPOs have a greater annual income, and vice versa. Thus, the increase of annual income can be a signal of being organized.

**Figure 1 Relative Ratio of Problem-Solving and Emphasizing by Annual Income**



Note. The case of 0 yen is not displayed.

**(6) Number of paid directors**

Directors, secretaries, or caretakers are all referred to as directors in this survey. The results are as follows: 625 organizations (57.6%) specify directors and auditors in their constitutions and so on; 91 organizations (8.4%) specify directors only, and not auditors; 344 organizations (31.7%) have no board members rules, and only have leaders or representatives. Twenty-five organizations (2.3%)

note that all members are equal, and have neither a leader nor board members.

When a board of directors has been formed virtually, and is functioning essentially and normally, an NPO is, on average, established as an organization from their earlier collective state (Tao, 1999)<sup>(15)</sup>. However, it should be noted that some local celebrities are often instated as board members as a matter of convenience. Therefore, it cannot be known to what extent unpaid directors are involved in their NPOs<sup>(16)</sup>.

Paid directors, on the other hand, are committed to the organization in some manner, and are expected to play a functional role in the organization. Thus, this aspect can reveal the degree of “organizing,” based on how many paid executive board members exist in these NPOs.

#### **(7) Pattern of the closing account**

One question, regarding closing account patterns, pertains to which of the following four patterns are practiced by an organization: 1. Create and audit closing financial statements annually; 2. Create closing statements annually, but generally do not audit; 3. Create no closing statements annually, but do for some projects; or 4. Generally create no closing statements<sup>(17)</sup>. The numbers and percentages of respondents affirming each pattern are as follows: 1.645 (64.1%); 2.179 (17.8%); 3.88 (8.7%); and 4.95 (9.4%). It is evident that many organizations create and audit closing statements annually, which implies that all the target organizations are applying for grants and trying to accept financial accountability.

The relation between these four answers and the degree of “organizing” is self-evident. Briefly, organizations that create closing statements are more formulated and established than those that do not. Additionally, organizations that conduct auditing are more formulated and established than those that do not.

#### **(8) Patterns of the essential decision-making rule for daily policies and activities**

The following options exist regarding patterns of essential decision-making rules for NPOs’ daily policy and activities: 1. The leader decides alone; 2. The executive members decide in consultation, as needed, without establishing a formal decision-making body; 3. All members decide in consultation, as needed, including a general assembly; 4. The formal decision-making body comprising executive members decides, for example, in a board committee or executive meeting. The numbers and percentages of respondents affirming each pattern are as follows: 1.24 (2.4%); 2.235 (21.5%); 3.372 (34.1%); and 4.458 (42.0%).

According to my interview for a particular nonprofit organization, since its foundation it has always made decisions by a unanimity rule, and never by a majority vote. Decision making in such an organization is time-consuming, thereby decreasing its effectiveness. On the other hand, when the leader decides alone or the executive members decide in consultation as needed, the decision-making duration might be shorter, but the organizations’ participants could lose their willingness to serve in the organization because they are given the impression of an arbitrary management of limited members. After all, it is considered that the most formalized and organized state in organizations is to establish a formal decision-making body, comprising executive members, as aforementioned. Option 1, in short, refers to the least formalized organizations, and option 4 refers to the most formalized organizations.

The relation between the reason for existence and the decision-making rules can be shown, to a degree, using a cross-tabulation; see also Table 4. A maximum of 46.0% of problem-solving NPOs answered that essential decisions are made by a legitimate decision-making body consisting of leaders, such as a board of directors. The answer of decision-making by consulting all members, in contrast, occupies the maximum 46.0% for emphasizing-existence NPOs.

**Table 4 Raison d'être and Decision Making**

Types of NPO (Raison d'être)	Patterns of the Essential Decision-Making Rule for Daily Policy and Activities				
	1. Leader Alone	2. Executive Consultation	3. All Members	4. Formal Decision Body	Total
Problem-solving	15 (2.49%)	132 (21.9%)	178 (29.6%)	277 (46.0%)	602
Emphasizing-existence	10 (2.19%)	96 (21.0%)	183 (40.0%)	168 (36.8%)	457
Total	25	228	361	445	1059

Cramer's  $V = 0.114$ ,  $\chi^2 = 13.859^{**}$ ,  $p = 0.003$

## 5. Indicators and analysis

This research develops an organized indicator based on the eight items discussed in the previous section, and uses this indicator to examine the relation between *raison d'être* and organizing. Here it is desirable that a greater number of positive items an organization has on the indicator means that it is more organized. Next, the indicator used to measure the degree of formulation and establishment of each organization is examined.

First, each item is given a score, as follows: The score is recorded in the form of a dummy variable for items (1) to (4). That is, the score is one if applicable, and zero otherwise. The items (5) and (6) are attributed as continuous variables. It is reasonable to suppose that both the annual income and number of paid directors reflect the degree of organizing. The data in items (7) and (8) are categorical. Thus, assuming answers 1-4 are a descending degree of organizing, these are converted to scores of 4, 3, 2, and 1, respectively, for item (7). On the other hand, in item (8), the answers (4. Formal decision-making body; 1. The leader decides alone; 2. The executive members decide in consultation, as needed; and 3. All members decide in consultation) are transformed into the scores 1, 0, 0, and -1, respectively. Namely, the scores for items (7) and (8) are set as interval scales, whose points are higher for a greater degree of organizing.

Second, the raw data set prepared using this procedure may be inappropriate to the use without modifying the scores for the index because of the differently weighted scores, although their validity is nearly confirmed from some cross-tabulations. A principal component analysis using the correlation matrix indicates that the eigenvalues for each component are 2.22258, 1.11553, 0.92397, 0.91142, 0.79955, 0.70497, 0.68289, and 0.63909. The eigenvalue of the first principal component is the only measurement over two, and the eigenvalues of the other principal components are all smaller. Thus, the information of eight items is so concentrated to the first principal that only the first principal is useful. The eigenvector of the first principal component is (0.323601, 0.349440, 0.450072, 0.283069, 0.300068, 0.295390, 0.393456, 0.397966). Thus, the standardized scores are balanced among the data in all items. Therefore, the raw scores are changed to standardized scores, with a mean of 0 and standard deviation of 1. This is because the organized indicator is defined as the total standardized scores for all items. Table 5 illustrates the minimum and maximum values for each item's standardized values.

**Table 5 Organizational Indicators Composed by Eight Items**

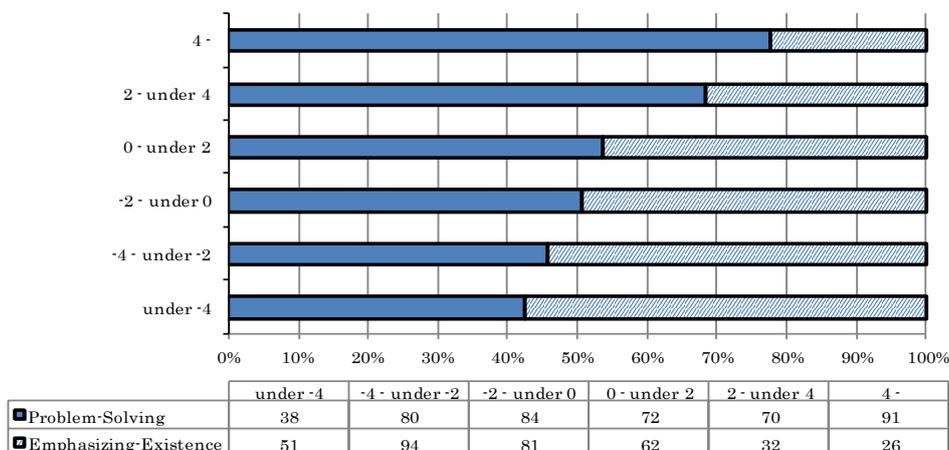
	Items	Min	Max
(1)	You have a full-time administrative staff	-0.905	1.104
(2)	You have supporting members	-0.680	1.471
(3)	A “procedure for the dissolution of the organization” is stipulated in the association bylaws, rules or similar	-0.601	1.662
(4)	You used nonprofit support (not financial) or advice of local intermediary assistance centers, such as NPO support centers	-0.530	1.885
(5)	Total annual income	-0.281	16.170
(6)	Number of paid directors	-0.221	13.028
(7)	Pattern of the closing account	-2.397	0.644
(8)	Patterns of the essential decision-making rule for the daily policy and activities	-1.241	1.060
S	Total Scores (802 organizations, average = 0.010, standard deviation = 4.226)	-6.855	26.721

Note that there may be some interaction effects among some items. For instance, having both full-time management staff and supporting members, or having some full-time management staff in the wake of a support center’s assistance to the NPO, might lead to problem-solving NPOs. These concerns are investigated using an analysis of variance, in which the *raison d’être* is used as an explained variable, and A1\*A2, A2\*A4, A4\*A1, and A1\*A2\*A4 are used as interactions. The F values display 0.23, 0.04, 0.12, and 0.00, respectively as a result, and no significant interaction terms were found. Therefore, the sum of these scores can be defined as the organized indicator, irrespective of the interaction.

When both types of organizations are classified by every two points of scores, that is, if the class interval is two, we can obtain the number of each type of nonprofit organization for every class interval. Figure 2 displays the percentages for each type of class.

As evident from Figure 2, the higher the score of the organized indicator, the higher the percentage of the problem-solving NPO.

**Figure 2 Relative Ratio of Problem-Solving and Emphasizing by Organizational Indicators**



Note: Organizations that answered all eight questions were analyzed.

## 6. Conclusions and implications

This research analyzed which types of NPOs, that is, problem-solving or emphasizing-existence, are easier to formulate and establish. The idea of the representatives about the reasons for existence and NPOs' activities is used as a proxy variable of which description an organization emphasizes from the demand side (problem-solving) or the supply side (emphasizing-existence). The results clearly indicate that demand-oriented organizations tend to be more organized than supply-oriented NPOs in the Japanese nonprofit and voluntary sector<sup>(18)</sup>.

A possible criticism of this result is that it simply highlights a straightforward result from organization theory. However, even if the ideas are a logical consequence of management or organization theory, it is notable that this has not always been the case in the area of NPOs. Many previous nonprofit studies, as noted in the first section, highlight their differences from management or organizational research regarding for-profit companies, considering initiative and amateurism inherent to volunteer activities and the campaign nature of nonprofits. Additionally, it can be sometimes observed that some nonprofit managers prioritize the principle of citizenship over the needs of the real world while conducting organizational management. Some nonprofit managers express no clear aim in building an organization because they have excessively worshiped a flat organization.

Intermediate organizations, such as support centers, play an increasing role in local areas in Japan. Consequently, network activities based on intermediate support organizations were already established around the year 2000 (Matsumoto & Takahashi, 2002). This survey illustrates that in addition to these support activities, many NPOs aim to join networks. The essence of NPOs as a supply-side-like solidarity revolution is likely to be considered to illustrate their role in society.

However, several members of intermediary support organizations were interviewed who had successfully formulated organizations, and they were observed to be much more aware of the demand for their activities. Although they are known to expand their network of community business and regions, they also indicated that their organizations were originally problem-solving NPOs if they consider the organization's point of origin. The results of the data analysis are consistent with this observation.

This is because support centers that help other NPOs are essential to organizing, to some extent. Many well-known intermediate organizations, which have acted ahead of other organizations, usually have a board of directors and management staff. Although in the long term, in summary, a network type and horizontal connection axis can also grow in the nonprofit sector, network growth is not the primary objective of NPOs, but rather, the incidental result of the organizing process.

The above discussion demonstrates that a description based on the accumulation of management's organizational logic is applicable to NPOs. This is a novel contribution of this study. It is worth noting that the common sense of organizational or management theory can play a role to facilitate discussion in the nonprofit sector.

This study indicated some empirical findings, as aforementioned. A normative discussion on whether problem-solving or emphasizing-existence NPOs are better for society is irrespective of this research<sup>(19)</sup>. The type of organization to create should be discussed by top managers and other members. This study only highlights the fact that the demand-side reason for NPOs' existence pairs well with established and continuing organizations to work as an empirical discussion.

Additionally, this study is not intended to clarify all the requirements for an organization. It focuses on the relationship between the idea of the organization's reason for the existence and organizing, although this study does not ignore the diversity of NPOs. Other factors, such as the field of activity, would certainly contribute to the differences, such as the possibility of organizing, and the

manner of thinking about the reason for the NPO's existence and its activities. This point requires further research.

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- (1) However, their life cycle model refers to both for-profit and nonprofit organizations as a general discussion.
- (2) These four generations are as follows: relief and welfare, community development, sustainable development, and the people's movement.
- (3) "Organizing" can involve various types. This study focuses on the early stage of the generation or formulation process, from simple associations to formal organization, rather than the development process of established organizations.
- (4) For example, a representative of environmental protection groups told us that they were working toward the goal of preventing global warming, that they need not continue, and that will resolve their organization once their goal is achieved (as the story of the assumptions implemented).
- (5) Regarding the history of the citizen activity center, Kobe (<http://www.kobecec.net/>) is relevant. The earthquake disaster and activities records office (March 1995 - March 1998), which was established after the great Hanshin earthquake, differentiated information in part to a "disaster and civil information office" (March 1998 - October 1999), and eventually, once the special post-earthquake situation was brought under control, the name changed to the current Citizen Activity Center Kobe, in October 1999, and the activities changed to general goal of supporting citizen activities.
- (6) This point is similar to for-profit companies in that they expand their business domain by diversification.
- (7) In one case, a Rakugo (Japanese sit-down comedy) study group of student volunteers visited a home for the elderly to console them in good faith. However, their storytelling ability was so poor that the elderly who should be entertained had to pretend to applaud and laugh, thus they became very tired (Tanaka, 1998). This example demonstrates how volunteers were complacent and overestimated their usefulness, which meant their actions could not match the needs of the real world.
- (8) Emphasizing-existence NPOs seem to pair well with network activities, but networking for the sake of networking is often a weak motivator.
- (9) Volunteer activities here mean general altruistic actions, including cases with a fee, which are not forced. This grant program is open to all organizations with such activities, and the Nippon Foundation did not narrowly interpret the volunteer in this program.
- (10) A test of the difference in years of activity did not show statistically significant results. Therefore, the difference in problem-solving and emphasizing-existence does not result from that of history.
- (11) Organizations that did not answer one or both questions were treated as missing values. In later analyses, the same treatments were performed. Thus, the number of organizations for each item and the cross-tabulation do not necessarily total 1,074.
- (12) Customers in this case contribute to an organization through purchases of goods, and an organization provides incentives through performance and price in the sale of goods.
- (13) Tao (1999) discusses the importance of networking activities in referring to the awareness of public nature

- corresponding to full-scale implementation and publication of service provision.
- (14) There are statistically significant differences in annual gross income between problem-solving and emphasizing-existence NPOs. Problem-solving NPOs are more likely to improve their financial conditions for advancing the organization than emphasizing-existence NPOs, considering there is no difference in the length of activity for the two types of organizations.
  - (15) The NPO Law (Law to Promote Specified Nonprofit Activities) requires three or more directors as a representative body and executive agency of incorporated NPOs, and one or more auditors as an audit agency (Articles 15, 16, 17, and 18).
  - (16) The average number of directors in each group is 5.16. There are no unpaid or paid directors in 439 (39.7%) groups. The average number of paid directors in each group is 0.25. There are no paid directors in 990 (89.4%) groups. The average number of unpaid directors in each group is 5.01. There are no unpaid directors in 451 (40.7%) groups. Thus, many organizations have unpaid directors.
  - (17) The number of organizations in each category is as follows: 645 (64.1%), 179 (17.8%), 88 (8.7%), and 95 (9.4%), respectively. Many organizations create financial statements and conduct audits that reflect their trying distinct accounting because these NPOs were applying for grants.
  - (18) Emphasizing-existence NPOs can be converted and oriented to problem-solving NPOs. However, in such cases, the conversion is the result not of their organizing, but of an awareness of needs prior to the organizing.
  - (19) This is because in considering the harmful effect of unnecessary departments and organizations' stretching the surviving, or resisting reforms around them, organizing is not necessarily beneficial for society.

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