The Organization of Non-Profit Activities

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Abstract

This paper is concerned with the different forms of organizations which emerge in a capitalist market society. A theory is presented which primarily aims to describe and explain *the repertoire* of organizational forms which occur in such economies. In this paper, there is an emphasis on the theoretical forms which are particularly important for the analysis and understanding of the *ideell* sector, a Swedish term roughly corresponding to the non-profit sector' (the preferred terminology in the United States), and as the 'voluntary' sector (a preferred name in United Kingdom).

This analysis is addressed to scholars who are interested in the theoretical aspects of organizing, and consequently have certain insights into institutional economics, socio-economics, and organization theory. Particularly, it is aimed at actors engaged in exploring the *ideell* sector.

There is very little information about how these *ideell* (non-profit; voluntary) organizations "work", that is to say how they are managed, organized and how they reproduce themselves. This article represents an attempt to correct this deficiency to some extent, in the form of a theoretical framework developed in this area by the author over the past decade (Sjöstrand, e.g. 1985, 1992, 1993c, and 1997). This theory primarily aims to describe and explain the *repertoire* of organizations, which emerge in a society and it permits comparative analyses of the characteristics of these various organizational forms. At the same time, this theory is intended to provide a basis for describing the action rationalities of different organizations.

Keywords: non-profit sector, organization, organizational form, multi-rationality, interaction rationale

JEL-classification: P 10

The *ideell* sector

What is referred to here as the *ideell* sector has been the object of growing attention in recent years. There are several reasons for this. One of them is basically economic (cf. the crises for the Western European welfare states), and another reason is the growing interest within the social sciences for institutional theory, and in comparative studies of various economic systems. The surprisingly weak fund of knowledge about the capitalist market-economy system, which was revealed when the Soviet Union was dissolved and Eastern Europe abandoned the planned economy format, may be a third explanation of the broader interest in institutional factors (see also Sjöstrand, 1993a, Ch. 20).

It is not easy to define the (organized) *ideell* sector — and it is even more difficult to do so in an international perspective (cf. Salamon, 1996, and Salamon and Anheier, 1996). At the global level, there are cultural and historical differences between countries to be taken into account, and this has an impact both on defining the sector and on the terms employed. This is witnessed by the lack of theoretical stringency and precision in current terminology.

But this definitional problem has been dealt with in an ongoing and exceptionally comprehensive international study, in which the aim has been to establish comparable descriptions of the *ideell* sectors in some dozen countries. In this study — initiated by the John Hopkins University in the United States — this sector, has been consistently defined, after exhaustive spadework, covering organizations which in some sense are (a) formalised, (b) private, (c) *ideell* (not designed to produce profits for their principal), (d) autonomous and which (e) involve individual ideal based contributions (work or gifts). Obviously, there are borderline cases in every direction — vis-a-vis the state, business, the family etc. But basically, there seems to be a reasonable international consensus as regards these five criteria.

Organizational Forms — Empirical, Theoretical and Legal Perspectives

The analysis in this section follows three related but primarily distinct paths. Firstly, organizations are treated as *empirical* phenomena (cf. *Volvo,* the *AIK* sports club, the *Red Cross*, etc.). In this context, the organization concept is employed in a relatively general (=non-theoretical) sense, referring to organized interactions irrespective of their legal format or type of control exerted by their principals.

Secondly, a number of *theoretical constructions* concerning forms of organization are presented — that is to say a coherent theory, in which the aim is to make it possible to effectively describe and analyse similarities and differences between empirical organizations. Here, the theoretical framework is presented in the form of a number of interrelated *ideal types* in order to make the description as succinct as possible.

Third, and lastly, there is discussion of a number of *legal definitions* concerning the terms on which people in a society are recommended or permitted to form associations. Thus, one focus is on the legal order, since it has a special status in comparison with all the other regulatory mechanisms and norms found in a society. The unique feature is that the legal order is based on the state and, hence, ultimately depends on access to compulsion as a sanction (cf. the state monopoly to apply force to maintain compliance with its rules). The three perspectives on organization presented are interrelated (see Figure 1, below).

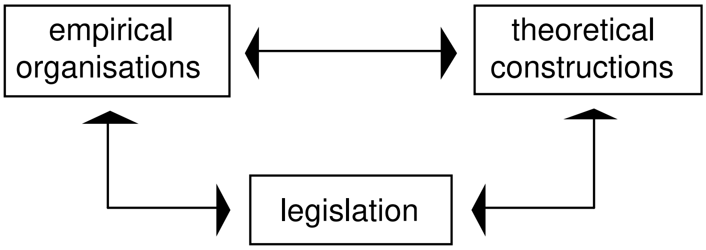

Figure 1: Three related phenomena — empirical organizations, theoretical forms of organization, and legislative provisions regarding the rights of association.

Thus, empirical organizations, theories about organizational forms and legislation concerning organization exert a mutual influence on each other. This influence is primarily expressed as:

- Experience of practical organization influences the constructions developed by both legislators and theorists.

- Organization theories developed by researchers permeate existing management and organization training programmes. They are also reflected in the perceptions of day-to-day business operations conveyed by practitioners. Directly or indirectly, they also influence action taken by legislators.

- Legislators intervene in and try to steer the practical aspects of organizing to some extent. In addition, legislative texts often provide a basis for the work of organization theorists.

These three perspectives become confused in many contexts, i.e., no clear distinction is made between the *empirical organization* (e.g. the Red Cross), the *legal form* concerned (e.g. the *ideell* association) and the *theory* which is supposed to reflect the unit in question (e.g. the [ideal type] association), although it is analytically useful to distinguish between them.

The Origins of Organizing

Organized human interaction occurs because people perceive significant differences between individuals. The differences experienced are one of the two prerequisites for the occurrence of interactions and exchanges between individuals. They involve human resources in a broad sense — everything from gender, physique and personality to values, experience, competence and skills. Specifically, different *perceptions* of these distinctions are important, since they are the basis for actual interactions and exchanges.

The other prerequisite for the emergence of exchanges and organizing is a matter of people's belief that human values or utilities can only be achieved through collective action. Ideas that individuals can see the possibilities and make use of *economies of scale* and comprehend the existence of various kinds of *indivisibles* are important in this context. The concept of scale economies involves both the advantages of a division of labour/specialisation (cf. learning effects) and the advantages of high volumes (cf. technological opportunities). The concept of indivisibility involves the realisation that certain tasks cannot be performed by unrelated individuals.

Achieving something which is possible collectively, but not individually, calls for some form of co-operation or exchanges between the participants. This process involves the *organizing* of activities which, in practice, can bridge the distances or "gaps" of various kinds which exist between human beings. These gaps represent uncertainty, as far as individuals are concerned. They can be described in several different ways. On the whole, they represent *human* (differences in ideals, experience, education, resources, etc.), *spatial* (geographical distances between people) and *temporal* (expectations or promises of future achievements) gaps. Such distances must be bridged if the advantages of exchanges and co-operation are to be won. As stated above, the motive behind efforts to close these gaps is the prospect of producing outcomes which greatly exceed what single individuals can achieve on their own.

This argument may be supplemented by the idea of the individual as a social being. Interactions and exchanges (in a broad sense) between people may then be seen as values or utilities in themselves. The individual or, more precisely, individuality, "is created" (is formed) in an interaction with others. Thus, paradoxically, individuality is fundamentally a collective phenomenon.

Something About Different Theories Concerning Human Organizing

The theory developed in this section (see also Sjöstrand, 1985, 1992, 1993b, 1993c and 1995) is based, on the one hand, on an *individual* (micro) explanation (individuals are differently equipped and they must surmount different mutual distances in order to cope with uncertainties) and, on the other hand, on a *collective* (macro) explanation (individuals see opportunities to reap advantages of scale, or to handle indivisibilities by means of co-operation — i.e., by organizing and exchanges in various forms).

Other researchers have of course already pondered theoretical explanations for the existence of various organizational forms in societies. One common route, as far as orthodox economists are concerned, is to refer in the first instance to *"market failure"* and secondary to *"government failure"*. Another 'failure driven' approach is Salamon's "voluntary failure" perspective (Salamon, 1987). In principle, the former approach at best is explicitly based on the idea that "in the beginning there was markets" (or that markets represent the primary, fundamental, "natural" form for human interaction), and that such markets are populated by *homo oeconomici*, or rational, calculative "economic men" (Sjöstrand, 1993, 1995). This is obviously an arbitrary assumption. It is probably just as reasonable (or unreasonable) to take the family, the clan or the tribe as a starting point, and then refer to *the failure of the family* when other forms of human organizing have to be explained.

Moreover if we want to find an explanation for the existence of *ideell* (non-profit; voluntary) organizations, it would be reasonable to abandon the *homo oeconomicus* assumption, and instead base our explanation on the advantages which are rooted in the empirically demonstrated *multirationality* of individuals. The possibility of different rationalites is explored in the next section. We note for now, however, that the claim that people form *ideell* organizations because of a distaste for calculative/rational (capital logical) forces is a central example of this approach.

Relatedly, these types of argument tend to regard *ideell* organizations (in particular) as "counterweights" to other organizational forms. According to this approach, *ideell* organizations are developed to counteract (a) the dominance of the state (over the individual), (b) structural asymmetries in the market (e.g. very strong, almost monopolistic organizations) or (c) the hegemony of the family/dynasty (at the expense of the individual).

These theoretical arguments are all basically *functionalistic* — they introduce the *ideell* organization phenomenon to rectify certain deficiencies in the functioning of other organizational forms. This approach also reduces *ideell* organizations and the type of rationality associated therewith (see below) to a corrective and somewhat marginal factor. In addition, it is often difficult to see whether this functionalism is a question of genuine deficiencies in empirical phenomena or whether it is based on theoretical arguments about the deficiencies of *ideal types,* in principle (Sjöstrand, 1993c).

Interdependent Utilites

There are also theorists who do *not* use the failure of the market, the family or the state to explain the existence of *ideell* organizations (e.g. Hodgson 1987, Etzioni 1988, Anheier 1990 and 1995, Sjöstrand 1995). Some of them combine a focus on the individual (the micro-level) stressing complexity (multirationality; cf. the next section) as a way of supplementing the theory described in this paper. The ideals which are organized are embraced for a variety of reasons — this includes those which only promote self-interest (and lead to material, status- oriented or personal utilities), but also those which exclusively contribute to the utilities of others ("pure" altruism). In practice one's own utilities and those of others are intertwined, while the scope of the definition of "others" varies (cf. the range of special and public interests). But, irrespective of how we interpret actions in terms of egoism or altruism, differences in the mixture of utilities between ego and alter are of the utmost importance for the functioning of societies.

Thus, for example, one might imagine a male skater who has fallen into a hole in the ice. He calls for help, and a female passer-by hears the cries. If the passer-by walks on, this may be interpreted as maximisation of *her* utility by not risking her life (but the skater's utility will be zero). If, instead, the passer-by risks her life by intervening, this may be interpreted both as altruism (she did it for someone else) and as egoism (she did it purely for herself, since she could not live with the thought of not trying to save the skater or — alternatively — because she might well someday end up in the same position herself, and then she would have liked to think that she would have received assistance).

The point is that, irrespective of whether we interpret the passer-by's action as egoism or altruism, the societal consequences will be dramatic if walking-on becomes the predominant pattern of behaviour, rather than trying to save a fellow human being's life. Thus, acting with the utilities of other people in mind produces a different kind of societal organizing than when self-interest is the exclusive guiding star.

Interaction Asymmetries

In some failure oriented as well as other explanations of the existence of *ideell* (or non-profit or voluntary) organizations, there is an emphasis on the fact that human interactions are frequently characterised by severe asymmetries. One party is often at a disadvantage, usually in terms of information, because it is difficult to assess a product or a service from a technical, biological or some other point of view. This means that there is a considerable risk that the individual concerned will make a mistake, particularly if he or she is dealing with a counterpart backed by strong resources. In cases like this, it is important to be able to *trust* one's counterpart. This may sometimes even mean that it is a good idea to be "one's own counterpart", i.e., that there should be some form of "co-operative" organizing. At the very least, it indicates that the interaction benefits from being based on mutual confidence, for example as a result of common ideals.

To some extent, the uncertainties which are associated with exchanges involving goods and/or services which are difficult to assess or check are reduced by far-reaching investigation of the product, the counterpart or other factors, by drawing up detailed contracts and guarantees or by specifying the consequences of breach of contract. Such measures make such heavy demands on resources, however, that the costs of the exchange normally become significant.

From a theoretical point of view, it is possible to select *any* of the ideal type forms of organization discussed above (the market, the state, the family, etc.) as the starting point for analyses. Obviously, this choice is absolutely fundamental, since it has far-reaching consequences for the entire subsequent theoretical structure. In the theory developed below, *no* ranking-order is introduced in this respect. Instead, it is assumed that people in general make use of four (interactive) ways to reduce uncertainty, namely through *calculations* (cf. markets), shared *ideals* (cf. *ideell* organizations), *status/positions* (cf. families and dynasties) and, finally, through *coercion* (cf. the state). Thus, no assumptions are here employed regarding some imagined sequence (for example, from the market to the state; see also Sjöstrand 1993c). The following section describes a conceptualizing.

Rationalities and Asymmetries

This section describes two fundamental dimensions of human transactions which will be drawn upon in the subsequent discussion of forms: the (multiple) *rationality bases* of interactions, and the *symmetries* (cf. networks) or *asymmetries* (cf. power relationships, hierarchies) which emerge among the interaction individuals. Underlying the idea of the differing rationality bases of human interactions is a view of human beings as both interactive and complex. This complexity corresponds to three different qualities (calculative propensity, upholding ideals and genuineness) which are always — but to a varying degree — present in human interactions or organizing activities.

The assumption of calculative rationality has dominated economic theory for a long time to the extent that it is synonymous with *homo oeconomicus*. The two fundamental elements this concept embraces are, on the one hand, the idea of calculation, per se, and, on the other hand, the motive forces produced by such calculation. The former is primarily a question of calculative rationality (sometimes referred to as Rationality with a capital R; see Sjöstrand 1992 for a critical analysis of this approach), and normally based on economic logic. The latter refers to the aim of promoting (one's own) utility, and that in this context there is — at the very least — an ambition to maximise this utility.

Calculative relationships between actors suggest that the interaction or exchange occurs between strangers, and that there is a one-off, momentary transaction. Information in such exchanges takes the form of the price and function of the good or service. Exchanges based on calculation give individuals a kind of external identity (cf. material attributes and symbols), thus contributing to both their physical and mental welfare. This relatively "one-dimensional" concept of man is justified in some (pure) economic theoretical constructions — at least as far as certain types of problems are concerned. In particular, this type of formulation is appropriate in contexts where relationships are temporary or where the participants are strangers, with no claims on each other. This involves situations in which people are more interchangeable, are not unique and are regarded more as anonymous role-players than as individual personalities.

However, a concentration on calculative relationships is basically inadequate when aiming to provide a theoretical explanation of the existence of the *entire repertoire* of organizational forms (or associated transactions), which occur in a society. Most obviously, it must be taken into account that people who enter into transactions or who co-operate very often have some kind of knowledge about each other, that is to say that a relationship exists which is more than momentary and is not of a one-off nature. Thus, exchanges do not only take place in anonymous (mass) markets but also between people who are (well) known to each other — as acquaintances, friends or within the same family. Thus, doing something together is not always primarily an expression of exchange actions in a narrow utilitarian sense. Other ingredients are frequently just as important, for example reciprocity between friends or between relatives. To treat this reciprocity as a calculative exchange transaction is simply too reductionistic.

Both the utility perspective and an approach which takes relationships seriously are requested in a theory of organizational forms. Relationship theories become relevant when the exchanges are of a more permanent nature and when people know each other, and are imbued with meaning by the identity of the actors. The exchange act itself has social or communicative functions extending beyond, or supplementing, the actual immediate and instrumental interaction. In this kind of situation, individuals count for a great deal, precisely on a personal(ity) basis. Two distinct types of relationships can be introduced into the theoretical construction, at the same time giving the concept of the actor a sounder basis from an empirical point of view.

First there is a rationality rooted in relationships based on *shared values and ideals.* Second, there is a rationality based on *genuine* relationships linking human beings. Each is considered in turn below.

Ideal-based rationality copes with uncertainty by uniting individuals who are not acquainted with each other, on the basis of explicit, common values. These shared values and ideals establish a sense of trust which bridges human, geographical and temporal gaps/distances. Organizing on the basis of common ideals primarily gives individuals a feeling of participation in (some) human ideals, and this provides a *social* and *cultural* identity. Ideals unite unrelated individuals and provide a shared context.

Second, dealing with uncertainty from a *positional/status* perspective is expressed as *genuine* relationships between human beings. Relationships of this nature are termed 'genuine' because they refer to close relationships of the friendship, family and kinship type. Some researchers even claim that the family relationship is the most crucial one for human beings, and therefore often functions as a kind of prototype for other relationships (e.g. Haralambos, 1980; Aldrich and Whetten, 1981, and Kelly et al, 1983).

Genuine relationships are sometimes biological and/or determined by love and affection, and sometimes they are of a friendship kind characterised by trust. Generally, they include an *emotional* tie, and the involved human beings are unique and irreplaceable to each other. The relationship itself is also unique and important, per se. Consider qualities such as genuineness, trust and confidence between human beings. This type of interaction provides an identity which can be characterised as virtually *biological* and/or *personal.*

In this context, it may be appropriate to comment that, when faced with particularly important exchanges or interactions, people tend to try to reduce uncertainties by means which are not purely calculative — in other words in the two alternative ways mentioned above. This applies especially in complex and changeable circumstances. Consider, too, how human beings handle information about goods or services which are "opaque" and hard to comprehend. In such cases, they often also look for information about the individual or organization which supplies such goods/services. In other words people try to reduce uncertainty by establishing more personal, trusting relationships.

In summarised form, this expanded (but still heavily simplified) conception of human beings is an attempt to offer an assumption about people, which is more soundly based from a scientific and empirical point of view, than the predominant idea of *homo oeconomicus.* This extension of the approach to humans as *homo complexicus* is essential to achieve a richer and more sophisticated description and analysis of the various organizational forms which occur in a modern society. Hence, the concept of *homo complexicus* provides the basis for the theory which appears in the following.

Asymmetries

As already mentioned, the basis for this theory of organizing in a society is not purely the rationality of relationships (cf. calculation, ideals and genuine relationships). Attention has already also been drawn to the *concept of (a)symmetry*. The existence of these asymmetries between interacting human beings may be explained in several different ways — ranging from biologically determined asymmetries (cf. the relationship between parents and their children) to variations in people’s perception of the asymmetry phenomenon per se (cf. ideas about democracy, equality of opportunity, solidarity, etc.).

Asymmetries can also be explained on the basis of fundamental assumptions about mankind. Some scholars — once again mostly economists — assume that human beings function as a *homo oeconomicus “with guile”*, that is to say like “devious, false opportunists” (e.g. Williamson, 1975). Since such (guileful) individuals only seek their personal advantage, they will — as far as possible — try to avoid making personal contributions in exchanges and interactions, and instead try to take advantage of others. This leads to a need for control, not only over non-opportunists but for all those involved, to ensure that free-riding is minimised. Asymmetry in the form of a hierarchy thus provides a solution for this need for control — some people are appointed to monitor that others do not shirk their responsibilities.

Another important theoretical explanation of the existence of asymmetries (hierarchies) is based on human endeavours to achieve efficiency — based on the idea that the hierarchy is often superior to the network as an information processing structure (the hierarchy economises on the number of interactions). However, the main effect of asymmetries (and hierarchies) is that they standardise and establish predictability. In this sense, hierarchies absorb uncertainty, and this encourages exchanges and interactions. This is clear in hierarchic organizations in which superiors establish restrictions for their subordinates.

The Repertoire of Organizational Forms

If the two fundamental dimensions (bases for rationality and [a]symmetries) are brought together as the basis for a theory of organizing six types of ideal type constructions emerge, namely the three *symmetrical* forms — the *market*, the *movement* and the *circle* — and also the three *asymmetrical* (hierarchic) forms — the *firm*, the *association* and the *clan*. Figure 2 (below) presents the three symmetrical forms. Apart from the rationality bases concerned (calculative, ideational or genuine relationships), the figure also reveals where the interaction information is localised (price, text or position/status), its fundamental function (exchange, [re]distribution or reciprocity), and its reproduction content (capital, ideals/values or trust).

In this section the characteristics of each ideal type construct is identified, starting with the symmetric cases and then continuing with the asymmetric ones.

TYPE OF RELATION	Organisational form	Information locus	Interaction purpose	Reproduction content
calculative	MARKET	price	exchange	capital
ideal based	MOVEMENT	text	redistribution	ideals
genuine	CIRCLE	position	reciprocity	trust

Figure 2: Three symmetrical *forms of organization: market, movement and circle.*

The Market

The theoretical *ideal type* market is characterised by a situation in which a number of people are "in contact with each other" with the object of making voluntary exchanges of goods or services. Every specific individual does not have to be in contact with every other individual, however. Thus, the market is an *arena* (psysical as well as more abstract) in which exchanges take place.

The theoretical market place is also characterised by the fact that there are a great many actors — normally referred to as “buyers and sellers” — and that they do not know each other. Contacts are impersonal, on a one-off basis and they are confined to price information — human identities are of no importance in such transactions. In addition, it is assumed that the goods and services can be comprehended. Either they are simple and make small demands on the individual's cognitive capacity, or they are more complex, involving assumptions about perfect information and infinite human cognitive capability.

Market exchanges are based on speculative dealings in the face of an uncertain future. Producing for a market is based, for example, on expectations about future demand. Sales are not certain and, in addition, exchanges in an ideal type market are based on the confidence of individuals in the price as an adequate means of communicating information (in other words that the price ultimately reflects an efficient use of society's resources). There is a total lack of asymmetries in an idealtype market. This means that one actor cannot unilaterally establish the terms of trade for another and, its turn, this implies that there are no regulations issued by some kind of superior unit. Hence, the ideal type market is *spontaneous, voluntary and non-hierarchic.* It constitutes a summary of the voluntary interactions and exchanges of random individuals (cf. classical references to “the invisible hand”).

The Movement

The combination of network and ideal (value) based relationships is labelled the *movement* (cf. Fig. 2 above). In its pure form, it is built on dimensions related to the special focus of this paper, that is, to organizational forms for the *ideell* (non-profit; voluntary) sector. The movement introduces ideas about the *interactive* and *complex* human being — about *homo complexicus.*

As understood here, ideal type of movements organize the (re)distribution of valuables and resources (voting rights, wealth, health, time, etc.) They have their roots in ideals which are upheld by their founders (members, etc.), and the *text* (e.g. the Bible, the Koran, the specific statutes, etc.) is the bearer of the crucial information, legitimising (i.e. explaining and justifying) daily activities and permitting participation in some of mankind's hopes or utopias.

Moreover, the religious variation on the movement theme offers affinity in a wider context. In other words, ideal, ideologies and religions give meaning to activities, providing the means for conveying awareness and meaningfulness. They structure existence and, at the same time, offer people relationships with one another, making them aware of existential matters (who they are, what the world is like, the nature of society, etc.), what is fine and what is good (legitimating desires and demands), and what is possible. Movements are organized and upheld by ordinary people, that is to say people who embrace the ideas or ideals concerned, although the texts are often formulated by individual, more unusual people. Their organizing power is frequently the result of dissatisfaction with the existing state of affairs, and this feeds a strong commitment for or against certain values.

In addition to the special rationality basis which upholds the ideals of the movement, a brief synopsis of the theoretical concept of the movement also includes a (re)distribution objective (e.g. allocation of wealth), a restricted circle of people (cf. membership), durability (individuals demonstrate a certain degree of stability when it comes to values and ideals, and sometimes a life-long commitment), replaceability (any individual who upholds the movement's ideals is a potential member of the organization), partiality (individuals devote a clearly defined period of time to their involvement with the movement) and voluntariness (membership of the organization is a matter of individual choice).

The Circle

The *circle* is the third theoretical organizational form. In addition to the network construction, which it shares with the market and the movement, the circle is characterised by *genuine* relationships. Genuine relationships express something of the very basis for human existence. In the family, some of them are in fact biologically determined — “blood” relationships, while others, in particular marriage, are constructed or derived by convention, and can potentially be terminated. Other genuine relationships — perhaps most of them — are based on ties of friendship. Genuine relationships frame position or status, that is to say they give people ingredients which form part of their personal identity. In contrast with the other theoretical ideal types which have already been described (the market and the movement), the ideal type circle is not always voluntary. In the case of the kinship determined variation of the circle, the ties may be compulsory — the individual is born into the relationship.

Relationships based on friendship may be defined in at least three senses. They may involve a private (intimate) relationship which involves the individual as he "really is" (=undisguised), as a person(ality), and not as a member of a collective or some other category. There are no pretences or disguises — the relationship is *genuine* and natural, being based on trust and intimacy and a knowledge of what the other parties "are really like". The individuals concerned are irreplaceable from each other's point of view — they are not interchangeable with others. Friends and friendship are not evaluated in public — this is something which is not talked about in the public sphere. Furthermore, friendship has nothing to do with the formal aspects of life (legal provisions, etc.).

Thus, the *circle* is based on symmetrical, genuine relationships resulting either from inherited or environmental circumstances or from common interests. The circle gives human beings a personal (cf. friendship) or biological (cf. kinship ties) identity. It establishes a sense of security by channelling dependence on other people into mutual, unutilised paths. In addition, the circle is a "complete" or broad relationship (cf. generality). The individual participates with a higher proportion of his overall personality and for longer periods of time (durability), and is not interchangeable. The circle encompasses both voluntary membership (a circle of friends) and compulsory forms (kinship).

Each of the three ideal type, symmetrically-based organizational forms discussed so far has a hierarchical "equivalent" (see below, Figure 3). In the case of the market, the corresponding form is the *firm*, and in the case of the movement and the circle the equivalents are the *association* and the *clan*, respectively[2].

The Firm

As indicated in the introduction, the hierarchic equivalent of the market is the *firm.* Thus, the firm, as an ideal type, represents a combination of calculative and asymmetrical relationships. As a theoretical construction, the firm, which represents accumulation of capital, contains a limited number of actors who interact on a relatively permanent basis.

It is assumed that the individuals who work together in this organizational form have mutually asymmetrical relationships in which some position holders establish the terms (rules) for others (=hierarchy). Hence, the rules operate as the primary medium for the hierarchy. These rules affect the firm's actions, but basically they only represent a *means* — the *objective* is the conservation and pre-eminence of capital (see Figure 2, above) and, fundamentally, this objective determines the rules. In the firm, hierarchical rules — which are also derived from the calculative approach — supplement (market) price as a source of information. Despite the durable nature of exchanges, which has been noted above, relations are basically impersonal and individuals are interchangeable — the (calculative) logic of capital constitutes the basis for rationality in the firm.

[2] Note that this use of 'clan' differs from that of Ouchi (e.g., 1980), who — surprisingly, judging from the choice of term — linked it *not* to the family, but to shared ideals more in general.

The Association

The theoretical construct the *association* is the hierarchical equivalent of the movement representing a combination of asymmetry (hierarchy) and ideal based relationships. More specifically, it represents a collection of individuals (since only people can express ideals), and, thus, it contrasts with the ideal type firm, which, instead, involves the accumulation of capital.

In the purely theoretical association, action is ultimately determined by a combination of hierarchical rules (the means) and ideals (the objectives). The latter are the basis for the development of the rules (norms). The rules differ in accordance with the ideals which are cherished by the organization concerned (for example democratic ideals combined with appropriate hierarchies and statutes). The association is also characterised by the fact that its actions are influenced by previous events — in other words its activities are affected by history, and are not purely based on momentary considerations.

The Clan

The third asymmetrical form for human organization is here referred to as the *clan.* It is a theoretical construction based on a combination of asymmetries (hierarchy) and genuine relationships, and it represents a distinct set of individuals — not an accumulation of capital. In this case, hierarchy refers to *biological* factors, that is to the relationship between parents and children, and within dynasties and kinship groups.

In its pure, theoretical, ideal form, the clan forms a structure which is regulated by hierarchical, reciprocal rights and obligations based on blood and marriage (like) ties. Clan positions are stable, and position or status can only be established, changed or terminated via (biological) reproduction, marriage or death. In the ideal type clan, such vertical relationships tends to predominate over horizontal relationships. Moreover, individual aspects in the clan are de-emphasised in relation to collective aspects, that is to say in relation to the family, dynasty, etc. The individual’s social and cultural definition occurs in relation to this collective. Figure 3 (below) shows how each of these categories are related.

If we try to summarize some aspects of the above line of argument: *capital* is reproduced in the ideal type firm and market, while *ideals* are reproduced in the ideal type movement and association. Finally, *trust* is reproduced in the ideal type circle and clan (cf. Figure 2 above).

	calculative relation	ideal based relation	genuine relation
hierarchy	FIRM	ASSOCIATION	CLAN
network	MARKET	MOVEMENT	CIRCLE

Figure 3: Six theoretical (ideal type) organizational forms.

The State

The described repertoire of organizational forms may be supplemented by a further — and in some ways “murkier” — dimension which has been only briefly touched on hitherto, namely the distinction between voluntariness and compulsion. The latter is here understood in terms of interactions based on *coercion,* seen in its pure ideal type form in the *state* (an expression of monopoly as far as the use of force is concerned). The corresponding network-like form is labelled *anarchy,* which in this context resembles the classical concept of "the struggle of everyone against everyone else" (cf. Hobbesian anarchy).

Both these theoretical constructions — the state and anarchy — may in a certain sense be regarded as *meta*forms for human organizing. However, they must not be perceived as unfruitful or irrelevant in the analysis process at the empirical organization level. On the contrary, the basis for the relationship (coercion) is also represented at the empirical level — although to varying extents, and often without legitimacy.

It follows therefore, that this theoretical construct *state* has a special standing in this context. In its pure, ideal type construct, it represents society's regulation of, for example, its forms of organization — a function which ultimately is based on the existence — and importance — of *territorial affinities* of human beings. Thus, territory is the basis for the state and coercion its "information locus".

There are many studies and analyses of the logic underlying the emergence of the authority of the state — ranging from philosophers who have pondered over the question of the "minimum state" to political scientists who have analysed, in theoretical terms, the differing shapes and workings of government authority.

In a discussion of organizational forms, it is sufficient to note that the state provides *metanorms* through legislation, and that this includes the statutes of organizations and the way they operate. Such norms are unique, since they are ultimately maintained on the basis of possibilities of the state apparatus employing coercive force (something which often, but not always, is democratically legitimated). These metanorms usually refer to various forms of legislation.

In this context, corporate legislation and acts affecting the right of association may be taken as examples, but there are also other types of laws which have a fundamental impact on the organizing of human activities — for example legislation in the family and inheritance fields, and provisions based on contract or property rights. In principle, and in outline form, Figure 4 (below) may be said to illustrate attempts by society, via government authorities, to provide certain norms for organizing and exchanges, which acquire special weight as a result of legislation. It can also be seen that these norms may be readily related to the theoretical ideal types (discussed above).

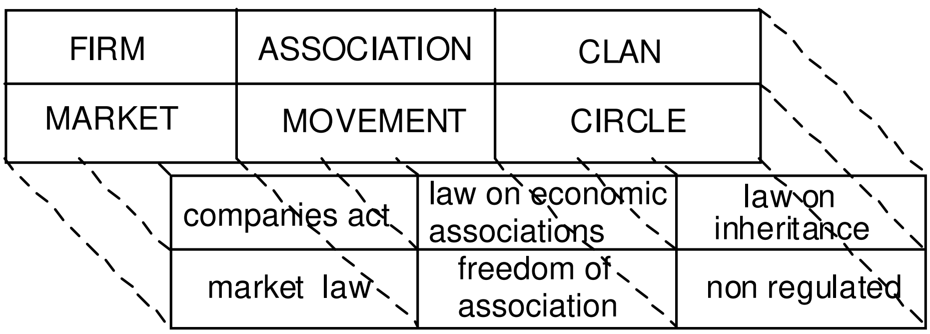

Figure 4: Examples of relationships between theoretical constructions of organizational forms, on the one hand, and specific legislation, on the other.

Thus, legislation is not enacted without regard to Economics and Organization theory. Instead, there is an interaction, as already indicated in Figure 1 above. Quite simply, legislators try to guide the organizing of activities into forms, which are believed to be desirable for society. This is achieved by focusing on such forms as the only feasible alternatives. In other words, legislators take over some of the individual organizers' costs by providing a kind of "package solution" for regulating exchanges and co-operation between human beings (cf. the limited company; see Sjöstrand [1985 and 1993a] for a more detailed analysis.)

Empirical Organizations *versus* Theoretical Constructions

Neither the theoretical ideal types, which constitute a whole repertoire of forms for organizing, and which are described above, nor the existing legislation in this area should be confused with real, empirical organizations operating in an economy (cf., once again, Figure 1, above). In this case, the theoretical platform represents a refinement of certain characteristics (in the form of ideal types) which are important for organizations.

However, none of these theoretical forms corresponds to any empirical organization — except perhaps on a temporary and exceptional basis. In practice, the entire repertoire of theoretical forms is represented in an individual organization — although in varying degrees. In some organizations, perhaps, one might — *a priori* — expect a certain predominance of qualities which are associated with *one* of the ideal types — but only empirical studies can provide more definite information in this respect.

In the Red Cross, for example, it is possible to imagine, at least until more comprehensive studies have been undertaken, that an analysis based on the theoretical ideal type *association* might prove to be reasonably satisfactory. Similarly, once again on an *a priori* basis, it might be expected that the legal form for an *ideell* association is consistently utilised.

As illustrated in Figure 5 (below), however, an empirical study of the *Red Cross* might show that other (theoretical) ideal type qualities could also be as important. It might even prove, for example, that the ideal type *firm* (cf. the calculative, capital reproducing rationality) could play just as prominent a role as the *association* ideal type (cf. the ideal based rationality), which was expected to dominate.

The above argument concerning the Red Cross could obviously be extended to apply to all empirical organizations — and this opens up a new way of looking at, describing and explaining organizing and organizations in a society. Awareness of the entire theoretical repertoire provides possibilities for a more objective analysis of both similarities and differences in the wide variety of activities carried out.

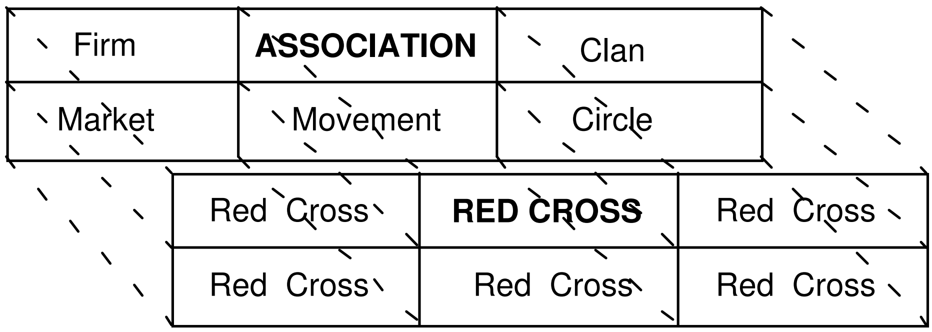

Figure 5: The entire theoretical repertoire of ideal types regarding human organizing is relevant for any empirical organization. In this figure, which uses six of the introduced ideal types, the legal unit the Red Cross is taken as an example. The use of capital letters to denote the association indicates that many observers may — a priori — consider this to be the explanatory ideal type. Unbiased empirical studies may, however, show that such a position is fallacious.

Hence, as already pointed out in several contexts, each ideal type is not designed to depict (approximate to) a *particular* category of empirical organizations as closely as possible. Instead, the aim is to focus on the crucial qualities, which may occur in the entire repertoire. These qualities can then be combined and used in descriptions and analyses of all the ways in which existing organizations function in practice — the way they are managed, the strategies they develop, and so on.

Some final reflections

Organizations in the *ideell* (non-profit; voluntary) sector cannot be effectively described and analysed purely on the basis of theories rooted in and developed for firms and markets. A more complex economic organization theory is called for, encompassing the special characteristics which exist in the *ideell* dimension, in all its variations and forms of emergence. This presentation is an attempt to establish a theory of this nature.

It is to be hoped that this paper will provide a platform for a deeper practical and theoretical understanding of the various organizational forms which exist in a society, and why they exist (each form separately as well as the entire repertoire in combination). As mentioned initially, the aim of this presentation of the whole theoretical repertoire of organizational forms is to try to focus on and clarify the rationalities behind the different theoretical constructs.

In practice, this means that the entire theoretical *repertoire* of organizational forms is applied in analyses of specific organizations, based on the rationality bases of interactions and on (a)symmetries. Compare this with the outline analysis of the Red Cross, summarised above in Figure 5. Instead of the Red Cross one could introduce into such an analysis other *ideell* (non-profit; voluntary) organizations from such diverse areas as sports and leisure activities, employee benefits, adult education, housing, social care service, religion, medical care, research and development, politics and environmental issues.

If the theoretical underpinnings of the entire repertoire can be revealed in this way — and not confined to one or two specific forms such as the market or the firm — it is suggested that it will be possible to neutralise some of the "wobblings of our age" (both to the "Left" and to the "Right"). This might mean that we could avoid at least some of the decimation and destruction of organizational variation and diversity — that is, on a theoretical basis explain why and how there is a truly important *ideell* (non-profit; voluntary) sector in capitalist market societies. The expected outcome would be the same — a presence of the entire repertoire of theoretical forms in each *ideell* organization.

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