Nonprofit and Voluntary Sector Quarterly

http://nvs.sagepub.com/

Unconditional Reciprocity and the Case of Italian Social Cooperatives

Simone Poledrini

Nonprofit and Voluntary Sector Quarterly published online 27 January 2014
DOI: 10.1177/0899764013518844

Article

Nonprofit and Voluntary Sector Quarterly
1–17

DOI: 10.1177/0899764013518844
nvsq.sagepub.com

Unconditional Reciprocity and the Case of Italian Social Cooperatives

Simone Poledrini[1]

Abstract

Although scholars of the nonprofit sector have looked at the theoretical implications of social enterprises (SEs), more details and clarification are desirable. In particular, most previous theoretical work refers to the nonprofit sector generically and fails to account for the particularities of organizations within a more general definition of SE. This article surveys previous theories and proposes a framework based on the theory of reciprocity and the concept of unconditional reciprocity to interpret a particular kind of SE: the Italian social cooperative.

Keywords

nonprofit sector, social cooperative, social enterprise, theory of reciprocity

Introduction

In recent years, social enterprises (SEs) have been studied in great detail. These studies concern numerous aspects of SEs, such as the links between the cultural, social, economic, and political development of various types of SEs (Kerlin, 2009, 2010, 2013). Some highlight the differences between American and European SEs (Defourny & Nyssens, 2010; Kerlin, 2006). Others consider the problems of finding financial resources and conducting business (e.g., Dees, 1998; Moore, 2000; Froelich, 1999), real-world examples of SEs (Spear & Bidet, 2005; Thompson & Doherty, 2006), or the theoretical perspective (Borzaga & Tortia, 2009; Valentinov, 2008). The latter aspect needs further investigation.

Indeed, as Borzaga and Tortia (2006) asserted, the prevailing theory in nonprofit studies explains the existence of SEs using a theoretical framework from traditional

[1]University of Perugia, Perugia, Italy

Corresponding Author:
Simone Poledrini, Department of Economics, University of Perugia, Via Pascoli, Perugia 06100, Italy.
Email: simone.poledrini@unipg.it

economics linked to the *homo oeconomicus* paradigm. Researchers have shown, however, that this theoretical framework is not adequate to explain the existence of SEs (Borzaga & Defourny, 2001). Therefore, the questions Dart (2004) raised—"How can we make sense of the emergence of SE as a newly prominent form of organization in the nonprofit sector? Why has it emerged now? In what directions is it likely to evolve?"—are still relevant and not fully answered (p. 411). My intent here is to investigate the theoretical implications of SEs.

The term *social enterprise* has multiple meanings, depending on the perspective used (Galera & Borzaga, 2009; Thompson, 2008). I use it to refer to all organizations in the nonprofit sector that undertake business activities. These activities, managed entrepreneurially, constitute the organization's main source of revenue and are independent of donations (Dart, 2004).

Let us consider two questions: (a) How can we theoretically explain the existence of SEs? (b) Why do SEs do what they do? To begin to answer these questions, I have analyzed Italian social cooperatives (SCs), a type of SE providing social services and employment to disadvantaged people since the 1990s.

My study contributes to the SE research stream in three main ways. First, I present the theoretical framework prevalent within the nonprofit sector. Previous discussions have been grouped under the so-called three-failures theory, which explains the existence of the nonprofit sector in negative terms: It has arisen because of the inefficiency of other sectors or actors such as the state or the market (Steinberg, 2006). Second, I present the theory of reciprocity, which has found success within economic theory but has not received the same attention from management disciplines or general social science studies. My work, presented here, is the first application of the theory of reciprocity in these disciplines. Third, I show how the theory of reciprocity, and in particular unconditional reciprocity, can fit SEs when these are SCs.

In "unconditional reciprocity," individuals perform actions with economic and other implications that favor other parties without knowing in advance whether they will obtain anything in return, and if so, how much (Bruni, 2008). The underlying assumption is that those who pursue this type of reciprocity feel rewarded by their own behavior regardless of the response they receive from the other party. It follows, then, that SCs are a kind of SE in which the desire for unconditional reciprocity of those offering services and those requesting them come together to generate economic exchange.

In the section "Prevailing Nonprofit Theories," I analyze the main theoretical and "traditional" contributions on the nonprofit sector, highlighting the characteristics and limitations of each. The "The Theory of Reciprocity" section presents the theory of reciprocity, highlighting the different types of reciprocity in the literature and their implications from an economic point of view. The "The Meaning of SE" section analyzes the main aspects of SEs. I take several perspectives: historic in terms of how they have evolved, theoretical in terms of the different schools of thought, and taxonomic, proposing a taxonomy of types of possible SEs. The section titled "Italian SCs: A Type of SE" presents a real-world example through the analysis of the characteristics and origins of Italian SCs, with some quantitative data. In the "The Main Differences

Between SCs and Other Types of Organizations" section, Italian SCs are compared with three other types of organizations: for-profit firms, cooperatives, and traditional nonprofit organizations (NPOs). The "Theory of Reciprocity and SCs: Is There Any Link?" section shows how the theory of reciprocity can be used to understand the organizations identified in the previous section. The final section presents my conclusions and offers some suggestions for future research on the theme.

Prevailing Nonprofit Theories

According to the *three-failures theory* (Steinberg, 2006), the principal theoretical contributions on the nonprofit sector can be described, in their vastness and diversity, to three main types of "failures."

The first theory was developed from the work of Weisbrod. According to this author, who formulated the theory of *government failure* (Weisbrod, 1988), the political force that wins state elections, once in government, will try to satisfy through public services the portion of the electorate that supported it. Therefore, within a nation, the greater the differences among voters (the winning political force vs. the rest of the population), the greater the dissatisfaction of the latter with respect to the public services received. This disparity, according to Weisbrod, will create demand for public services that is "unsatisfied" because the goods and services offered by for-profit firms have a higher price than those offered by the state. To fill the gap, entities such as NPOs will be created to overcome government failures by offering additional services. These new entities will be more abundant as the level of consumer dissatisfaction increases. Weisbrod thus explains the existence of the nonprofit sector as a result of government inefficiency. In fact, this is a *government failure* explanation. In other words, the author argues that if the state functioned properly, NPOs would have no reason to exist.

The second theory is attributed to Hansmann (1980), according to whom the nonprofit sector has grown because in many cases market exchanges between supply and demand occur in a situation of information asymmetry, largely at the expense of buyers. It is thus very likely that the goods or services purchased have a higher price than their real value, creating a clear disadvantage for the party that has less information, that is, the buyer. In this case, the existence of NPOs is explained by *market failure* because information asymmetries exist between the supply of social services and demand for them. The asymmetry occurs when the distribution of available information on services offered is nonhomogeneous. It can result in opportunistic behavior by those offering social services. NPOs, characterized by their nondistribution of profits, ensure the absence of such opportunism because greater gains cannot be exploited as additional distributed profits. Therefore, according to Hansmann, NPOs have no incentive to engage in opportunistic behavior because they subsequently would not enjoy any resulting benefits. In theory, even NPOs could adopt such behavior, but this is unlikely because they would realize no economic advantage. In summary, according to Hansmann (1980), the existence of the nonprofit sector can be explained in negative terms, that is, market failure. In other words, if the market were functioning perfectly, the nonprofit sector would not exist. Other contributions, such as Ben-Ner and Van Hoomissen's (1991) study, are based on Hansmann's *market failure* theory.

Third, Lester Salamon's (1987) contribution overturns the explanations proposed by the two previous authors and affirms the existence of the nonprofit sector irrespective of government and market behaviors and actions. According to Salamon, an "excess" of volunteering in society gives rise to the nonprofit sector. When this fails, and in this case the author refers to *voluntary failure*, the market and government sectors will develop. The failure of the nonprofit sector is attributable to the incidence of four aspects: *philanthropic insufficiency* (difficulty in finding volunteers and donations), *philanthropic particularism* (targeting aid at small religious, ethnic, or geographical reference groups), *philanthropic paternalism* (nonprofit operators trying to solve the problems they perceive rather than those that end users and the needy actually have), and *philanthropic amateurism* (a tendency to prefer nonprofessional workers to skilled workers). According to Salamon (1987), these four aspects determine the failure of the nonprofit sector. Conversely, he argues that the existence of the nonprofit sector is due to the non-incidence of these four aspects. As SEs demonstrate, this is frequently not the case.

At the base of these three nonprofit theories is traditional economic theory: Individuals are ultimately selfish and uninterested in other people (Bruni & Porta, 2005; Zamagni, 2005). Even when they seem to make a gesture of generosity and openness toward others, they do so with an ulterior motive. For example, according to Rose-Ackerman (1996) and Young (1983), NPOs are born from the concern of people who want to expand their cultural and religious influence on others with the aim of proselytizing to gain conversions. Acts of generosity or concern for others are not considered possible when economic agents perform an economic operation (Bruni & Sugden, 2007). It is for this reason that the prevailing nonprofit literature has tried to explain the existence of the sector through government or market failure or the ulterior motives of agents in carrying out benevolent acts. In this regard, James Buchanan (1975) appropriately described how this theoretical approach views the choices made by individuals in the economic sphere:

> I do not know the fruit salesman personally; and I have no particular interest in his wellbeing. He reciprocates this attitude. I do not know, and I have no need to know, whether he is in direst poverty, extremely wealthy, or somewhere in between . . . Yet the two of us are able to . . . transact exchanges efficiently because both parties agree on the property rights relevant to them. (p. 17)

From this interpretation, it follows that the market is the locus where only equivalent exchanges take place. In the market, therefore, agreements are not made if they do not have an immediate and measurable return for both parties. Note that according to this viewpoint, acts of altruism or generosity can occur, but these, as Trivers (1971) noted in speaking of *reciprocal altruism*, take place because people are aware that they may obtain a benefit from such acts in the future. This view is derived from Walras's (1896/2010) formulation, according to which markets are complete and transactions are impersonal, hence agents cannot have among their possible motives for economic exchanges factors such as altruism, generosity, or concern for others. In contrast, Stark (1993) noted,

> Often it is not all that clear what exactly these transfers "buy": we do not see commodities moving in the reverse direction nor do we observe a flow of easily definable services . . . Such actions are different from typical marketplace exchanges where the transfer of a commodity from A to B is accompanied by the transfer of another commodity from B to A and where one of the exchangeables is money, so that it is quite clear what is being bought—and at what price. (pp. 1413-1414)

In practice, the theories I have summarized do not comprehensively explain the existence of economic entities such as some nonprofit SEs. Both economic and nonprofit theories must broaden their theoretical paradigms to integrate these cases, which do not constitute a minority but a rather large part of the nonprofit sector (Powell & Steinberg, 2006; Thompson & Doherty, 2006).

The Theory of Reciprocity

Scientific debate on the theory of reciprocity has increasingly widened over the past two decades (Cox, 2004; Falk & Fischbacher, 2006). According to Bruni (2008), there are three different types of reciprocity. The first type, traditionally considered by mainstream economists, is "*cooperation without benevolence*." According to this theoretical concept, the actions of individuals are not motivated by generosity or gratitude toward others; their behaviors are instead determined by what has been formally established by agreements between the parties. An example of this type of reciprocity is the contracts entered into between two or more parties and the behaviors ensuing therefrom.

The second type of reciprocity, called "*strong reciprocity*," is the most widely recognized (judging from its diffusion in the literature) and can be primarily ascribed to the studies of Falk and Fischbacher (2000). According to these authors, individuals reciprocate in a positive or negative way: They respond kindly to kind questions, whereas they tend to punish behavior that is deemed improper. Therefore, economic agents reciprocate positively to those who are positive and negatively to those who operate in a negative way. In this context, the relationship of reciprocity between individuals is motivated by receiving something in return. This "something" is not given just by the relation itself, but by obtaining some other benefit through the relationship.

This aspect strongly differentiates the two aforementioned types of reciprocity from the last type, *unconditional reciprocity.* A premise about the concept of relational goods is required to understand this type of reciprocity. Relational goods were studied for the first time by Nussbaum (1986) and Donati (1986, 2003). Their definition restricted relational goods to categories of friendship, mutual love, and civil commitment. Uhlaner (1989) and Gui (1991, 2000) thereafter formulated a broader definition of relational goods. According to them, relational goods are all those goods that can be "enjoyed" only if shared between two or more persons; in other words, they cannot be enjoyed alone. Therefore, relational goods correspond to all those goods whose value is in the existence of the exchange relation. These goods cannot be either produced or consumed by an individual.

To summarize, two features distinguish relational goods from all others (Bruni & Stanca, 2008). The first concerns the fact that each person interested in obtaining a relational good requires that another individual be able to benefit from such a good. This need relates not just to supplying goods or services but to sharing them. A relational good requires at least two individuals who want to relate with each other. In addition, this relation should not be of an instrumental type, as in all equal relationships, but should have a strong component of benevolence. Both parties must, therefore, be willing to give something, whether material goods or services, or simple relations, without knowing in advance whether they will obtain anything in return. The second characteristic is given by the fact that the relation requires the genuineness of participants in the relation. In this respect, Bruni (2008) indicated that the relation must be characterized by noninstrumental motivations. This aspect has the effect, among other advantages that it can generate, of removing potential *free-riding behavior* because the parties can take advantage of the relational good only with the active and positive participation of all parties involved.

Unconditional reciprocity is characterized by the fact that those who choose to perform an action on behalf of another person do so regardless of whether and how the other person responds. In practical terms, those pursuing this type of reciprocity recognize a reward for themselves in their own behavior, regardless of the response they receive.

Bruni (2008) in this regard said,

> An agent following this strategy won't ask herself such questions as: "What is the point of separate collection if I am the only one making the effort?," or: "What is the point of behaving honestly when nobody else here does?" She acts according to a different logic. This might explain, among other things, the behavior of citizens that comply with the rules even when, individually speaking, it would be rational not to do so . . . , as well as the fact that some people continue to endorse a certain behavior even when they have no positive response from others. (pp. 51-52)

Two points must be made with respect to unconditional reciprocity (Bruni & Porta, 2007). First, unconditional reciprocity should not be confused with altruism or donation. The latter situations concern an individual's unidirectional action toward another, whereas unconditional reciprocity takes place within a relationship. Second, unconditional reciprocal behavior does not exclude cooperation without benevolence and strong reciprocity. In many cases, the three aspects can and should coexist, as in the SEs discussed in this article.

The Meaning of SE

Although SEs are widespread in all continents, their greatest presence is in the United States and continental Europe (Galera & Borzaga, 2009; Kerlin, 2009). The birth and initial spread of SEs within the United States took place between the late 1970s and mid-1980s. Several authors (e.g., Alexander, 1999; Eikenberry & Kluver, 2004) have shown that a reduction in government and private funding, on one hand, and citizens' increasing needs for social services, on the other, meant that many traditional NPOs evolved into SEs. For example, between 1977 and 1989, social service organizations achieved growth in revenues equal to almost 40% (Salamon, 1993). According to Eikenberry and Kluver (2004), "One of the major reasons for this was the sector's increased reliance on commercial income such as fees for services, product sales, and other profit-making ventures" (p. 134).

In Europe, Defourny and Nyssens (2008, 2010) pointed out that the term *social enterprise* first appeared in Italy in the late 1980s and early 1990s. Some cooperatives began to carry out social- and solidarity-type activities aimed at the community, unlike traditional cooperatives, whose activities revolved exclusively around their members. In particular, in Italy in 1990, a journal titled *Impresa Sociale* (*Social Enterprise*) was created, and the following year, with the enactment of Law 381, SCs were established as a type of social enterprise. SEs spread within Europe only later, particularly in the mid-1990s, when the EMES[1] Research Network (a European Commission research project) and individual states (through appropriate legislation) promoted the birth and development of SEs. Since the beginning of its diffusion, the term SE has taken on different meanings, representing different types of SEs.

The debate around the definition of SE persists. As Galera and Borzaga (2009) pointed out, "there is no consistent usage of the term *social enterprise* in the international literature" (p. 212). Kerlin (2013) found that the multiplicity of meanings of the term SE derives from the fact that the particularities of SEs change from one local context to another. SEs are influenced by economic, social, and institutional factors, and as these aspects change, so do the types of SEs that emerge.

Nevertheless, SEs can be distinguished according to various definitions. A first distinction was offered by Kerlin (2006), who identified two types of definitions of SE, one in a broad sense and the second in a narrow sense. According to the first definition, SEs are all companies, both for-profit and NPOs, that are engaged in socially beneficial activities. Among those who classify SEs in this way are mainly academics and consulting firms in the United States. In the second definition, SEs are NPOs that operate a business and make a profit. This second classification is mostly used by U.S. practitioners and Western European university researchers and is narrower than the first because it excludes for-profit organizations.

Dees and Anderson (2006) identified two schools of thought on SEs. The first, called the "social enterprise school of thought," emphasizes the commercial activities undertaken by NPOs in support of their mission. Conversely, the second school of thought, called "social innovation," emphasizes the ability of entrepreneurs to create new services, their higher quality, new production methods, and so forth. In effect, SEs are defined in terms of outcomes that have a social impact rather than the commercial activities undertaken.

Another important definition of SEs that has greatly influenced academics and practitioners derives from EMES, according to which SEs are

> Not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy, and they bear economic risks linked to their activity. (Defourny & Nyssens, 2008, p. 204)

Three main characteristics of SEs can be extrapolated from this definition (Galera & Borzaga, 2009): the social goals pursued, the nonprofit distribution constraint, and an open and participatory governance model.

In summary, the various theories enable deriving a general definition of an SE as an organization that belongs to the nonprofit sector and carries out a business activity. In particular, the business activity is run by an entrepreneur, financial activities rather than donations provide the main source of income, and a social goal is pursued. I use this definition in my work.

According to Alter (2006), three SE models can be identified by the relationship between their business activities and social programs: embedded SEs, integrated SEs, and external SEs. In the first model, business activities and social programs coincide in the sense that the social program is fully funded with revenue from business activities. Therefore, no business activities are carried out that do not achieve the objectives of their social goals. Italian SCs are part of this category: They exclusively engage in social-type business activities—for example, many times charging fees for social services they provide in accordance with the earnings capacity of recipients.

An integrated SE is instead defined by the fact that not all the business activities it undertakes have social aims. "Not-for-profits create integrated social enterprises as funding mechanisms to support their operations and social activities" (Alter, 2006, p. 212). In this case, the business activities have no social purpose but are instrumental in financing other activities carried out to pursue a social mission (e.g., an NPO that sells products, the proceeds of which are used for its social programs).

External SEs may also have social programs that are separate from their business activities. In practice, these NPOs create a second type of SE that finances their activities. In this case, the beneficiaries of nonprofit activities indirectly benefit from the income or from any activity carried out by the SE. I include in this category any organization that carries out business activities and assigns its revenues to an NPO.

Italian SCs: A Type of SE

As mentioned in the previous section, in Italy with Law No. 381 of 1991, SCs were instituted as a type of SE. There are two types of SCs: The first, called type A, undertakes social and health services and education, and the second, called type B, engages in providing work for disadvantaged people. "Disadvantaged" refers to individuals who meet one of the following criteria: people with physical or mental disabilities, drug addicts, alcoholics, children of working age in difficult family situations, and prisoners. Type B organizations must have at least 30% of their employees in the "disadvantaged" category. Type A SCs can perform only those activities prescribed by law, whereas type

B SCs can engage in any type of industrial, service, commercial, or agricultural business, as long as they employ staff as required by law in such activities.

In recent years, type B SCs have primarily developed economic activities in which the disadvantaged staff employed are able to be more productive (Mancino & Thomas, 2005; Thomas, 2004). Many of these have met with great success, providing call center services or low-tech industrial activities that involve a high degree of repetitiveness. In many cases, workers who fall into the disadvantaged category often perform certain types of work better than nondisadvantaged workers (Gahnström-Strandqvist, Liukko, & Tham, 2003; Savio & Righetti, 1993; Warner & Mandiberg, 2006). This means that in many cases, type B SCs, although operating in difficult work situations, are more competitive than their for-profit competitors.

Another important feature of SCs is that this type of organization has a high degree of employee participation because workers share the organization's ideals and common values. Borzaga and Tortia (2006) observed that employees of NPOs, in particular those of SCs, are more satisfied and loyal to their organizations than employees of for-profit or governmental organizations. This higher loyalty to the organization results in the absence of opportunistic behavior and low turnover of workers, which facilitates increasing internal know-how.

Over the years, and particularly after legislative decree no. 155 of 2006, the Italian legal system introduced SEs, enabling organizations that do not have the legal structure of SCs, also to operate in Italy (Cafaggi & Iamiceli, 2009). (To date, the number of SEs that are not SCs is insignificant.)

As shown by Costa, Andreaus, Carini, and Carpita (2012), at the end of 2008, there were 13,938 SCs in Italy, accounting for 19.5% of total cooperatives and 0.3% of the total number of Italian enterprises. Eight out of 10 SCs carry out their activities in the service sector. In particular, 6,184 of these, accounting for more than 44% of the total, work in health and social care; 4,704 SCs offer nonresidential social care services. Also important, although to a lesser degree, are support services to businesses, with 11.8% of the total, and the education sector with 5.9%.

In 2008, Italian SCs accounted for 317,339 employees, with about 9 out of 10 workers employed in the service sector. The health and social care sector alone employs just more than 210,000 workers (Costa et al., 2012).

The Main Differences Between SCs and Other Types of Organizations

I analyze four types of organizations operating in the for-profit and nonprofit sectors: for-profit organizations, ordinary cooperatives, traditional NPOs, and SCs. Traditional NPOs include all the organizations belonging to the nonprofit sector except SEs.

The three distinguishing characteristics I have identified are organizational goals, the governance and decision-making process, and organizational commitment. The first indicates the objective that the organization pursues, which can be economic–financial, mutual, or social interest. The second, the governance and decision-making process, establishes how decisions are made within the organization and how these are

Table 1. Main Differences in the Four Types of Organization Analyzed.

	For-profit organizations	Ordinary cooperatives	Traditional NPOs	SCs
Organizational goal	Economical and financial, with the aim to satisfy shareholders.	Mutuality for members of the cooperative.	Achievement of social purpose and donor satisfaction.	Social purpose: satisfying the community's general interest in human welfare and social integration.
Governance and decision-making process	Correlation between capital investment and control of the organization.	"One member, one vote" rule for members of the cooperative.	Depends on the statute. Generally participative.	Multi-stakeholder governance including employees, voluntary workers, sponsors, beneficiaries, and so forth.
Organizational commitment	Opportunistic behaviors.	Low level of opportunistic behaviors.	Scarce opportunistic behaviors.	Scarce opportunistic behaviors.

Note. NPO = nonprofit organizations; SC = social cooperatives.

transferred to the rest of the organization. The two extremes are governance restricted to only a few stakeholders and governance that is open to all. The decision-making process ranges from purely hierarchical to democratic. The third characteristic, organizational commitment, is the degree of involvement of organizational actors in the organization's mission. This can range from opportunistic behavior to identification with the organization's goals to the point where individual interests are sacrificed for the cause. There are undoubtedly many gradations along the extremes of each variable, but the goal here is not to present the variegated world of different types of existing organizations but to identify the most relevant in general terms.

As shown in Table 1, for-profit organizations pursue an economic–financial goal with the aim of meeting shareholder interests. Social objectives may also be pursued, but the goal remains the economic satisfaction of shareholders. This objective is reflected in their governance structure and is established in accordance with the correlation between capital investment and organizational control. A decision-making process ensues that is usually based on hierarchy, and the relationships and behaviors are principally established by contracts. In such an organizational context, conflict between the interests of individuals and those of the organization are often created, with the risk, when the former prevail, of instigating the opportunistic behavior of organizational actors (Williamson, 1993).

Ordinary cooperatives have as their objective the pursuit of mutuality among members of the cooperative. Governance is of a democratic type, the classic "one member, one vote" rule. Democracy also applies in the decision-making process (i.e., shared and participatory), generally by all members of the organization. Opportunistic behaviors are rare, and in any case occur less than in for-profit organizations, generating high organizational commitment (Valentinov & Iliopoulos, 2013). It should be noted that such cooperative behavior needs to be reinforced, otherwise over time collaboration diminishes.

Traditional NPOs differ from the previous two, as their goal is to achieve a social purpose and donor satisfaction. Governance and decision-making processes rest first on the statute and second on the decisions of managers. Both these elements can vary from NPO to NPO but in general allow for wide governance participation and democratic or shared decision-making. Opportunistic behaviors are scarce because workers tend to be motivated by sharing the ideals of the organization (Valentinov, 2008). The actions of individuals are, therefore, directed at achieving the organizational goals.

SCs have a social purpose: to satisfy the community's general interest in human welfare and social integration (Mancino & Thomas, 2005; Thomas, 2004). Although this type of organizational goal is the same as that of traditional NPOs, some authors (Borzaga, 1996; Borzaga & Tortia, 2006) have shown that SCs are freer to pursue their social purpose than are traditional NPOs. SCs are less subject to pressure from their benefactors, who by reducing funding not only would put traditional NPOs under strain but would also distract the organization from its social goals (Degli Antoni & Portale, 2010). SCs rarely face similar risks because they are financially autonomous in conducting their business. Typically, this type of organization has a multi-stakeholder governance system, with the active participation of employees, voluntary workers, sponsors, and beneficiaries. As a result, the decision-making process is democratic and shared not only among actors within the organization but also with external actors, beneficiaries, and local institutions. Many studies (e.g., Borzaga, 1996; Carpita & Golia, 2011; Mosca, Musella, & Pastore, 2007; Spear & Bidet, 2005) have shown that opportunistic behavior in this type of organization is rare. Furthermore, employees strongly share the organization's goals and thus achieve above-average performance in the sector. Borzaga and Tortia (2006) demonstrated, in a study conducted among different types of organizations and using the same four categories considered in this research, that SCs perform best in decision-making autonomy.

Theory of Reciprocity and SCs: Is There Any Link?

Different types of reciprocity can coexist within organizations. For example, individuals freely decide whether to behave according to unconditional reciprocity. In addition, the type of reciprocity depends on the various categories of stakeholders involved.

From the analysis undertaken in the previous section, I analyze four types of organizations according to the theoretical framework of reciprocity, awarding each a low, medium, or high value for each type of reciprocity.

In for-profit organizations, the prevalent form of reciprocity is what I call *cooperation without benevolence* and is, therefore, assigned a high value. *Strong reciprocity* can be found in all for-profit organizations that pursue social activities for their own benefit, for example, in marketing. This type of reciprocity is, therefore, given a medium value. *Unconditional reciprocity* cannot be excluded a priori for any organizational form. When it exists, it is unquestionably low and left to individual initiative. To date, there are no examples in the literature that demonstrate this type of reciprocity within for-profit organizations.

Table 2. Different Types of Reciprocity Within Organizations.

	For-profit organizations	Ordinary cooperatives	Traditional NPOs	SCs
Cooperation without benevolence	High	Medium	Low	Low
Strong reciprocity	Medium	High	Low	Low
Unconditional reciprocity	Low	Low	Low	High

Note. NPO = nonprofit organizations; SC = social cooperatives.

Ordinary cooperatives are a typical example of organizations with a high level of strong reciprocity. Individuals in these organizations assume that an act of cooperation will produce similar cooperation. Furthermore, *unconditional reciprocity* is not fostered with respect to stakeholders other than shareholders because the organizations are "closed" to the outside. Therefore, unconditional reciprocity is low; forms of *cooperation without benevolence* exist at a medium level aimed at contractually regulating formal relationships among members and between them and the external environment (Table 2).

In traditional NPOs, all the three forms of reciprocity are present at low levels even if the prevailing spirit of the organization is not reciprocity but donation. This approach, as previously pointed out, has been in a state of crisis over the past 30 years due to the reduction of government and private funding from the nonprofit world (Salamon, 1993). Many authors have attributed the emergence and spread of SEs in their various forms to this problem (e.g., Dees, 1998; Froelich, 1999; Moore, 2000).

With respect to the forms of reciprocity developed within SCs, it can be said that *cooperation without benevolence* prevails in determining formal and contractual relationships. Here, the level of reciprocity is low. Strong reciprocity is also present at low levels. What distinguishes these organizations is that SCs have a high propensity for encouraging *unconditional reciprocity*.

Unconditional reciprocity influences Italian SCs in three ways. The first relates to internal organization, where relationships are characterized by high levels of job satisfaction (Borzaga, 1996; Borzaga & Tortia, 2006). Although in many cases they lack adequate financial compensation, not only do SC members not adopt opportunistic behaviors but also they make considerable effort to achieve the SC's objectives. SC members find sufficient reward in the relationships within the organization to balance the low financial compensation, and these rewards also provide the motivation to achieve the organizational goals.

The second and third ways concern how unconditional reciprocity influences SCs in their relations with suppliers and customers. Recall that SCs are a type of SE and as such have suppliers and customers, and although not all these relationships are of an unconditional reciprocity type, many of them are.

The aforementioned considerations also apply to the SCs' suppliers, influencing their low propensity for opportunistic behaviors. Moreover, unconditional reciprocity relations facilitate the development of collaborative relationships between suppliers and SCs, which in many cases generate innovations.

Customers find greater value in the services received from SCs than from the classic social services offered by government or for-profit enterprises because of the unconditional reciprocity that enhances the role of relationships in economic exchanges. As Mancino and Thomas (2005) pointed out, “SCs . . . provide a wide variety of social welfare services with similar roots, but suited to the heterogeneous needs of customers at lower costs” (p. 363).

From these considerations, it follows that SCs are a type of SE within which the desire for unconditional reciprocity of those who offer services and those requesting them come together and generate economic exchange. As Bruni (2008) said, “Many amongst the organizations labelled ‘social firms’ can be described in terms of our G types [that is,] unconditional reciprocity” (p. 92).

Conclusion

Italian SCs are a real-world example whose analysis supports the hypothesis that this type of SE operates according to unconditional reciprocity. This type of reciprocity influences the relationships between the components within the SC and between these and the external environment, particularly the suppliers and users.

This finding has three main implications. The first relates to the current crisis in the nonprofit sector concerning financial resources, as highlighted by several authors (e.g., Bagnoli & Megali, 2011). SCs, by relying on unconditional reciprocity, demonstrate that the nonprofit sector can shift away from traditional fund-raising and obtain greater financial independence without losing its social mission. Indeed, it is precisely this new organizational structure that would seem to ensure continuity to traditional NPOs in situations such as the current one, where donations and government funding are increasingly reduced. Nevertheless, this shift would not be possible without unconditional reciprocity, which enables combining the apparently opposing concepts of profit and social purpose. If not for unconditional reciprocity, it would be difficult to explain why so many people remain and work in such organizations, although their salaries are lower than in competing for-profit enterprises.

The second implication is that unconditional reciprocity could be an interesting motivator for for-profit organizations that must also cope with the severe economic crisis. The findings concerning the behavior of employees in SCs could also be useful for for-profit organizations in improving their profitability.

The third implication derives from an important example of the meeting of two traditionally opposing realities. For-profit organizations are characterized by profit, advanced use of management techniques, and organizational efficiency, whereas NPOs are characterized by the pursuit of social goals, democratic governance, and the nonuse of advanced management tools. The SC case of Italy shows that, through unconditional reciprocity, the traditional dichotomy between for-profit and nonprofit enterprises is less pronounced than it once was. Indeed, unconditional reciprocity, together with the other two types of reciprocity, can improve the functionality of both types of organizations and bring the for-profit world closer to the nonprofit culture. At the same time, the nonprofit world, in terms of financial independence and management use, could approach the for-profit world without losing sight of its social purpose.

This article has some limitations that future research could resolve. First, the link developed between unconditional reciprocity and SCs requires a more detailed empirical analysis of SC case studies with the aim of understanding more clearly and formally the link between the stated theory and real-world examples. In fact, the present work was limited to an analysis of existing literature.

Second, it would be useful to verify empirically the existence of other types of SEs in other countries. Further investigation may reinforce the present findings, showing that SEs operating according to unconditional reciprocity are not particular to Italy but represent a broader category within the SE paradigm. In short, what is required from an empirical point of view is testing the results on a number of SCs to verify the same behavior.

The objective of this article is not to exhaust a theoretical debate by laying to rest the three-failures theory and permanently "consecrating" unconditional reciprocity as an explanation for all types of SEs but to bring new light to the theoretical debate on the existence of different types of SEs. This debate has only just begun.

Acknowledgments

I would like to thank Andrea Prencipe for his valuable comments and advice. The comments by referees have been most useful in improving the article. Moreover, I would like to give my gratitude to Jeffrey Brudney, Editor in Chief of *Nonprofit and Voluntary Sector Quarterly*, for his counsel, and encouragement.

Author's Note

Any errors or omissions are the author's responsibility alone.

Declaration of Conflicting Interests

The author declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author received no financial support for the research, authorship, and/or publication of this article.

Note

1. EMES stands for 'EMergence des Enterprises Sociales en Europe'. It is the title in French of the research project realized from 1996 to 2000 by the network. Today, the EMES Research Network brings together individual scholars and university research centres specialized in the social enterprise fields throughout Europe. Further details are available on the website: http://www.emes.net

References

Alexander, J. (1999). The impact of devolution on nonprofits. A multiphase study of social service organizations. *Nonprofit Management & Leadership*, *10*, 57-70.

Alter, S. K. (2006). Social enterprise models and their mission and money relationships. In A. Nicholls (Ed.), *Social entrepreneurship: New models of sustainable social change* (pp. 205-232). New York, NY: Oxford University Press.

Bagnoli, L., & Megali, C. (2011). Measuring performance in social enterprises. *Nonprofit and Voluntary Sector Quarterly*, *40*, 149-165.

Ben-Ner, A., & Van Hoomissen, T. (1991). Nonprofit organizations in the mixed economy. *Annals of Public and Cooperative Economics*, *62*, 519-550.

Borzaga, C. (1996). Social cooperatives and work integration in Italy. *Annals of Public and Cooperative Economics*, *67*, 209-234.

Borzaga, C., & Defourny, J. (Eds.). (2001). *The emergence of social enterprise*. London, England: Routledge.

Borzaga, C., & Tortia, E. (2006). Worker motivations, job satisfaction, and loyalty in public and nonprofit social services. *Nonprofit and Voluntary Sector Quarterly*, *35*, 225-248.

Borzaga, C., & Tortia, E. (2009). Social enterprises and local economic development. In A. Noya (Ed.), *The changing boundaries of social enterprises* (pp. 195-228). Paris, France: OECD.

Bruni, L. (2008). *Reciprocity, altruism and the civil society: In praise of heterogeneity*. Oxon, UK: Routledge.

Bruni, L., & Porta, P. (2005). *Economics and happiness: Framing the analysis*. New York, NY: Oxford University Press.

Bruni, L., & Porta, P. (2007). *Handbook on the economics of happiness*. Northampton, MA: Edward Elgar.

Bruni, L., & Stanca, L. (2008). Watching alone: Relational goods, television and happiness. *Journal of Economic Behavior & Organization*, *65*, 506-528.

Bruni, L., & Sugden, R. (2007). The road not taken: How psychology was removed from economics, and how it might be brought back. *The Economic Journal*, *117*, 146-173.

Buchanan, J. M. (1975). *The limits of liberty. Between anarchy and Leviathan*. Chicago, IL: The University of Chicago Press.

Cafaggi, F., & Iamiceli, P. (2009). New frontiers in the legal structure and legislation of social enterprises in Europe: A comparative analysis. In A. Noya (Ed.), *The changing boundaries of social enterprises* (pp. 25-87). Paris, France: OECD.

Carpita, M., & Golia, S. (2011). Measuring the quality of work: The case of the Italian social cooperatives. *Quality & Quantity*, *46*, 1659-1685.

Costa, E., Andreaus, M., Carini, C., & Carpita, M. (2012). Exploring the efficiency of Italian social cooperatives by descriptive and principal component analysis. *Service Business*, *6*, 117-136.

Cox, J. C. (2004). How to identify trust and reciprocity. *Games and Economic Behavior*, *46*, 260-281.

Dart, R. (2004). The legitimacy of social enterprise. *Nonprofit Management & Leadership*, *14*, 411-424.

Dees, G. (1998, January). Enterprising nonprofits. *Harvard Business Review*, pp. 54-67.

Dees, G., & Anderson, B. B. (2006). Framing a theory of social entrepreneurship: Building on two schools of practice and thought. *Research on social entrepreneurship, ARNOVA occasional paper series*, *1*(3), 39-66.

Defourny, J., & Nyssens, M. (2008). Social enterprise in Europe: Recent trends and developments. *Journal of Social Enterprise*, *4*, 202-228.

Defourny, J., & Nyssens, M. (2010). Conceptions of social enterprise and social entrepreneurship in Europe and the United States: Convergences and divergences. *Journal of Social Entrepreneurship*, *1*, 32-53.

Degli Antoni, G., & Portale, E. (2010). The effect of corporate social responsibility on social capital creation in social cooperatives. *Nonprofit and Voluntary Sector Quarterly*, *40*, 566-582.

Donati, P. (1986). *Introduzione alla sociologia relazionale* [Introduction to relational sociology]. Milan, Italy: Franco Angeli.

Donati, P. (2003). Giving and social relations: The culture of free giving and its differentiation today. *International Review of Sociology*, *13*, 243-272.

Eikenberry, A. M., & Kluver, J. D. (2004). The marketization of the nonprofit sector: Civil society at risk? *Public Administration Review*, *64*, 132-140.

Falk, A., & Fischbacher, U. (2000). *A theory of reciprocity* (Working Paper No. 6). Zurich, Switzerland: Institute for Empirical Research in Economics, University of Zurich.

Falk, A., & Fischbacher, U. (2006). A theory of reciprocity. *Games and Economic Behavior*, *54*, 293-315.

Froelich, K. A. (1999). Diversification of revenue strategies: Evolving resource dependence in nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, *28*, 246-268.

Gahnström-Strandqvist, K., Liukko, A., & Tham, K. (2003). The meaning of the working cooperative for persons with long-term mental illness: A phenomenological study. *The American Journal of Occupational Therapy*, *57*, 262-272.

Galera, G., & Borzaga, C. (2009). Social enterprise. An international overview of its conceptual evolution and legal implementation. *Social Enterprise Journal*, *5*, 210-228.

Gui, B. (1991). The economic rationale for the third sector. *Annals of Public and Cooperative Economics*, *62*, 551-572.

Gui, B. (2000). Beyond transactions: On the interpersonal dimension of economic reality. *Annals of Public and Cooperative Economics*, *71*, 139-169.

Hansmann, H. (1980). The role of nonprofit enterprise. *Yale Law Journal*, *89*, 835-901.

Kerlin, J. A. (2006). Social enterprise in the United States and Europe: Understanding and learning from the differences. *Voluntas*, *17*, 247-263.

Kerlin, J. A. (Ed.). (2009). *Social enterprise: A global comparison*. Medford, MA: Tufts University Press.

Kerlin, J. A. (2010). A comparative analysis of the global emergence of social enterprise. *Voluntas*, *21*, 162-179.

Kerlin, J. A. (2013). Defining social enterprise across different contexts: A conceptual framework based on institutional factors. *Nonprofit and Voluntary Sector Quarterly*, *42*, 84-108.

Mancino, A., & Thomas, A. (2005). An Italian pattern of social enterprise: The social cooperative. *Nonprofit Management & Leadership*, *15*, 357-369.

Moore, M. H. (2000). Managing for value: Organizational strategy in for-profit, nonprofit, and governmental organizations. *Nonprofit and Voluntary Sector Quarterly*, *29*, 75-78.

Mosca, M., Musella, M., & Pastore, F. (2007). Relational goods, monitoring and non-pecuniary compensations in the nonprofit sector: The case of the Italian social services. *Annals of Public and Cooperative Economics*, *78*, 57-86.

Nussbaum, M. C. (1986). *The fragility of goodness: Luck and ethics in Greek tragedy and philosophy*. Cambridge, UK: Cambridge University Press.

Powell, W. W., & Steinberg, R. (2006). *The nonprofit sector: A research handbook*. New Haven, CT: Yale university press.

Rose-Ackerman, S. (1996). Altruism, nonprofits, and economic theory. *Journal of Economic Literature*, *34*, 701-728.

Salamon, L. M. (1987). Partners in public service: The scope and theory of government-nonprofit relations. In W. W. Powell (Ed.), *The nonprofit sector: A research handbook* (pp. 99-117). New Haven, CT: Yale University Press.
Salamon, L. M. (1993). The marketization of welfare: Changing nonprofit and for-profit roles in the American welfare state. *Social Service Review*, *67*, 16-39.
Savio, M., & Righetti, A. (1993). Cooperatives as a social enterprise in Italy: A place for social integration and rehabilitation. *Acta psychiatrica Scandinavica*, *88*, 238-242.
Spear, R., & Bidet, E. (2005). Social enterprise for work integration in 12 European countries: A descriptive analysis. *Annals of Public and Cooperative Economics*, *76*, 195-231.
Stark, O. (1993). Nonmarket transfers and altruism. *European Economic Review*, *37*, 1413-1424.
Steinberg, R. (2006). Economic theories of nonprofit organizations. In W. W. Powell & R. Steinberg (Eds.), *The nonprofit sector. A research handbook* (2nd ed., pp. 117-139). New Haven, CT: Yale University Press.
Thomas, A. (2004). The rise of social cooperatives in Italy. *Voluntas*, *15*, 243-263.
Thompson, J. L. (2008). Social enterprise and social entrepreneurship: Where have we reached?: A summary of issues and discussion points. *Social Enterprise Journal*, *4*(2), 149-161.
Thompson, J. L., & Doherty, B. (2006). The diverse world of social enterprise. A collection of social enterprise stories. *International Journal of Social Economics*, *33*, 361-375.
Trivers, R. L. (1971). The evolution of reciprocal altruism. *The Quarterly Review of Biology*, *46*, 35-57.
Uhlaner, C. J. (1989). “Relational goods” and participation: Incorporating sociability into a theory of rational action. *Public Choice*, *62*, 253-285.
Valentinov, V. (2008). The transaction cost theory of the nonprofit firm: Beyond opportunism. *Nonprofit and Voluntary Sector Quarterly*, *37*, 5-18.
Valentinov, V., & Iliopoulos, C. (2013). Economic theories of nonprofits and agricultural cooperatives compared: New perspectives for nonprofit scholars. *Nonprofit and Voluntary Sector Quarterly*, *42*, 109-126.
Walras, L. (2010). *Studies in social economics*. Oxon, UK: Routledge. (Original work published 1896)
Warner, R., & Mandiberg, J. (2006). An update on affirmative businesses or social firms for people with mental illness. *Psychiatric Services*, *57*, 1488-1492.
Weisbrod, B. (1988). *The non-profit economy*. Cambridge, MA: Harvard University Press.
Williamson, O. E. (1993). Opportunism and its critics. *Managerial and Decision Economics*, *14*, 97-107.
Young, D. R. (1983). *If not for profit, for what?* Lexington, MA: D. C. Heath.
Zamagni, S. (2005). Happiness and individualism: A very difficult union. In L. Bruni & P. Porta (Eds.), *Economics and happiness: Framing the analysis* (pp. 303-335). New York, NY: Oxford University Press.

Author Biography

Simone Poledrini is an assistant professor at the Department of Economics, University of Perugia (Italy). His research interests range from social enterprises to social cooperatives. Moreover, he is interested in the interactions between third sector organizations and businesses. He teaches management of innovation at the University of Perugia.