

Masaryk University
Faculty of Economics and Administration

**The nonprofit sector in economic theory:
Beyond mainstream explanations**

Habilitation Thesis

Gabriela Vaceková
Brno, 2016

Anitke a Vladkovi

Abstract

Having gone through a turbulent history, the nonprofit sector in the Czech Republic and the neighboring European countries has tremendous socio-economic and political potential. The achievement of this potential, however, depends on the sector's ability to deal with the socio-economic and political challenges that are no less tremendous. Much of the work that needs to be done toward this goal involves the scientific analysis and reconstruction of the sector's conceptual foundations. This habilitation thesis reviews the international definitional and theoretical approaches to the nonprofit sector originating in the Anglo-Saxon environment with a view to assessing their applicability in the (post-) transitional context and identifying the elements of their integrative conceptual core. The emerging argument is that the societal determinants of the nonprofit sector in Central and Eastern Europe, at least in the short and middle term, are mainly related to supply-side rather than demand-side determinants, with the supply-side factors including public funding, public regulation, and the legal environment of the nonprofit sector. This argument is supported with empirical evidence assessing the plausibility of alternative nonprofit theories in Slovakia and with investigations of the commercialization and sustainability of nonprofit organizations in the Czech Republic. The concluding section of the habilitation thesis draws attention to the ongoing conceptual, organizational, and political redefinition of the Czech and Slovak nonprofit sectors with possible implications for other (post-) transitive countries. The key drivers of this ongoing definition process include the proliferation of new semantics, such as social entrepreneurship and social innovations, and the emergence of novel socioeconomic and political challenges.

Key words: nonprofit sector; civil society; economic theory; commercialization; sustainability; (post-) transitive countries; Czech Republic; Slovakia

Declaration

I hereby declare that the Habilitation Thesis titled *The nonprofit sector in economic theory: Beyond mainstream explanations* is my own work and that I have cited all of the literature and other expert resources therein in accordance with applicable legal regulations, the Internal Rules and Guidelines of Masaryk University, and the internal managing acts of Masaryk University and the Faculty of Economics and Administration.

Brno, December 21st 2016

.....

Acknowledgement

My sincerest appreciation is to my colleagues and friends with whom I have worked at Masaryk University in Brno and Vienna University of Economics and Business in Vienna, who encouraged my interest in nonprofit sector research and helped me make my professional dreams come true.

Earlier versions of some sections of this habilitation thesis appeared in papers and book chapters I have previously published. I would like to thank and acknowledge the work of my associates on these projects. Special mention goes to PD Dr. Vladislav Valentinov from IAMO Halle, my mentor and supervisor, who deserves my deepest gratitude.

A number of people from Masaryk University, Charles University, Vienna University of Economics and Business and London School of Economics and Political Science read drafts of this thesis at various stages and gave valuable feedback. I would like to thank them all for their time and insights. Warm thanks are also due to Ms. Anne Johnson for her proofreading, which I truly appreciate.

The thesis could have not been written without the continuous support of my beloved family and close friends. Thank you for all your loving patience, this work is also truly yours!

Table of contents

INTRODUCTION	11
1 HISTORICAL, THEORETICAL AND CONCEPTUAL FOUNDATIONS.....	15
1.1 HISTORICAL FRAMEWORK: CIVIL SOCIETY IN TRANSITION	16
1.2 DEFINITIONS AND FUNCTIONS OF THE NONPROFIT SECTOR	23
1.3 THEORIES OF THE NONPROFIT SECTOR: AN OVERVIEW	31
1.4 TOWARDS AN INTEGRATIVE THEORY: CRITICAL ASSESSMENT OF CURRENT APPROACHES.....	41
2 TESTING NONPROFIT THEORIES IN THE (POST-) TRANSITIONAL CONTEXT	49
2.1 A SYNOPSIS OF NONPROFIT THEORIES: REALITY CHECK FROM SLOVAKIA	50
2.2 NONPROFIT ORGANIZATIONS BECOMING BUSINESS-LIKE: THE CZECH CASE	64
2.3 NONPROFIT SUSTAINABILITY: EVIDENCE FROM THE CZECH REPUBLIC.....	78
2.4 CONCLUDING REMARKS: THEORETICAL VS. EMPIRICAL RESEARCH.....	91
3 RE-CONCEPTUALIZATION OF THE THIRD SECTOR.....	97
3.1 THE DRIVERS OF RE-CONCEPTUALIZATION	98
3.2 NEW SEMANTICS: SOCIAL ENTREPRENEURSHIP, SOCIAL ENTERPRISE, SOCIAL INNOVATIONS	104
3.3 THE NONPROFIT RESPONSE TO REAL-WORLD CHALLENGES.....	115
3.4 OUTLOOK ON TRENDS AND IMPERATIVES	121
CONCLUSIONS.....	127
REFERENCES.....	133

Introduction

“If not for profit, for what?” (Young, 1983)

“To profit or not to profit?” (Weisbrod, 1998)

“Is being nonprofit important?” (Casey, 2015)

For nonprofit scholars, answering these and similar questions from various disciplinary contexts and practices is often a daily revelation. The nonprofit sector has already moved from being a minority scholarly interest (cf. Billis, 2010) and ranks alongside the public and private sectors as a significant system and a major economic force in modern society. It has been paid corresponding attention in the scientific literature worldwide (see References). However, this habilitation thesis argues that it is necessary to move beyond “traditional” explanations. The mainstream economic theories of the nonprofit sector are in urgent need of a clearer conceptual approach, especially when it comes to specific socio-economic and political conditions of (post-) transitive countries.

The nonprofit sector is a major player in politics and economics. The role of nonprofit organizations in (post-) transitional countries is certainly considerable and worthy of study. Salamon and Sokolowski (2016a) make clear that the third sector is far from following the same exact patterns in different parts of Europe. “Important though these aggregate features of the third sector are, however, they can be misleading. [...] Behind the averages often lie some significant cross-national and regional variations. And that is certainly true of the European third sector” (ibid, p. 15). To make sense of these variations, it is useful to examine them at the regional level. In Central and Eastern Europe, 70 per cent of third sector employment takes the form of direct volunteering; by contrast, employment in nonprofit institutions accounts for a much smaller 23.7 per cent (ibid). This contrasts sharply with Northern Europe and testifies to the embryonic nature of the more formal third sector institutions in the formerly Soviet-dominated territories. Massive changes are occurring in the nonprofit sector around the globe, bringing with them many expectations and problems. Can the sector live up to its challenges? This thesis aims to fill severe research gaps that mainstream theories cannot sufficiently explore.

An analysis of the literature (see in particular Section 1.3) shows that scientific research of the nonprofit sector and nonprofit organizations takes two relatively independent directions, as it is grounded in two different methodological approaches. The first approach is descriptive and based on non-normative methodology and the corresponding explanation tools that clarify the role of the nonprofit sector and

nonprofit organizations in the economy. The second approach turns in the normative direction. It is based on normative methodology and on the explication or interpretation of a researched topic. The contrast between these two different methodological approaches to nonprofit organizations is a specific example of the current state of scientific discussion in the areas of economics and social sciences. The contrast takes the form of “two cultures” (Snow, 2002) or, in terms of scientific methodology, a form of commensurability or incommensurability between normative and non-normative statements about, or explanations of, a researched topic (Ochrana, 2015).

The general contradictions between economics and social sciences are reflected in the scientific discussion about the nonprofit sector and influence the social role and functions of nonprofit organizations. Sections 1.2 and 1.3 of this habilitation thesis focus in detail on this situation in the scientific discussion. The habilitation thesis is based on a critical evaluation of this discussion and offers a different solution. The solution is an attempt to depart from the existing traditional approaches and reach some synthesis. The habilitation thesis works on the assumption that it is possible to use a starting point that would not be based on dichotomous approaches but on integrity. The substance of this issue is expressed in the subtitle of the habilitation thesis title: “Beyond Mainstream Explanations”. Valentinov (2009; *ibid* 2011; *ibid* 2012c; Valentinov & Iliopoulos, 2013; Valentinov et al., 2015) provides the inspiration for this solution to the issue.

The methodological basis for this integrity is the holistic approach (Fay, 2002; Ochrana, 2015; Winch, 2004), enabling a shift in direction toward the integrative theory (see Section 1.4). As John Dewey (1938, p. 491) observes: “the ultimate end and test of all inquiry is the transformation of a problematic situation (which involves confusion and conflict) into a unified one.” The thesis is based on Dewey’s theory of inquiry as it aims to go beyond the “fact-value dichotomy” and follow the tradition of pragmatist philosophy, going back primarily to Dewey. The main research interest of pragmatist philosophy is in examining the societal problem-solving process. The thesis seeks answers on how the nonprofit sector participates and contributes to this process which indeed integrates normative and positive aspects: there is a normative imperative to solve problems, and there is positive interest in discovering how nonprofit organizations can actually do it.

The need for integrative research of nonprofit organizations is determined by two groups of factors. The first group is the new social reality within which nonprofit organizations operate (Section 1.1 and 1.2). This new reality includes transformations of the positions, roles, and functions of nonprofit organizations. Therefore, this

represents an objective side of the issue: the ontological layer of nonprofit organizations. The recent and ongoing changes in the position and functioning of nonprofit organizations require a corresponding scientific approach and tools that would enable proper research of these changes. Traditional existing approaches offer dichotomous solutions: either explanations or interpretations. The integrative theory bridges this dichotomy, offering a comprehensive view of the current issues related to the operations of nonprofit organizations. The ambition of the habilitation thesis is to contribute to the theoretical elaboration of the issue.

Taking these facts into account and focusing on the nonprofit sector in economic theory as a research subject, the scientific objectives of the habilitation thesis were set as follows:

The aim of the habilitation thesis is to conduct a critical reflection of the current scientific discourse in the economic studies focused on research of nonprofit organizations. On the basis of the ascertained situation, to test nonprofit theories in the (post-) transitional context and develop a re-conceptualization of the third sector as a new paradigm for researching nonprofit organizations under new conditions.

With respect to these objectives, the following research questions were set:

- RQ1. Does such a thing as an identifiable nonprofit sector even exist? If so, how can it be defined in the (post-) transitional context?*
- RQ2. How and to what extent do mainstream theories reflect and respond to changes in the positions and functioning of the nonprofit sector and nonprofit organizations?*
- RQ3. What conclusions can be drawn from the testing of nonprofit theories, the commercialization phenomenon, and sustainability issues in the (post-) transitional context for the areas of scientific theory and practice?*
- RQ4. What new developments and revisions of theories does the empirical evidence and socio-economic reality suggest?*
- RQ5. How does the nonprofit sector respond to the new real-world challenges and which consequent trends and imperatives should the economic theory reflect?*

This habilitation thesis attempts to look for the answers to these questions and to establish possible grounds for their solutions. Two types of research methods were used to meet the research objectives and to seek answers to the research questions. Analysis

was selected as the general scientific research method; it was used specifically in searching through theoretical resources and conducting data analysis. The synthesis method and the generalization method were applied in particular in connection with formulating theoretical conclusions. The incomplete induction method was used for data analyses. The deduction method was applied in deducing logical conclusions resulting from researched scientific theories. Primary and secondary data were collected. A questionnaire survey and controlled interviews were used to collect data. Descriptive statistics and statistical analysis were the applied special scientific methods used in researching the obtained data set (see Section 2).

With respect to the research subject, research objectives, and research questions, it was important to apply an appropriate methodological approach. First, it was necessary to determine a research plan, taking stock of the current scientific discussions about the nonprofit sector and nonprofit organizations by analyzing resources. Identifying as yet unexplored areas followed, which enabled the research subject to be defined and specified. Setting research objectives and research questions in relation to the subject was the next step. The structure of the habilitation thesis corresponds to this process and ends by answering the research questions, drawing conclusions, and making suggestions for further research.

The chapters are organized around three major themes. The first section of the habilitation thesis presents historical, theoretical, and conceptual foundations of the research subject and broadly discusses the civil society in transition and the definitions and functions of the nonprofit sector, and offers a comprehensive overview of theories of the third sector. This chapter concludes with a critical assessment of current approaches, proposing an integrative theory. The next part of the thesis is an empirical inquiry that provides an analysis of the economic determinants of the nonprofit sector in Slovakia through theory testing, examines the commercial transformation of the nonprofit sector in the Czech Republic, and investigates the issue of nonprofit sustainability in the Czech rural context. It concludes by offering a conceptual innovation based on theoretical and empirical research. This opens the third section of the habilitation thesis, which is devoted to the re-conceptualization of the third sector. This chapter considers the drivers of the re-conceptualization and presents the new semantics including social entrepreneurship, social enterprises, and social innovations. It also focuses on the nonprofit response to real-world challenges, providing a basis for an outlook on trends and imperatives regarding the research subject.

1 Historical, theoretical and conceptual foundations

Nonprofit organizations play an important and irreplaceable role in building a civil society. They are one of the main pillars of democracy and a bearer of democratic principles, facts which can be used to argue the merits of the existence of nonprofit organizations and the intensive research of their field on both the theoretical and the practical level (Vaceková & Murray Svidroňová, 2016). Recently, there has been a considerable surge of interest throughout the world in the broad range of organizations that operate outside the market and the state (Salamon et al, 1999). Known variously as the *nonprofit*, *nongovernmental*, *voluntary*, *civil society*, *third*, or *independent* sector (Salamon, Sokolowski & Anheier, 2000), organizations that can demonstrate that their activities generate a public benefit or common social good exist in some form of special incorporation or registration in every country (Casey, 2016).

In recent decades, the activity and influence of nonprofit organizations have grown exponentially (Casey, 2016; CIVICUS, 2013; Colás, 2002; McCarthy, Hodgkinson & Sumariwalla, 1992; Salamon, 2010; Salamon & Sokolowski, 2010). Salamon (1994) wrote about a global “associational revolution” focusing primarily on the growth of nonprofit organizations and their increasing role in service delivery. Nonprofit organizations have become central to policy making, the promotion of civic action, and the delivery of new quasi-public services, as well. In addition to being more numerous, modern nonprofit organizations (perhaps better described as late-modern or even post-modern) are markedly more secular and nonpartisan in their affiliations, more universalist in their service delivery and policy-making aspirations, and more professionalized and commercialized in their operations than earlier iterations rooted in religious charity, political movements, or grassroots collective and voluntary action (Casey, 2015).

The term *nonprofit* was chosen as the primary term for use in this habilitation thesis because it is currently widely recognized as both a concept and descriptor, both in its English form and in its translation into other languages (cf. Casey, 2015). But *nonprofit* is a relative neologism, with the early English-language research on the sector tending to favor the term *voluntary* (Robertson, 1966; Smith & Freedman, 1972; Smith, 2012). “Unanimous nomenclature for *third sector* and *civil society* continues to elude nonprofit professionals and researchers, and in its places continues to be a veritable potpourri of terms and definitions” (Casey, 2015). This chapter provides a comprehensive picture

of the theoretical and conceptual foundations of nonprofit sector studies while addressing the need to revisit the actual economic theories that have contributed to the development of a concentrated research agenda on nonprofit organizations (Anheier & Ben-Ner, 2003). While the majority of theoretical research on nonprofit sector has been done in the United States, it is vitally necessary to open discussions in the (post-) transitional countries of Central and Eastern Europe (CEE). Although the development of economic approaches to the nonprofit sector has been truly impressive in recent decades, the full implications in the (post-) transitional context have not yet been sufficiently explored.

1.1 Historical framework: Civil society in transition

Collective social endeavors that do not seek direct personal gain for individual participants are as old as human civilization itself (Casey, 2016). The term *civil society* dates back to ancient Greek and Roman philosophers, who considered *societas civilis* “one in which good citizenship collectively shapes the nature of a society” referring to both the state and non-state elements of a society (Götz, 2010). Later, the focus of the discourse shifted to non-state societal structures and their relationship to the state (cf. Beng Huat, 2003; Muukkonen, 2009; Van Til, 2008). Currently, the term *civil society* appears frequently as a general equivalent for the nonprofit sector (Casey, 2016b). However, unlike the concept of the *third sector*, which focuses on organizational structures, *civil society* is primarily conceived as the space or sphere between the market, state, and family in which people organize, uncoerced, to pursue their interests (Edwards, 2009; Van Til, 2008; Walzer, 1998).

In the first sub-chapter of this habilitation thesis, the historical background of the development and understanding of civil society in the Czech Republic and Slovakia will be considered in order to show how closely associated the notions of civil society and nonprofit voluntary activities are with the fundamentals of democratic society. In other words, to look at the central social and political developments of the Czech Republic and Slovakia is to see how the nonprofit sector emerged and developed in the wider context of (post-) transitional civil society. The civil society “lens” (Anheier, 2005) is useful for understanding the critical and distinct aspects of the Czech and Slovak experience in comparison to the historical patterns and developments in Anglo-Saxon countries. The emphasis of the civil society discourse on dissidence in transitional countries provides a basis for investigating the generally positive, normative, and heuristic analysis associated with its democratic role (Casey, 2015).

Two primary lines of reasoning can be found concerning the relationship between civil society and democratic political practice. The first considers that civil society organizations (CSOs) create social capital as schools for citizenship that teach democratic culture and foster trust and civil engagement (Putnam, 1993). The second sees them as generating political capital by promoting pluralism (Casey, 2015). At the same time, proponents of both lines of reasoning acknowledge that CSOs can impede democratic consolidation when they are “narrow in scope, chauvinistic in content, stereotypical in form, and constructed around homogenizing impulses” (Farouk 2011, p. 93). The political changes in the former Soviet Bloc countries of Eastern Europe in the late 1980s brought civil society into vogue as the descriptor for the burgeoning dissident movements and organizations that played a role in the transition to democracy (Casey, 2015).

The concept of a transitive economy has always been a type of simplification and abstraction; however, all of the post-Communist economies concerned, even after more than 25 years of transformation, have certain shared characteristics — especially the absence of a fully-developed democracy and market economy institutes. This is true even for their civil society and the degree of its development. The term *civil society* is ubiquitous in research on democratization, especially in the context of the collapse of Communist rule (Weigle & Butterfield, 1992; Linz & Stepan, 1996; Ekiert & Kubik, 1997; Green, 1999). Although the term is increasingly used, it is increasingly difficult to define as the bordering domains become more blurred and the hybridity and change are permanent features (Brandsen et al., 2005).

In 1989 and 1990, the Velvet Revolution in the Vysehrad group (V4) countries (Czechoslovakia – now the Czech Republic & Slovakia, Poland, and Hungary) was decisive in overturning the political order in Central and Eastern Europe (CEE). Arguably, this was civil society’s finest hour (Strachwitz, 2014). One may ask what has become of CEE more than a quarter of a century after 1989. Civil society saw a tremendous upsurge when the Communist Party monopoly of power was abolished (Frič et al., 1999). Not surprisingly, the number of CSOs mushroomed in all four countries after the transition. The change of the regime was largely perceived by citizens as an opportunity for founding CSOs and getting involved in the civil society sector (Navrátil & Pospíšil, 2014).

Currently, “the picture is quite diverse, both by country and by field of activity” (Strachwitz, 2014, p.1). Poland was able to build on a stronger civic tradition than the Czech Republic and Hungary. In countries in which service provision is the main activity, CSOs rely on government funding and are widely seen as government

agencies. Where this is not the case, they face a struggle to survive. Slovak CSOs are comparatively strong in education, while community development and housing are stronger in Hungary, and culture, religion, health, and social services are stronger in the Czech Republic. The activities of Polish CSOs are more evenly balanced among these areas. Clearly, capacity building is the main concern in all four countries. CSOs need help to be able to fulfil their role as watchdogs, change agents, and political forces (ibid).

Stepping through transition: Civil society in the Czech Republic

Over the past 27 years, the nonprofit sector in the Czech Republic has experienced a dramatic transformation from a totalitarian regime to a parliamentary democracy. “The field of the Czech civil society and the nonprofit sector is still largely *terra incognita*, or one large gap. The whole field remains *in statu nascendi*” (Pospíšil et al., 2014). Czech civil society can be characterized by some specific features (cf. Frič & Goulli, 2001; Pospíšil, 2006; Pospíšil et al., 2012):

- the tradition of the Czech National Revival (a considerable number of nonprofit organizations base their work on the model of selfless sacrifice for a patriotic cause);
- the tradition of the first Czechoslovak Republic (the pre-WWII Czechoslovakia is seen as the golden age of civil society, and the desire to re-start its successful institutions and to copy its successful models has been very strong);
- a legacy of mistrust (influenced by their experiences during the totalitarian years, people continue to mistrust nonprofit institutions);
- a legacy of corruption / clientelism (a system of nepotism and informal networks survived the fall of Communism and continues to pose a serious challenge to any attempt to introduce the rule of law and standard procedures even in the nonprofit sector);
- divides in the sector (a specific manifestation of the legacy of mistrust is the deep divide that exists between “old” and “new” organizations, which makes concerted action by the whole sector difficult, and the sector cannot provide trustworthy representatives for negotiations with the state when needed);
- the position of churches (churches have been finding it very hard to recover from the devastation inflicted on them by the Communist regime);
- the legacy of the nanny state (The paternalistic Communist state was a monopoly provider of all educational, cultural, social, health, and other

services (cf. Brhlíková, 2004). It had a purpose-built centralized system of organizations and a state nonprofit sector of its own. The public sector has found it very difficult to accept the loss of its monopoly in public services after 1989, to recognize the existence of an independent nonprofit sector, and to change its role from one of providing public services to the new role of securing their provision (cf. Frič 2000); in the field of public services the dominance of the state and state-run organizations is still clearly visible). This is typical of countries other than the Czech Republic: it seems to be a general “post-Communist” pattern in the provision of public services (Pospíšil & Hyánek, 2009).

The civil society in the Czech Republic is increasingly thought of in positive terms (Frič et al., 1999). “[C]ivil society is the best safeguard, not only against political chaos but also against the rise of authoritarian forces that always emerge whenever a society feels shaken or insecure about its future. The more power is left at the center the more favorable are the conditions for such forces to gain control over the country. Communists knew very well why they needed to dominate and manipulate every beekeepers’ association” (Havel, 1999).

The tradition of civil society in the Czech Republic dates back to the 9th century. The most important process contributing to the rise of civil society was the Czech National Revival, during the 18th and 19th centuries. The purpose of this movement was to revive Czech language, culture, and national identity. By the end of the 19th century, the Czech empire had the largest number of charitable and voluntary organizations in the Austro-Hungarian Empire. Its long evolution culminated in the later 19th century and early 20th century, and in the twenty years of the first Czechoslovak Republic. During the First Republic (1918–1938), Czechoslovakia became one of the world’s most advanced industrial-agrarian countries. The Constitution of February 1920 guaranteed that the new Republic would also be one of the few states in Europe to have a parliamentary democracy. Consequently, dynamic charitable and voluntary organizations flourished. Some organizations were extremely popular, almost national institutions (e.g. Sokol). The community life in the nation was based on the existence of volunteer organizations. The dynamic development of civil society and nonprofit sector in Czechoslovakia came to an abrupt end when Hitler’s Wehrmacht occupied the Czech lands in March 1939. It was the beginning of fifty years of totalitarian rule, during World War II and the ensuing Cold War. Both the Nazis and the Communists ruthlessly annihilated everything free and independent, and the free civil society was a prime target.

The effects of these totalitarian regimes were devastating. Independent citizen initiatives and opposition to the Communist regime did exist, but remained fragmented and weak. Both the scattered early opposition of the 1950s and the mightier reform movement of the Prague Spring in the 1960s were put down by force. In spite of the admirable work of cultural activists and opposition leaders, the independent volunteer sector remained small and isolated from the rest of society. In 1989, the people finally gave voice to their long-suppressed frustration, and the Communist regime collapsed within a week. How did charity and volunteer groups respond to the new freedom? There were 537 (mass) organizations in existence at the end of the Communist years; by the end of 1991, there were 21,000; in 1999, there were 60,000; there are currently approximately 120,000 nonprofit institutions in the Czech Republic. In the first months and years after 1989, the number of nonprofit organizations dramatically increased. The country was receiving massive support from abroad for the development of civil society and NGOs; European and US foundations and nonprofit organizations started working in the country.

In the 1990s, the rapid growth continued but there was increased awareness of the need to stabilize the new organizations, to learn necessary skills, and to improve the legal and fiscal environment for nonprofit activities. The nonprofit sector assistance programs established by the governments of many western countries played very positive roles, as did numerous foreign foundations and organizations. With their help, the sector drafted its own legislative proposals and increased pressure on the government and parliament. Towards the end of this period, the long-term pressure on the government began to pay off, and the relations between the state and the nonprofit sector began to improve. The excellent performance of humanitarian organizations brought about a dramatic change in the attitude of the public to the whole sector.

The nonprofit sector continued to grow rapidly through the end of the 1990s, but the rate of growth began to slow down after 2002. The sector lacked trustworthy representative bodies that most organizations would endorse, although some of its service and umbrella organizations won wide approval. The attitude of the government gradually changed from reservation to cautious cooperation. The country became a member of the European Union (2004), which was a signal to most foreign governments to phase out their assistance programs. Czech civil society at the beginning of the 21st century has been thus far insufficiently researched. There was a lack of available data from the Czech Statistical Office (CZSO) and only patchy and unreliable data from several one-off research projects. Systematic nonprofit statistics and research did not exist. The situation began to improve when the CZSO introduced a satellite account covering nonprofit institutions in 2007. By 2010, it had resolved the

basic problems that accompanied the implementation and completed the work on a short version of the account, so that now there are several years' worth of reliable data on nonprofit institutions. A change explicitly influencing the Czech nonprofit sector was the adoption of the New Civil Code in 2014, which enabled new forms of nonprofit organizations and opened opportunities for their profit-oriented activities.

Stepping through transition: Civil society in Slovakia

Civic and volunteer activities have also had a long tradition in Slovakia. The establishment of the first nonprofit organizations in this area is related to the formation and activities of the church. The oldest examples are charities, institutions providing social and health services for the poor, and various religious brotherhoods (Kuvíková, 2004). In the 19th century, many voluntary associations and groups with self-help missions existed in Slovakia. The first break in the development of voluntarism occurred in the post-revolutionary years 1848–1849 when most of the associations ceased to exist. In the 20th century, there were many regime changes within Slovakia and Central Europe. Slovakia was under several different regimes: the Austro-Hungarian Empire, Czechoslovak First Republic, Slovak Fascist State, Czechoslovak Republic 1945–1948, Communist Czechoslovakia, Czechoslovakia after the Warsaw Pact Occupation in 1968, Federal Socialist Czechoslovakia, and Federal Democratic Czechoslovakia; the current Slovak Republic formed in 1993. There have been eight currency reforms and nine constitutions. The country has experienced numerous political systems, including a parliamentary democracy, a fascist regime, Stalinism, “normalization,” socialism, and the post-communist return to democracy (Hochel, 1996). Despite these changes, NGOs and civil societies were successfully formed in Slovakia.

November 1989 brought political and economic changes and increased civic activities, as well as the entry of private institutions, including nonprofit organizations, into the economy. The number of NGOs and volunteers soared. By 1993, there were almost 6,000 registered NGOs. In one year, the number increased to 9,800; by 1996, there were more than 12,000 NGOs. Positive growth was complicated by the government's new restrictive laws. Administrative guidelines and limits for establishing and funding organizations made it difficult for the existence of the nonprofit sector. In 1997, the Act on Foundations was adopted, which greatly limited the independence of civic activities; as a result, 1,800 Slovak foundations were closed. After the 1998 elections, a new coalition established liberalized regulations regarding the nonprofit sector. Favorable legal and economic conditions for its further development and existence were created (Kuvíková & Svidroňová, 2010). There were attempts in early 2000 to establish a code

for nonprofit organizations that would have summarized all of the acts related to different types of nonprofit organizations, but the attempts were unsuccessful and the legislation concerning the nonprofit sector in Slovakia remains fragmented.

After the 2010 election, the government emphasized the topic of civil society, establishing a representative post for the development of civil society. Based on the representative's recommendations, the Government Council for NGOs, which had operated in Slovakia since 1999, was transformed into the Committee for NGOs. Resolutions of the Committee were to be automatically placed as a reminder to relevant materials discussed at parliamentary sessions (Radvanský et al., 2010). The government that was elected in 2010 ended after the 2012 election, and the next government proposed the creation of a post for a government representative for national minorities and civil society. The nonprofit sector did not agree with this proposal, wishing to maintain the post of an independent representative for a civil society. This issue has not yet been resolved. There is no satellite account for nonprofit institutions in Slovakia. Several universities, organizations, and researchers are dealing with the issues of nonprofit organizations (e.g. EUBA, UMB, Majduchová, Kuvíková, Murray Svidroňová, Marček, Bútor, etc.), but systematic statistics do not exist.

Generally, the role of civil society is to build a “good” and democratic society (cf. Casey, 2015), however, the research focus of nonprofit scholars is mostly simply on the organized interests, whatever their ends (see Cheema, 2010; Colás, 2002; Eberly, 2008; Edwards, 2009; Florini, 2000; Fowler, 2012; Kaldor, 2000; Walker & Thompson, 2008). Commentary about civil society as a conceptual realm is almost always immediately conflated with discussions of the role of CSOs. Exponential growth has taken place in the activity and influence of CSOs in every surveyed country in the world (Salamon, 1994; Salamon & Anheier, 1997). The narrative arc of the history of many individual historic nonprofit organizations can be seen as a metaphor for the whole sector: traditional roots have been severed, formerly all-voluntary activities have seen substantial growth and professionalization, and the previously marginal has become mainstream. Nonprofits are apparently no longer seen as the “poor cousins” (Casey, 2016); instead, they are considered significant actors in the delivery of public services.

The essential lesson from the turbulent history of the Czech and Slovak nonprofit sector seems to be that the sector has tremendous socioeconomic and political potential but is faced with challenges that are equally tremendous. While the private for-profit and public sectors have clear and strong institutional identities, the same is not necessarily true of the nonprofit sector, which still has to establish its institutional autonomy and

independence. Much of the work that needs to be done toward this goal involves the scientific analysis and reconstruction of the conceptual foundations of the nonprofit sector. The available definitions and theoretical approaches, many of which come from different historical and institutional contexts, have to be critically reviewed with regard to their workability in the (post-)transitional context. Empirical work is required for clarifying the factual basis of theory-building efforts and for understanding the real-world institutional embeddedness of the nonprofit sector. These are the tasks to which the following chapters turn.

1.2 Definitions and functions of the nonprofit sector

The emphasis of the civil society discourse on dissidence in transitional countries provides a basis for investigating the generally positive, normative, and heuristic analysis associated with its democratizing role. Regardless of which approach to civil society is the focus, the question of whether it can be equated with the nonprofit sector depends on the nature of the polity being examined. The fault lines and definitional problems concerning nonprofit theory lead to a logical questioning of whether one can even legitimately claim that such a thing as an identifiable nonprofit sector exists.

Prior to the 1980s, the existence of a nonprofit or third sector was hardly acknowledged in basic economic texts. There was nothing like a “unified academic field studying nonprofit organizations” (Steinberg 2006). However, one constant theme in the literature since then has been the “blurring of the boundaries” (Billis, 2010; Dees & Anderson, 2003; Laville & Nyssens, 2001), discussed early on by scholars such as Ralph Kramer and more recently by David Billis, Colin Rochester, and others. Since the 1980s, nonprofit organizations have undergone remarkable changes that have made them more similar to for-profit enterprises (Maier et al., 2014).

At best, any definition of a sector described as a “loose and baggy monster” (Casey, 2015) with fuzzy edges is subject to a multitude of caveats and clarifications (Corry, 2010; Macmillan & Buckingham, 2013). Is there actually a sector? Perhaps a pure epistemological answer must be that there is not (Casey, 2015): a sector should, after all, be defined by its boundaries, and the nonprofit sector, particularly when examined from an international and global perspective, has ambiguous and permeable margins that are almost impossible to discern (*ibid*).

The most widely accepted definitions of nonprofit organizations and the nonprofit sector are based on a combination of structural and functional characteristics that describe the organizational forms they adopt and the activities they undertake (Casey,

2016). The Johns Hopkins Comparative Nonprofit Sector Project definition, later adopted by the United Nations for the purpose of creating comparable national surveys of nonprofit institutions, uses the following five criteria for defining a nonprofit organization (Salamon & Anheier, 1998):

- organized, i.e. institutionalized to some degree in terms of their organizational form or system of operation;
- private, i.e. institutionally separate from government;
- non-profit-distributing, i.e. not returning any profits generated to their owners or directors but plowing them back into the basic mission of the agency;
- self-governing, i.e. equipped with their own internal apparatus for governance; and
- voluntary, i.e. involving some meaningful degree of voluntary participation in the operation.

In the “structural-operational” definition by Salamon and Anheier (1998) the non-distribution constraint is identified as a structural feature of nonprofit organizations. The non-distribution constraint allows nonprofit organizations to make profits but does not allow the distribution of the profit to managers or employees of the organization. “Whatever surplus a nonprofit organization generates ought to be put back into the quality of its products / services or ought to be used to finance the provision of services to needy parts of population” (Brhlíková & Ortmann, 2006). A nonprofit organization that earns a profit in any period may direct these resources in one of three ways: increase expenses so that the profit is used up in current operations, invest in fixed assets which presumably will be used in providing mission-oriented services, or retain the profits as a source of internal capital (Calabrese, 2011).

A related approach is to focus on what makes nonprofit organizations distinctive from organizations in other sectors. First, there is a three-sector framework (see Fig. 1). In order to describe the organizations operating within the third sector, nonprofit scholars use the term “private nonprofit organizations” as the most accurate for expressing the fact that these organizations result from a three-sector economy. The concept of a distinct third sector emerges from the analyses that separate government from nongovernment and for-profit from nonprofit. The sectors are distinct but also linked and overlapping (Corry, 2010). By convention, government is identified as the first sector, business as the second, and nonprofit as the third. The three sectors are also often characterized as “the Prince, the Merchant, and the Citizen” (Najam, 1996; Casey, 2016). The existence of a trichotomy of three distinct sectors (or social domains, spheres, or realms) permeates Western thinking (Casey, 2016). Classical liberal

theorists emphasize the separation between public and private, whereas poststructuralists focus on the continuities and cross influences. Beyond these three formal institutional sectors, some scholars identify a fourth sector, one that is made up of more informal relationships within the family, among friends, and in a community (Offe, 2000; Streeck & Schmitter, 1985; Van Til, 2008), and debates occur over the order and hierarchy of the sectors (cf. Casey, 2016).

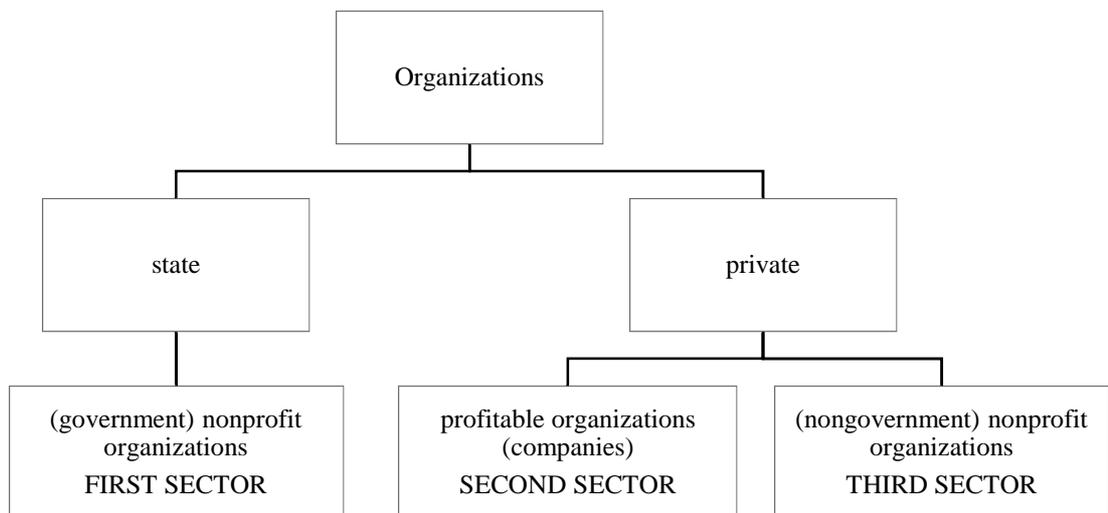


Figure 1 Scheme of three sectors of the national economy

Source: Vaceková and Murray Svidroňová, 2016

A common visual representation of the sectors is a simple Venn diagram with three overlapping circles representing the institutional domains – government/state (first sector), markets (second sector), and nonprofits (third sector); occasionally, a fourth circle represents the family or community. Some authors have suggested that the nonprofit sector is by nature unsuited to singular definitions (Osborne, 2008). Pestoff (1992; 1998) modified this perspective by situating the nonprofit sector at the center of the welfare triangle, clearly separated from the state, market, and community (households) by major social divisions, i.e., public/private, for-profit/nonprofit, and formal/informal. One advantage of Pestoff’s classification is that the triangle image makes it possible to read the basic characteristics of the organizations operating in the individual areas. The diagram greatly contributes to the understanding of the nonprofit sector position. The entire triangle represents a national economy.

It is divided into three areas, reflecting the following divisions:

- *formal/informal sector* – the division reflects whether there is a legal entity. Legal entities are regulated by acts, making them formal;

- *public/private organizations* – the division is a reflection of who founded, owns, and operates the organization. Sometimes this division is problematic, especially due to unclear legal regulations;
- *profit/nonprofit organizations* – this division is a reflection of the purpose for which the organization was founded. This is indicated by legal regulations and the Income Tax Act.

Nonprofit organizations are located in the center of the triangle, indicating that they are:

- private – founded not by the government, but by private entities, or even by individual citizens or legal entities;
- nonprofit – not founded for the purpose of generating profit;
- formal – their image and position is adjusted by relevant acts.

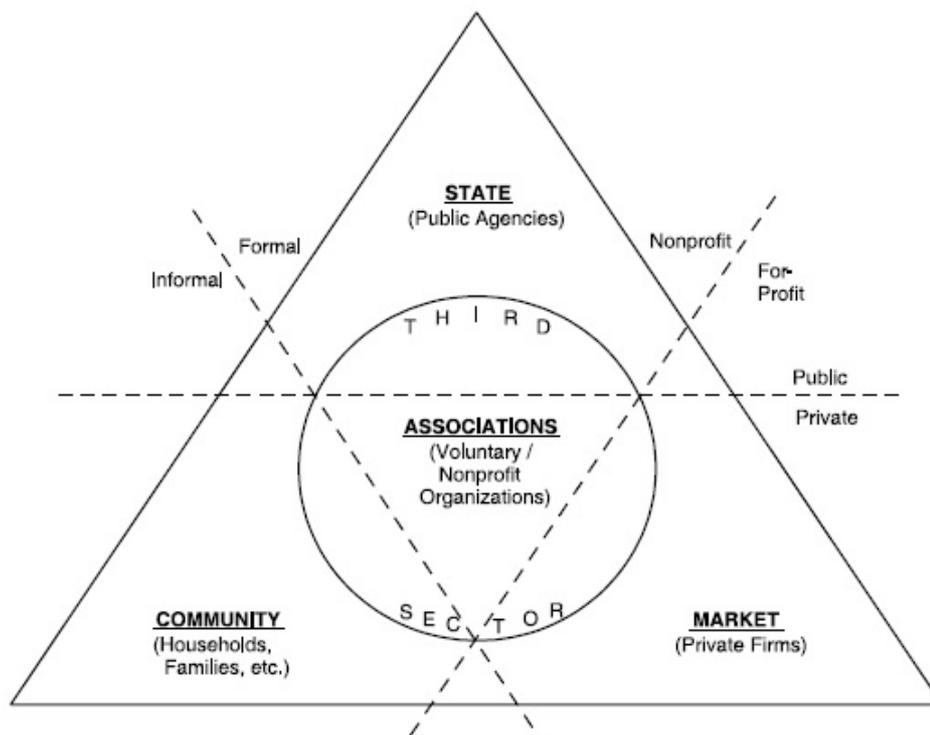


Figure 2 The third sector in the welfare triangle

Source: Pestoff, 1998 & 2005

Nevertheless, economists have devoted very little attention to the operational definition of “organization” in a nonprofit setting (Steinberg, 1997). Coase (1937) argues that the boundaries of the for-profit firm are determined by the relative transaction costs of market trade and internal non-market allocation, offering an especially rich foundation for the analysis of nonprofit firms. Are the boundaries different because of the non-market allocations of volunteers and donations? Although some analysis

of transaction costs in a nonprofit setting has begun (for example, Krashinsky, 1986; Salamon, 1987a; Ben-Ner & Van Hoomissen, 1991; Ferris & Graddy, 1991; Grønbjerg, 1993), this analysis has not focused on the determination of organizational boundaries.

Several papers examine mergers, franchising, multiple outputs, and united fundraising as attempts to remedy organizational externality problems (for example, Oster, 1992; Bilodeau & Slivinski, 1995), another factor thought to mediate organizational boundaries. There are still many difficult cases of sector blurring (for example, Billis, 1993) and unclear organizational boundaries within sectors due to the power of funders over organizational governance, overlapping memberships in organizational boards of directors, partnerships, and joint ventures, for-profit subsidiaries of nonprofit organizations, nonprofit subsidiaries of for-profits, united fund-raising organizations, and nonprofit franchise arrangements (Steinberg, 1997). The third chapter of this habilitation thesis contributes some clarity to this taxonomic debate.

The institutional framework focuses on the structures and processes that continue to shape the dynamics of the nonprofit sector and its relationships with the public and for-profit sectors (DiMaggio & Powell, 1983; Selznick, 1996; Smith & Grønbjerg, 2006). A related approach concerns what makes nonprofit organizations distinctive from organizations in other sectors (Casey, 2015). Nonprofit organizations differ from government entities and for-profits because of their unique combinations of production functions, governance structures, revenue sources, and staffing, and their legal and tax system (Salamon, 2010). As they are neither governmental nor for-profit, nonprofit organizations have been seen as potentially combining the best of the two sectors: “the public interest, responsibility, and wide perspective of government, melded with the efficiency and knowledge of business” (Etzioni, 1973). All of the characteristics ascribed to the sector have their own gray areas of definitional disputes (see e.g. Casey, 2015). Clear definitions are elusive and the various attempts to find neat fault lines between the sectors have only served to underline the demarcation challenges (see Chapter 3).

The question that must be pointed out in this context is *Is being nonprofit important?* (cf. Casey, 2015). Nonprofit organizations fulfil a large variety of functions in democratic societies (Neumayr et al., 2007). Following Boris and Mosher-Williams (1998), social, civic, and economic functions can be detected to describe the roles of nonprofit organizations. Kramer (1981) identified four key roles and functions: service provider, innovator, guardian of values, and advocate. However, a closer look at the categorizations of nonprofit functions offered in literature shows that they are

manifold and differ greatly (see, for example Kramer, 1981; Salamon et al., 2000). The functions of nonprofit organizations are identified in Table 1.

Table 1 Concepts of nonprofits` functions identified in literature

FUNCTION/AUTHOR	Salamon / Sokolowski	Estelle/Rose-Ackerman	Land	Fumkin	Kramer	Kendall	Salamon/Hems
Service/Service providing							
Expressive role (and leadership development role)/Value guardian role and volunteerism/Representational function							
Philanthropy							
Charity							
Improver/Advocacy role							
Vanguard role and service pioneer/Innovation function							
Community building (and democratisation role)/Fellowship/Social capital							
Social entrepreneurship							

Source: Neumayr et al., 2007

The role of nonprofit organizations in democratic societies is a topic of perennial interest in the political arena as well as in socioeconomic research. Nonprofit organizations may fulfil two major functions in contributing to the security and stabilization of society while at the same time stimulating societal advancement. In many countries, nonprofit organizations assume a mainstay role in integrating disadvantaged groups through the provision of social services and hence constitute “social mollifiers.” Simultaneously, nonprofit organizations assume an “expressive function” by giving a voice to societal issues such as the protection of the environment. It cannot be assumed that the expressive function and service orientation are dichotomous variables. A majority of socially active nonprofit organizations identify themselves with both functions even though this may inevitably lead to tension within the organization between those who prefer the income-generating service activities and those who push for the expressive obligations. The classification of organizations that

are active in both fields remains unclear. There is a no concise method in classification systems such as the International Classification of Nonprofit Organizations (ICNPO) that makes it possible to fully delineate advocacy (Neumayr et al., 2007). Apart from the service function and expressive functions three more nonprofit functions are acknowledged as highly relevant in the (post-) transitional context (Vaceková & Murray Svidroňová, 2016):

1. The innovative function. The nonprofit sector can be a source of various innovations, including in the use of technologies, new methods of education, and innovative procedures of citizen mobilization. The innovative functions of the nonprofit sector lead to the creation of a more challenging environment for the work of public organizations.
2. The advocacy function or the social change function. These functions defend or promote the interests and rights of individuals or specific groups of citizens. In the Czech Republic and Slovakia, this function is one of the most important because it contributes to the transformation of society.
3. The function of community building and the democratization function. This is a very important function in the Czech Republic and Slovakia, where the former regime adversely affected the development of community life and the natural mechanisms of citizen mobilization in relation to public affairs governance.

On closer inspection of the functions of nonprofit organizations, it is visible that the role of the nonprofit sector consists of taking an active part in shaping democracy and diversity and controlling the rules adopted in society. The service provider role of nonprofit organizations is the one to which most attention is usually paid. But the service, entrepreneurial, and innovative functions are undoubtedly less contentious than the expressive functions of advocacy, civic engagement, and cultural expressions (Casey, 2015). In terms of their beneficial effects, the nature of the services that private nonprofit organizations provide can be as follows (Kuvíková & Svidroňová, 2010):

- mutually beneficial services: private nonprofit organizations implement the interests of their founders, direct their activities at meeting the needs of a small group of people (an interest group), and are established on a membership basis; for example: civic associations, political parties and movements, chambers, clubs, and associations;
- generally beneficial services: private nonprofit organizations meet generally beneficial objectives and serve everybody under the same conditions that are known in advance; for example: civic associations, foundations, non-investment funds, and nonprofit organizations providing generally beneficial services,

in particular as follows:

- provision of health care,
 - provision of social assistance and humanitarian care,
 - creation, development, protection, restoration, and presentation of spiritual and cultural values,
 - protection of human rights and fundamental freedoms,
 - education and development of physical culture,
 - research, development, scientific and technical services, and information services,
 - creation and protection of the environment and protection of public health,
 - services in support of regional development and employment,
 - the provision of housing; management, maintenance, and renewal of the housing stock.
- public utility services: private nonprofit organizations carry out tasks related to the public interest, fulfil the tasks of the municipality or the state, or secure other public functions; they are subject to public scrutiny and usually have financial relations with public budgets.

It is possible to polemicize whether the mutually beneficial services, meaning the services which meet the needs of a small group of people, can also be perceived as generally beneficial from a broader point of view. In many cases, traditions are preserved, non-traditional forms of education are created, sports and culture are promoted, and the spare time of members is filled with meaningful activities (which can be understood as preventing socio-pathological phenomena in society) when the “hobbies” of an organization’s members are supported. It is therefore possible that mutually beneficial activities are generally beneficial in a wider perspective, as they benefit the whole society.

The provision of public utility (generally beneficial) services is referred to as a service role. There are hypotheses that services provided by private nonprofit organizations meet one or more of the following characteristics (ibid):

- Higher quality - since they are not profit-oriented, they provide services of a better quality than commercial facilities. Nonprofit organizations are also more flexible, being able to provide different (auxiliary) services, for example in the area of community development, along their main service, which in a way

increases satisfaction of consumers. Hence, the quality of services can be evaluated as superior.

- More justice - nonprofit organizations have more intensive motivation to serve those who need it most, the services are more equitably distributed than in commercial enterprises that “discriminate” against those who cannot pay. This attribute does not necessarily have to be present as it does with the provision of services by government.
- Lower cost ratio, higher efficiency - nonprofit organizations can reduce the costs of their services and achieve greater efficiency by deploying volunteers and the funds of a charitable and philanthropic character. At the same time, by using resources other than those from the state, private nonprofit organizations strengthen their autonomy and sustainability in the market of the provided services of general interest.
- Specialization - based on their mission, values, and knowledge of the communities in which they operate, nonprofit organizations may specialize in a particular issue, a group of citizens, a type of intervention, and service delivery.

From the perspective of public economics, another specific feature related to the provision of services results from the information asymmetry on the part of the consumer (Chiang & Venkatesh, 1988; Bloom, Standing & Lloyd, 2008). However, the nonprofit sector of every country is the result of its particular social, economic, and political history (Casey, 2016). The origin, function, and mode of operation of the nonprofit sector in each country reflect the unique circumstances of that country (DiMaggio & Anheier, 1990; James, 1989; Kramer, 1981; McCarthy et al., 1992; Pryor, 2012; Salamon & Anheier, 1997; Salamon & Sokolowski, 2010; Skocpol, 2011). Salamon and Anheier (1992a, 1992b, 1998) wrote of “social origins” and “nonprofit regimes” whereas Anheier and Kendall (2001) talked about “national scripts.” It is necessary to provide a critical assessment of the theories explaining the emergence and justification of the third sector while taking the (post-) transitional context into account.

1.3 Theories of the nonprofit sector: An overview

What makes for a good theory in economics? Long neglected as a topic of theorizing and empirical investigation by mainstream economics in particular, the initial theories regarding nonprofit organizations have continued to shape theoretical and conceptual efforts (Steinberg, 1997). Much work was achieved primarily between 1975 and 1985

when Henry Hansmann’s trustworthiness thesis, Burton Weisbrod’s public goods theorem, Estelle James’s heterogeneity argument, and other economic theories were first introduced to provide theoretical foundations for what was then a newly emerging field (see Rose-Ackerman, 1996; Hansmann, 1987; DiMaggio & Anheier, 1990; Anheier & Ben-Ner, 1997).

Importantly, the influence of this theorizing has continuously extended beyond economics and informed sociological and political science approaches to the set of organizations and institutions situated between the market firm and the state agency (Anheier & Ben-Ner, 2003; *ibid*, 1997; DiMaggio & Anheier, 1990). While the theoretical map of nonprofit research has expanded beyond the early attempts and now includes several other major theories, such as stakeholder approaches, supply-side and entrepreneurial theories, institutional theories, and comparative approaches, it is time to take stock and reexamine some of the very basic concepts from which these economic theories operate (Anheier & Ben-Ner, 2003).

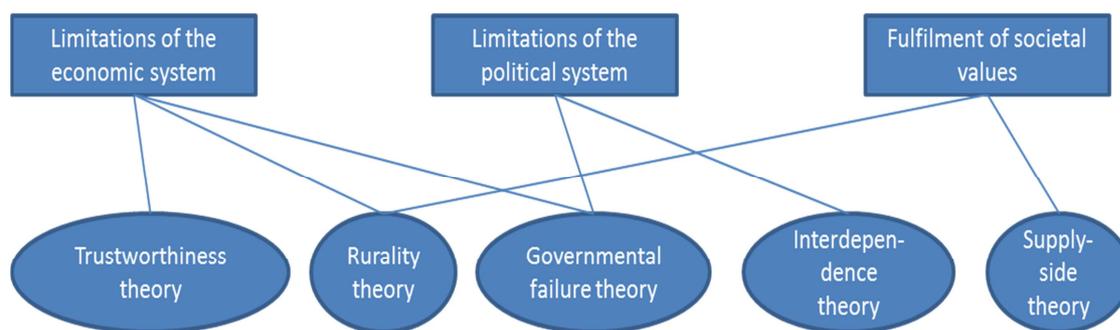


Figure 3 Classification of nonprofit theories

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

The existing theoretical approaches to nonprofit organizations can be classified into three groups (Fig. 1): those reflecting the limitations of the economic system; those reflecting the limitations of the political system; and those that cannot be attributed to the failure of any specific functional system. The third group may seem vague, but it can be conveniently conceptualized in terms of the societal values that are reinforced by the missions of the particular nonprofit organizations. As Valentinov (2012c, p. 83) wrote, “the role of the nonprofit sector is in reconfiguring the allocation of societal resources, as it is evolving in the for-profit sector, so as to bring it in congruence with the broader societal values, including those of human dignity, environmental preservation, and care for disadvantaged people. The for-profit sector needs to be supplemented by the nonprofit sector not because of market failures, but because of its

failure to take due account of the relevant societal values.” An advantage of the proposed classification is that specific nonprofit theories may be assigned to several groups at the same time. Furthermore, a specific listing of nonprofit theories does not need to be comprehensive in order to fit in the classification.

Failure-based theories

Economic theories that seek to explain the existence of nonprofit organizations focus on the concepts of public versus private goods and the various “failures” that drive the demand for them (Salamon, 1987a; Steinberg, 2006). The first reconciliation of the persistence of nonprofit organizations with classical economic theory was offered by Burton Weisbrod (1977). His theory of government failure parallels the more established theory of market failure (Le Grand, 1991). Weisbrod (1977, 1988) argued that public goods provided by the government were generally targeted at the median voter, which creates a gap that can be found both at the high end, for those able to pay for such services in the marketplace, and at the low end, for the marginalized who must organize alternative provisions. Those consumers for whom public goods are in high demand may find that government does not supply as much as they would like. In order to increase their utility, these high-demand consumers support nonprofit firms which can satisfy their needs. Thus the existence of nonprofit firms depends upon the existence of heterogeneous demand (Krashinsky, 1997).

Nonprofit organizations flourish when either, or both, “market failure” (for-profit firms have no interest in a good or few trust that it can be delivered with equity and accountability) and “government failure” (the government cannot deliver a public good efficiently) have occurred. Weisbrod (1988) argued that the nonprofit organizations that were not motivated by making profits had goals that differed from the goals of profitable businesses and that those nonprofit organizations would not skimp on the quality or quantity of the services provided at the expense of poorly informed consumers. The advantage of the provision of those services by private nonprofit organizations, compared to profitable companies, lies, *inter alia*, in reducing the degree of the information asymmetry on the part of the consumer.

The failure-based theories of nonprofit organizations explain their ability to overcome two types of failures (Valentinov, 2009): those involving public goods and those involving information asymmetries. The basic assumption for such government failure/market failure theories is the limitation in the ability of the market to provide public goods in sufficient amounts. Classic economics argues that this market shortcoming would serve as a justification for the state and government to exist. But the

government tends to reflect the preferences of median voters, resulting in the persistence of unsatisfied demands for public goods. This government failure leads people to turn to nonprofit organizations “to supply the public goods they cannot secure through either the market or the state” (Salamon & Anheier, 1998).

Individuals, however, are not the only demand-side stakeholders. Governments themselves purchase goods and services from private organizations. Because governments often provide services that are consumed by other parties, and are often involved in sectors in the first place because of the existence of public goods, they are frequently prone to the same kinds of information problems discussed above (see Krashinsky, 1997). This leads governments to turn to nonprofit providers for the same reasons as private consumers do, and it is one of the reasons that governments are often an important source of funds for nonprofit institutions (*ibid*). Discussion of this kind of funding and its implications can be found in Salamon (1987b) and Krashinsky (1990).

Trust theories

When focusing on “failures” Hansmann (1980, 1987) described a “contract failure” that posits that consumers prefer nonprofit organizations because governments fail to provide services to all and for-profit businesses fail to offer assurances against exploitation. Hansmann introduced the label “contract failure” to describe the role of nonprofit ownership in markets with asymmetric information. The term is actually far broader; in fact, it subsumes many other theories, including its main competitors: public goods theories, subsidy theories, and consumer control theories (Hansmann, 1987).

The preference for nonprofit service is driven by the trust that nonprofit organizations will deliver responsive and non-exploitative services and will not abuse information asymmetries (Casey, 2015). The “trust hypothesis” is based on the claim that asymmetric information in the markets for certain goods and services can explain the existence of nonprofit enterprise in those markets (Hansmann, 1980, 1994). Assuming that profit-maximizing producers might not have an incentive to deliver the quality of goods and services they promised consumers and/or donors, Hansmann suggested that nonprofit organizations eliminate the temptation to misrepresent the quality of their wares by way of the non-distribution constraint (Ortmann & Schlesinger, 1997), which is a key structural feature of nonprofit organizations (see Vaceková, 2014).

Hansmann hypothesized that such a constraint would take care of producers’ incentive to engage in opportunistic behavior. The prohibition of profit distribution to owners is an aspect of nonprofit trustworthiness, because it means that “those involved in nonprofit organizations are less likely to be in the field solely for the money”

(Hansmann, 1980; 1987). Nonprofit organizations can be perceived as a solution for another form of market failure arising from information asymmetries, such as when consumers lack the information they need to judge the quality of goods and services they purchase, mainly when the purchaser is not the same person as the consumer.

This approach has traditionally been criticized for exaggerating the significance of the non-distribution constraint and assuming that it is perfectly enforced (James, 1997; Ortmann & Schlesinger, 1997). The critical observations mentioned in the study presented by Valentinov (2008a) reveal that “the traditional understanding of the non-distribution constraint as a trustworthiness-enhancing device is incomplete.” Valentinov shows that the non-distribution constraint is also a reflection of the directly utility-enhancing character of involvement in nonprofit firms for their key stakeholders.

Recent studies have reaffirmed that the effect of the non-distribution constraint is conditioned by the effectiveness of its enforcement. Malani and Posner (2007) showed that “eliminating the profit incentive to compromise quality does not eliminate other incentives to do so,” because the nonprofit form itself simply replaces one non-verifiable condition (the quality of the product or service) with another (the altruism of the entrepreneur). Valentinov (2008c) showed that even ordinary for-profit entrepreneurship is importantly, if not primarily, motivated by non-monetary preferences, such as for being one’s own boss, having the opportunity to use certain skills and abilities, and pursuing one’s own ideas and ideologies (Benz, 2009).

Nevertheless, Hansmann’s (1980) suggestion that there is something interesting and different about organizations that are constrained from distributing their profits has borne the test of time (Steinberg, 1997). The constraint has been enormously useful in economic modelling of the role and behavior of nonprofit organizations. A mathematical representation of the non-distribution constraint plays an essential role in most formal models (ibid), at least partly determining the patterns of cross-subsidization and product offerings (for example, James, 1983; Ben-Ner, 1986; Schiff & Weisbrod, 1991; Eckel & Steinberg, 1993), the quality or trustworthiness of service (Easley & O’Hara, 1983; Ben-Ner, 1986; Chillemi & Gui, 1990, 1991; Handy, 1995; Hirth, 1995), the level of donations (Bilodeau & Slivinski, 1995a,b), the patterns of price discrimination (Hansmann, 1981a; Ben-Ner, 1986; Steinberg & Weisbrod, 1996), the types of entrepreneurs and managers common in the sector (Schlesinger, 1985; Gui, 1990; Folland, 1990; Preston, 1992; Eckel & Steinberg, 1993; Bilodeau & Slivinski, 1995c), the average per-period deficit incurred (Austen-Smith & Jenkins, 1985), and the accumulation of capital (Hansmann, 1981b, 1990; Tuckman & Chang, 1992).

As indicated, Hansmann’s central claim is that the non-distribution constraint reduced

the incentives for those associated with nonprofit organizations to claim any financial surplus, and hence to misrepresent their activities to consumers of their services or potential donors (Ortmann & Schlesinger, 1997). In this sense, nonprofit organizations were thought to be more “trustworthy.” This hypothesis was subsequently developed with greater mathematical rigor by Easley and O’Hara (1983, 1986), Ben-Ner (1986), Chillemi and Gui (1991), and Hirth (1995). Each of these elaborations focused on particular aspects of the processes that were thought to produce greater trustworthiness.

But as many scholars have observed, neither the original formulation nor its subsequent formalizations created a complete and internally consistent explanation for the role of nonprofit organizations in industries with mixtures of nonprofit and for-profit ownership (James, 1986; Steinberg & Gray, 1993; Anheier, 1995). Furthermore, issues of internal organization were downplayed (James, 1986; Ben-Ner, 1994; Brody, 1996; Ortmann, 1996). Despite these doubts and skepticism, the use of asymmetric information as an explanation for the existence of nonprofit organizations has become widespread (Oster, 1995; Young & Steinberg, 1995).

Supply-side theories

Another theoretical approach treats the unsatisfied demand for public goods resulting from state and market failures as a necessary but insufficient condition for the existence and importance of nonprofit organizations in a socio-economic context. This supply-side theory argues that another condition is needed, namely “the presence of people with an incentive to create NGOs to meet such demand” (James, 1987).

Failure and choice equations tend to focus on demand conditions but do not necessarily explain the supply-side decisions to organize according to nonprofit principles in situations in which people have an option to choose between nonprofit and for-profit structures (Casey, 2015). What advantage could these organizations offer if they have a non-distribution constraint and thus provide limited material returns to those delivering the good? Nonprofit organizations benefit by access to economic advantages, including a reduced tax burden, the workforce contribution of volunteers, and access to government grants and private donations (Lyons, 1993; Wolch, 1990). In order to understand entrepreneurship theories, it is useful to recapitulate the concept of entrepreneurship (Badelt, 1997). In his seminal pieces on entrepreneurship theories, Dennis Young (1980, p.2ff) refers to Schumpeter’s basic characteristics of an entrepreneur as described in his theory of economic development (see, particularly, 1934, p.65ff). An entrepreneur is portrayed as an individual with a specific attitude towards change (Badelt, 1997). According to entrepreneurship theories, entrepreneurial

behavior explains why nonprofit organizations are founded and their engagement in the provision of services.

Without founding entrepreneurs and those managers and board members willing to play a continuing role in the evolution of an organization, the nonprofit share would obviously fall to zero (Steinberg, 1997). Further, the type of entrepreneur attracted to the nonprofit sector determines, at least in part, the objective of the organization and therefore how it will compete and grow (*ibid*). Yet far too little attention has been focused on detailed empirical and theoretic analysis here, especially in the (post-) transitional context. Existing studies specify the variety of entrepreneurial motivations (Young, 1983), but say little about the empirical distribution of entrepreneurial types (for an exception, see Rawls et al., 1975). Public goods and transaction cost theories provide an economic foundation for Salamon's (1987a) "philanthropic particularism" theory of voluntary failure (Ben-Ner & Van Hoomissen, 1991), but there is room for much more integration between economic and political science theories (see Steinberg, 1997).

Entrepreneurial theories give a rationale for the existence of nonprofit organizations from the supply side. In this sense, they introduce the concept of "institutional choice" or "organizational choice" (Weisbrod, 1988; Badelt, 1990, 1997b; Ben-Ner & Van Hoomissen, 1993, p.31) in a supply-oriented theory of the nonprofit sector. Therefore, entrepreneurship theories can be viewed as "institutionalist" theories of the nonprofit sector, making it difficult to compare them with more formal neo-classical theories (Badelt, 1997a). Although some formal theories of nonprofit organizations that conceptualize nonprofit behavior as neo-classical maximization models are based on objective functions not too different from entrepreneurship theories (*ibid*), an integration of both lines of reasoning has not been explicitly made, although there is no doubt that the qualitative hypotheses forwarded by entrepreneurship theories may be a good starting point also for the development of formal theories (Young, 1996).

Interdependence theory

The welfare state theory, both failure theories (underlying the heterogeneity), and supply-side theories "take as given that the relationship between the nonprofit sector and the state is fundamentally one of conflict and competition" (Salamon & Anheier, 1998). Nonprofit organizations also face failure if they cannot deliver results. Salamon (1987a) noted that nonprofit organizations are hampered by four potential failures: insufficiency (they cannot meet needs), particularism (their activities focus on a limited

constituency), paternalism (they set the agenda with little end user input), and amateurism (they do not have the capacity to effectively manage programs).

Nevertheless, close cooperative relationships can occur between nonprofit organizations and governments. The possibility of cooperative relationships is the subject of the interdependence theory. A specific version was proposed by Salamon and Anheier (1998) called the social origins theory. In contrast to the single-factor explanations advanced in the context of neoclassical government–market failure models, the social origins theory focuses on a broad range of societal, political, and economic factors in explaining the nonprofit phenomenon in a comparative perspective. Although it focuses on a broader context, the analysis still rests on the prevailing government-failure approach and a two-sector view of society. Institutional analysis suggests nonprofit organizations should be viewed not as forming an institutional sector but as part of a complex network of organizations linked together in the public sphere (Wagner, 2000).

Rurality theory

A new theory to explain the role and existence of nonprofit organizations in the economy and society is the rurality theory. This theory, which is a type of market failure theory, was formulated by Vladislav Valentinov (2009) and assumes that generally the existence of the nonprofit sector is a result of the limited abilities of for-profit firms to satisfy human needs. Valentinov adds to this theory that there are specific characteristics of rural areas with specific human needs resulting in “rurality-specific costs.” The rural theory’s general hypothesis is that rurality-specific transaction costs led to the emergence of rural nonprofit sector organizations. Based on Valentinov’s assumptions, the recognized empirical relevance and the growing political popularity of the rural nonprofit sector have not yet been matched by a corresponding development in nonprofit sector economic theories (Valentinov, 2012c).

In fact, a rural nonprofit economic theory has been altogether lacking. Traditional general theories of the nonprofit sector emphasized its role in providing public goods (Weisbrod, 1991), gaining consumer trust (Hansmann, 1987), ensuring better consumer control over the production of goods and services (Ben-Ner, 1986), and serving as an outlet for ideological entrepreneurship (Rose-Ackerman, 1996). These theories have clearly been developed with no regard for the distinction between rural and urban regions. Hence, none of these theories is adequately positioned to take account of the specificity of rural conditions in explaining the existence of the rural nonprofit sector. In line with traditional nonprofit economic theories, the rural theory assumes that the

existence of the nonprofit sector is a result of the limited ability of for-profit firms to satisfy human needs.

The original contribution of the rural theory is in the argument that some of the limitations of for-profit firms located in rural areas are related to rural characteristics such as low population density, geographical dispersion, and poor infrastructure. These characteristics give rise to “rurality-specific” transaction costs that must be borne by for-profit firms located in rural areas. The rurality-specific transaction costs constrain the scope of operation of rural for-profit firms, thus diminishing their ability to satisfy rural dwellers’ wants and creating a niche for rural nonprofit organizations (Valentinov, 2012b).

The applicability of nonprofit economics to conceptualizing rural development is based on recognizing that the challenges of rural development ultimately result from the lower presence of for-profit firms in rural areas than in urban ones. Indeed, the lack of for-profit firms is precisely what constrains the rural dwellers’ opportunities to satisfy their needs and to maintain their wellbeing at the level that is achievable in cities. In terms of economic theory, this lack of for-profit firms can be thought of as a consequence of the higher transaction cost of market exchange in rural areas. The transaction cost in rural areas is evidently increased by population scarcity, the significant geographic dispersion of consumers and producers, and a relatively poor infrastructure (Terluin, 2001). This transaction cost limits the ability of for-profit firms to maintain social welfare in rural areas at a level equivalent to that of cities.

While nonprofit economics locates the role of nonprofit organizations in the balance against the for-profit firms’ limitations, the specific mechanism permitting nonprofit organizations to provide this balance still needs to be explained. With rural nonprofit organizations, this mechanism can be inferred from the fact that many nonprofit organizations are mutual self-help organizations, i.e. they produce their core outputs for the purposes of consumption by their own members rather than for sale. Due to their foundations in mutual self-help, these nonprofit organizations may be designated as self-sufficiency-oriented rather than exchange-oriented. Their self-sufficiency orientation is the reason that high transaction costs do not (necessarily) disable their existence. Indeed, transaction cost, following the definition by Ronald Coase (1937), is the cost of using the price mechanism, i.e., the mechanism of market exchange. Since self-sufficiency-oriented nonprofit organizations produce their output for consumption by their own members, rather than for sale in the market, they are less affected by the rurality-specific transaction cost. Moreover, economists have long recognized that the replacement of the market exchange with self-sufficiency is a natural consequence of

high transaction costs (Demsetz, 1997; Becker and Murphy, 1992), so the rurality-specific transaction cost can be said to give rise to the replacement of exchange-oriented for-profit firms with self-sufficiency-oriented nonprofit organizations.

It must of course be noted that not all rural nonprofit organizations are fully self-sufficiency-oriented. Local community organizations, rural and agricultural cooperatives, and rural partnerships may all produce at least some of their output for sale in the market. But since none of these nonprofit organizations, by definition, represent for-profit firms, their objectives necessarily include nonpecuniary aspects related e.g. to the maintenance of local culture and infrastructure (e.g. Uphoff, 1993), the rational use of common pool resources (e.g. Poteete and Ostrom, 2008), or the organization of local collective action (Staatz, 1987). Apart from producing any commercial output, rural nonprofit organizations necessarily undertake activities aimed at achieving these nonpecuniary objectives because these objectives reflect precisely those needs of nonprofit organization members that cannot be satisfactorily met by for-profit firms. These nonpecuniary objectives are the object of self-sufficiency in rural nonprofit organizations.

Thus, rurality may be regarded as a distinct theoretical rationale for the nonprofit sector because it involves the rurality-specific transaction cost that limits the ability of for-profit firms to satisfy human needs. Nonprofit organizations are able to balance limitations of the for-profit firms because the rurality-specific transaction cost leads to the replacement of exchange-oriented organizations (embodied by for-profit firms) with self-sufficiency-oriented ones (embodied by nonprofit organizations).

While the notions of trust, information asymmetry, public goods, demand heterogeneity, and transaction costs continue to serve as the building blocks of economic theories in this field, recent work has expanded on previous research and improved understanding of the origins of nonprofit organizations. While these improvements have been useful for understanding nonprofit organizations, there is nonetheless a need to reconsider the conceptual inventory of microeconomic theories (Anheier & Ben-Ner, 2003). Nonprofit scholars have a tendency to retain “old” theories as basic reference points even when the theories themselves may no longer be adequate for current research efforts, especially in the post-transitional context. Even in 1997, Anheier and Ben-Ner doubted that economic theories could inform empirical research to the extent needed for continued theoretical development.

1.4 Towards an integrative theory: Critical assessment of current approaches

Since the 1970s, neoclassical economists have been considering an apparent paradox: “the presence of nonprofit organizations inside markets driven by the quest for profit” (Laville et al., 2015). Economics literature on the nonprofit sector has continued in the neoclassical tradition, “which examines the *raison d'être* of organizations in the market economy” (ibid). Nonprofit organizations are chiefly explained in terms of their ability to address market failure (Jegers, 2008; Steinberg, 2006). The limitations of this explanation are, however, widely recognized (see Steinberg, 2006). Specifically, the market failure explanation does little to include the motivational phenomena, such as ideological commitment, altruism, social values, and mission-drivenness, that are critical for the effective operation of the nonprofit sector (Rose-Ackerman, 1996). Vladislav Valentinov (2011) argues that it is for this reason that the market failure explanation for this sector is supplemented with the “ideological entrepreneurship” theory, which is centrally concerned with the motivational phenomena. “However, while focusing on the motivation of nonprofit entrepreneurs, the ideological entrepreneurship theory does not systematically derive this motivation from the broader institutional framework of the market economy. As a result, despite the booming research on nonprofit economics in the last decades, an integrated theoretical vision of this institutional arrangement has not yet evolved” (Valentinov, 2008b).

Valentinov has proposed numerous approaches for identifying this integrated vision. As the market failure approach cannot accommodate “ideological entrepreneurship” and other supply-side theories, Valentinov proposed replacing the concept of the market with that of the social division of labor. The social division of labor is clearly a more fundamental concept that theoretically includes both markets that fail and those that do not. The concept itself, however, may be constrained, as acknowledged by Adam Smith’s statement that that “the division of labor is limited by the extent of the market.” Recent literature acknowledged that additional constraints on the social division of labor include transaction costs and technological knowledge (Valentinov, 2006). Valentinov traced the economic origins of the nonprofit sector to the constraint of the social division of labor by transaction costs, using the term “transaction costs” with a meaning which must be carefully differentiated from transaction costs in the new institutional economics understanding of the term. In later work, Valentinov put the social division of labor argument on an institutionalist basis by referring to the “institutionalist dichotomy” prominent in American institutional economics, alternatively called “old” or “original” institutional economics.

The old institutional economics perspective questions the ability of the new institutional economics to provide an exhaustive explanation of the nonprofit sector, as the new institutional economics does not seem to cover the economic space beyond the social division of labor. Following a seminal article by Ronald Coase (1937), which “highlighted that certain transaction costs can explain the formation of economic enterprises” (Laville et al., 2015), Oliver Williamson (2012) defined an organization as a “governance structure” that enables the reduction of transaction costs. The new institutional economics, as introduced by Coase and further developed by later authors including Williamson, “confers to the organization a theoretical status that was not previously recognized by orthodox economic science” (Laville et al., 2015). For example, the main hypothesis of transaction cost economics asserts that transactions are aligned with governance structures in a transaction cost-economizing way. The minimization of transaction costs thereby serves as a criterion of efficiency in the appraisal of governance structures. The use of efficiency criteria implies the assumption that there is an efficiency maximum, and that the competitive pressures of the market facilitate the attainment of that maximum, even though it might remain unreachable due to transaction costs and related reasons (see also Demsetz, 1969). However, if the nonprofit sector is truly based in the economic space beyond the social division of labor, as Valentinov (2006, 2008c) stated, then the assumptions of efficiency and transaction cost-economizing become less relevant.

Old institutional economics rejects these assumptions of efficiency and economizing. One of its key ideas is the “pecuniary-industrial” (or Veblenian) dichotomy emphasizing the limitations of the markets and of the price system in guaranteeing a high quality of human life. “The pecuniary-industrial dichotomy is a major theme in the work of Thorstein Veblen, and has found further development in the form of the ‘technological-ceremonial’ dichotomy in the writings of Clarence Ayres” (Valentinov, 2008b). Original institutional economists also do not share the new institutional economists’ faith in the beneficent natural order of social organization that is embodied in the Pareto-optimal competitive equilibrium (Gruchy, 1987), a faith that can be inferred from the use of efficiency criteria in the terms of which this equilibrium is defined. New institutional economics gives a much more prominent place to markets than old institutional economics does (Rutherford, 1995). This new institutional economics attitude is exemplified by Williamson’s (1975, p. 21) assertion that “in the beginning there were markets” (Ankarloo and Palermo, 2004; Hodgson, 1998). The favorable disposition toward markets is associated with the use of efficiency criteria in evaluating the performance of real-world institutions. The institutions of the nonprofit sector may be more appropriately appraised by alternative criteria. Drawing on the writings of the institutional economist Radhakamal Mukerjee, Valentinov (2011)

suggested that the role of the nonprofit sector is more properly seen in “helping the economies to better accommodate broader societal values” as well as in “the pursuit of common interests rather than in individual utility maximization.”

The most important factor of the institutionalist vision of the integrative conceptual core of the nonprofit sector is that the nonprofit sector generates behavioral patterns that cannot be imitated by profit-seeking behavior. This factor seems to have implications that go beyond those that Valentinov elaborated. Valentinov (2009, 2012a, 2012d) convincingly showed that this behavioral difference accounts for the ability of nonprofit organizations in rural areas to contribute to the quality of social life in ways that cannot be copied by for-profit organizations. If rural areas are indeed marked by “rurality-specific transaction costs” that constrain the social division of labor, then the for-profit firms located on the “pecuniary pole” of the institutionalist pecuniary-industrial dichotomy must indeed be constrained by the lowered pecuniary attractiveness of these areas.

However, Valentinov’s innovative application of the institutionalist dichotomy has considerably broader implications, going beyond the rural development context. To begin with, the basic service-providing role of the nonprofit sector largely arises out of its nonprofit orientation, which is emphasized by the dichotomy (Salamon et al., 2016b). The services that nonprofit organizations are expected to provide are those that involve some “public” or collective character. Such goods and services are typically difficult to supply through the private market because they are available to everyone regardless of whether they have been paid for, because those in need of them lack resources, or because the services require some special element of trust (Hansmann, 1980; Weisbrod, 1975; Salamon, 1987). The Third Sector Impact project (2016) showed that “in situations where trusted economic institutions to provide credit or assist with marketing and related roles are unavailable, moreover, nonprofits can also be expected to provide such economic services (e.g., in many developing countries and transition economies). In a number of places, the nonprofit service role is not distinguished sharply from that of government, though in some places, such as Central and Eastern Europe (e.g. Hungary, Romania, Slovakia), nonprofit organizations are now expected to be the primary service providers” (Salamon et al., 2016).

Furthermore, as nonprofit organizations are not principally profit-oriented, they can afford to provide a higher quality of service than commercial enterprises (Weisbrod, 1989; Billis & Glennerster, 1998). Because of their access to voluntary and philanthropic support, their charitable goals, and their more limited interest in profit, nonprofit organizations should be more inclined to serve those in greatest need. Their

client profiles can therefore be expected to differ from those of commercial enterprises, though not necessarily from those of government agencies (Weisbrod, 1989; James & Birdsall, 1992; Kramer, 1981). Access to volunteers and charitable support can enable nonprofit organizations to offer services at a lower cost than other providers and therefore be considered more efficient (Weisbrod, 1989; Badelt & Weiss, 1990). Because of their value-based missions and embeddedness in communities of place and need, nonprofit agencies can specialize in a problem, a group of people, a service delivery system, or a method of intervention (Farrington & Bebbington, 1993; Kramer, 1981, p.259).

As they are not driven by the “bottom line,” nonprofit organizations are also potentially more flexible and adaptable than other types of organizations and more able to take risks, thus fulfilling the innovation role. All three types of innovation identified by Stephen Osborne (1998) can be identified with the nonprofit sector: evolutionary innovation in situations in which there is a new process/product; expansionary innovation where there is a new market; and total innovation where there is a new process/product and a new market. This innovation role is widely recognized in the literature (see, for example: Kramer, 1981; Osborne, 1998; Light, 1998).

Because they are not beholden to the market and are not part of the governmental apparatus, nonprofit organizations can be expected not only to innovate, but also to push for changes in government policy or in societal conditions (Boris & Mosher-Williams, 1998; Habib & Taylor, 1999; Kramer, 1981; Lipsky & Smith, 1989). This advocacy role is also consistent with the voluntary character of nonprofit organizations and the availability of these organizations as mechanisms to gather people who share a particular concern. Two dimensions of the advocacy role appear significant in the literature: the personal and the public (Hayes, 1996), alternatively termed “citizen advocacy” and “policy advocacy” (Knapp et al., 1988, p.15). This is consistent with the “expanded conception of advocacy” proposed by Boris and Mosher-Williams (1998, p.488), which embraces not only policy-oriented activity but broader “civic involvement” that nonprofit organizations can facilitate. Ralph Kramer also termed this the vanguard role (Kramer, 1981).

Nonprofit organizations can be expected to take advocacy as one form of their representational activities. These organizations may also perform a broader role as vehicles for individual and group self-expression (Weisbrod, 1975). Kramer referred to this as the “value guardian role” of nonprofit organizations: “As a value guardian of voluntaristic, particularistic and sectarian values, a voluntary agency is expected to promote citizen participation, develop leadership, protect interests of social,

religious, cultural, or other minority groups” (Kramer, 1981, p.9). David Horton Smith (1973, p.337) also identified the ability of the voluntary sector “to liberate the individual and permit him or her the fullest possible measure of expression of personal capacities and potentials within an otherwise constraining social environment...” as one of the sector’s central impacts (Smith, 1973, p.337). Thus, groups form to give expression to ethnic and religious heritages, to occupational matters, to shared ideologies and interests, to musical or cultural concerns, and to thousands of other interests. In addition, because they offer vehicles for individual self-expression, nonprofit organizations encourage leadership development. Through this expressive role, therefore, nonprofit organizations should be instrumental in promoting the value of pluralism and diversity in society, providing outlets for the development of new leadership teams and vehicles through which people can fulfill themselves in a variety of ways.

Finally, while the expressive role emphasizes the contribution that nonprofit organizations can be expected to make to diversity and pluralism, these organizations can be expected to perform a unifying role as well (Berger & Neuhaus, 1996; Kingsley & Gibson, 1999; Smith, 1973). This community building and democratization role is embodied in the concept of “social capital” that has been gaining considerable currency (Putnam, 1993), although it was recognized much earlier in discussions of the “integrative role” that these organizations perform (Smith, 1973, p.335). The central idea is that by encouraging social interaction, nonprofit organizations help to create habits of trust and reciprocity that in turn contribute to a sense of community and support democratic values. In this sense, the nonprofit sector can contribute to both diversity and community at the same time. This community building role, in turn, has been credited with encouraging both economic growth and democratization, each of which require extensive bonds of trust in order to flourish.

In addition to these positive contributions, nonprofit organizations may also be expected to exhibit certain characteristic vulnerabilities that need to be examined in gauging the impact of this set of institutions (Salamon, 1987b). Valentinov (2011) fully acknowledged these vulnerabilities in the context of the nonprofit commercialization pressures. However, these vulnerabilities can be seen more broadly and include the following:

Particularism. The very qualities that make nonprofit organizations potentially responsive to group interests or concerns can make them hostile to broader public or community interests. Indeed, nonprofit organizations can be discriminating in their operations, providing benefits only to people sharing the religious, or ethnic, or cultural

values of the members and denying benefits to others (Salamon, 1987b; Lewis, 1998; Kramer, 1981; Smith, 1973, p.342). In situations in which groups vary in their resources, this can reinforce inequalities.

Paternalism. Unlike governments, nonprofit organizations cannot establish “rights,” only privileges. They can thus reinforce the dependence of those who rely on their services (Salamon, 1987b; Berger & Neuhaus, 1996; Kramer, 1981). This dependence can, in turn, be used to force those without alternative recourse to accept religious, moral, or political convictions they would not otherwise choose. To the extent that this leads to forced conversions or the subjugation of important traditions, it constitutes a denial of individual liberty rather than a promotion of it.

Excessive amateurism or professionalism. Nonprofit organizations pride themselves on their reliance on volunteer input and private charitable support. While this can be a source of innovation and independence, it can also be a recipe for ineffectiveness (Lewis, 1998). Nonprofit organizations may not be able to attain the scale of effort required to make a serious dent in a major problem, they may use approaches that fail to take advantage of the latest techniques, or they may rely on the unique skills of a particularly effective individual that cannot easily be replicated. “Scaling up” the innovations and contributions of nonprofit organizations can consequently be a serious problem. By the same token, nonprofit organizations can also fall prey to excessive professional control and the professionalization of problem-solving. This happens when professional staff acquire too complete control over agency operations and limit the involvement of members, clients, or other non-professionals (Kramer et al., 1993; Lewis, 1998; McKnight, 1995).

Resource insufficiency. One of the additional inherent limitations of the voluntary sector is the difficulties encountered with generating resources on a scale that is both adequate and sufficiently reliable to cope with the range of human problems it seeks to address (Salamon, 1987b; Billis & Glennerster, 1998; Kramer, 1981; Lewis, 1998; Ostrander, 1989; Grønbjerg, 1994; Fowler, 1995). This is, to a considerable extent, a product of the “free rider” problem inherent in the production of collective goods. Since everybody benefits from a society in which those in need are cared for even if they have not contributed to the cost of the care, there is an incentive for each person to let their neighbor bear most of the cost. As long as reliance is placed solely on a system of voluntary contributions, therefore, it is likely that the resources made available will be less than those that the society actually considers optimal. Furthermore, because of the twists of economic fortune, benevolent individuals may find themselves least able to help those in need when the need is greatest. In addition, the available resources

are frequently not available where the problems are most severe. As a consequence, nonprofit organizations, on their own, have serious vulnerabilities in generating a reliable stream of resources to address community needs.

Accountability gap. A fifth key vulnerability of nonprofit organizations results from their lack of sufficient accountability mechanisms (Hayes, 1996; Kramer, 1981; Herzlinger, 1996; Fleishman, 1999). For-profit businesses are ultimately held accountable by the consumers of their products and by their boards of directors, who have a vested interest in the performance of the corporation. Government agencies are similarly held accountable firstly by elected representatives and ultimately by voters in a democratic system. By contrast, the principal vehicle for accountability in the nonprofit sphere is the trustworthiness of agency managers. Society assumes that because the organizations these managers head cannot generate profits to benefit their managers, these managers can be relied on to act in the best interest of the organization and those it serves. However, there are many ways in which organizational operations can benefit organization managers, making this is an imperfect accountability mechanism at best. Furthermore, because the boards of nonprofit organizations have fewer incentives to monitor organizational performance than is the case in the business sector, the likelihood is great that board oversight will be less vigorous. As a result, nonprofit organizations may lack the accountability mechanisms operating in the other spheres.

Finally, it is necessary to mention that the dichotomy-informed approach to the integrative understanding of the nonprofit sector assumes the nonprofit sector exists in response to the societal imbalances induced by the well-established for-profit sector (Valentinov, 2011; Valentinov et al., 2015). This is a demand-oriented assumption that makes perfect sense in the context of the Western world, but it is less applicable to the transitional context of the Central and Eastern European countries, whose institutional structure is still in the process of emerging and forming. In the Central and Eastern European countries, it seems more plausible to hypothesize that the societal determinants of the nonprofit sector, at least in the short to medium term, will be mainly related to supply-side rather than demand-side factors, with the supply-side factors including public funding, public regulation, and the legal environment of the nonprofit sector. This raises the subject of the next part of the thesis.

2 Testing nonprofit theories in the (post-) transitional context

First, this chapter provides an analysis of the economic determinants of the nonprofit sector in Slovakia (see also Murray Svidroňová, Vaceková & Valentinov, 2016). Rather than using the neoclassical market failure approach, the analysis builds on the institutionalist framework that draws attention to the shortcomings of the dominant institutional structures of the private for-profit and public sectors. A survey of 60 nonprofit organizations was used to identify their key characteristics; the “supply-side” and “interdependence” theories were identified as the most useful explanations for the existence of these nonprofit organizations. These results emphasize the role of nonprofit organizations in fulfilling societal values while taking account of institutional complementarities, regional variations, and legal peculiarities.

Second, this chapter examines the commercial transformation of the nonprofit sector in the (post-) transitional Czech context (see also Vaceková, Valentinov & Nemeč, 2016). Some nonprofit economists see nonprofit commercialization as a moral dilemma because commercial activities may secure the survival of the organization at the expense of undermining the mission orientation. This moral framing of the commercialization debate is insufficient for describing the Czech nonprofit sector, which is still struggling to develop its own distinct institutional identity. Financial independence is part of this identity, and commercial activities might be able to assist nonprofit organizations in emancipating themselves from the previously paternalistic state. The institutional nature of the commercialization phenomenon in the Czech Republic has been emphasized on this basis. The decisions favoring commercialization by Czech nonprofit managers are shown to be heavily influenced by the current institutional and regulatory environment, which explicitly promotes nonprofit self-financing initiatives. If nonprofit commercialization is understood as an institutional phenomenon, then its moral significance is best captured in terms of institutional ethics rather than in terms of the individual ethics of nonprofit managers, an approach that seems to be predominant in the Anglo-Saxon literature. After presenting recent empirical findings on self-financing, this subchapter concludes by stressing the interrelation between the semantic and ethical aspects of the commercialization concept.

Finally, this chapter investigates the issue of nonprofit sustainability (see also Valentinov & Vaceková, 2015). The sustainability of nonprofit organizations is a key

concern for contemporary nonprofit scholars and practitioners. Building upon the nonprofit economics literature, this subchapter introduces the distinction between the demand-side and supply-side determinants of nonprofit sustainability and examines the discrepancy between them. This discrepancy provides a generic conceptual explanation of nonprofit sustainability issues and can also be applied to the European rural nonprofit sector. Three arguments are advanced. First, the notorious implementation problems of LEADER partnerships can be explained as a manifestation of the discrepancy. Second, and relatedly, the rural context implies the tendency of the supply-side determinants of nonprofit sustainability to undermine the demand-side determinants. Third, recent empirical findings from the Czech Republic indicate that this tendency does not necessarily imply the possibility of clear classifications for the demand-side and supply-side sustainability determinants. Rather, those features of rural areas and communities that significantly affect the size of the local nonprofit sector exhibit a controversial entanglement of demand-side and supply-side identities.

2.1 A synopsis of nonprofit theories: Reality check from Slovakia

The academic field of nonprofit sector studies has been advancing in recent decades across the globe. Nonprofit organizations are now widely acknowledged to “play a variety of social, economic, and political roles in society. They provide services as well as educate, advocate, and engage people in civic and social life” (Boris & Steuerle, 2006, p. 66; cf. Kuhlmann, 2010; Michalski & Mercik, 2011). Nonprofit organizations also act as initiators of innovation in public services delivery (Nemec, Mikušová Meričková & Svidroňová, 2015). To Salamon et al. (2013, p. 1), the rising prominence of nonprofit organizations constitutes a global “associational revolution” i.e., “a major upsurge of organized, private, voluntary and nonprofit activity [that] has been under way around the world for the past thirty years or more” (ibid). Under these circumstances, it is only natural that social scientists have initiated a creative search for theories and models that would explain the evolution and societal functions of the nonprofit sector and help to productively harness its policy potential.

This subchapter primarily addresses the theories and models that interest economists. Given that the global nonprofit sector presents a key economic force (Salamon et al., 2013), economists have developed numerous clever explorations of the ways in which nonprofit organizations have played important roles in modern economies, especially in the Anglo-Saxon institutional context. The main thrust of these explorations ascribes nonprofit organizations the ability to correct specific types of market failure (Steinberg,

2006). Economics, however, is a pluralistic science. Economic science in the Western world is clearly dominated by neoclassical and new institutional economics approaches, but at the same time it contains a number of heterodox strands that hold a critical stance on the market failure framework. This stance is especially attractive to sociologists and political scientists who see the market failure framework as a reductionist attempt to constrain the complex and institutionally rich social reality into a market setting consisting of consumers and producers.

Following this line, Smith and Grønbjerg (2006, p. 235) criticize the market failure explanations of nonprofit organizations for failing to properly account for their institutional embeddedness. Anheier and Salamon (2006) developed the “social origins” theory as a direct counterpoint to the market failure explanations. The social origins theory is intended to emphasize “the embeddedness of the nonprofit sector in the cultural, religious, political, and economic realities of different countries. It thus views decisions about whether to rely on the market, the nonprofit sector, or the state for the provision of key services as not simply open to choice by individual consumers in an open market...Rather, it views these choices as heavily constrained by prior patterns of historical development and by the relative power of various social groupings that have significant stakes in the outcomes of these decisions” (ibid, p. 106).

The social origins theory is primarily geared toward explaining the geographical variations across the global nonprofit sector rather than toward identifying the causal mechanisms responsible for the “reconstitutive downward causation” from the encompassing institutional structure onto the level of specific nonprofit organizations (Valentinov, 2012b). To identify these mechanisms would certainly be a daunting task. In contrast to this popular belief, this subchapter identifies and implements an empirical strategy that both traces the roles of nonprofit organizations back to the limitations of the economic and political functional systems and also considers the nonprofit activities that are not registered on these systems’ radars. This is done by exploring the nonprofit organizations populating a given institutional space, in this case Slovakia. In contrast to available empirical studies focused on testing the validity of specific market failure theories (cf. Steinberg, 2004), this study seeks to establish the comparative validity of alternative theoretical approaches using a representative sample of Slovak nonprofit organizations. In doing so, insights are obtained into the validity of specific theories and into their comparative usefulness in making sense of a complex and institutionally rich social reality.

Nonprofit theories reflecting the limitations of the economic system include Hansmann’s trustworthiness theory, Weisbrod’s governmental failure theory, and the

recently advanced rurality theory (Valentinov, 2009; Valentinov & Iliopoulos, 2013). Hansmann's and Weisbrod's theories have been widely discussed in the secondary literature and are generally seen as market failure theories (despite Weisbrod's reference to "governmental failure"). Valentinov's (2009) rurality theory refers to the discrepancy between the standards of living in urban and rural areas. This discrepancy is the result of several socio-economic characteristics of rural areas, including low population density, geographical dispersion, and a lack of infrastructure. These characteristics lower the rate of return on for-profit entrepreneurial activities and thus create a niche for rural nonprofit organizations. Nonprofit theories reflecting the limitations of the political system include Weisbrod's governmental failure theory and Salamon's (1987a) voluntary failure theory, also known as "interdependence" or "third-party government" theory. Finally, the "supply-side" or "entrepreneurship" theories (Young 1993; Rose-Ackerman, 1996) explicitly emphasize the role of nonprofit organizations as outlets for fulfilling specific societal values and ideologies.

Table 2 presents the key theoretical approaches, with a summary, key terms, key strengths, and key weaknesses. The social origins theory was omitted because it is intended to apply to cross-national comparisons rather than explorations within one country.

Table 2 Theories of the nonprofit sector

THEORY	SUMMARY	KEY TERMS	KEY STRENGTHS	KEY WEAKNESSES
Heterogeneity Theory a.k.a.: Public Goods or Governmental Failure Theory	Unsatisfied demand for public and quasi-public goods in situations of demand heterogeneity leads to emergence of nonprofit providers	Demand heterogeneity; median voter; government; quasi-public goods	Explains part of government-private institutional choice dynamics in liberal democracies in the context of public fund shortages; why nonprofit organizations become “gap-fillers”	Assumes inherent conflict between government and private nonprofit provision
Supply Side Theory a.k.a.: Entrepreneurship Theory	Nonprofit organizations are a reflection of demand heterogeneity, served and created by entrepreneurs seeking to maximize non-monetary returns	Social entrepreneurship; non-monetary returns; product bundling; demand heterogeneity	Explains close link between value base of many nonprofit organizations and choice of service field including health and education (to maximize value impact and formation)	Assumes neutral state; equates religious and secular value-based behavior; does not address non-value based nonprofit organizations
Stakeholder Theory	Given information asymmetries between provider and consumer, stakeholders decide to exercise control over delivery of service	Nonrival goods; information asymmetry; trust; principal-agent problems	Introduces tripartite relation as basic theoretical problem and goes beyond simple principal-agent issues: Stakeholder – provider – recipient	Scope of theory limited to experience of informational problems faced by deeply concerned stakeholders—does not address more conventional nonprofit organizations
Trust Theory a.k.a.: Contract or Market Failure Theory	Non-distribution constraint makes nonprofit organizations more trustworthy under conditions of information asymmetry which makes monitoring expensive and profiteering likely	Non-distribution constraint; trustworthiness; information asymmetry	Explains part of nonprofit – for-profit institutional choice from supply-side perspective, with focus on inherent problems in “nature” of good or service	Other institutional responses possible (government regulation); nonprofit constraint weakly enforced; indirect profit distribution possible (for profits in disguise)

Interdependence Theory a.k.a.: Voluntary Failure Theory or Third-Party Government Theory	Because of (initially) lower transaction costs, nonprofit organizations precede government in providing public benefit goods, but due to “voluntary failures” develop synergistic relations with the public sector over time	Philanthropic insufficiency, particularism, paternalism, and amateurism; third-party government	Moves away from zero-sum, competitive relation between voluntary sector and government; explains frequent pattern of public-private partnerships	Assumes neutral, yet well-meaning state; equates value-based and non-value-based behavior; does not address when synergies will or will not develop – conditions unclear
Social Origins	The size and structure of the nonprofit sector are a reflection of its “embeddedness” in a complex set of relationships, classes, and regime types	Comparative-historical approach; path-dependency; state-society relations	Moves away from emphasis on micro-economic models and puts interdependence theory in context	Difficulty in testing counterfactual as nonprofit form varies significantly over time and across countries/ cultures

Source: Vaceková & Murray Svidroňová, 2016; based on Anheier, 2013

To examine the economic theories that motivated the establishment of NGOs in Slovakia and that justify their existence, a pilot questionnaire was created and distributed. A total of 60 organizations responded. The sample reflects the current state of the structure of NGOs in Slovakia. The appropriateness of the structure and the scope of the sample were confirmed by the statistically significant results of a chi-square test.

The Friedman and Wilcoxon tests were used to examine whether the nonprofit NGOs had a specific reason or motive for their establishment. Pearson's chi-square test of independence was used to analyze the dependence of economic theories on other factors including region, location, legal status, core work organization, etc. If there was a confirmed dependency, the level of intensity of dependence was measured with Cramér's V. The respondents were different types of nonprofit NGOs located throughout the territory of Slovakia; Table 3 indicates the locations in all eight Slovak regions.

Table 3 Location of nonprofit organizations by region

REGION	NUMBER OF ORGANIZATIONS
Banská Bystrica	5
Bratislava	16
Košice	2
Nitra	4
Prešov	7
Trenčín	14
Trnava	7
Žilina	5

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

Of the total sample of 60 organizations, 48 were active in a city or town, accounting for 80% of the total number of organizations involved; the remaining 12 functioned in villages or in the countryside, representing 20% of the total number of organizations involved. The respondents varied in terms of the size of the municipality in which they operated. Most organizations were located in cities with a population of over 100,000 inhabitants (15 respondents) and in towns with between 50,000 and 99,999 inhabitants (14 respondents). The fewest respondents reported operating in municipalities with populations smaller than 199 or between 500 to 999 inhabitants. For a better overview of the answers of all respondents, the results are presented in Figure 4.

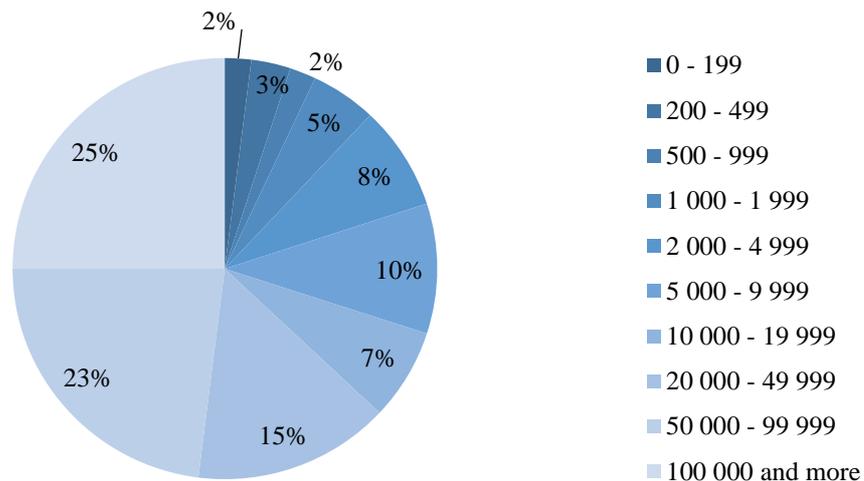


Figure 4 Share of the respondents by the size of municipality in which they operate
Source: Murray Svidroňová, Vaceková & Valentinov, 2016

The largest share of nonprofit organizations involved in the research, a total of 46 respondents, were civic associations. Two organizations were foundations, three were noninvestment funds, and six were established to provide generally beneficial services (public benefit organizations). The remaining three organizations selected the option “other” (an association of legal entities and unspecified nonprofit organizations). An overview is presented in Figure 5.

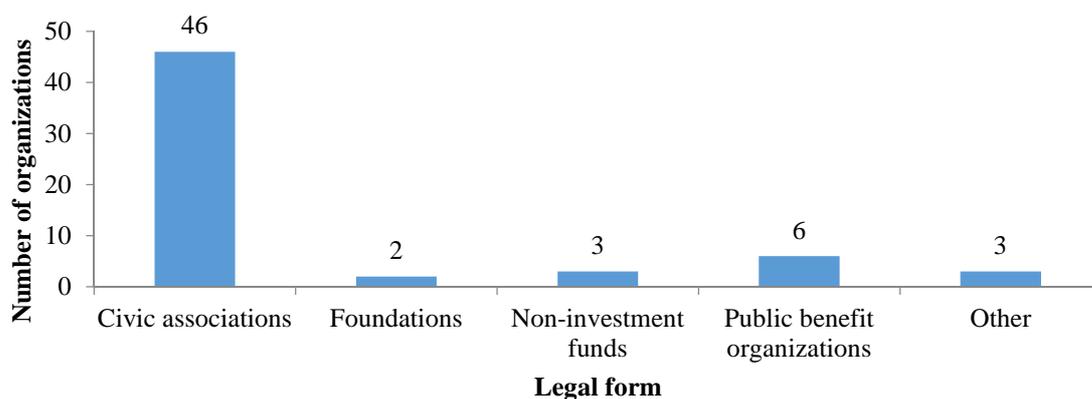


Figure 5 Legal form of the respondents
Source: Murray Svidroňová, Vaceková & Valentinov, 2016

Figure 6 shows that the respondents had usually been active in the nonprofit sector for 5 to 10 years.

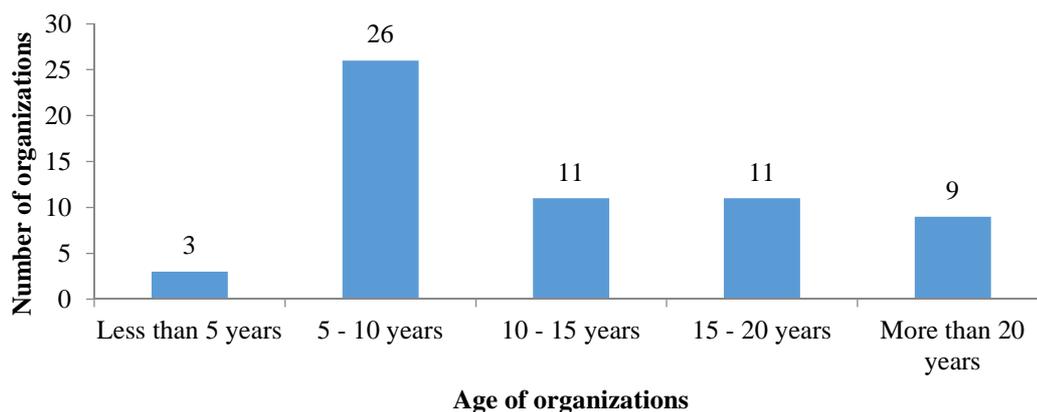


Figure 6 Age of the responding organizations (how long they had operated in the nonprofit sector)

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

To describe the size of respondents, two characteristics were used: the number of employees and/or volunteers (Table 4) and the size of the annual budget (Table 5).

Table 4 Overview of full-time and part-time employees and volunteers in responding organizations

	NUMBER OF ORGANIZATIONS	
	<i>Yes</i>	<i>No</i>
<i>Full-time employees</i>	13	47
- up to 5 employees	7	
- 5 to 9 employees	2	
- 10 to 20 employees	3	
- more than 20 employees	1	
<i>Part-time employees</i>	14	46
- up to 5 employees	11	
- more than 5 employees	3	
<i>Volunteers*</i>	50	9
- up to 5 volunteers	5	
- 5 to 10 volunteers	21	
- 11 to 20 volunteers	12	
- 21 to 50 volunteers	9	
- 51 to 80 volunteers	2	
- more than 80 volunteers	1	

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

* The sum of organizations with volunteers does not total 60, as one organization reported only occasional volunteer help for special events.

Table 5 Size of the annual budget in respondent organizations

ANNUAL BUDGET (IN THOUSANDS OF €)	NUMBER OF ORGANIZATIONS
Less than 1	9
1 - 5	15
5 - 10	12
10 - 20	7
20 - 50	4
50 - 100	5
More than 100	8

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

Based on their reported fields of operation, the respondents covered all of the main areas in which nonprofit organizations operate and provide services (Table 6).

Table 6 Areas of operation of the respondents

AREAS OF OPERATION	NUMBER OF ORGANIZATIONS*
Health care	8
Education	12
Sport	10
Welfare	15
Human rights	1
Culture and art	8
Religion and spiritual development	4
Environment	4
Other (research and development, family issues, leisure activities, drug prevention, not specified)	5

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

*The sum was greater than 60, as respondents were able to select up to three fields of activity in which they operated.

Figure 7 shows the reported activities of the responding nonprofit organizations. The respondents were mostly service organizations (43%); 40% were not able to identify themselves using the provided options and they selected “other,” mostly stating that their activities were a combination of watchdog and service or advocacy and service organization.

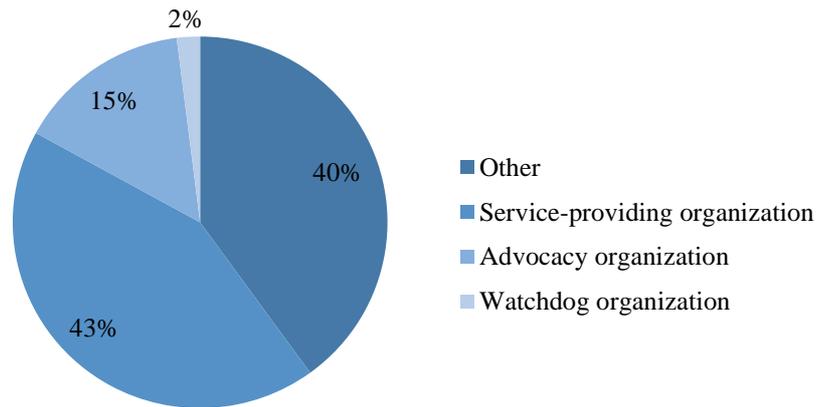


Figure 7 Reported activities of the responding NGOs
Source: Murray Svidroňová, Vaceková & Valentinov, 2016

Each nonprofit organization was assigned an economic theory in accordance with the reason they cited for their foundation. The results are shown in Table 7. Respondents were allowed to select from among the available answers, shown in the first column, and they were assigned directly to particular theories, shown in the second column. The third column reflects the number of organizations that selected the particular theory. The sum of respondents is greater than 60, since they were allowed to select up to three reasons for their creation and existence.

Table 7 indicates that eight respondents selected the option stating that they wanted to conduct some kind of business and a legal nonprofit organization was the most suitable way for them to do so, because they would achieve a profit with their activities, but these activities fulfilled the characteristics of a general benefit. The organizations reinvested their achieved profits in the core business, as required by legislation. This reason or motivation for establishing an NGO is described under the for-profits-in-disguise theory (Weisbrod, 1988). The most commonly selected theory was the supply side theory, which was chosen by 30 organizations involved in this research, representing half of the total surveyed organizations. This preference was confirmed by the Friedman test, which was used to determine whether the organizations were created for the same reason or theory, or if there was a more strongly preferred theory. Based on the results of the Friedman test, the nonprofit organizations clearly favored the supply side theory as the reason for their creation and existence. Only one organization selected the third-party government theory.

Table 7 Theories of creation and existence of the responding NGOs

REASON FOR ESTABLISHMENT/CREATION	THEORY	NUMBER OF ORGANIZATIONS
Nonprofit organization was created based on the personal interests of its founder, i.e. founder followed their own needs and motives for self-fulfillment. Or (the organization) wanted to provide a service to ourselves; we created an association that provides mutual benefits to its members.	Supply Side Theory	30
This product / service was needed for the community of people living in rural areas; we wanted to contribute to the development of the community/locality.	Rurality theory	7
We perceived the need for a nonprofit organization in the locality /in Slovakia in addition to public and private profit organizations, so we were established.	Interdependence Theory	17
We perceived that the market lacked a trustworthy partner and in our opinion a nonprofit organization was a more credible producer of goods / services to the consumer, so we were established.	Trust Theory (Information Asymmetry Theory)	2
We established our nonprofit organization as an atypical form of business; we did not want to create a business or social enterprise, but the activities that we do are publicly beneficial (beneficial for the wider environment) and by these activities a profit can be produced, which we return to the main activities of the organization.	For-Profits-In-Disguise Theory	8
The government did not provide a service / product at the national or local level because it lacked the capacity (financial, personnel, etc.), or the product was provided by the government but with signs of cronyism or corruption, so we were established.	Heterogeneity Theory (Government Failure Theory)	10
We were established in partnership with government/local government. Government helped us with the foundation; the government (national, regional or municipality) was our founder.	Third-Party Government Theory	1
No private companies provided such a service / product because it would be unprofitable for them, i.e. there was a lack of such a service in the market, so we were established to provide it.	Fulfillment of Societal Values Theory	13

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

Many factors may contribute to the establishment of a nonprofit organization, including the region in which the organization operates, the population in the area, the location of the organization in an urban or rural area, the area of operation, and the type of activity. It may also depend on the legal form, but since most of the surveyed organizations were civil associations, it was unnecessary to examine the dependence of the theory on the

legal form of organization. There were insufficient responses to evaluate correlations for other legal forms. Selected factors for which this evaluation was possible were:

- region in which the nonprofit NGO operates;
- location of the nonprofit organization – place where the NGO activities are focused (town/village);
- size of the municipality (number of inhabitants) in which the nonprofit NGO operates;
- area of operation in which the nonprofit NGO operates (health care, welfare, education, environment, etc.);
- number of years of operation of the nonprofit NGO;
- size of the nonprofit NGO based on the number of employees;
- size of the nonprofit NGO based on its annual budget.

Pearson's chi-square test of independence was used to evaluate the dependence of the selected factors for the establishment and existence of the nonprofit organization on other various factors. Cramér's V was used to measure the intensity of any confirmed dependency. All calculations were made using SPSS statistical software, and the results were reviewed with an expert in the field of statistics.

Table 8 presents an overview of the theories of nonprofit NGOs with confirmed dependencies (for the sake of brevity, only those theories and factors for which dependencies were confirmed are shown). Dependency was confirmed only in four theories of the existence and establishment of nonprofit organizations: trust theory, interdependence theory, rurality theory, and heterogeneity theory (based on government failure).

For the trust theory (or information asymmetry theory), a dependence was confirmed on the region in which the organization operates. All of the respondents who selected this theory were from the Zilinsky region. They reported a connection to this theory because the market lacked a credible producer of goods or services and nonprofit organizations could be a solution to the problem of untrustworthy for-profit commercial organizations. These organizations were able use this view as an argument to gain more support from the region.

For the interdependence theory and the rurality theory, the dependence on the population in the municipality and on the field in which the nonprofit organization operated was confirmed. The rurality theory was selected more frequently by

respondents who work in rural areas, mostly in villages with less than 5000 inhabitants. This thus indirectly confirmed the importance of this new theory. Further attention should be paid to researching this theory in order to identify the specific needs of these organizations and design tools to support them. Nonprofit organizations can greatly benefit a municipality, and the municipality should therefore encourage their establishment and existence, in the form of subsidies or tax credits in local directives. The interdependence theory was selected by organizations operating in cities with larger populations. This indicates that nonprofit organizations are complementary with for-profit organizations in urban areas in which the economy is developed at a higher level and there are better conditions for such cooperation.

Table 8 Overview of economic theories of NGOs with confirmed dependency

ECONOMIC THEORY	CONFIRMED DEPENDENCY
Trust theory	– the region in which the nonprofit NGO operates
Interdependence theory	– the number of inhabitants in the municipality in which a nonprofit NGO operates – the seat of the nonprofit organization (town/village)
Rurality theory	– the number of inhabitants in the municipality in which a nonprofit NGO operates – the area of operation in which the nonprofit NGO operates (health care, welfare, education, environment, etc.)
Heterogeneity theory	– the type of activities that the nonprofit NGO carries out as their core work (service, advocacy, etc.)

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

The last confirmed dependency was of the heterogeneity theory, the dependence of the type of activities performed by the organization on government failure. The government in such cases did not produce a sufficient amount of goods and services, and governmental activities were insufficient to support the interests of others, so these nonprofit organizations were created to cover the gap.

Concerning nonprofit organizations as an alternative to commercial enterprise, the for-profits-in-disguise theory was selected by eight respondents. This presents an interesting argument for why NGOs are being established in Slovakia. When the government fails, the solution may be the market and profitable businesses, but the nonprofit sector also provides products and services, sometimes as their core work and sometimes as a side activity. The provision of products and services as a side activity is considered to be a commercial activity of nonprofit organizations. These commercial

activities are allowed in Slovakia for all of the legal forms except non-investment funds when the non-distribution constraint condition is met (i.e. the profit gained must be fully reinvested into the core work of the NGO). Table 9 compares classic commercial and nonprofit enterprises. The table demonstrates the benefits of nonprofit business in comparison to classic entrepreneurship. It follows from the table that entrepreneurs in Slovakia consider establishing an NGO to be easier, faster, and less expensive than setting up a commercial enterprise.

Table 9 Basic characteristics of commercial and nonprofit entrepreneurship

CHARACTERISTICS	COMMERCIAL ENTREPRENEURSHIP	NONPROFIT ENTREPRENEURSHIP
Goal	main goal is to achieve profit	fulfilment of organization's mission – to provide social benefits
Equity	depends on the legal form (e.g., for Ltd. which is the most common form, it is at least €5,000)	obligatory only for foundations and non-investment funds
Business activity	business is a main activity, the reason why the company was established	funded under redistribution mechanisms; entrepreneurship is seen as a side activity
Tax exemptions	no tax exemptions	no income tax on the income from the main activity (core work), no income tax on income from tax assignment
Duration of establishment procedure	depends on the legal form (e.g., for Ltd. it is between 15 and 21 days)	up to 30 days, usually up to 10 days
Registration	business register	relevant registers at the Ministry of Interior
Registration fees	depends on the legal form (e.g., for Ltd. it is €331.5 for the registration in the business register, plus between €5 and €15 for other administration fees)	usually €66 per registration

Source: Murray Svidroňová, Vaceková & Valentinov, 2016

The advantage of doing business as a nonprofit organization in Slovakia is that nonprofit NGOs usually do not have to have equity; only two legal forms, foundations and non-investment funds, require equity; the rest do not need to have any assets to start their activities. Although nonprofit NGOs are not established for doing business,

they can conduct business activities if they meet the condition of reinvesting profit into their main activities /core work. Revenues gained through the main activity for which they were established are exempt from income tax. Thus, if the nonprofit NGO develops activities that meet the nature of their core work and fulfil a generally beneficial purpose, the nonprofit organization can be regarded as a specific form of business/ entrepreneurship.

It is probably for these reasons that eight of the survey respondents selected entrepreneurship theory. Their nonprofit organizations were founded as an atypical form of business. Their primary goal was not to establish a business, but their activities were generally beneficial and were able to make a profit, which was then returned to the core work of the organization. This finding opens the second subchapter devoted to the nonprofit commercialization issue that was empirically examined in the Czech Republic.

2.2 Nonprofit organizations becoming business-like:

The Czech case

All over the world, nonprofit organizations are experiencing the challenging implications of austerity and financial uncertainty and are turning to commercial activities in order to meet the emerging survival challenges. The Johns Hopkins Comparative Nonprofit Sector Project documents commercial revenue as the most important funding source of the global nonprofit sector (Salamon et al., 2013). Scholars and practitioners broadly agree that commercialization may be an essential coping strategy for those nonprofit organizations that are affected by the cuts in public funding as well as by the rising insecurity of support from individual and corporate donors (Froelich, 1999). Public administration literature furthers this position by indicating the increasing involvement of nonprofit organizations in the public-private mix of social service delivery (e.g., Pollitt & Bouckaert, 2000).

Nonprofit commercialization can assume many faces. It may involve the increasing market orientation and entrepreneurial activism of nonprofit organizations (Nicholls & Cho, 2006; Sharir & Lerner, 2006; Weerawardena, McDonald & Mort, 2010) as well as their growing innovativeness (Jaskyte, 2004; McDonald, 2007; Weerawardena, Sullivan & Mort, 2006). It may also generate an overly competitive stance as well as an increased interest in outcomes targeted by public policies (Weerawardena, McDonald & Mort, 2010).

The objective of this subchapter is not to take sides in the debate over whether nonprofit commercialization is morally reprehensible in terms of mission attainment, promotion of civil society, or other criteria. Rather, the subchapter contends that this type of moral framing of the commercialization idea is insufficient in describing the transitional context of the Czech Republic. The transition-specific institutional meaning and moral content of nonprofit commercialization will be shown to differ widely from the Western case and to offer unique insights into the societal functions of the Czech nonprofit sector. To this end, the subchapter briefly presents the Western nonprofit commercialization debate and then proceeds to sketch the institutional context of the Czech nonprofit sector and outline the significance of nonprofit commercialization in the Czech Republic. This presentation will be supported by the preliminary survey evidence of the perception of commercialization by nonprofit practitioners in the Czech Republic.

The authoritative Johns Hopkins Comparative Nonprofit Sector Project defines nonprofit organizations in terms of five attributes: organizational institutionalization, private character, self-governance, nonprofit orientation, and non-compulsory nature (cf. Anheier & Salamon, 2006, p. 95). Building upon this definition, the project has convincingly documented the extensive size and scope of the nonprofit sector worldwide, and especially its startling heterogeneity. The nonprofit sector includes “religious congregations, universities, hospitals, museums, homeless shelters, civil rights groups, labor unions, political parties, and environmental organizations, among others. Nonprofits play a variety of social, economic, and political roles in the society. They provide services as well as educate, advocate, and engage people in civic and social life” (Boris & Steuerle, 2006, p. 66). Given the structural-operational definition of nonprofit organizations, and their nonprofit nature in particular, it is not automatically clear why they often need to rely on the commercial revenue that would make much more sense in the for-profit sector context. Yet, the Johns Hopkins Comparative Nonprofit Sector Project itself documents and confirms the dominant role of commercial income in the funding structure of the global nonprofit sector.

The importance of commercial income has not gone unnoticed in the nonprofit research literature. Serious concerns about the potentially distracting effects of commercial activities on fulfilling nonprofit missions have been influentially voiced by Burton Weisbrod, who recommended that “nonprofit organizations should get out of commercial ventures” (Weisbrod, 2004, p. 40) unless they want to “lose their souls” (ibid, p. 46). It is difficult to resist the impression of an at least implicit moral disapprobation when commercialization is understood as the “marketization of welfare” (Salamon, 1993) and is associated “with the explicit intent of earning a profit”

(Tuckman, 2000, p. 39) or with a businesslike character (McKay et al., 2015). Eikenberry and Kløver (2004, p. 135) contend that the benefits of nonprofit commercialization or marketization exact a price in the form of undermining “the nonprofit sector’s role in creating and maintaining a strong civil society – as value guardians, service providers and advocates, and builders of social capital.” All this “may be too high a price to pay” (ibid). The list of critical moral concerns about nonprofit commercialization can be extended, even when the commercialization is driven by commendable social and financial intentions (Guo, 2006). These concerns can be summarized by admitting that the ability of nonprofit organizations to succeed in their mission and improve the social quality of life is “limited by the corrupting effects of the embedding pecuniary culture” (Valentinov 2011, p. 901).

A critical view of nonprofit commercialization is often associated with critiques of neoliberalism. Evans et al. (2005) see nonprofit commercialization as a part of neoliberal governance which, in turn, suffers from the paradox of “centralized decentralization.” This implies, among other things, a compromise of autonomy and advocacy as well as a shift away from a community-oriented focus toward a business model (ibid, p. 73). Critics have noted that instead of bringing prosperity and resilience, the business model orientation has weakened the nonprofit sector and tightened its control by the government (e.g., Bruce & Chew, 2011; Salamon & O’Sullivan, 2004; Means et al., 2002; Taylor, 2002; Walsh, 1995). While it is debatable whether these critiques pertain to commercialization as such or rather to neoliberal governance as a whole, they do reinforce the widespread suspicion that commercialization undermines the civil society impact of the nonprofit sector.

At the same time, the existing literature includes many arguments for accepting or even promoting nonprofit commercialization. For one, it may well be the case that nonprofit commercialization as such is a much too abstract and broad concept to enable a meaningful moral judgment. As a starting point, it makes good sense to follow Enjolras’ (2002) distinction between the two paths of commercialization: commercialization may be the result of activities intended to finance the production of mission-related outputs or it may be the result of the transformation of the relationship between the organization and its members from participation to consumption. Moral concerns seem more appropriate in the latter case than in the former. Froelich (1999, p. 246) suggests that these concerns originate from “our casual, naïve, or maybe wishful thinking” about nonprofit organizations that are assumed to be “travelling an unfettered path in pursuit of (their) goals, free of mundane concerns associated with resource acquisition.” Indeed, given that “many nonprofit organizations are located in hostile environments” it follows that “commercial activities provide a self-regulatory

mechanism that enables, rather than hinders, nonprofit organizations to perform their missions in environments where the supply of critical resources is insecure” (Moeller & Valentinov, 2012, p. 366).

More generally, it seems that nonprofit commercialization is another illustration of the well-known heterogeneity of the nonprofit sector. Traditional approaches to the nonprofit sector, including those of Salamon and Anheier (1998), illustrate the insufficiency of single-factor explanations. It is becoming increasingly clear that different nonprofit organizations have different goals and subsequently different structures, both organizational and financial. The “governance” theories (e.g., Peters, 2000) in particular underscore the spread of partnerships (not only political ones) in modern Western societies. Furthermore, economists have long recognized that public service delivery can be organized through many mechanisms. Cullis and Jones (1992) document the trend toward the pluralization of public service delivery, i.e., a shift away from the classic public delivery system toward the increasing involvement of private (for-profit and nonprofit) organizations. Pollitt and Bouckaert (2000) likewise note that the traditional delivery systems are giving way to multi-tiered systems exhibiting clear borders between financing, procuring, and producing functions.

It is certainly true that specific institutional models of service delivery systems vary across countries and their subnational structures because of traditions and due to the pervasive consequences of introducing competition into the public sector. However, it is also true that the systems of “public-private-civil sector mix” and “public-private-civil sector partnerships” in public service delivery have been created nearly everywhere, and that within these systems, nonprofit commercialization is a legitimate phenomenon. Under these circumstances, it is impossible to avoid seeing the moral framing of the debate on nonprofit commercialization. This framing basically highlights the normative ambivalence of commercialized nonprofit organizations which are considered to be likely to lose their capacity to deliver socially beneficial mission-related activities. As the next section makes clear, this ambivalence does not do justice to the transition-specific institutional meaning of nonprofit commercialization in the Czech Republic.

In the global comparison suggested by the findings of the Johns Hopkins Comparative Nonprofit Sector Project, the nonprofit sector is considerably more economically powerful in the Western hemisphere than in the transitional Central European countries (Salamon et al., 2013). This fact presents a useful point of departure for understanding the specific nature of nonprofit commercialization in the latter region, including the Czech Republic. While historically well-established in the Western hemisphere, the

Czech nonprofit sector had to undergo a difficult process of emergence and formation over the last 25 years as the Czech Republic overcame its totalitarian past and evolved into a parliamentary democracy. However, the latest available aggregate macroeconomic data indicate that the Czech nonprofit sector is exhibiting upward trends in several crucial indicators, including the number of legal entities, share in GDP and the employment rate, and overall revenues (Table 10). It must be mentioned that the number of legal entities may not be a very useful indicator, as current Czech legislation does not require nonprofit organizations to dissolve if they terminate their activities. Caution is likewise needed in interpreting the apparently low share of volunteers, for many nonprofit organizations do not report the actual number of their volunteers and/or do not account for all the volunteering work. Table 10 still shows a trend of decreasing numbers of volunteers over the indicated period.

Table 10 The Czech nonprofit sector: key indicators

	2008	2009	2010	2011	2012
Number of legal entities	84,033	103,943	109,208	114,184	118,375
Value of output (million CZK)	96,492	98,028	101,268	103,360	106,701
NPO share in GDP (%)	1.45	1.52	1.58	1.63	1.69
Number of FTE employees	100,988	99,282	100,847	99,527	100,174
Number of FTE volunteers	27,255	27,145	25,039	25,983	25,964
Share of employees in the employment rate (%)	1.71	1.89	1.93	1.96	2.04
<i>Revenues</i>					
Payments for market output (in million CZK) – commercial income	8,966	15,104	14,746	15,540	15,149
Payments for non-market output (in million CZK) – nonprofit income	17,475	16,605	18,558	19,267	20,200
Property income (in million CZK) – commercial income	2,248	1,465	1,554	1,554	1,236
Other common transfers (in million CZK) – nonprofit income	63,030	66,264	65,514	65,514	65,153
Voluntary work (in million CZK)	5,602	5,734	5,479	5,634	5,648

Source: Vaceková, Valentinov & Nemeč, 2016

While substantial knowledge is still lacking about specific areas in the Czech nonprofit sector, it is possible to identify a number of salient historical and institutional factors affecting it (cf. Frič & Goulli, 2001; Pospíšil, 2006; Pospíšil et al., 2012). It is broadly

acknowledged that the current evolution of the Czech nonprofit sector is a response to the historical traditions of the Czech National Revival and the first Czechoslovak Republic. The tradition of the Czech National Revival explains why a considerable number of Czech nonprofit organizations pattern their work on a model of selfless sacrifice for the patriotic cause; following the traditions of the Czechoslovak Republic is an appeal to the legacy of the golden age of civil society in Czechoslovakia before the Second World War (ibid). Among the key obstacles hindering the development of the Czech nonprofit sector are the legacies of mistrust, corruption, and clientelism. The shadow of the totalitarian past is still visible in the widespread distrust toward nonprofit organizations whose occasional practices of nepotism and other forms of unethical behavior do not help to improve their public image (ibid). The Czech nonprofit sector furthermore exhibits a divide between the old and new organizations which still have difficulties in communication and coordination.

The legacy of the “nanny state” (cf. Brhlíková, 2004) is of particular importance in understanding nonprofit commercialization. During the totalitarian period, the Communist government was a monopoly provider of educational, cultural, social, health, and other services that constitute the premier fields of activity of the nonprofit sector and of the broader public-private sector mix in the Western world. After this period was over, the democratic Czech government was reluctant to cede this monopoly and to acknowledge the nonprofit sector as an alternative and independent service provider (cf. Frič, 2004). The delivery of public services in the Czech Republic is still heavily dominated by public and state-run organizations. Furthermore, the unwillingness of the public sector to cede control of public service delivery is by no means limited to the Czech Republic. Pospíšil and Hyánek (2009) note that this is a general “post-communist” pattern of public service delivery. For nonprofit organizations, this pattern primarily means a lack of autonomy from the public sector. Nonprofit commercialization accordingly presents a way to develop this autonomy with a view to advancing to a full-fledged societal sector that would be worthy of comparison with the market and the state.

At this point, it is useful to step back and reconsider the influential understanding of commercialization put forward by Weisbrod (1998, p. 12): “nonprofit organizations confront a dilemma, as does public policy toward them: how to balance pursuit of their social missions with financial constraints when additional resources may be available from sources that might distort mission.” This understanding takes for granted that nonprofit organizations hold a distinct institutional identity defined, among other things, by autonomy from the public sector. While this assumption is perfectly sensible for the Western and especially Anglo-Saxon institutional environment, it is less

applicable to the transitional context of the Czech Republic, where the nonprofit sector still “remains *in statu nascendi*” (Pospíšil et al., 2014, 49). Accordingly, in the Czech context, commercialization is not something that needs to be balanced, or traded off, against the pursuit of the nonprofit organization’s mission. Rather, it presents a tool for nonprofit organizations to gain autonomy from the public sector and thus to become empowered to independently define their missions in the first place.

The relation to the public sector presents a crucial contrast with the institutional embedding of nonprofit commercialization in the Anglo-Saxon world, where this phenomenon is taken to be an integral part of neoliberal governance (Evans et al., 2005). Far from promoting autonomy from the public sector, commercialization in the neoliberal governance system “hides a steeply hierarchical and centralized relationship of power embedded in a contractual arrangement between the state and those agencies increasingly responsible for the delivery of public goods and services” (ibid, p. 78). This hierarchical relationship is most visibly demonstrated in the reorientation of nonprofit accountability from a broad range of civil society actors toward the state (cf. McCambridge, 2005). Under these circumstances, nonprofit scholars and practitioners alike need to be aware of the markedly different moral connotations of nonprofit commercialization in the Czech Republic and the Anglo-Saxon world.

At the same time, the contrast between the Czech and neoliberal Anglo-Saxon manifestations of nonprofit commercialization suggests that caution should be applied when interpreting the causal links between the commercialization of the nonprofit sector and the sector’s autonomy from the state. This makes it possible to differentiate between distinct yet functionally equivalent means of attaining the nonprofit sector’s autonomy from the state. While commercialization has been the relevant means in the Czech Republic, the Anglo-Saxon context of neoliberal governance is radically different. Thus, without assuming commercialization to be a necessary causal determinant of nonprofit autonomy, it is still possible to contend that the Czech nonprofit sector would have experienced more difficulties in developing its autonomy had it been more dependent on state subsidies after the Velvet Revolution.

In fact, in the Czech Republic, it is primarily the government itself that expects commercialization to boost nonprofit autonomy. This political attitude is evidenced by the recent adoption of policies that counteract the legacy of the nanny state and foster the independence, and thus self-financing, of the nonprofit sector. The New Civil Code that came into force in January 2014 redefined the legal forms of nonprofit organizations so as to enable a wide liberalization of nonprofit commercial activities. While these activities must be in line with the core mission, be transparently

documented, and remain within reasonable limits, the net effect of the Code is to facilitate nonprofit sector initiatives aimed at securing financial independence. For example, since 2014, the commercial income of nonprofit organizations has involved new categories including interests and dividends. Furthermore, commercial activities have become legally admissible for foundations, with the tax deduction limits simultaneously increasing from 10 percent to 15 percent for individual donors and from 5 percent to 10 percent for corporate donors (USAID, 2015). These and other measures of the liberalization of nonprofit commercial activities have been accompanied by strict controls against “for-profits-in-disguise” that might exploit the nonprofit status to gain unfair advantages over for-profit competitors.

The new national policy toward nonprofit organizations for 2015-2020, as approved at the Czech government assembly on July 29, 2015, is similarly remarkable. This policy rests on four basic principles: 1) supporting the sustainability of strong, diverse, and independent nonprofit organizations; 2) ensuring an effective and transparent state policy towards NGOs, including legislation, funding, and institutional framework; 3) supporting volunteering and private giving; and 4) supporting cooperation between the state and nonprofit organizations. The first principle’s focus on sustainability suggests that the government does not view commercialization as a potential hindrance to the fulfillment of nonprofit missions. Rather, commercial activities are assumed to improve the independence of nonprofit organizations so as to empower them to define and fulfil their missions more effectively. If the commercialization decisions have ever been morally burdensome in Weisbrod’s sense for Czech nonprofit managers, then the New Civil Code and the newly approved national policy both work to alleviate these moral burdens. This seems to be a positive effect, as the Czech Republic ranks among the countries with the least economically strong nonprofit sectors in the world (Salamon et al., 2013), even though a recent USAID (2015) estimate has placed the Czech nonprofit sector in third place among 29 countries from Central and Eastern Europe and Eurasia.

The main thrust of the Czech institutional developments described in the preceding section is in making commercialization the default option for many nonprofit organizations. In contrast to seeing commercialization as a dilemma for nonprofit organizations and public policy (cf. Weisbrod, 1998, p. 12), the Czech public authorities view it as a necessary step in building the nonprofit sector’s independence and autonomy. The institutional and regulatory environment of the Czech nonprofit sector is thus undergoing changes which work to integrate commercialization into the normal means of nonprofit operation. These changes fundamentally affect the moral content of commercialization for nonprofit decision makers. Instead of being a morally problematic strategy of sacrificing the mission orientation, commercialization turns into

a considerably more neutral strategy of complying with the requirements of the institutional environment in which commercialization is seen quite favorably. The fact that commercialization may ensure conformity with the institutional environment has been also recognized by Western scholars (cf. Kerlin & Pollak, 2011). In the Czech Republic, this fact is additionally reinforced by the official endorsement of commercialization by public authorities.

Thus, compared with the situation in Western countries, the causal nexus of nonprofit commercialization in the Czech Republic is shifted from the level of individual managerial decision making to the level of institutional environment. Put differently, in the Czech Republic, nonprofit commercialization presents a legal and institutional phenomenon rather than an object of individual economic and moral choice. An indication of this argument is that the legal and institutional definition of commercialization is quite ambiguous, especially against the backdrop of a seemingly harmonious relationship between commercialization and mission attainment. Institutional ambiguities are certainly acknowledged in the Western literature, which is sensitive to the existence of “for-profits-in-disguise” that “are lured into the nonprofit sector by the tax and subsidy advantages they get therefrom” (James, 1998, p. 273; cf. Weisbrod, 1998). Western scholars acknowledge that commercialization and “for-profits-in-disguise” may be similarly driven by cross-subsidization, which aligns well with the assumption of the mission-drivenness of individual nonprofit decision-makers. In the Czech context of peaceful coexistence between commercialization and mission attainment, these institutional ambiguities are amplified.

Under these circumstances, it is understandable that the term “commercialization” is not widely used in the Czech Republic. A more popular term is “self-financing” which stresses the ability of nonprofit organizations to financially support themselves in addition to, and independently from, the support that may be forthcoming from the public sector. As with commercialization, self-financing means offering products and services for sale (see also Tuckman, 2000; Weisbrod, 1998), but it also includes the income that nonprofit organizations raise in the form of donations and other voluntary contributions, especially membership fees (see also Svidroňová & Vaceková, 2012). Even though self-financing is not an entirely clear term (*ibid*), it accentuates the role of funding in the formation of the distinct institutional identity of the nonprofit sector.

A specific ambiguity in nonprofit funding is related to membership fees, which are legally considered to be a nonprofit income in the Czech Republic but may hide a commercial income as well. For example, some internet providers (such as HovNet, Lipaci.Net, and MiloviceFree) that are legally incorporated as associations are mainly

funded through membership fees. At bottom, however, these fees present a price for a commercial product (the internet supply). It is not implausible to suppose that these associations are “for-profits-in-disguise” that emerged to take advantage of tax privileges. On the other hand, while sponsorship is considered to be a commercial income in the Czech Republic, it may be very close to a corporate donation if the giving corporation makes a contribution to attaining the mission of the recipient nonprofit. This seems to have been the case with the partnership between Nadace partnerství, a Czech environmental foundation, and the Skanska Company, a for-profit construction firm, under the Tree of Life project, which has been ongoing since 2004. The Skanska company’s sponsorship activities helped promote its own commercial goals, but it did also integrate ecological thinking into its business philosophy, thus supporting Nadace partnerství’s ecological mission. Another characteristic example is the possibility of creating “affiliated funds” for foundation entities as envisaged in the new Civil Code. Originally intended to support charitable giving, this option helps nonprofit organizations to mobilize commercial income obtainable from administering assets they do not own. This income, however, is intended to support foundations in attaining their missions. The boundary between commercial and nonprofit incomes is again blurred.

Finally, as an institutional and legal phenomenon, nonprofit commercialization has to be seen in the context of the ongoing evolutionary trends of the Czech welfare state. Horák et al. (2013) contend that the nature of the public-private mix of social service delivery is being affected by the centralization of decision-making, the marketization and contractualization of service delivery, the increasing use of new public management methods, organizational innovation, and the increasing networking between state and non-state organizations. At bottom, these trends reflect the increasing involvement of the nonprofit sector in service delivery processes, as well as its closer entanglement and coordination with the public and private for-profit sectors (Bode & Brandsen, 2014). In the Czech institutional context (see also Nemeč et al., 2014), it is plausible to speculate that nonprofit commercialization constitutes a part of the evolutionary dynamics of the welfare state, a dynamic that is likely to be accepted by individual nonprofit decision makers, and unlikely to be seen by them as a moral dilemma in Weisbrod’s (1998, p. 12) sense.

In terms of statistical indicators, the institutional nature of nonprofit commercialization in the Czech Republic is evident from systematic variations in the share of commercial revenues across the organizational forms of nonprofit organizations. Table 11 presents the data on the structure of revenues for foundation entities (i.e., organizations with the legal form of a foundation or an endowment fund in the Czech Republic), nonprofit providers of public services (i.e., organizations with the legal form of a public benefit

company), and civic associations (i.e., organizations with the legal form of an association and its organizational unit). Table 11 indicates variations in the share of commercial revenues in total revenues within each of these legal forms of nonprofit organizations; it is clear that this indicator systematically varies across the legal forms. More specifically, the share of commercial revenues in total revenues is highest for service providers and lowest for foundations, with associations being in between. While it is possible to correlate the shares of commercial revenues with the commercialization decisions of individual nonprofit managers, the variation across the legal forms of nonprofit organizations indicates the institutional determination of commercialization.

Table 11 Nonprofit commercial revenues

	2008	2009	2010	2011	2012
<i>The share of commercial income for total income</i>					
Foundations	24.37%	17.61%	17.45%	18.23%	12.68%
Nonprofit providers of public services	43.54%	45.47%	43.25%	43.89%	44.12%
Civic associations	21.58%	23.08%	23.10%	35.51%	35.85%
<i>Revenues per unit in mil. CZK</i>					
Foundations	37.1	39.8	33.1	30.4	35.5
<i>Commercial revenues</i>	9.0	7.0	5.8	5.5	4.5
<i>Contributions and gifts</i>	6.5	3.5	1.0	6.6	2.2
<i>Operating subsidies</i>	1.9	0.1	0.9	0.7	0.8
<i>Other revenues</i>	19.7	29.1	25.4	17.4	28.0
Nonprofit providers of public services	17.0	18.0	17.9	18.2	18.6
<i>Commercial revenues</i>	7.4	8.2	7.7	8.0	8.2
<i>Contributions and gifts</i>	0.7	0.8	0.7	0.9	0.9
<i>Operating subsidies</i>	7.0	7.1	7.1	7.0	7.0
<i>Other revenues</i>	1.9	2.0	2.3	2.3	2.5
Civic associations	22.1	25.6	25.9	18.3	17.7
<i>Commercial revenues</i>	4.8	5.9	6.0	6.5	6.3
<i>Contributions and gifts</i>	0.9	1.3	1.2	1.0	1.3
<i>Membership fees</i>	0.6	1.2	1.0	0.8	0.8
<i>Operating subsidies</i>	4.4	4.9	5.2	6.0	6.3
<i>Other revenues</i>	11.4	12.4	12.5	3.9	2.9

Source: Vaceková, Valentinov & Nemeč, 2016

This section reports the results of a 2013 survey of Czech nonprofit organizations asked to provide information on their commercial, or self-financing, activities (Table 12). The

primary survey was conducted within the framework of the Masaryk University project “CZ.1.07/2.3.00/30.0009 Employment of Newly Graduated Doctors of Science for Scientific Excellence.” A total of 250 nonprofit organizations were contacted, of which 67 responded. Of the responding nonprofit organizations, 46% are civic associations, 25% are church or religious associations, 21% are public benefit organizations, 6% are foundations, and 2% are foundation funds. A chi-square test proved the representativeness of the sample at the significance level alpha of 0.05 (p-value of 0.129 > alpha).

Table 12 Percentage of responding nonprofit organizations that report benefits from selected income items

TYPE OF FUNDING		SOURCE OF FUNDING	PRIMARY DATA FROM THE CZECH REPUBLIC
Public funding		State, state subsidies, municipal budgets	67%
		State/public contracts	*
Self-financing	Mission-related	Individual donors/companies	66%
		Grants (private foundations)	48%
		Memberships fees	24%
		Sale of own products and services	69%
		Sponsorship	1%
		Foreign sources, including EU grant and subsidies	22%
	Mission-unrelated	Assets rental	28%
		Investment appreciation	3%
Other		Other sources	1%

Source: Vaceková, Valentinov & Nemeč, 2016

The surveyed nonprofit organizations provided their assessments of the extent to which self-financing interferes with fulfilling their mission. Among the responding nonprofit organizations, 81% of respondents claimed that self-financing does not interfere with the mission, 13% claimed the opposite, and 6% were not able to decide. Under these circumstances, it is unsurprising that 98% of Czech respondents confirmed their inclination to use self-financing in the future.

Modern moral philosophers differentiate between functional and dysfunctional discrepancies. Such discrepancies can occur between social structures and semantics, between institutions and ideas (Pies et al., 2009; Beckmann et al., 2014). While the

functional discrepancies provide an impetus to social learning processes, the dysfunctional discrepancies suppress these processes and slow the advance of civilization (ibid). Through their effect on the evolution of society, both varieties of these discrepancies are infused with a moral content. This approach to the identification of moral content and meaning seems more relevant to the phenomenon of nonprofit commercialization in the Czech Republic than the Anglo-Saxon imputation of moral dilemmas to the behavior of individual nonprofit managers.

In fact, in the Czech Republic, the reflections and findings on nonprofit commercialization suggest that the semantics of commercialization do not merely diverge from the Czech social structure; they are divergent in an apparently dysfunctional way. In contrast to self-financing, social entrepreneurship, and related terms, the term “commercialization” is specifically acknowledged to be burdened with negative connotations (cf. Toepler, 2004). While some believe that social entrepreneurship is “revolutionizing the nonprofit sector” (cf. Stecker, 2014), commercialization creates problems (Weisbrod, 2004; Toepler, 2004). Given that these negative connotations emerged in the institutional context outside of Central and Eastern Europe, it may be understandable that this term failed to gain popularity in this region. Far from being systematically examined, it seems to be only occasionally mentioned in the gray literature, such as diploma theses and working subchapters. It does not seem improbable to suspect that some nonprofit scholars and practitioners strategically avoid the term, thus creating a semantic incongruence in the discursive constructions of the nonprofit sector in the East and West. This incongruence complicates the comparative analysis of the nonprofit sector across institutional contexts and downplays the potentially significant negative side effects of nonprofit commercialization in the Czech Republic.

The challenges arising from the misalignment between the Anglo-Saxon semantics of commercialization and the Czech social structure need not be fatal. They can be resolved by reframing the vision of the moral significance of commercialization. While there are many possible ways to undertake this reframing, a useful point of departure is suggested by the proposed understanding of commercialization as an institutional phenomenon. Interestingly, a crucial insight emerging from modern scholarship in moral philosophy and business ethics is that the social structure of modernity is much more adequately described by the semantic categories of institutional ethics than by individual ethics (Pies, 2012; Suchanek, 2007; Homann, 2002). Whereas individual ethics locates morality in the sinfulness and virtuousness of individual behavior, institutional ethics shifts morality to the level of institutions rather than individuals (ibid). Furthermore, institutional ethics functions with the awareness that many

“problems of the modern society are emergent” (Valentinov et al., 2016, p. 11), i.e., incapable of unambiguous attribution and expression through the semantics of individual responsibility. These arguments make clear that if nonprofit commercialization is accepted as an institutional phenomenon, then its moral significance, both positive and negative, is best captured by institutional rather than individual ethics. The thrust of the institutional ethics standpoint is that nonprofit managers and other stakeholders cannot bear individual moral responsibility for nonprofit organizations “losing their souls” (Weisbrod, 2004, p. 46), and that nonprofit commercialization is not merely a matter of individual opportunism, weakness of will, or another form of lack of virtue.

The emphasis that institutional ethics places on institutions rather than individuals considers both the advantages and disadvantages of commercialization with the understanding that they cannot be reduced to the ontological level of individual intentions. The key advantage of commercialization is that it may help the nonprofit sector to develop a sufficient resource base, which would empower it to make important contributions to the quality of social life in terms of democracy building, social cohesion, and service delivery. But institutional ethics likewise acknowledges that nonprofit commercialization may have a potentially broad range of disadvantageous side effects that cannot be attributed to the level of individuals and are in this sense genuinely unintentional.

The main side effect is the covert and unintentional “smuggling” of business thinking and management methods into nonprofit settings so that nonprofit organizations shift to fields of activity unrelated to their core mission (cf. Young & Salamon, 2002). Added to this is the fact that many nonprofit organizations, especially in Central and Eastern Europe, exhibit a level of organizational vulnerability that makes them extremely prone to varied business risks (Rymsza, 2013; Vaceková & Svidroňová, 2014). The “governmentalization” of nonprofit organizations (Rymsza, 2016), including “satellite foundations” that are controlled by public sector organizations, is a similar concern. From the perspective of institutional ethics, even the spread of “for-profits in disguise,” while fully acknowledged as another undesirable side effect of nonprofit commercialization, cannot be attributed to individual opportunism alone.

A further crucial implication of the institutional ethics viewpoint is that the public policy support for the commercialization, or self-financing, of nonprofit activities should not be taken at face value. Many nonprofit organizations in Central and Eastern Europe are reported to be highly vulnerable and dependent on this supportive infrastructure (Rymsza, 2016; Vacekova & Svidronova, 2014). A recent study of rural

nonprofit organizations in the Czech Republic revealed that their ability to contribute to the quality of rural life is severely limited by the socioeconomic characteristics of the examined rural areas (Valentinov & Vacekova, 2015). If the effectiveness of nonprofit activities is dependent on the institutional context, then the institutional ethics viewpoint underscores the responsibility of the government to make this context supportive in ways that go beyond a mere permissive attitude toward self-financing. If this attitude is the sole supportive measure, then it betrays the government's reluctance to assume responsibility for shaping a favorable institutional environment for the nonprofit sector. This conclusion is indirectly corroborated by studies finding the existing public sector support for social entrepreneurship in the Czech Republic to be limited and unsystematic (European Commission, 2014). This opens the question of nonprofit sustainability, which is the main focus of the next subchapter.

2.3 Nonprofit sustainability: Evidence from the Czech Republic

The sustainability of nonprofit organizations is an increasingly prominent theme in the booming multidisciplinary field of nonprofit sector studies. Especially in the Western world, the nonprofit sector fulfills a broad range of socio-economic functions that are intended to strengthen the social and ecological dimensions of sustainable development (see also Hagedorn, 2014; Boehnke et al., 2015; Li & Ma, 2014; Wei & Kong, 2014). Yet many individual nonprofit organizations operate in a complex and turbulent environment that poses a significant challenge to their own economic sustainability (see also Hung & Ong, 2012; Besel et al., 2011; Weerawardena et al., 2010). It is primarily the economic sustainability of individual nonprofit organizations that nonprofit scholars have in mind when referring to “nonprofit sustainability” (see also Bowman, 2011; Bell et al., 2010). A consensus seems to be emerging among these scholars that the challenge of economic sustainability is shaping both the strategies and structures of nonprofit organizations. For example, many nonprofit organizations are under increasing pressure to rely on commercial sources of income (e.g., Ebrahim et al., 2014; Svidroňová & Vaceková, 2012; Vaceková & Svidroňová, 2014; Svidroňová, 2013) as well as to seek partnerships with public agencies (Mikušová Meričková et al., 2015) and private for-profit corporations. In the scholarly literature, these organizational transformations in the nonprofit sector are analyzed through the lenses of sociological institutionalism (e.g., Baum & Oliver, 1991), organizational ecology (e.g., Hannan & Freeman, 1997), resource dependence (e.g., Froelich, 1999), and social systems theory (e.g., Moeller & Valentinov, 2012). All these analyses have implied that the precarious sustainability of nonprofit organizations potentially undermines the useful functions that are

theoretically ascribed to nonprofit organizations. This disturbing implication raises the novel research idea of enriching the theoretical understanding of nonprofit functions with an account of nonprofit sustainability problems so as to arrive at a more balanced assessment of the actual impact of the nonprofit sector.

This subchapter addresses this research idea in two respects. First, it traces the challenge of nonprofit sustainability back to the roots of nonprofit economics, a burgeoning economic subdiscipline. Since its beginnings in the early 1980s, nonprofit economics has included two distinct types of theories, usually designated as demand-side and supply-side theories. The demand-side theories examine the societal problems addressed by nonprofit organizations and characteristically locate these problems in specific types of market failure. The supply-side theories study the behavior of nonprofit managers and entrepreneurs with a view to understanding the structures and functions of nonprofit organizations. One interesting and provocative modern nonprofit economic thought is that there is a persistent lack of connection between the demand-side and supply-side theories, suggesting that the behavior of nonprofit managers and entrepreneurs may be only distantly related to the societal problems that nonprofit organizations are supposed to solve (Aligica, 2014; Valentinov & Iliopoulos, 2013; Young, 2013; Jegers, 2011; Steinberg, 2006; Hansmann, 1987). This subchapter will conceptualize the split between the demand-side and supply-side theories as a discrepancy between the demand-side and supply-side determinants of nonprofit sustainability. In doing so, it will advance the thesis that the deficits of nonprofit sustainability are systematically predicted by the nonprofit economics literature.

The second contribution of this subchapter to understanding nonprofit sustainability is in applying the above thesis to European rural development. In the last decade, European rural areas have been witnessing the shift “from government to governance” i.e., the increasing transfer of responsibilities from state to non-state actors (see also OECD, 2006; De Vries, 2013). The shift from government to governance means an increasing role is played by nonprofit organizations, including LEADER partnerships, in revitalizing depressed rural areas through community-based endogenous initiatives. The extensive amount of scholarly literature generated in response to the LEADER program emphasizes the problems of sustainability for European rural partnerships. An authoritative literature review indicated that the social inclusion potential of these partnerships has often been limited, especially in terms of the most vulnerable groups; the power relations between partners have often been contested; all too often, partnerships have been instrumentalized for the purpose of attracting funding without a genuine concern for long-term community development; fundraising efforts have been often excessive; and local state agencies have tended to dominate community

self-organization processes (Furmankiewicz et al., 2010). This subchapter will interpret these problems in terms of the discrepancy between the demand-side and supply-side sustainability determinants of rural partnerships. This discrepancy will be shown to be exacerbated by characteristic features of rural areas and made more complex by the fact that the distinction between the demand-side and supply-side determinants is much easier to draw in theory than in practice.

The following passages will provide a brief background on the lack of connection between the demand-side and supply-side economic theories of nonprofit organizations and on this basis introduce the distinction between the demand-side and supply-side determinants of nonprofit sustainability. This argument will then be applied to the rural development context and supported with empirical evidence of the rural nonprofit sector in the Czech Republic.

The distinction between the demand-side and supply-side theories of nonprofit organizations goes back to the influential writing of Henry Hansmann (1987) who sought to produce a comprehensive map of the field of nonprofit economics as it existed at the time. Hansmann's authoritative overview reached the conclusion that the supply-side theories of nonprofit organizational behavior demonstrated a lack of contact with the demand-side theories that located the societal role of nonprofit organizations in the correction of market failures. Since then, the demand-side theories have been criticized on a number of grounds. Framed by neoclassical economics, these theories said little on the institutional embeddedness of the nonprofit sector (cf. DiMaggio & Anheier, 2001; Anheier & Salamon, 2006; Balgah et al., 2010; Valentinov, 2009; *ibid*, 2008a; *ibid*, 2011; *ibid*, 2012; *ibid* 2008b) and indeed committed the Polanyian "economistic fallacy" (Adaman & Madra, 2002). In contrast to the demand-side theories, Chaves and Monzón (2012) see nonprofit organizations as a part of the broader social economy that contributes to sustainable development while laying bare the monistic nature of the mainstream neoclassical economics that has been mainly focused on capitalist for-profit enterprises. According to Lohmann (1992), the main thrust of the demand-side theories is negative, telling more about what the nonprofit sector is not than what it is. Most important to the present context, however, is the charge that demand-side market failure theories "explain why consumers would want to buy from and donors donate to nonprofit organizations, but do not explain why nonprofit organizations are there for them to use. What is needed is a theory of the supply of this organizational form to complement the theories of demand" (Steinberg, 2006, p. 128). According to Rose-Ackerman (1996), supply-side theories must address the important motivational and behavioral aspects of ideology, altruism, social values, and mission-drivenness, each of which gets short shrift in demand-side market failure theories.

A related strand of the nonprofit literature highlights the geographical implications of the split between the demand-side and supply-side theories. An authoritative literature review demonstrated that studies of the locational dynamics of nonprofit organizations “take a common approach in that needs and resources (including poverty or income) in a specific region (usually a city) are held to determine the number of nonprofit organizations in that region” (Bielefeld & Murdoch, 2004, p. 222). By emphasizing needs and resources, these studies endorse the theory-driven distinction between the demand-side and supply-side determinants. For example, Corbin’s (1999) study of factors influencing the growth of nonprofit organizations in social services in the United States identified demand-side factors, including demand heterogeneity and market failure, and supply-side factors, including social cohesion, resource dependence, and philanthropic culture. In a similar vein, Grønbjerg and Paarlberg (2001) use county-level data for the state of Indiana in order to examine the community variations in the size and scope of the nonprofit sector. They discovered that the demand-side factors of these variations are largely overridden by the supply-side factors and by the effects of community social structures.

The split between demand-side and supply-side theories indicates that the behavior of nonprofit organizations is more complex than assumed by demand-side theories, many of which present stylized models of market failure (Jegers, 2011; Steinberg, 2006; Hansmann, 1987). This split is likely caused by the difference in the levels of analysis of the two types of theories. Demand-side theories refer to the problems of society as a whole; supply-side theories are aimed at the level of organizations which face a range of organizational-level challenges that are invisible from the societal point of view. These challenges make nonprofit sustainability insecure and erode trust in the ability of these organizations to address societal problems. Therefore, taking an appropriate account of nonprofit sustainability requires adopting an organization theory perspective that could interrelate organizational goals, i.e., missions, with actual organizational behavior.

A highly suitable platform for such an organization theory synthesis is provided by Scott’s (2003) influential textbook that identifies three basic approaches to organizations. Scott (*ibid*) designates these approaches as the rational, natural, and open system perspectives. From the rational system perspective, “organizations are collectivities oriented to the pursuit of relatively specific goals and exhibiting relatively highly formalized social structures” (*ibid*, p. 27). From the natural system perspective, “organizations are collectivities whose participants are pursuing multiple interests, both disparate and common, but who recognize the value of perpetuating the organization as an important resource. The informal structure of relations that develops among

participants is more influential in guiding the behavior of participants than is the formal structure” (ibid, p. 28). Finally, from the open system perspective, “organizations are congeries of interdependent flows and activities linking shifting coalitions of participants embedded in wider material-resource and institutional environments” (ibid, p. 29).

In the nonprofit context, the rational system perspective makes clear that demand-side theories, including those of Weisbrod (1977) and Hansmann (1987), offer theoretical and normative justifications of nonprofit goals but fail to suggest the actual capacity of nonprofit organizations to attain them. Salamon’s (1987a) “voluntary failure” theory explained why these organizations may lack the expertise and resources to deliver on their missions (cf. Seibel, 1996; Valentinov, 2012d; Valentinov et al., 2015). In emphasizing the role of informal relations as well as organizational survival considerations, the natural system perspective provides a valuable means of capturing the importance of “mission-drivenness” (Lohmann, 1992; Rose-Ackerman, 1996) and enables thinking of opportunistic tendencies and “discretionary excesses” of nonprofit managers and entrepreneurs (Young, 2013). The open system perspective seems to have the most critical implications. It suggests that nonprofit organizations must effectively reach their external stakeholders and also that they may fail to manage their resource dependencies (Hung & Ong, 2012; Besel et al., 2011; Weerawardena et al., 2010; Bowman, 2011; Moeller & Valentinov, 2012).

The open system perspective is especially interesting because it apparently underpins the distinction that Bell et al. (2010) made between programmatic and financial types of nonprofit sustainability. To Bell et al. (ibid, p. 16), programmatic sustainability means that “nonprofit’s programs are relevant to its constituents and are having an impact” and financial sustainability means that “the organization has sufficient working capital for its needs and activities.” While each of the three organization theory perspectives are appropriate for capturing nonprofit sustainability problems, this subchapter will draw upon the approach that Bell et al. (ibid) took and generalize the distinction between the programmatic and financial types of sustainability. Framing the nonprofit economic theories in terms of the terminology of Bell et al. (ibid), it makes sense to differentiate between the demand-side and supply-side determinants of nonprofit sustainability. While the demand-side determinants refer to the societal relevance of nonprofit missions, the supply-side determinants are related to the ability and willingness of nonprofit decision-makers to secure the resource base required for fulfilling these missions over time. Obviously, the sustainability of nonprofit organizations requires the concurrence of its demand-side and supply-side determinants.

If demand-side and supply-side theories are conceptualized as the respective sustainability determinants at the organizational level, then the split between these theories translates into the tendency of the supply-side sustainability determinants to diminish the demand-side sustainability determinants. Regardless of the empirical support for the demand-side theories, the sheer empirical validity of the supply-side theories indicates that the societal roles of nonprofit organizations deviate from the demand-side theories' predictions, suggesting that the realities of institutional life are considerably more complex than the demand-side theories seem to assume. One example of the way the demand-side determinants of nonprofit sustainability are undermined by the supply-side determinants is Lenette and Ingamells's (2015) study of human services for refugee immigrants to Australia. The authors identify the increasing chasm between funding-driven agencies and social and community needs. Their conclusion is that "the field of human services ... needs to reclaim a broader paradigm of human service practice allowing for joined up, locality-based, capacity building work that is responsive to people, contexts, and specific issues emerging over time." As the next section indicates, the relationship between the demand-side and supply-side determinants of nonprofit sustainability is notoriously precarious in the rural development context.

Iliopoulos and Valentinov (2009) contend that the socio-economic characteristics of rural areas, including low population density, low per-capita incomes, geographic dispersion, and relatively poor infrastructure generally tend to lower the attractiveness of rural areas as a location for profit-driven business (see also Valentinov, 2007; *ibid*, 2009; *ibid*, 2012). "The lower return on investment weakens the incentives of for-profit firms to operate in rural areas. This means, in turn, that rural dwellers may be dissatisfied with the levels of consumption goods and services delivered to them by for-profit firms" (Iliopoulos & Valentinov, 2009, p. 441). They assert that the emerging gaps in the provisioning of rural dwellers could be filled by various types of nonprofit organizations that are not concerned with the profitability of their activities in the same way that for-profit firms are (*ibid*). It is common knowledge that "people living and working in rural Europe usually experience higher rates of risk of poverty and lower levels of employment, income, educational attainment, health care, and access to infrastructure and public services" (Volunteurope, 2014, p. 6). Nonprofit organizations hold considerable potential for "break[ing] the vicious cycles of exclusion and marginalization in rural areas" (*ibid*, p. 12). These arguments suggest that the endemic developmental problems of rural areas constitute a distinct demand-side rationale for nonprofit organizations, a rationale that constitutes the ultimate, if implicit, core of the theoretical justification of rural partnerships as a rural development policy instrument (cf. Trukhachev, 2015; Wang et al., 2015; Lange et al., 2015).

Identifying the demand-side justification for rural partnerships and other nonprofit organizations suggests that their supply-side sustainability determinants may be disconnected from the demand-side sustainability determinants. As with the more generic nonprofit case, there seem to be no grounds for assuming that the supply-side determinants will automatically translate into the demand-side determinants. Thus, there is no basis for optimism in terms of the overall sustainability of the concerned nonprofit organizations. It is not surprising that the split between the two types of sustainability determinants manifests itself in the widely acknowledged and discussed implementation problems with which these organizations have been grappling. The greatest focus in the scholarly literature on the LEADER program has been on its implementation problems. Although its intentions are noble, the theoretical justification for the LEADER program could not and did not translate into direct action. Participation has to be enabled by the appropriate organizational structures; funding modalities have to be adjusted (cf. Furmankiewicz et al., 2010); social capital, networks, and accountability mechanisms have to be put into effect (cf. Marquardt et al., 2012); and collective action problems need to be addressed (cf. Hagedorn, 2014). Furthermore, as Munoz et al. (2014) correctly noted, the very challenges of rural areas that determine the demand-side sustainability of nonprofit organizations simultaneously deprive these areas of the resources and capabilities required for community-based service providers to operate effectively. Dispersed settlement patterns, low population densities, aging populations, and other characteristics of rurality are highly contradictory in that they give a boost to the demand-side sustainability of rural nonprofit organizations while suppressing their supply-side sustainability (ibid).

Munoz et al. (ibid) present an argument that illuminates the rurality-specific mechanism by which the demand-side and supply-side determinants of nonprofit sustainability undermine and defeat each other. The precarious relationship between these has attracted much scholarly attention. For example, concerning Poland, Furmankiewicz et al. (2010) describe how the supply-side determinants, including funding arrangements and the influence of local authorities, “undermine the ability of Polish partnerships to operate in ways which harness the endogenous capacities of local communities.” More radically yet, Shucksmith (2000) notes the self-undermining tendencies of endogenous development initiatives that “favor those who are already powerful and articulate, and who already enjoy a greater capacity to act and to engage with the initiative. This may even lead to a capturing of the initiative by elites or sectional interests, in extreme cases. More marginalized groups are less able to participate or engage with the program, and are less likely to be empowered unless explicit attention is given to their inclusion.” These studies underscore that in the rural context, the validity of the supply-side

sustainability determinants is less likely to complement than to undermine the demand-side sustainability determinants.

The available econometric evidence of the effects of the socio-economic characteristics of rural areas and communities in the Czech Republic on the size of the local nonprofit sector contributes to the proposed theoretical understanding of nonprofit sustainability in two respects. First, it documents the rurality-specific relationship between the demand-side and supply-side sustainability determinants that was outlined in the preceding subsection. This relationship adds a valuable qualification to Iliopoulos and Valentinov's (2009) argument that the attributes of rurality enhance the demand-side sustainability of the rural nonprofit sector. The empirical findings make it more plausible to suggest that these attributes act on both the demand side and the supply side, with their supply-side identity undermining or counteracting their demand-side identity. Second, somewhat unexpectedly, empirical work has shown that the distinction between the demand-side and supply-side sustainability determinants may be hard to draw. The suggested "double nature" of the attributes of rurality indicates that their demand-side and supply-side identities cannot be easily disentangled. This presents a sharp contrast to the unambiguous differentiation between the demand-side and supply-side sustainability determinants in studies of the locational dynamics of nonprofit organizations (Bielefeld & Murdoch, 2004; Corbin, 1999; Grønbjerg & Paarlberg, 2001). Thus, the key hypothesis is that the size of the local rural nonprofit sector is affected by both demand-side and supply-side sustainability determinants. The verification of this hypothesis is supplemented by an analysis of the ambiguity of the distinction between the demand side and supply side.

The hypothesis is verified using primary and secondary data (Table 13). The primary data originate from interviews that were conducted with mayors in 190 randomly selected municipalities of the Czech Republic (Vysočina and Jihomoravský kraj) in 2013. To make certain that the municipalities are rural, attention was limited to municipalities with less than 2000 residents. The interviews were based on a structured questionnaire containing questions about the municipality residents, infrastructure, and economic activity, the number of local nonprofit organizations, their size (in terms of membership), and the nature of their activities, social capital, local action groups, the main challenges of local development, and the quality of local life. As each municipality was represented by its respective mayor, 190 mayors were approached. Of these, 11 mayors were not able to provide the requested information. Accordingly, this sample consists of 179 rural municipalities that contain 699 nonprofit organizations (see also Curtiss et al., 2014; Curtiss & Škarabelová, 2015).

The secondary data comes from the 2011 census by the Czech Statistical Office and contains information on the demographic, social, and economic characteristics of residents in these municipalities. In addition to the census data, the Linked Open Data from the surveyed regions were used, including the data provided by the free databases ÚFIS, ARIS, and MONITOR (cf. Soukopová & Struk, 2011). MONITOR is the information portal of the Czech Ministry of Finance and allows free access to the budget and accounting information related to all levels of public administration. ARIS contains publicly available information about municipal incomes and expenditures in the Czech Republic for the 2001–2009 period; the information for subsequent years is provided by ÚFIS, the successor database. The information provided by the mayors was cross-checked using the publicly available annual reports of formally registered nonprofit organizations.

Table 13 Qualitative and quantitative methods used for primary and secondary data collection and analysis

METHODS AND TOOLS USED	interviewing; descriptive statistics; cluster analysis; correlation analysis; exploratory data analysis; pattern recognition; regression analysis
AVAILABLE DATA	<i>Primary data:</i> Questionnaire survey
	<i>Secondary data:</i> Census Data; Linked Open Data from regions; Linked Open Data from the free databases of the Czech Ministry of Finance (ÚFIS, ARIS, MONITOR); NPO Annual Reports

Source: Valentinov & Vaceková, 2015

The sample of 179 rural municipalities is satisfactory if compared with the minimum sample size required to maintain the relative error standard deviation $\delta(s)$ as a prescribed value (Bilšťan, 1999). The minimum sample size is determined by the formula:

$$n_{\min} = \frac{g_2(u) - 1}{4\delta(s)^2} + 1 \quad (1)$$

Given a relative standard deviation $\delta(s) = 0.1$ (i.e., 10%), and a normal distribution with kurtosis $g_2 = 3$, the recommended minimum sample size is 51. This sample meets this condition.

Respondents indicated that of the 699 nonprofit organizations, 550 were formally registered, and 101 were informal groups; they were unable to classify 48

organizations. In 30 municipalities, some nonprofit organizations are members of the local action group, supported by the LEADER+ program of the EU Common Agricultural Policy. In 25 municipalities, there were nonprofit organizations that terminated their activity and do not exist anymore. Of the nonprofit organizations in this database, 21% are sports clubs, 20% provide public services (mainly fire protection), 16% are interest and hobby clubs, 12% are engaged in cultural activities, and 9% pursue environmental concerns (e.g., local hunting associations). Of all the nonprofit organizations in the database, 60% were in operation during the Communist period; the rest were established or re-established after the collapse of the Communist regime.

These and other results of the descriptive statistical analysis enabled the sample to be quantitatively summarized, revealing the main features. Based on the subsequent exploratory data analysis, the essential characteristics of the dataset were specified in order to select analytical tools and recognize patterns. The main use of this database for this study was for enabling a regression exploring the effects of the socio-economic characteristics of rural areas and communities in the Czech Republic on the size of the local nonprofit sector. The number of nonprofit organizations in a rural municipality were regressed on independent variables describing the local population, local infrastructure, education and employment of rural residents, local religious activity, and residents' satisfaction with the quality of life (Tables 14 and 15). The model is highly statistically significant and delivers high coefficients of determination (R^2 close to 0.58; adjusted R^2 above 0.54), i.e., it explains a high proportion of the total variation of outcomes. The overall significance of the F-statistics confirms that the model is not misinterpreted. A correlation analysis revealed the need to prevent the adverse effects of multicollinearity on the significance of the independent variables. Thus, a stepwise regression was applied that enabled the grouping of independent variables in appropriate sets by a cluster analysis (Table 14).

Table 14 Explanatory variables

VARIABLES	EXPLANATION
Number of residents (ln_nr_residents)	Community size (census data) Note: the relationship between the number of residents and the number of nonprofit organizations is non-linear. The logarithmic form of this explanatory variable delivers statistically more significant results
Share of elderly people (share_elderly_people)	Residents over 65 (census data)
Number of public areas (nr_public_areas)	The state of development of public infrastructure. Note: these determinants are represented as one explanatory variable (sum) because of their high cross-correlations
Number of football pitches (nr_football_pitches)	
Number of playgrounds (nr_playgrounds)	
Number of kindergartens (nr_kindergartens)	
Number of primary schools (nr_primary_schools)	
Sewage plant (sewage_plant)	Existence of a sewage plant in a municipality
Public water supply system (public_water_supply_system)	Existence of public water supply system in a municipality
Number of active churches (nr_church)	Number of churches in the municipality
Share of religious population (share_religious)	Residents claiming a religious faith (census data)
Education degree (share_basic_education)	Human capital (share of population with only a basic education—highest achieved—census data)
Unemployed residents (share_unemployed)	Unemployment rate in the municipality (census data)
Freelancers (share_freelancers)	Share of freelancers/all employed residents (census data)
Share of residents satisfied with social and cultural conditions in the municipality (satisfaction_social_conditions)	Life quality in the community based on mayors' estimations of resident satisfaction with social and cultural conditions in the municipality (% of satisfied residents)
Share of residents satisfied with the level of provided public services (satisfaction_public_services)	Life quality in the community based on mayors' estimations of resident satisfaction with the level of provided public services (% of satisfied residents)

Source: *Valentinov & Vaceková, 2015*

A number of the independent variables in the model were significant. Somewhat unsurprisingly, the data indicate that the number of local nonprofit organizations is positively affected by local population size. The set of variables including the number of local public areas, football pitches, playgrounds, kindergartens, and primary schools also positively related to the number of local nonprofit organizations; the same can be said about resident satisfaction with the social and cultural conditions of the local quality of life. The negative relationships between the number of local nonprofit organizations and the local availability of a sewage plant and a church were surprising.

Table 15 Determinants of the Czech rural nonprofit sector ⁽¹⁾

Dependent Variable: nr_NPOs	b* (Standardized partial regression coefficient.)	Std. b* (Standard error of b*.)	b (Partial regression coefficient)	Std. b (Standard error of b.)	p-Value ⁽²⁾
ln_nr_residents	0.661087 ***	0.076636	2.22511	0.257946	0.000000
nr_public_areas. nr_football_pitches. nr_playgrounds. nr_kindergartens. nr_primary_schools	0.290752 ***	0.066268	0.30948	0.070537	0.000019
sewage_plant	-0.155593 **	0.054006	-0.89375	0.310220	0.004427
public_water_supply_system	-0.065497	0.051983	-0.78817	0.625540	0.209246
nr_church	-0.111434 *	0.056539	-0.60756	0.308261	0.050209
share_elderly_people	0.092872	0.055568	0.06243	0.037352	0.096329
satisfaction_social_conditions	0.121776 *	0.059863	0.01714	0.008428	0.043340
satisfaction_public_services	-0.116369	0.061678	-0.01674	0.008872	0.060749
share_basic_education	-0.080971	0.054517	-0.05597	0.037693	0.139165
share_unemployed	0.060839	0.051123	0.08722	0.073289	0.235536
share_freelancers	-0.062381	0.049598	-3.45174	2.744452	0.210063
share_religious	0.056134	0.051904	0.01225	0.011331	0.280873

⁽¹⁾ $R = 0.7579$; $R^2 = 0.57439$; adjusted $R^2 = 0.5471$; $F(12,187) = 21,031$;

⁽²⁾ Note: * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$.

Source: Valentinov & Vaceková, 2015

Iliopoulos and Valentinov's (2009) argument about the demand-side sustainability of the rural nonprofit sector provides a useful lens into the meaning of these findings. To these authors, the poor state of rural infrastructure generates a demand for rural services that can be provided by nonprofit organizations (ibid). The positive relationship between resident satisfaction and the number of local nonprofit organizations aligns with the main thrust of this argument, as the services provided by nonprofit organizations reasonably make the residents more satisfied. Straightforward support for this argument comes from the revealed tendency of local sewage plants to negatively correlate with the number of local nonprofit organizations. If the availability of local sewage plants is taken to indicate a better state of rural infrastructure than their non-availability, then their availability likely dampens the demand for nonprofit services, thereby lowering the number of local rural nonprofit organizations.

What about the relationship between the demand-side and supply-side sustainability determinants? It does not seem too implausible to suppose that a lack of local sewage plants is generally indicative of a deficient local capacity to create (i.e., supply) rural nonprofit organizations. One possible scenario is that the most able and entrepreneurial individuals, put off by the prospect of living in a locality without a sewage plant, emigrate and thus deprive the concerned rural areas of the valuable human capital. It is possible, however, that the supply-side determinants are particularly effective in the infrastructure revealed by another significant variable or set of variables: the number of local public areas, football pitches, playgrounds, kindergartens, and primary schools. The positive relationship of the number of these infrastructure indicators to the number of local nonprofit organizations appears to contradict Iliopoulos and Valentinov's (2009) demand-side argument. However, these infrastructure objects very likely differ from the local sewage plants in their superior ability to mobilize and the local capacity to create or get involved with the local nonprofit organizations. It is indeed much more likely for local residents to get together and discuss their collective strategies in local public areas and schools than in sewage plants. It is this supply-side identity of the former infrastructure objects that likely explains why they boost the number of local nonprofit organizations instead of lowering it, in contrast to sewage plants.

The complexity of the supply-side sustainability determinants of the Czech rural nonprofit sector is further enhanced by the role of local churches. On the one hand, these churches present a premier platform for local residents to come together and improve the local capacity to create or get involved with the local nonprofit organizations. On the other hand, the churches may act as local nonprofit organizations in their own right, thus preventing local residents from getting involved in other nonprofit organizations which are considered in the dependent variable. The negative

relation between the availability of local churches and the number of local nonprofit organizations supports the latter scenario.

In conclusion, it must be noted that each of the statistically significant determinants of the size of the local nonprofit sector in the selected rural areas of the Czech Republic reasonably combines demand-side and supply-side identities so that they can only be disentangled by in-depth case studies. It is also reasonable that the sign of the relation of these determinants to the size of the local nonprofit sector is conditioned by the relative roles of these identities. In the proposed interpretation of the empirical findings, there are several examples of this ambiguity: (a) local sewage plants were able to act as supply-side sustainability determinants, but they were interpreted as demand-side determinants; (b) local public areas were able to be demand-side sustainability determinants, but they were interpreted as supply-side determinants; (c) local churches were interpreted as nonprofit organizations in their own right rather than as supply-side sustainability determinants. Accordingly, as the next section explains, it is not the sustainability determinants as such but rather the complexity and ambiguity of their demand-side and supply-side identities that emerge as a guidepost for the further development of the field of nonprofit economics.

The evidence presented in the preceding section casts a new light on the problem of the disconnection between the demand-side and supply-side determinants of nonprofit sustainability. Nonprofit economists have tended to see this problem as a theory-building deficit that could be addressed by finding ingenious ways to integrate these determinants in ever more encompassing conceptual frameworks (Steinberg, 2006; Hansmann, 1987; Valentinov & Iliopoulos, 2013). The significance of the reported data on the Czech nonprofit sector, as well as of the numerous empirical studies of the LEADER program, is that it shows that this disconnection is an empirically valid phenomenon. In light of this evidence, the relevant research problem is no longer in conceptually overcoming or explaining away this disconnection, but rather in reorienting the field of nonprofit economics toward the search for the systematic reasons that make this disconnection necessary and pervasive.

2.4 Concluding remarks: theoretical vs. empirical research

The first subchapter advances a novel research project that seeks to revisit the role of conventional economic approaches in explaining the existence of the nonprofit sector in modern society. Drawing upon institutionalist ideas, this research project is primarily

aimed at identifying the real-world problem-solving potential of the nonprofit sector rather than at reconciling nonprofit activities with the neoclassical market failure framework. Accordingly, the normative benchmark underpinning the study is not the Pareto-optimality of perfectly competitive markets but rather the fulfillment of societal values with the aim of improving the quality of social life. This benchmark reflects the fact that the dominant institutional structures of the modern Western world – markets and hierarchies pertaining to the private for-profit and public sectors – do not permit an adequate fulfillment of societal values.

The empirical analysis of the Slovak nonprofit sector identified education, sports, and welfare as its most important fields of activity. It is in these fields of activity that the dominant institutional logics of market and bureaucracy are least applicable. The sizable presence of volunteers is likewise a testimony to the functional limits of the traditional employment relations in Slovak society, and especially in these nonprofit fields of activity. A remarkable finding is that the supply-side theoretical approach to explaining nonprofit organizations has turned out to be most relevant in the Slovak context. This finding suggests that people use the nonprofit sector to reach those values that cannot be attained through the dominant for-profit and public institutions. Furthermore, the confirmed real-world importance of the interdependence theory calls attention to the complementary nature of the existing institutions which accordingly work best in concert rather than in mutual isolation. The obtained results are contingent on regional contexts that differ in terms of their historical and cultural heritage. Finally, the legal environment in Slovakia has provably left a mark on the motives for the founding of nonprofit organizations. All the revealed patterns – the shortcomings of dominant institutions, the importance of societal values, institutional complementarities, regional variations, and legal peculiarities – are given little attention in the mainstream market failure theories of the nonprofit sector. Emphasizing these patterns makes it possible to deepen the understanding of the nonprofit sector as a real-world institution rather than as a market failure-correcting device. This understanding is imperative for making the fullest use of the nonprofit sector's capacity to solve societal problems.

Based on the second subchapter, if there are possible discrepancies between social structure and semantics, then such discrepancies are probably well exemplified by the precarious fitting of the Anglo-Saxon semantics of nonprofit commercialization into the institutional context of the Czech Republic. While there are few reasons to doubt that commercial pressures may indeed potentially erode the mission orientation of certain nonprofit organizations in the Anglo-Saxon world and in the Western hemisphere more generally, the Czech nonprofit sector still faces the challenge of developing its own

independent and distinct institutional identity, an integral part of which is financial independence from the state. It is true that in Anglo-Saxon semantics, the attempts of Czech nonprofit organizations to secure their financial independence qualify as commercialization. In the Czech context, however, this commercialization seems to be an integral step in the difficult and lengthy evolution of a nonprofit sector that would be worthy of the name.

This argument informs the Western nonprofit commercialization debate in at least four respects. First, to the extent that this debate is morally framed and affected by discrepancies between social structure and semantics (cf. Simsa, 2000), it runs the risk of shifting from evidence-based reasoning toward potentially misleading advocacy. Second, the potential for misleading is especially pronounced in the transitional institutional environment that has largely escaped the attention of many modern commentators on nonprofit commercialization. Third, in the Czech context, nonprofit commercialization is institutionally hardwired into the public-private mix of public service delivery and is particularly common among nonprofit organizations delivering public services. Fourth, acknowledging the institutional nature of nonprofit commercialization does not prevent the moral framing of the commercialization debate, but it does prioritize the institutional ethics standpoint over the individual ethics perspective.

The last point makes clear that the Czech context defies Weisbrod's (1998) vision of commercialization as a moral dilemma of individual nonprofit decision makers who face the difficult choice between organizational insolvency and abandoning the mission. For all its impressive dramatism, this dilemma does not seem to be a helpful description of the Czech realities. The current institutional and regulatory environment of Czech nonprofit organizations is explicitly favorable toward their self-financing initiatives, some of which are even integrated into the legal identities of nonprofit organizational forms (see also Pajas & Vilain, 2004, p. 348). Instead of being a moral dilemma arising out of the hostility of the economic environment, commercialization or self-financing in the Czech context is a strategy for complying with the requirements of the institutional environment, which is favorable, rather than hostile. More than that, it is a chance to link civil enthusiasm with economic viability so as to revitalize and carry forward the rich historical traditions of the Czech civil society.

In terms of further research in the field of nonprofit sector studies, the proposed argument draws attention to the need to seriously view the problematic implications of the global sociology of knowledge. Raewyn Connell (2009) famously contended that the concepts and methods of social science tend to be developed in, and geared to the

interests of, the global North, while being less helpful in understanding the postcolonial realities of the global South. The Czech Republic and Central and Eastern Europe more generally are not a part of the global South, but they do have a distinct cultural history and identity that have not yet had much bearing on the conceptual foundations of the nonprofit sector that were developed primarily in the Anglo-Saxon world. Obviously, improving these foundations is hardly possible without listening to the voices from this region. It is probable that in the larger scene of the global sociology of knowledge, the conceptual treatment of nonprofit commercialization is just one issue among many others that await similar critical adjustments.

The conceptual innovation of the third subchapter is in reconstructing the distinction between the demand-side and supply-side explanations of the nonprofit sector as the divergence between the demand-side and supply-side determinants of nonprofit sustainability. This reconstruction contributes to nonprofit sustainability literature in three respects that are especially relevant to European rural development. First, the well-documented and puzzling implementation problems of the LEADER partnerships present a logical consequence of the divergence between the demand-side and supply-side determinants of nonprofit sustainability. Second, this divergence informs the scholarly inquiries into the rurality-specific explanations of rural nonprofit organizations. Iliopoulos and Valentinov (2009) may be right in pointing out that the socio-economic attributes of rural communities reinforce the demand-side sustainability of rural nonprofit organizations; yet the divergence between demand-side and supply-side sustainability proves that rural nonprofit organizations are highly susceptible to the unfavorable institutional environment that is often characteristic of rural areas (see Hagedorn, 2014). Third, in contrast to the literature endorsing a clean distinction between the demand-side and supply-side sustainability determinants, the reported evidence from the Czech Republic documents the complexity of these determinants' intertwining and entanglement.

The broader implication of the presented arguments is that the split between the demand-side and supply-side determinants of nonprofit sustainability could indicate a precarious relationship among the economic, social, and environmental pillars of sustainability in general. While many nonprofit organizations pursue lofty and noble missions aimed at addressing social and environmental sustainability problems (Rangan, 2004), these problems stubbornly persist. It seems, then, that the organizational pursuit of the social and environmental sustainability exacts a price in the form of the insecure economic sustainability of the concerned organizations. This is precisely what is happening when the demand-side determinants of nonprofit sustainability are undermined by the supply-side determinants. Nonprofit organizations

may be quite successful in bettering human life and thus be sustainable on the demand side, but their activity can be hindered by the supply-side sustainability determinants beyond their control. Further research on nonprofit organizations is accordingly needed to create the awareness of the complex dialectics of the demand-side and supply-side determinants of nonprofit sustainability. Toward this end, it is essential to see nonprofit organizations as arenas for the dynamic interaction between the demand-side and supply-side stakeholders, an interaction occurring in specific places and communities, the features of which are particularly salient in the rural context. Furthermore, these places and communities are themselves embedded in the civilizational regime of functional differentiation which, as this subchapter proposes, exercises a formative influence on nonprofit activities, especially in rural areas.

3 Re-conceptualization of the third sector

Attempts to go beyond the mainstream explanations of the nonprofit sector in economic theory inevitably return to the question: “If not for profit, for what?” This question is also the title of Dennis Young’s pioneering work (1983) exploring a behavioral theory of the nonprofit sector based on entrepreneurship. More than 30 years ago, long before widespread research into entrepreneurship in the nonprofit sector was popular, „[this work] ... catalyzed a research stream that also forms the basis for an entire academic discipline“ (Frank, 2013). The current challenge for nonprofit scholars is to continue to cultivate this rich field of inquiry in the quest for a better understanding of “how the society can encourage, support and engage entrepreneurial energies for the public good” (Young, 2013). However, the field remains difficult to grasp in its entirety, as researchers use a multitude of similar, yet distinct, key concepts. The considerable range and complexity of these overlapping notions create major challenges: “Scholars struggle to position their work in a larger context; it is not easy to build on previous findings and methodological developments; and research gaps are difficult to identify” (Maier et al., 2014).

The Third Sector Impact (TSI) project (2016) confirmed the initial impressions of enormous diversity in the way the term *third sector* is used. One conception of what constitutes the third sector can be found in Central and Eastern Europe (CEE), where the broad overarching concept of *civil society* is widely used in public discourse. Civil society consists of formal organizations and informal community-based structures as well as individual actions taken for the benefit of other people, including improvement of the community or natural environment, participation in elections or demonstrations, informal or direct volunteering, and general political participation (Edwards, 2009; *ibid*, 2011; Zimmer & Priller, 2013; Chambers & Kymlicka, 2002; Cohen & Arato, 1994). More narrow terms, such as *third sector* or *nonprofit sector*, are applied to organizations with various legal forms, including associations, foundations, cooperatives, mutual companies, labor unions, business associations, professional associations, and religious organizations.

The terminology changed during the political transformation following the dissolution of the Soviet bloc. The term *nonprofit sector* was very popular in the beginning of the transformation. However, accession to the EU introduced the concept of *social economy* in this region. Recently, the very broad and inclusive term *third sector* has

been gaining popularity. It includes all kinds of civil society activities that have permanent or formal structures, including cooperatives and mutual associations that allow profit distribution (Nałęcz et al., 2015; cf. Salamon & Sokolowski, 2016b). This attempt to propose an extended conception of the third sector, beyond typical nonprofit organizations, “represents a significant progress at various levels” (Defourny & Nyssens, 2016). Most importantly, it takes into account some rules and practices that are found in some cooperatives, mutual associations, and social enterprises. By doing so, the boundaries of the third sector are expanded, thus allowing the inclusion not only of nonprofit organizations but also of some social economy organizations (ibid).

3.1 The drivers of re-conceptualization

The world of civil society organizations is becoming increasingly interesting (Donnelly-Cox, 2015). Even in the early years of the field of nonprofit studies, some voices were already calling for recognition of the blurred boundaries among sectors (Billis, 2010). DiMaggio (1987), Langton (1987), Salamon (1987), Wuthnow (1991), Ware (1989), and Van Til (1988) all agreed that the tripartite distinction between public, private, and nonprofit could be problematic because this distinction conceals the interrelationships among sectors. More recently, theoretical frameworks have emerged that are characterized by a blurry sectoral boundary view. These frameworks recognize that the sectors can overlap or mix. However, Nobel Laureate Muhammad Yunus, founder of the Grameen Bank, warns against putting too much faith in hybrid organizations (see also Pestoff, 2012). “In the real world it will be difficult to operate a business with two conflicting goals of profit maximizing and social benefits. The executives of these hybrid businesses will gradually inch toward the profit-maximization goal, no matter how the company’s mission is designed” (Pestoff, 2007; p. 33). Hence, hybridization is being examined carefully (Donnelly-Cox, 2015) and with some concern for its positive effects (see e.g. Dees & Anderson, 2003; Hwang & Powell, 2009; Jones, 2007). There is evidence that the benefits outweigh the risks (Brandsen & Karré, 2011) and that hybrids will come to represent the “new normal” of civil society organizations (Brandsen et al., 2005; Evers, 2005; Donnelly-Cox, 2015).

Defining the third sector beyond the arenas of the state and the market is probably one of the “most perplexing concepts in modern political and social discourse, encompassing as it does a tremendous diversity of institutions and behaviors that only relatively recently have been perceived in public or scholarly discourse as a distinct sector, and even then with grave misgivings” (Salamon & Sokolowski, 2016b). Initial work on this concept focused on what is still widely regarded as its institutional core

(ibid). These institutions share a crucial characteristic that makes it feasible to differentiate them from for-profit enterprises: the fact that they are prohibited from distributing any surplus they generate to their investors, directors, or stakeholders, and that they therefore are presumably serving some broader public interest other than profit. Several European scholars have considered this conceptualization of the nonprofit sector as being nonprofit institutions as too narrow, arguing that cooperatives, mutual societies, and, in recent years, social enterprises as well as social norms should also be included (ibid).

With the article “Beyond Nonprofits: Re-conceptualizing the Third Sector,” Salamon and Sokolowski (2016b) make an important contribution to the ongoing debate on how to define the third sector in economic theory. They proposed five key criteria for the target conceptualization (ibid, p. 1523):

- *Sufficient breadth and sensitivity* – encompasses as much of the enormous diversity of this sector and of its regional manifestations as possible, initially in Europe, but ultimately globally.
- *Sufficient clarity* – differentiates third sector entities and activities from four other societal components widely acknowledged to exist outside the third sector, i.e., government agencies, private for-profit businesses, families or tribes, and household work or leisure activities. A definition that embraces entities or activities with too close an overlap with these other components has to be avoided.
- *Comparability* – highlights similarities and differences among countries and regions. This means adopting a set of common standards that could be applied everywhere. The alternative would be equivalent to using different-sized measuring rods to measure tall and short people so that everyone appears more or less equal in height.
- *Operationalizability* – permits meaningful and objective empirical measurement and avoids counterproductive tautologies or concepts that involve subjective judgments rather than objectively observable characteristics. Philosophical or normative features could usefully guide the search, but their operational proxies would have to be found.
- *Institutionalizable* – facilitates incorporation of the ability to measure the third sector in official national statistical systems so that reliable data on it can be regularly and reliably generated.

An alternative definition for the “extended” third sector was proposed by loosening the “structural-operational definition” (Salamon & Anheier, 1998) and replacing “not profit distributing” with “totally or significantly limited from distributing any surplus they earn to investors, members, or other stakeholders,” while keeping the other four features of the third sector virtually unchanged (cf. Yamauchi, 2016). Salamon and Sokolowski (2016b) also suggest that not only organizations but also informal and individual components are important elements of the extended third sector. They propose five conditions, the first three of which are mandatory, that organizations in the extended third sector must fulfil to meet the “significant limit on surplus distribution” requirement. Those are (ibid):

1. an explicitly and legally binding social mission;
2. prohibition from distributing any more than 50% of any profit to outside stakeholders;
3. a capital lock that requires all retained surplus to be used to support the organization or to support other entities with similar social purposes;
4. at least 30% of their employees and/or beneficiaries are individuals with specified special needs;
5. prohibition from distributing any profit they may earn in proportion to capital invested or fees paid.

This broader concept has remained under-conceptualized in reliable operational terms. Salamon and Sokolowski (ibid) tried to correct this shortcoming and presented a consensus operational re-conceptualization of the third sector created by a group of scholars working under the umbrella of the European Union’s Third Sector Impact Project (<http://thirdsectorimpact.eu/>). This re-conceptualization goes well beyond the widely recognized definition of nonprofit institutions from the *Handbook on Nonprofit Institutions in the System of National Accounts* (United Nations, 2003) by including additional institutions and forms of direct individual activity in a way that meets the demanding criteria of comparability, operationalizability, and potential for integration into official statistical systems. The Third/Social Economy (TSE) model proposed by Salamon and Sokolowski (2016b) “builds on major advances in scholarly work on non-profits, volunteering and related concepts and seeks to build the foundation for new advances. They made a cogent argument for expanding the definition of the sector beyond the traditional ‘Core’ definition and it helps us understand cross-sector relations between the TSE and the for-profit worlds” (Grønbjerg, 2016).

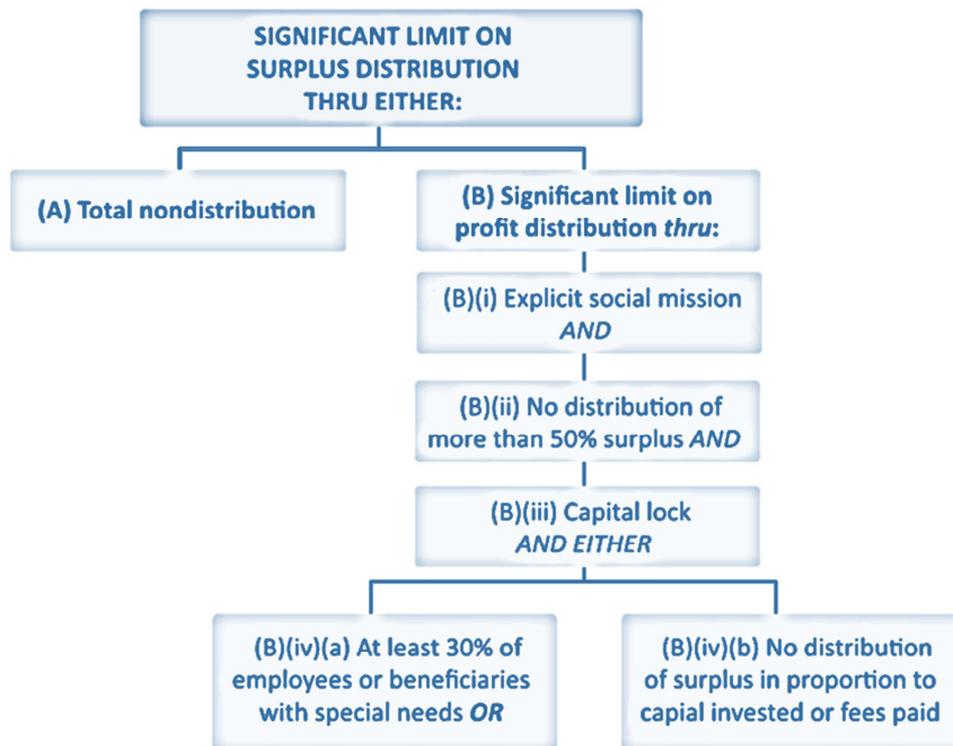


Figure 8 Operational characteristics defining total or significant limitation on surplus distribution

Source: Salamon & Sokolowski, 2016b

The more challenging and interesting part of the new conceptualization comes when looking more closely at what happens at the boundaries (Grønbjerg, 2016). Figure 8 illustrates the significant conceptual and definitional work that still remains to be done. The confusion around the traditional “structural-operational definition” (Salamon & Anheier, 1998) can be clarified if this definition only applies to organizations that fulfil the five identity codes and does not apply to other organizations in the in-between space (Knutsen, 2016).

There has been much relevant research devoted to the “blurring of the [sectoral] boundaries” (Billis, 2010) in the scientific literature worldwide. However, this does not hold true for the transitional CEE countries. More than a quarter century after the *annus mirabilis* 1989, the study of post-Communist countries has shifted from the question of democratic transition to the question of democratic consolidation (Green, 1999). The literature on transition has moved away from a focus on public or private to a study of the various forms of public and private that are now emerging in the provision of public services (Swarts & Warner, 2014). In the transitional economies of CEE, this development has been influenced by ideas on New Public Management (NPM). In the wake of NPM, it has become common for public services to be performed by

organizations operating at the intersection of the market and public sectors (Grossi & Thomasson, 2015). The type and character of the implemented reforms differ from country to country (cf. Thomasson, 2009), but with this development a new type of organization has emerged: hybrid organizations.

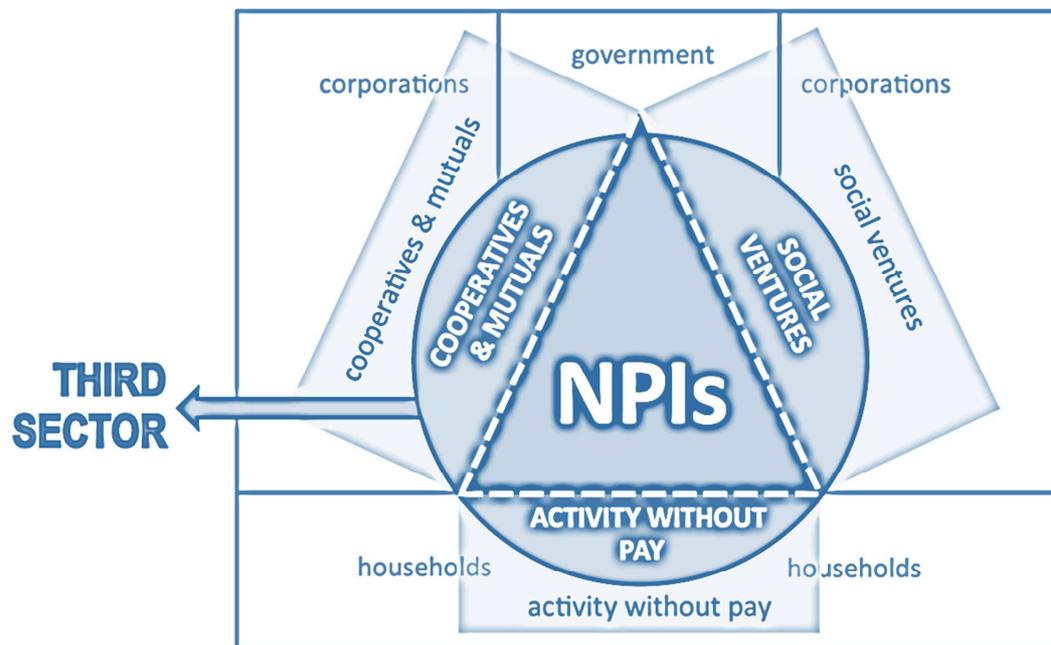


Figure 9 Re-conceptualizing the third sector

Source: Salamon & Sokolowski, 2016b

Hybridity is of both theoretical relevance and practical importance around the world, including in the post-Communist economies. The trend towards emerging hybridization in the transitional economies of CEE has increased significantly in recent years, while taking into account the considerable heterogeneity of transitional economies. Even in the early years after the transition, public services were being delivered by hybrid organizations operating in the intersections of the market, the civil society, and the public sector. There are different types of hybrid organizations, for example (Grossi et al., 2015):

- mixed public and private commercial (for-profit) enterprises, in which both public and private-commercial owners operate in the public interest (the “mixed economy”);
- mixed public and private nonprofit organizations, in which a public sector entity has a strong influence (via funding and regulation), but a private nonprofit organization delivers public services.

Many examples of hybrid arrangements can be found in the history of the Czech Republic, Slovakia and other post-Communist countries, especially in the transitional phase of development of the concerned economies. These combine public features and features generally associated with market logic. It appears far easier to find arrangements that are hybrid than those approximating typical ideal notions (Brandsen et al., 2005). The privatization of public service provision during the transition was one cause of the emergence of mixed ownership concepts such as “public-private partnership” (PPP), which represents one of the most common hybrid forms in the post-Communist countries of CEE. The sometimes uncritical perception of PPP is reflected in the growth of PPP projects and the implementation of this concept into the public service system in post-Communist countries including the Czech Republic and Slovakia, where individual governments implement this method as something that at first sight seems to be a completely new approach to the provision of public services, despite the fact that public services are already routinely provided on a similar principle (Řežuchová, 2010). Beyond their multiple advantages (cf. Grossi, 2007), utilization of PPP arrangements entails special concerns (see e.g. Da Cruz & Marques, 2012; Hodge & Greve, 2010; Marques & Berg, 2010; McQuaid & Scherrer, 2010). But NPM is not the whole story behind hybrid organizations; in fact, the specific concept of hybridity remains undeveloped (Denis & Van Gestel, 2015).

Hybridity is not just any mixture of features from different sectors; it concerns “fundamental and distinctly different governance and operational principles in each sector” (Billis, 2010). A systematic review (Tranfield et al., 2003) in the V4 countries revealed the absolute absence of scientific articles and proceedings that would reflect the phenomenon of hybridization in relation to civil society. Few if any studies go beyond recognizing PPP. The literature seldom explains how hybrid organizations arise or what forms they take. But the spanning of sectoral boundaries (Billis, 2010; Dees & Anderson, 2003; Laville & Nyssens, 2001) is “now perhaps accelerating” (Donnelly-Cox, 2015), especially with the development of social enterprises that seem to transcend sectors (Dees & Anderson, 2003). A complex approach that would enable reflection on the specific nature of hybridity in a transitional context as well as on current public debates and policy-making discourses on the subject is lacking. The next subchapter fills this gap while focusing on the broad opportunities that hybridity offers. Pointing out the challenges and potentials of social enterprises enables illustrative examples of hybrid organizations in the Czech Republic and Slovakia with a wider relevance for and application possibilities to other (post-) transitional economies of CEE.

3.2 New semantics: Social entrepreneurship, social enterprise, social innovations

Taking into account the definition of hybrid organizations as those that combine the characteristics of at least two of the public/ private/ third sectors, the organizations in the Czech Republic and Slovakia that are considered to possess significant characteristics of more than one sector are usually social enterprises that can be defined as private and third sector hybrids. To emphasize this central advancement and discuss both its strengths and limitations, it is first necessary to return to the very roots of the social economy concept and underline how its base differs from the core feature of the nonprofit sector. Against this background, it will be easier to discuss the relevance of the extended boundaries (cf. Defourny & Nyssens, 2016).

The key period associated with the first mentions of the social economy is the early 21st century, when new problems began to appear for which European countries had to seek innovative solutions. Social enterprises have developed significantly over the last decade. Specifically, since the economic crisis in 2008, the interest in social enterprises has increased and various forms of social enterprises have spread (Gidron & Hasenfeld, 2012). Social enterprises have been characterized as “exemplars of hybrid form which intertwine within one organization the different components and rationales of market, state and civil society” (Evers and Laville, 2004). As hybridity becomes increasingly common (Aiken, 2010), it is important to understand the current state of social entrepreneurship in transitional countries.

The emergence of social enterprises is associated with the advancement of a civil society in which corporate altruism is on the rise (ibid). The discourse is quite different across countries; the definitions of social enterprise are diverse and tend to describe the functions of different types of social enterprises (cf. Dees, 1998; Dart, 2004; Harding, 2004; Haugh, 2006; Thompson & Doherty, 2006; Hockerts, 2006; Peredo & Chrisman, 2006; Korosec & Berman, 2006; Hartigan, 2006; Masseti, 2008; Emerson & Twersky, 1996; Wronka, 2013). Finding universal criteria for labelling an organization as a social enterprise is not easy. Narrow definitions may suffer from a tendency to generalize and oversimplify. Overly broad definitions lack practicality. The primary intention of social enterprises is usually not related to profit. They are characterized by their performance of public benefit activities and their contribution is seen in their pursuit of including people who are in some way disadvantaged in the labor market.

Table 16 Comparison of social economy and nongovernmental nonprofit sector

SECTOR Characteristic	SOCIAL ECONOMY / SOCIAL ENTERPRISES	NONGOVERNMENTAL NONPROFIT SECTOR
Goal	fulfillment of social mission – to serve a local community or specific groups of citizens	fulfillment of organization’s mission – to provide social benefits
Institutions	a wide variety of organizational forms, including public benefit organizations, cooperative organizations, joint stock companies, and limited liability companies	formalized and institutionalized structures, legal form given by law, usually associations and public benefit organizations, but also foundations and nonprofit funds
Autonomy	usually created and managed by a group of people on the basis of an autonomous business plan	not part of the public administration; institutionally separated from the state and have political independence
Non-distribution constraint	limited distribution of profit to shareholders or employees and the obligation to reinvest the profit (or a substantial part of the profit) to the social objectives of the enterprise	not founded to generate profit to be shared among the owners or managers, any profits are fully returned to the organization and used in accordance with its statutes
Voluntarism	a combination of volunteers and paid staff; a minimum level of paid work	voluntary participation in activities; a high proportion of volunteering
Civic initiatives	typically, the result of collective dynamics involving citizens or members of groups sharing a common goal or community need	established by citizens for the purpose of achieving a mutual or generally useful purpose/benefit
Entrepreneurial/ business activity	business is a main activity; goods and services are produced, i.e. they enter the market and offer their production for sale	funded under redistribution mechanisms; entrepreneurship is seen as a side activity
Funding	financial sustainability depends on the performance of members and staff and their efforts to ensure adequate resources; activities are also funded through financial support mechanisms from public and private sources; multisource funding is used	multisource funding is a principle; this may be a combination of public (government) sources, private and individual sources, grants, membership fees, income from self-financing, and business activities
Management	participatory governance, decision making involves all stakeholders	self-governance; they manage themselves through established organizational structures; the main body is usually a general assembly
Registry (for the Czech Republic and Slovakia)	register of social enterprises at the Central Office of Labor, Social Affairs and Family	relevant registers at the Ministry of Interior

Source: Vaceková & Murray Svidroňová, 2016

Complications in defining social enterprise occur as a result of the diversity of national contexts and because they are found in many different sizes and legal forms. Social enterprises are mainly small and medium-sized companies, including cooperatives. Innovativeness can be seen in the diversity of goals in multisource financing, in a different approach to job creation, and in a new type of entrepreneurship that is a way of bearing risks on the principle of stakeholders and supporters, including partnerships with the public sector. Social enterprises are required to be stable in two dimensions: in the ability to survive in the long term and in the intended balance of social contribution and success in the market over time. Survival and growth are the key motivators for any organization, whether profit-making or nonprofit. The orientation and character of the social enterprise is continuously influenced by financial possibilities and environmental pressure (Vaceková et al., 2015).

Each region produces specific debates. Western European social enterprises “tend to be based in a social cooperative model and tend to be narrowly targeted on work integration efforts” (Gidron & Hasenfeld, 2012). The Western European approach also emphasizes “the participatory aspect of social enterprises” (ibid), a characteristic that has thus far received relatively little attention in the (post-) transitional countries. The social enterprises in CEE emerged as a result of the fall of Communism, when conditions similar to those of Western Europe were established. Later, many states tried to join the European Union; their accession was conditioned by the requirement to solve various socio-economic problems. Social enterprises in the transitional economies of the CEE were at that time relatively underdeveloped in terms of how they were legally and institutionally defined (Poon, 2011). Social enterprises have developed significantly over the last decade; specifically, since the economic crisis in 2008, the interest in social enterprises has increased and various forms of social enterprises have spread (Gidron & Hasenfeld, 2012).

Social enterprises are typical hybrid organizations, combining a market orientation with a social mission. This text focuses on specific features of hybridity in a (post-) transitional context, pinpointing some significant determinants of social enterprise development in the transitional economies as compared to developed economies, such as (Korimová & Vaceková, 2011):

- Businesses with a “social” attribute are perceived quite negatively politically and socially in the transitional economies, as they are reminiscent of socialism.
- Interest groups in the social economy have a different structure in the transitional economies as future social enterprise employees.

- In the Czech Republic and Slovakia, as in other former transition countries, there was already a high percentage of long-term and generational unemployed people. The younger unemployed people were often illiterate, without any social contacts; they were socially excluded. Some of them did not want to assume a mainstream lifestyle.
- In developed economies, social economics and social enterprises were promoted naturally through experience and the established partnership networks with the nonprofit sector; in the transitional economies, this sector has just been established and is still finding its position. Therefore, the time and process shift is really significant. A certain advantage of this delay is that all entities – not only nonprofit organizations – have been gradually entering the process of establishing social enterprises.

This implies that the development of social enterprises cannot be supported simply by importing Western European approaches. Unless the approaches are embedded, social enterprises will just be “replications of formulas that will last only as long as they are fashionable” (Gidron & Hasenfeld, 2012). The concept of social enterprise was almost unknown some 20 years ago (*ibid*). In the last decade, it has become a subject of discussion on both sides of the Atlantic, including in CEE countries. To deepen the discussion on social enterprises as embodied in Western and Eastern Europe, it is useful to underline the distinct development these regions experienced.

In the former centrally-planned economies, the social economy was important because the transformation process and the change of national economic structures created conditions for an enormous increase in unemployment and social exclusion. The causes were, in particular: inertia in thinking, reliance on high standards of social state guarantees, low qualification of the workforce and low productivity, restructuring of the national economy, loss of sales on soft foreign markets (CMEA), low competitiveness of products, new labor market demands for jobs with high added value, work process inefficiency, technological advances in production, and labor market rigidity in comparison to developed economies. All these factors created a specific historical, socio-economic, and political environment that differs from Western Europe (Vaceková et al., 2015).

Social enterprise domains: Evidence from the Czech Republic and Slovakia

Many charitable organizations and societies promoting patriotism, science, and the arts were established in the territory of what is now the Czech Republic as early as in the 19th century. These charitable societies included informal student groups that were made legal by the “Zákon o právě spolčovacím” (Freedom of Association Act) of 1867. The end of World War I was an impetus for establishing charitable organizations to mitigate the consequences of the war. Upon the founding of the Czechoslovak Republic, the Constitution safeguarded the right to the freedom of assembly and association. The Action Committees established by the Central Action Committee of the National Front carried out purges, and the unsuitable organizations were cancelled. No new legislative regulation was enacted until after 1989 (Dohnalová, 2006).

Table 17 Key events in the field of social entrepreneurship in the Czech Republic

KEY EVENTS IN THE FIELD OF SOCIAL ENTREPRENEURSHIP	
2009	The thematic network for social economy TESSEA
2010	The principles of social enterprise compiled by TESSEA
2011	Project about social enterprise as a way of thinking in Ostrava
2012	A questionnaire survey of a hundred social enterprises in the Czech Republic (P3 – People, Planet, Profit o.p.s.)
2013	ČSOB announced a new grant program with the aim of helping working social enterprises
2014	A set of indicators for a social enterprise and social integration company (P3 – People, Planet, Profit o.p.s.)
2015	1 st quarter - outline of a bill on social entrepreneurship in the Czech Republic 4 th quarter - paragraph version

Source: Vaceková & Murray Svidroňová, 2016

Associations, societies, mutual aid movements, foundations, and charities were considered to be traditional entities of the social economy. The first *družstva* [cooperatives] were established in the 1840s, with the First Cooperatives Act being passed concurrently and coming to force in the 1870s, when production cooperatives were established in profusion. The first cooperative on the territory of the Czech Republic was established in 1847 and was called “Pražské potravní a spořitelní” (The Prague Food and Saving Society). The cooperatives were distinguished by solidarity and cooperation in the social and material arenas. They were continuously expanding, and therefore it was necessary to create a legislative framework, which was declared

during the Austro-Hungarian Empire. The system of cooperatives reached its peak in then-Czechoslovakia in the interwar period. By 1937, around 15,000 democratic economic benefit cooperatives operated in Czechoslovakia, employing about a quarter of the population (Dohnalová & Průša, 2011). After World War II, the production of many cooperatives slowed; after 1989, their number decreased rapidly (Hunčová, 2007).

The entities of the social economy also included *spolky* [societies], which began to emerge at the time of the national revival. In 1867, Act No. 134/1867 was amended, which enabled establishment societies. The first such society was *Oul*, the workers' benefit society, which was founded in 1868 by a representative of mutual aid efforts of the workers' movement, Dr. František Ladislav Chleborád. The most prosperous period for societies was the period between the world wars; around 300 were established, mostly assembly, workers, sports, political, and literary societies (Dohnalová & Anderle, 2002). The operation of societies was terminated in 1951, when Act No. 68/1951 on voluntary associations and societies was enacted in Czechoslovakia. Those entities that did not terminate their operations had to change their form. Until 1989, societies had operated under the association of political parties of the National Front led by the Communist Party of Czechoslovakia. The best-known societies that were re-established after 1989 and had been in existence at the time of the national revival include Hlahol and Havlíček (Dohnalová & Průša, 2011).

Mutual aid movements emerged in the mid-19th century, aiming to support sole traders and small entrepreneurs. Their solidarity and mutual aid strengthened the principles of social policy. *Kampeličky* [cooperative savings societies] emerged, to lend money first to their own members in the form of short-term personal credit, and later to others. The first cooperative savings society was "Občanská záložna" (The Civic Savings Bank), founded in 1858 in Vlašim. Later, protection against adverse life situations was provided by insurance companies, and the Imperial Letters Patent issued in 1819 permitted the establishment of private insurance companies in the Habsburg Monarchy. Insurance companies were not allowed to become public-law institutions until 1821. The first Czech mutual insurance company was established in Prague in 1827. It collected finances from its members and created insurance funds from them, managing and disposing of them according to predetermined rules. During the reign of Joseph II, many monasteries were abolished and their property was confiscated, to be received by secular foundations and charities that were established primarily for humanitarian purposes. The number of charitable societies, foundations, and civil associations began to grow most after 1918 (ibid).

In the Czech Republic the social enterprises have been much discussed but little understood (Vaceková et al., 2015). There has not yet been legislation that would define a clear legal framework for the operations of social enterprises in the Czech legal context. The number of social enterprises in the Czech Republic has rapidly increased in the last decade, as can be confirmed by the following analysis of their development (Vaceková & Murray Svidroňová, 2016). The first four social enterprises were established in 1992. There were no dramatic changes in their development before 2007. In 2007 and 2008, nine social enterprises were established, and the number of emerging social enterprises continuously increasing until the economic crisis (2008-2009). From 2009 until the first quarter of 2014, it was possible to draw grants from the ESF and the ERDF and, therefore, the number of social enterprises increased rapidly, with a record of 45 new social enterprises established in 2012. With the end of the entitlement to the subsidy, the number of newly established enterprises was also limited, and so only 10 enterprises came into existence in 2014. The total number of registered social enterprises as of January 2016 is 211.

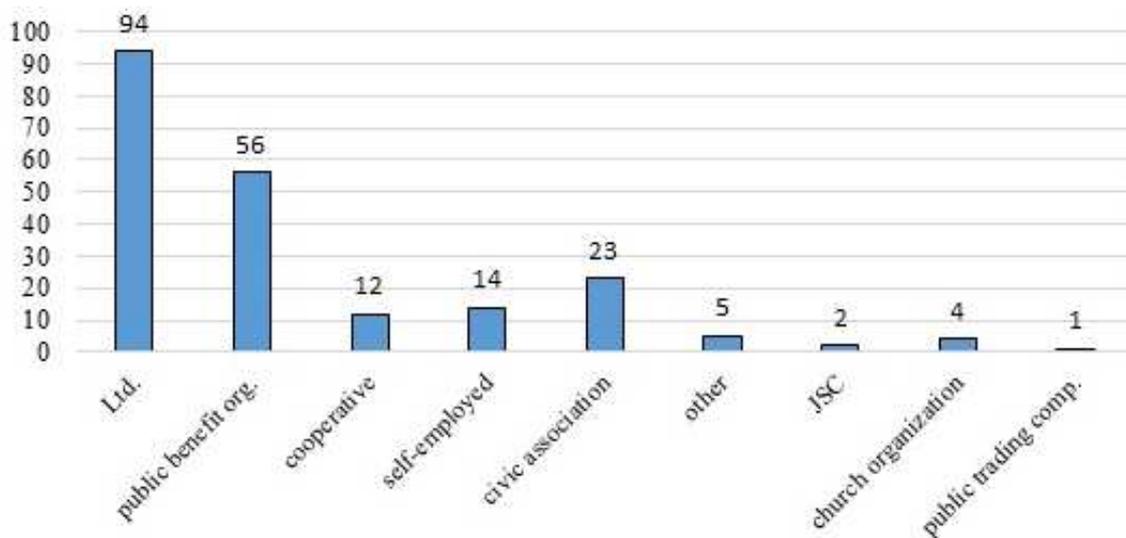


Figure 10 Social enterprises in the Czech Republic classified by their legal form

(Source: Vaceková & Murray Svidroňová, 2016)

Most social enterprises have the legal form of an s.r.o. [limited liability company]. Toward the end of 2014, 94 of social enterprises then in existence had this legal form; the second most numerous group were public benefit corporations, 56 of which were established at that time. However, because this legal form has been cancelled, it is predictable that they will assume a different legal form. Twenty-three social enterprises had the legal form of o.s. [civic association], 14 were self-employed, and 12 were

cooperatives. Five social enterprises marked their legal form as “other”. Two of these businesses have the “social cooperative” legal form, which has not been specified in the directory yet, or they indicated “other” as their legal form but belong to one of the specified forms.

The transitional economies of CEE are known to struggle with incomplete legislation and the weak enforcement of existing laws (Brhlíková, 2004). This holds true especially for nonprofit laws, which do not provide sufficient protection against the misuse of the nonprofit status (Frič et al., 1999), and hence attract for-profits-in-disguise (Weisbrod, 2004).

Table 18 Key events in the field of social entrepreneurship in Slovakia

YEAR	EVENT
2002	The first scientific and research contacts in Slovakia – conferences and consultations with foreign players in the social economy
2002	The center of research and development of the social economy and social entrepreneurship established at the Faculty of Economics, Matej Bel University, Banská Bystrica
2005	Based on the number of publications and research activities to define the conditions of social economy in transition economies (particularly in Slovakia), social entrepreneurship at the macro and microlevel was defined
2005 - 2006	Workplace training (as a social enterprise) for people with disabilities, PHARE project, funded by the EU
2005 - 2008	The first international project on social economy and social enterprises in Slovakia (Slovakia-Flemish project: SE in Central Slovakia)
2008 - 2010	The second international project “Development and support for strong and sustainable social economy network in Banská Bystrica region”
2008 - 2011	Thematic Network for the Development of Social Economy - Operational Programme Human Resources and Employment, international project
2008	On the legislative level, social enterprise is defined in the Act on Employment Services, creating the Register of Social Enterprises
2008	The accredited course “Social Enterprise Manager” was successfully tested; in 2008 there were 36 successful graduates

Source: Vaceková & Murray Svidroňová, 2016

These “false” nonprofits may maximize profits that they then “distribute in disguised form (as higher wages and perks), or they may maximize revenues that lead to power and prestige for their managers. They are lured into the nonprofit sector by the tax and subsidy advantages that they gain therefrom” (James, 2000). Social enterprises have already been legislatively defined to a certain extent in several V4 countries, Poland

and Slovakia are examples of good practices in other transitional economies. Such a legislative definition has not yet been provided in the Czech Republic; these states could serve as inspirations. In Italy, the UK, the USA, Belgium, and Finland there are also policy initiatives to support this type of business.

The positive development of social enterprises in Slovakia was interrupted by non-transparent legislation in 2008 and funding that led to the preferential treatment of some social enterprises while others were unable to continue in their activities. Therefore, the officially registered social enterprises, as defined in the Act on Employment Services, are not viewed very favorably in Slovakia, as can be seen in the following text presenting the number of social enterprises, which is much lower than in the Czech Republic. The publicly available register of social enterprises presents a basic overview of social enterprise characteristics in Slovakia. It includes characteristics such as legal forms, economic activities within the social business, addresses, etc.

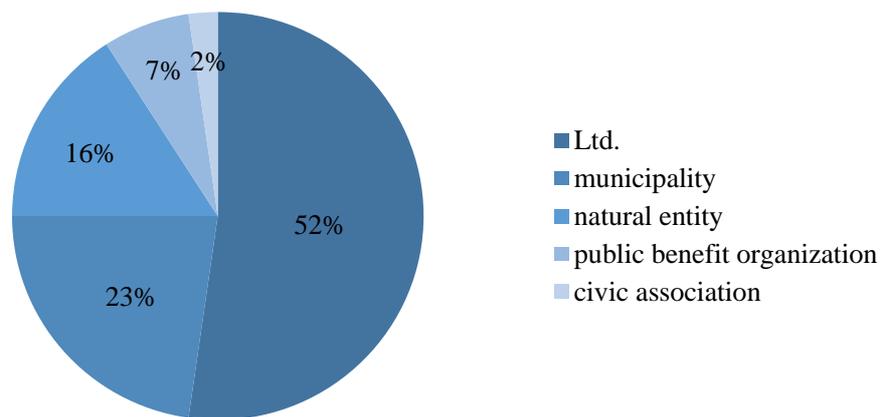


Figure 11 Social enterprises according to their legal form

Source: Vaceková & Murray Svidroňová, 2016

The register of social enterprises is maintained by the Central Office for Labor, Social Affairs, and Family; the most recent data are from March 2014. At that time, there were registered 44 active enterprises, 8 suspended enterprises, and 42 cancelled social enterprises that carried out social entrepreneurship in Slovakia in various legal forms. Generally, social entrepreneurship is not much widespread in Slovakia. Taking into account all the economic subjects and social enterprises, social enterprises have only a minor share of the total number of economic subjects (0.01%, Table 19).

Table 19 Summary of economic entities and social enterprises by legal form

LEGAL FORM	NUMBER OF ENTITIES	ACTIVE SOCIAL ENTERPRISES	SHARE OF ACTIVE SE OF THE LEGAL FORM
Limited liability company	177,261	23	0.01%
Self-employment	337,182	7	0.00%
Cooperative	1,542	6	0.39%
Subsidized organization	659	4	0.61%
Civic association	39,740	1	0.00%
Public benefit organization	1,630	3	0.18%
TOTAL	558,014	44	0.01%

Source: Vaceková and Murray Svidroňová, 2016

Within the different legal forms, the number of social enterprises represented by nonprofit organizations is also very low. In the past, there were more public benefit organizations; in the current register there are nine social enterprises with the legal form of a public benefit organizations. Only three of those social enterprises are active; two are recorded in the register as suspended and four as canceled. The register of social enterprises publishes information about the economic activities of Slovak social enterprises according to the statistical classification SK NACE (Statistical Classification of Economic Activities in the European Community). The economic activity of social enterprises in Slovakia is relatively widely diversified. The most prevalent activities are administrative and support services, manufacturing, construction, accommodations, food service, human health services, and social work services.

Social Innovations

Social enterprises are generally regarded as bearers of social innovations. Actually, the concept of social innovation is not new (see Godin, 2012). The global crisis has made it clear that most of the challenges faced today have taken on an increasingly social dimension. At a time when resources are limited, new solutions must be found. The roles of social enterprises in terms of social innovations can be observed from certain domains in which an impact can be expected. Moulaert et. al. (2005) state three of them:

- satisfaction of human needs that are not currently satisfied (content dimension);

- changes in social relations, especially with regard to governance, but also increases in the level of participation (process dimension);
- increasing the socio-political capability and access to resources needed to enhance rights to satisfaction of human needs and participation (empowerment).

Probably because they are recent and try to cover a wide range of initiatives, current conceptions and theories of social enterprise/social entrepreneurship/social innovations do not form an integrated body, but rather a cluster of theories in which different schools of thought can be identified (Defourny & Nyssens, 2010). Brandsen and Pestoff (2011) discuss several aspects of social innovations and some alternative definitions. One definition maintains that social innovations are new ideas and models for products and services that can both effectively meet some basic social needs and create new social relationships or promote collaboration between professional providers and their clients (cf. Pestoff, 2012). However, he notes that social innovation is context specific, and what is new in one context may not always be new in another context (ibid).

Table 20 Schools of thought with their respective links to the social innovation debate

SCHOOL OF THOUGHT	CHARACTERISTICS
The “Earned Income” School of Thought	<ul style="list-style-type: none"> – refers to the use of commercial activities by nonprofit organizations – distinction between an earlier “commercial nonprofit approach” and a broader and more recent “mission-driven business approach” – focuses on strategies for starting a business that would earn income in support of the social mission of a nonprofit organization and that could help diversify its funding base – no link is explicitly made with social innovation - implicit dimension of social innovation
The “Social Innovation” School of Thought	<ul style="list-style-type: none"> – emphasizes social entrepreneurs in a typical Schumpeterian perspective – tends to underline blurred frontiers and the existence of opportunities for entrepreneurial social innovation within the private for-profit sector and the public sphere – social entrepreneurship is more a question of outcomes than a question of incomes – satisfaction of human needs is at the core of this school; the key actors of innovation are seen in a rather individualistic perspective - the issue of relations between different social groups is not part of the debate

Source: Author, based on Defourny & Nyssens, 2013

Social innovations are broadly discussed at the international level (BEPA, 2010). The concept of social innovation was developed in the course of seeking new ways to combat the most challenging social problems (Baturina & Bežovan, 2015). Following the work by Young (1983) and Badelt (1997a,b), the Schumpeterian typology of innovation was reinterpreted to identify innovating dynamics in the third sector (Defourny, 2001). Several theoretical and empirical works show that third sector organizations have often invented new types of services to take up the challenges of their time (Salamon, 1987; Defourny & Develtere, 1999). Many of these organizations can thus be said “nowadays as in the past, to be born or have been born from an entrepreneurial dynamic” (Defourny & Nyssens, 2013). Legal frameworks tend to shape, at least in part, the objectives and practices of social enterprises as bearers of social innovations. In Europe, the process of the institutionalization of social enterprise has often been closely linked to the evolution of public policies. If this dynamic can be seen as a channel for the diffusion of social innovation, “the key role of public bodies in some fields of social enterprises may also reduce them to instruments to achieve specific goals which are given priority on the political agenda, with a risk of bridling the dynamics of social innovation” (ibid). This also holds true for (post-) transitional countries, especially regarding the real-world challenges nonprofit organizations have to face.

3.3 The nonprofit response to real-world challenges

Since 2015, European Union governments and societies have been desperately grappling with the dramatic surge in the number of refugees and economic migrants heading to the EU across the Mediterranean Sea and the Balkans from Africa and the Near and Middle East. In 2015, more than 1.25 million first-time asylum-seekers applied for international protection in the EU member states, with the bulk of applications submitted for asylum in Germany, Hungary, Sweden, and Austria. The 2015 data from the Standard Eurobarometer confirm that European citizens think of immigration as the most serious political challenge, ahead of concerns with the economic situation, unemployment, and terrorism.

Some of the debates that have been sparked by the migration crisis are related to the role of the nonprofit sector. There seems to be a scholarly consensus as well as political hopes that the nonprofit sector holds considerable potential for offering a wide array of services to immigrants as well as for facilitating the protection of their rights (Vaceková & Bolečková, 2015; cf. Chowdhury, 2015). Yet, in view of the recent origin of the migration crisis, there is a dearth of research on how nonprofit organizations can

actually come to terms with this daunting task. In their study of immigration to Italy and Spain, Carella et al. (2007) drew attention to the positive relationship between the number of immigrants and the size of the nonprofit sector. In the United States, Mason and Fiocco (2016) found that nonprofit responses to the migration challenge are likely to require specialized investments in organizational capacity building. A recent research report produced by the Competence Center for Nonprofit Organizations and Social Entrepreneurship at the Vienna University of Economics and Business provides extensive details on how nonprofit organizations have assumed the brunt of the organizational challenges arising from the massive inflow of immigrants to Austria in 2015 (Simsa et al., 2016). It seems likely that these studies will be supplemented by many more in the near future, especially given that NGOs are generally acknowledged as legitimate actors in the international policy processes (Gordenker & Weiss, 1995).

The rise of migration as a novel topic in the field of nonprofit studies raises some basic issues related to the conceptualization of the nonprofit sector (cf. Valentinov et al., 2015). What is needed here is a conceptualization that would both do justice to the multifaceted nature of the migration challenge and explicate the ability of the nonprofit sector to deal with it. At the risk of beating a dead horse, it may be worth suggesting that the traditional theoretical approaches of market and governmental failure are not likely to suffice here, primarily because their stylized nature falls considerably short of the real complexities of the global world. In a broader sense, the governments are indeed failing, but it seems more appropriate to connect this failure with the overarching risks and problems of a functionally differentiated society (Roth, 2015; Roth & Schütz, 2015; Valentinov et al., 2016). The emerging governance deficits create a niche for nonprofit organizations whose problem-solving potential often rests on their “intermediary” location (e.g. Evers & Laville, 2004), e.g. between individuals and the state (Bauer, 1997), between member interests and public interests (Mayntz, 1992), and between different institutional logics (Olk et al., 1995).

Austria and Slovakia were confronted with the immigration challenge to markedly different degrees, with Slovakia having been considerably less burdened than Austria. Yet, in both countries, the nonprofit responses to this challenge reveal two common patterns. First, in line with the findings of Carella et al. (2007), nonprofit organizations and NGOs use the migration challenge to scale up and improve their resource base, in ways that conjure an image of social systems continually seeking ways to secure and expand their own autopoietic self-reproduction (e.g., Ferreira, 2014). Second, these processes provide a boost to the autonomy of the nonprofit sector from its societal environment. The subsequent sections of this chapter address the specific nature of

these patterns in Austria and Slovakia and discuss the ambivalent impacts of these tendencies on the ability of the nonprofit sector to alleviate the migration crisis.

The recent experiences of the Austrian nonprofit sector that are of relevance for the present paper are documented in the report prepared by the Competence Center for Nonprofit Organizations and Social Entrepreneurship at the Vienna University of Economics and Business (Simsa et al., 2016). Drawing on surveys, problem-centered interviews, and participatory observations, the report describes the response of the nonprofit sector to the migration crisis in August 2015. The central finding is that the role of the sector has indeed been crucial. The authors convincingly show that, in the absence of a civil society engagement in the reported period, Austria would have suffered a humanitarian disaster (*ibid*, p. 1). Nonprofit organizations have been offering food, medical aid, living space, legal advice, translation work, administrative support, and a broad array of other services that have been extremely valuable not only to immigrants themselves but also to Austrian public agencies and citizens in general (*ibid*).

Three specific findings of the report stand out as particularly illuminating. One is related to the role of turbulence, information deficits, institutional fluidities, and legal uncertainties, as well as instances of violations of laws and regulations (*ibid*). These phenomena underscore the considerable complexity of the task environment, and more generally of the societal environment in which the concerned nonprofit organizations were embedded. Another finding is the substantial flexibility and fluidity of nonprofit organizational structures. These features facilitated the self-organization initiatives and enabled high responsiveness to rapidly changing conditions. Third, there is evidence of inefficiency and waste of resources, such as the supply of unnecessary food and clothes. Some of these problems were evidently unavoidable due to planning difficulties, occasionally unclear organizational structures, fluctuations of volunteer supply, difficulties of volunteer administration, occasional mismatches between tasks and competences, and occasional problems of communication and coordination (*cf.* Xu et al., 2016).

These findings suggest a modern revision of Wolfgang Seibel's (1992, 1996) influential theory of nonprofit organizations as "successful losers". Central to his argument were the problems of inefficiency, waste, and irrationality that were tolerated and even desired in nonprofit organizations conceived of as enclaves in which the validity of goal- and norm-rationalities could be suspended (*cf.* Valentinov et al., 2015). Seibel, however, did not believe that the nonprofit sector could solve problems effectively and successfully. It seems true that the Austrian nonprofit organizations dealing with

immigrants were burdened by the problems mentioned by Seibel. Contrary to Seibel, however, this fact by no means prevented the nonprofit organizations from making real and crucial contributions to alleviating the migration crisis. Moreover, it seems plausible that the very tolerability of these problems within the nonprofit sector made real problem-solving possible in the first place. Seibel may have been right in the sense that inefficiency, waste, and irrationality would hardly be acceptable in the public and private for-profit sector to the same extent. A turbulent, uncertain, and highly complex environment evidently makes these problems inevitable. The ability of the nonprofit sector to live with such challenges turns out to be its unique strength and advantage over other societal sectors. This seems to be what has been happening in Austria.

In the European comparison, Slovakia stands out as the country that has been least affected by the migration crisis. Out of 1,255,600 first-time asylum seekers who applied for international protection in the EU member states in 2015, only 330 chose Slovakia as a destination. The reasons for the country's low attractiveness to immigrants are probably related to its geographical location and its socio-economic conditions. Unlike Hungary, Slovakia is not situated along a frequent migration route. Unlike Austria, Slovakia has not yet established an image of a well-developed European state, despite the passage of more than 25 years since the collapse of communism. Furthermore, for nearly half a century, Slovakia has been isolated from international migration flows, and presently features one of the lowest immigration rates within the EU. Under these circumstances, it is unsurprising that Slovakia has the image of a country which does not welcome immigrants.

Of particular relevance to the present research is the fact that in 2015, the Slovak government authorized assistance to NGOs dealing with the refugee and migration crisis. In cooperation with the Slovak Investment and Trade Development Agency (SARIO), the Ministry of Economy offered business training to both immigrants and Slovak citizens exploring business development opportunities. One project currently pursued by this Ministry is the introduction of "start-up visas" that could be granted to people who have the skills to establish new innovative projects (start-ups). Furthermore, the national lottery company ("TIPOS") has allotted 500,000 Euro to support NGOs providing emergency humanitarian aid and legal advice for refugees (e.g., People in Need, the Human Rights League, Magna – Children in Need, the Order of Malta, the Evangelical Church of the Augsburg Confession, Caritas Slovakia, and St. Elizabeth College of Health Care and Social Work). The Ministry of Education also recently announced plans to open a fund that would enable Syrian students to study at Slovak universities.

Within this project, my colleagues and I have conducted interviews with the relevant Slovak NGOs in order to collect more details on how they deal with immigrants. In the first round, we approached all the NGOs brought together under the Platform of Non-governmental Development Organizations and the Platform of Volunteer Centres and Organisations in Slovakia. We asked them whether they had any migration-related activities linked to the current crisis or that had been in place before the crisis. In the second round, we sent an e-mail or called the ones who had activities related to the crisis. In addition, we monitored the media to complete the information extracted from interviews, and we analyzed the websites of NGOs and public institutions. In the first round, 49 organizations were contacted, of which 36 gave satisfactory responses. Seven organizations were interviewed in the second round.

In Slovakia and abroad, the activities of the examined NGOs included the collection of donations (primarily clothing and sanitary and hygienic items), volunteer labor (e.g., in cooking), and medical humanitarian assistance. Within Slovakia, the NGOs were additionally engaged in advocacy activities, such as increasing public awareness and organizing discussions and public happenings. The overall finding is that the examined NGOs perceived their own activities to be quite effective. Most of these NGOs expressed satisfaction with the effectiveness of their cooperation with the public sector, with their coordination, communication, organizational flexibility, and response speed, and with the intrinsic motivation of staff and volunteers. To be sure, in comparative terms, the positive self-assessment of NGOs in Slovakia must be seen as occurring against the backdrop of considerably lower turbulence and a lower complexity of task environment than was the case in Austria.

Another interesting finding is that only some of the NGOs currently dealing with immigrants had been engaged in migration-related activities before the outbreak of the crisis. Most of these activities were concerned with increasing the public awareness of migration issues. At the same time, not all of the NGOs who had been previously involved in such activities got engaged in the current crisis. For some of them, migration is not a key area of interest; others did not have a sufficiently pronounced humanitarian orientation. For those NGOs that had focused on providing humanitarian aid before the present crisis, active engagement with the incoming immigrants was natural. Added to these NGOs, of course, are others that had not had experience with migration-related work and humanitarian aid before the crisis. Relevant examples of such organizations include the civic association “Emergency Medical and Rescue Assistance Slovakia” that was created by several rescuers commuting daily to Hungary as volunteers. (TASR, 22.12.2015) Another example is the NGO “EDUMA” which pursues the “creation, development, verification and implementation of Online Living

Library as an innovative tool of inclusive education into the practice". This NGO seeks to eliminate negative attitudes towards immigrants that were created among Slovak youth after the refugee issue was misused in election campaigns, and to thereby improve the climate in society.

While the experiences of Austrian and Slovak nonprofit organizations differ substantially, they do nevertheless permit the identification of several common patterns. The first of these patterns is inspired by Seibel's (1996) pessimistic theory. Despite unavoidable irrationalities, inefficiencies, and coordination problems, the problem-solving by the nonprofit sector, both in Austria and Slovakia, is real and seems to be taken seriously by all the concerned stakeholders. To be sure, the fact of the good overall performance of the nonprofit sector is more impressive in the Austrian case than in the Slovak one, as the Austrian nonprofit organizations had to deal with an enormous inflow of immigrants in an environment that was often turbulent and uncertain. Yet, it is clear that Slovak nonprofit organizations likewise exhibited expertise which seems to have been acknowledged by the public authorities that sought cooperation with the nonprofit sector.

The second pattern involves the massive resource inflows to specific nonprofit organizations as a response to the migration crisis. The sharp rise in the amount of public funding and donations from private and corporate donors as well as the availability of new volunteers clearly improved the resource base of the concerned organizations. This fact can be thought of in terms of the expansion of their self-reproduction. If securing and expanding this self-reproduction constitutes the primary concern of social systems, then it becomes clear why a considerable number of nonprofit organizations, both in Austria and Slovakia, have been quite willing in overall terms to get engaged in helping immigrants. A very important caveat here is that the imputation of the self-reproduction interest to specific nonprofit organizations by no means disparages the noble and altruistic motives of the numerous involved individuals, such as nonprofit staff members and volunteers. At the core of this thinking is the distinction between the societal and individual levels of reality. Taking this distinction seriously means discerning the societal imperatives behind individual motives and intentions, however strong and sincere those motives and intentions may be.

The third pattern is that in both Austria and Slovakia, the nonprofit sector's problem-solving activities related to the migration crisis can hardly be characterized as radical. Valentinov et al. (2013) propose viewing the service delivery activities of the nonprofit sector as a kind of palliative alleviation of human suffering caused by dysfunctional

institutions, while nonprofit advocacy concerns advancing the ideas on how the dysfunctional institutions themselves can be reformed. Advocacy in this sense presents an attempt at radical problem-solving. Forced migration is obviously caused by dysfunctional institutions which require radical problem-solving aimed at removing their underlying causes. Yet, in both Austria and Slovakia, this does not seem to have been a serious concern of the nonprofit sector. Instead, nonprofit organizations excelled at the “palliative” service delivery to immigrants. Some advocacy activities were undertaken as well, but directed at improving the operational conditions of the nonprofit sector and the public attitude to immigrants. The institutional and structural conditions that caused the forced migration in the first place thus remained unaddressed. At the same time, the lack of attention to these conditions seems consistent with the interest of nonprofit organizations in their own self-reproduction, which could be curtailed if the migration crisis were radically resolved. The problem solving by these nonprofit organizations has been real, but more palliative than radical.

One of the traditional ways of understanding the nonprofit sector involves drawing a distinction between its demand-side and supply-side determinants (Young, 2013; Jegers, 2011; Steinberg, 2006). Whereas the demand-side determinants refer to the societal needs requiring nonprofit action, the supply-side determinants specify the managerial preferences and capacities on the basis of which nonprofit organizations act. The present subchapter has shown that this distinction does not translate well into the context of the migration crisis. It is difficult to speak meaningfully of well-articulated societal needs in societies that are polarized and even predominantly skeptical toward immigrants. Managerial preferences and capacities likewise are shaped not by individual idiosyncrasies, whether opportunistic or ideological (cf. Young, 2013), but rather follow the resource flows triggered to the nonprofit sector by the current socio-political situation in Europe (cf. Kazakov & Kunc, 2016).

3.4 Outlook on trends and imperatives

The global crises that have struck Europe in recent years have prompted “outstanding discussions on the search for new paths, creating new approaches and concepts of social and economic policies” (Crouch, 2011). The 21st century civil society faces the challenges of achieving social cohesion in a society marked by deep transformations and the emergence of new social risks (Baturina & Bežovan, 2015). The new social risks have emerged as a result of economic and social changes associated with the transition to a post-industrial society (Andersen et al., 2002; Taylor-Gooby, 2004). Changing trends, including demographic changes, changes in family structures, climate

change, changes in the labor market, rising inequality, growing differences between cities, and now in Europe the migration issue, demand social innovations. The literature on new social risks (Taylor-Gooby, 2004; Bonoli 2005; *ibid*, 2007) suggests that social needs are now more pressing. The global crisis has made it clear that most of the challenges faced today have taken on an increasingly social dimension (Baturina & Bežovan, 2015).

Perspectives on the future of nonprofit organizations are “dependent on the observers’ worldviews and their interpretation of past and present dynamics” (Casey, 2016). Peter Drucker (1994) predicted that “voluntary organizations and nonprofit organizations would increasingly drive the knowledge economy” (Casey, 2016) and the 21st century would be the “Nonprofit Century” (*ibid*; Eberly, 2008; Smith, 2010). Recently, nonprofit scholars took note of a possible paradigm shift in the field of nonprofit sector studies prompted by debates on its definitions in economic theory (Van Til, 2008; Kramer, 2000; Wagner, 2012; Evers, 2013). Most researchers distinguished “an America-led, non-distribution, constraint-based positivist non-profit ‘sector’ paradigm from a ‘new’ paradigm, emphasizing the blurry sectoral boundary, voluntariness, and normative values” (Knutsen, 2016).

“From a modern philosophical view” (Knutsen, 2016), good science needs both metaphysical theorizing and empirical testing; in fact, they are inseparable (*ibid*; Plotkin, 1994; Alexander, 1982). Alexander (1982) suggests viewing empiricism and metaphysical theorization as extremes on an epistemological continuum, and accepts that both are important. Plotkin (1994) concludes that: “Science ... proceeds by guessing at the nature of the world (theorizing) and then disciplining and revising those guesses by testing how they fit with the experienced world (observation and experimentation); in a sense, science combines rationalist and empiricist philosophies into an inseparable world” (*ibid*, p. 19). From this perspective, the nonprofit paradigm largely takes on an empiricist orientation (Alexander, 1982). The new paradigm should take on an orientation towards metaphysical theorization (Knutsen, 2016).

There are several key related issues that go beyond the scope of this habilitation thesis and could further develop this theorization. Clearly, no single researcher or even team of scholars can master the field or its complexities (see also Grønbjerg, 2016). As discussed by Defourny and Nyssens (2016), first and foremost, it would be quite relevant to revisit the “rationale of the third sector” through which Gui (1991) theorizes the third sector as pulling together all private organizations whose beneficiary category (i.e. to which the net surplus is allocated) is composed of stakeholders other than investors. The third sector then gathers “mutual benefit organizations” (in which the

stakeholder-dominant category that has the ultimate power is also the beneficiary category), and “public benefit organizations” (in which the beneficiary category is different from the dominant category). “Such theorization might offer strong grounds to assemble broad sets of organizations that are clearly different but nevertheless share enough common features to form the third sector of modern economies” (Defourny & Nyssens, 2016, p. 1551). This calls for further research efforts in order to better understand the great diversity within the third sector and in the fast-developing landscape of (post-) transitional economies.

Further research could be based on the assumption that the ongoing transformation of the horizontal cross-sectoral linkages in the rendering of public services is a topic for discussion not only in the Anglo-Saxon environment. Hybridization is a phenomenon that is highly topical and hitherto insufficiently explored in the (post-) transitional economies. The existence of a mix of utility providers (e.g. in the areas of education, health, water and energy management, and transport) and various hybrid models (e.g. for example purchaser-provider models, contracting out, outsourcing / commissioning, corporatization, and public-private partnerships) bring new problematic issues that require systematic solutions at the theoretical and practical levels.

These problematic issues should be further examined in research that is expected to be of benefit in particular in finding the share of hybrid organizations in selected sectors of utilities and in comprehensively evaluating the current state of hybridization under the conditions of (post-) transitive economies. By measuring the impact of hybridity on utility providers, focusing on a particular dimension of this impact, for example the availability, expense-to-revenue ratio, impact on the labor market, or responsiveness to the needs of target groups, it would be possible to quantitatively and qualitatively assess the attributes of the “mixed enterprises” collaboration, taking into account the legal, economic, and institutional environment, and eventually forecast potential changes for the hybridity phenomenon in (post-) transitional economies.

As suggested by nonprofit scholars gathered for the *Voluntas* Symposium at the ISTR Conference 2016: “The key challenge ... continues to be how to build these empirical efforts into (national) systems of accounts and other routine data collection efforts. This is a technical, a political and a conceptual challenge. It is technical in the sense that much data is of questionable quality, designed for administrative purposes only and stored in formats that are not easily linked to other data. It is political in the sense that the producers and owners of the data are not easily convinced that refinements or additions are needed or cost-effective. It is a conceptual challenge because it requires careful efforts to define the unit of analysis—individuals, groups/collectivities,

organizations (not always easily distinguished from groups) and networks” (Grønbjerg, 2016).

Against this background, Salamon and Sokolowski (2016b) suggest that such data can, for example:

- boost the credibility of the third sector by demonstrating its considerable scale and activity;
- expand the political clout of third sector institutions by equipping them to represent themselves more effectively in policy debates;
- validate the work of third sector institutions and volunteers, thereby attracting more qualified and committed personnel, volunteers, and contributors;
- enhance the legitimacy of the third sector in the eyes of key stakeholders;
- deepen sector consciousness and cooperation;
- facilitate the sector’s ability to forge partnerships in support of its central missions.

The picture that emerges is of a TSE sector workforce of approximately 28.3 million workers, including the full-time equivalent work of volunteers as well as the paid workers of the in-scope associations, foundations, cooperatives, and mutual associations. This means that the TSE sector workforce is the third largest of all industries in Europe, behind manufacturing and trade, although well ahead of such industries as transportation and finance and insurance (ibid). Data concerning the size and the scope of the third sector is a huge topic of interest. Many activities at national, European, and even global levels concern themselves with this aspect of visibility. The adoption of the project’s TSE sector definition in the new UN Statistical Handbook (2003) opens the door to the possibility that such data will now be produced on a regular basis throughout Europe, which will help boost third sector visibility significantly (for more details see also TSI project), especially in the (post-) transitional context. This could support empirical research into the re-conceptualization of the third sector.

There is a major practical issue that remains open in the Czech Republic, Slovakia, and other post-Communist economies – nonprofit governance. Improving governance would mean reducing opportunistic behavior in a broad range of forms. Following Hansmann (1980, 1987), we define a nonprofit organization as one that is precluded, by external regulation or by its own governance structure, from distributing its financial surplus to those who control the use of organizational assets. “Nonprofit boards have

some ownership rights, such as the right to direct the use of resources, but not others, such as the rights to profit from that use of resources and to sell these rights to others for a profit” (Ben-Ner & Jones, 1995). Non-distribution has the additional virtue of defining things in terms of what they are rather than what they are not (Lohmann, 1989), even if the label “nonprofit” does not immediately bring the non-distribution definition to mind. Hansmann’s definition has the further virtue of defining an organizational type by the structure of its control rights rather than by a possibly inaccurate self-statement of purpose (Steinberg & Powell, 2006).

Hansmann’s conceptualization supposes that the non-distribution constraint functions as a tool against opportunism. However, problems of opportunistic behavior may occur even when nonprofits are defined in terms of the non-distribution constraint (see Bilodeau & Steinberg, 2006). Opportunism can have many faces. To Hansmann, opportunism means managers cheating consumers; other examples include the abuse of donations, inflated salaries, and deceitful information to stakeholders. The non-distribution constraint does not solve all of these problems. More comprehensive governance codes are needed. One of the current forms of opportunism in the Czech Republic and even more broadly in Slovakia is the widely-discussed problem of the abuse of power in nursing homes (e.g. the scandalous cases of Hronovce in 2009; Bratislava in 2013; Zemianske Podhradie in 2013; Lutin in 2015) in the form of staff neglecting their duties to vulnerable clients. Anheier and Ben-Ner (2003) have focused on cases in which for-profits misbehave. However, as the cases of opportunistic behavior in nursing homes and other opportunistic examples show, it is necessary to focus on the misbehavior of nonprofits as well. Such opportunism demonstrates that Hansmann was only partially right: the affected organizations have nonprofit status, but their non-distribution constraint does not prevent opportunism.

The cases of opportunism in nonprofit organizations demonstrate that it is time to think more broadly of Hansmann’s institutional economics: Valentinov and Chatalova (2014; 2016a; 2016b) did so in their thesis of the weakening of incentives in nonprofit organizations. However, it is necessary to go beyond their conceptualization in order to develop governance codes that would specify and apply the idea of the weakening of incentives to the broad range of relevant behaviors, with the intended effect that the cases of nursing home misuse and similar cases would be addressed. It is obvious that these problems of opportunism have not been prevented by the non-distribution constraint of the concerned nonprofits; hence the weakening of incentives must be more comprehensive and apply to the whole range of problematic staff behaviors. Better regulation, better self-regulation, and better governance are all needed to ensure that these behaviors are weakened or dampened along the lines suggested by Hansmann and

by Valentinov and Chatalova. This could be the direction in which the re-conceptualization in (post-) transitional countries and further research into this issue may move.

Conclusions

“The nonprofit sector is dead. Long live the nonprofit sector!”

(Knutsen, 2016)

The academic field of nonprofit sector studies has been firmly gaining ground in recent decades. Nonprofit organizations are widely acknowledged to “play a variety of social, economic, and political roles in society. They provide services as well as educate, advocate, and engage people in civic and social life” (Boris & Steuerle, 2006; Kuhlmann, 2010). They also act as initiators of innovation in public services delivery. To Salamon et al. (2013, p. 1), the rising prominence of non-profit organizations constitutes a global “associational revolution,” i.e., “a major upsurge of organized, private, voluntary and non-profit activity [that] has been under way around the world for the past thirty years or more” (ibid). Under these circumstances, it is only natural that social scientists have started a creative search for theories and models that would explain the evolution and societal functions of the nonprofit sector and help to productively harness its policy potential.

The aim of this habilitation thesis was to critically reflect on the current scientific discourse in economic studies focused on researching nonprofit organizations, and then, on the basis of the ascertained situation, to test nonprofit theories in the (post-) transitional context and develop a re-conceptualization of the third sector as a new paradigm for researching nonprofit organizations under new conditions. With respect to this scientific aim, a comprehensive set of research questions was defined (see Introduction). In order to address these research questions and hence to fulfil the objectives, this habilitation thesis reviewed the international definitional and theoretical approaches to the nonprofit sector originating in the Anglo-Saxon environment with a view to assessing their applicability in the (post-) transitional context and identifying the elements of their integrative conceptual core. Based on the results of an empirical inquiry regarding nonprofit theories, nonprofit commercialization, and nonprofit sustainability, the thesis draws attention to the ongoing conceptual, organizational, and political redefinition of the Czech and Slovak nonprofit sectors with possible implications for other (post-) transitive countries. Thus, it can be stated that the scientific aims of this habilitation thesis are fully achieved: the thesis provides clear answers to the research questions and widely contributes to nonprofit theory and practice in the (post-) transitional context and in other contexts, suggests policy implications for nonprofit organizations resulting from real-world challenges, and opens space for further research on the topic.

In addressing RQ1, this habilitation thesis adds to the definitional clarification of the conceptual foundations of the nonprofit sector. The historical background of the development and understanding of civil society in the Czech Republic and Slovakia were considered in order to explain the critical and distinct aspects of the Czech and Slovak experience in comparison to the historical patterns and developments in Anglo-Saxon countries. The emphasis of the civil society discourse on dissidence in transitional countries provided a basis for investigating the generally positive, normative, and heuristic analysis associated with its democratizing role. The fault lines and definitional problems concerning nonprofit theory led to a logical questioning of whether it can even be legitimately claimed that such a thing as an identifiable nonprofit sector exists. Is there actually a sector? Perhaps a pure epistemological answer must be that there is not (see also Casey, 2016a): a sector should, after all, be defined by its boundaries, and the nonprofit sector, particularly when examined from an international and global perspective, has ambiguous and permeable margins that are almost impossible to discern. Moreover, the nonprofit sector of every country is the result of its particular social, economic, and political history (Casey, 2016b). The origin, function, and mode of operation of the nonprofit sector in each country reflect the unique circumstances of that country (DiMaggio & Anheier, 1990; James, 1989; Kramer, 1981; McCarthy et al., 1992; Pryor, 2012; Salamon & Anheier, 1997; Salamon & Sokolowski, 2010; Skocpol, 2011). This habilitation thesis helps to clarify this taxonomic debate and provides some new definitions that consider the (post-) transitional context of CEE.

In addressing RQ2, this habilitation thesis re-assesses mainstream economic theories in light of the changing positions and functioning of the nonprofit sector and nonprofit organizations. Recently, nonprofit scholars took note of a possible paradigm shift in the field of nonprofit sector studies prompted by debates on its definitions in economic theory (Van Til, 2000; Kramer, 2000; Wagner, 2012; Evers, 2013). Nonprofit organizations are chiefly explained by neoclassical economists in terms of their ability to address market failure (Jegers, 2008; Steinberg, 2006). The limitations of this explanation are, however, widely recognized (see Steinberg, 2006). Specifically, the market failure explanation does little to include the motivational phenomena, such as ideological commitment, altruism, social values, and mission-drivenness, that are critical for the effective operation of the nonprofit sector (Rose-Ackerman, 1996). Furthermore, the demand-oriented assumption that makes perfect sense in the context of the Western world is less applicable to the transitional context of the Central and Eastern European countries, the institutional structure of which is still in the process of emerging and forming. In the (post-) transitional context, it seems more plausible to hypothesize that the societal determinants of the nonprofit sector, at least in the short to

medium term, will be mainly related to supply-side rather than demand-side factors, with the supply-side factors including public funding, public regulation, and the legal environment of the nonprofit sector. Valentinov has proposed numerous approaches for identifying an integrated vision; this habilitation thesis further develops the dichotomy-informed approach to the integrative understanding of the nonprofit sector.

In addressing RQ3 and RQ4, this habilitation thesis contributes to scientific theory and practice by conducting an empirical inquiry into theories, commercialization phenomenon, and sustainability issues in the (post-) transitional context. It contributes to the revision of the mainstream economic theories of the nonprofit sector by reflecting empirical evidence and socio-economic reality. This habilitation thesis advances a novel research program that seeks to revisit the role of conventional economic approaches in explaining the existence of the nonprofit sector in modern society. One remarkable finding is that the supply-side theoretical approach to explaining nonprofit organizations has been most relevant in the Slovak context. This finding suggests that people use the nonprofit sector as means of fulfilling those values that cannot be attained through the dominant for-profit and public institutions. Furthermore, the confirmed real-world importance of the interdependence theory calls attention to the complementary nature of the existing institutions which accordingly work best in concert rather than in mutual isolation. The obtained results are contingent on regional contexts that differ in terms of their historical and cultural heritage. Finally, the legal environment in Slovakia has provably left a mark on the motives for the founding of nonprofit organizations. All the revealed patterns – the shortcomings of dominant institutions, the importance of societal values, institutional complementarities, regional variations, and legal peculiarities – are given little attention in the mainstream market failure theories of the nonprofit sector. By emphasizing these patterns, it is possible to deepen the understanding of the nonprofit sector as a real-world institution rather than as a device for correcting market failure. This understanding is imperative for making the fullest use of the nonprofit sector's capacity to solve societal problems (see also Murray Svidroňová, Vaceková & Valentinov, 2016).

Regarding the commercialization issue, if there are discrepancies between social structure and semantics, then such discrepancies are probably well exemplified by the precarious fitting of the Anglo-Saxon semantics of nonprofit organizations becoming business-like into the institutional context of the Czech Republic. While there are few reasons to doubt that commercial pressures may indeed potentially erode the mission orientation of certain nonprofit organizations in the Anglo-Saxon world and in the Western hemisphere more generally, the Czech nonprofit sector still faces the challenge of developing its own independent and distinct institutional identity, an integral part of

which is financial independence from the state. It is true that in Anglo-Saxon semantics, the attempts of Czech nonprofit organizations to secure their financial independence qualify as commercialization. In the Czech context, however, this commercialization seems to be an integral step in the difficult and lengthy evolution of a nonprofit sector that would be worthy of the name. The Czech context defies Weisbrod's (1998) vision of commercialization as a moral dilemma of individual nonprofit decision makers. Instead of being a moral dilemma arising from the hostility of the economic environment, commercialization or self-financing in the Czech context is a strategy of complying with the requirements of the institutional environment which is favorable rather than hostile. More than that, it is a chance to link civil enthusiasm with economic viability in such a way as to revitalize and carry forward the rich historical traditions of the Czech civil society (see also Vaceková, Valentinov & Nemeč, 2016).

The conceptual innovation of the issue of nonprofit sustainability is in reconstructing the distinction between the demand-side and supply-side explanations of the nonprofit sector. This reconstruction contributes to nonprofit sustainability literature in three respects that are especially relevant to European rural development. First, the well-documented and puzzling implementation problems of the LEADER partnerships present a logical consequence of the divergence between the demand-side and supply-side determinants of nonprofit sustainability. Second, this divergence informs the scholarly inquiries into the rurality-specific explanations of rural nonprofit organizations. Iliopoulos and Valentinov (2009) may be right in pointing out that the socio-economic attributes of rural communities reinforce the demand-side sustainability of rural nonprofit organizations, but the divergence between demand-side and supply-side sustainability proves that rural nonprofit organizations are highly susceptible to the unfavorable institutional environment that is often characteristic of rural areas (see Hagedorn, 2014). Third, in contrast to the literature endorsing a clean distinction between the demand-side and supply-side sustainability determinants, the reported evidence from the Czech Republic documents the complexity of these determinants' intertwining and entanglement (see also Valentinov & Vaceková, 2015).

In addressing RQ5, this habilitation thesis contributes to the scientific discussion of the new real-world challenges the (post-) transitional nonprofit sector has to face. It also suggests trends and imperatives that should be reflected in policies for nonprofit organizations. Perspectives on the future of nonprofit organizations are "dependent on the observers' worldviews and their interpretation of past and present dynamics" (Casey, 2016a). Drucker (1994) predicted that "voluntary organizations and non-profits would increasingly drive the knowledge economy" (Casey, 2016b) and the 21st century would be the "Nonprofit Century" (ibid; Eberly, 2008; D.H. Smith, 2010). The rise of

migration as a novel topic in the field of nonprofit studies raises some basic issues related to the conceptualization of the nonprofit sector (cf. Valentinov et al., 2015). What is needed here is a conceptualization that would both do justice to the multifaceted nature of the migration challenge and explicate the ability of the nonprofit sector to deal with it. This habilitation thesis provides the nonprofit response to these novel real-world challenges. It also identifies a major practical issue that remains open in the Czech Republic, Slovakia, and other post-Communist economies: nonprofit governance. Improving governance would mean reducing opportunistic behavior in a broad range of forms. This could be the direction in which the re-conceptualization in (post-) transitional countries and further research into this issue may move.

References

- [1] Adaman, F., & Madra, Y. M. (2002). Theorizing the "third sphere": a critique of the persistence of the "Economistic fallacy". *Journal of Economic Issues*, 36(4), 1045-1078.
- [2] Aiken, M., (2010). Social enterprises: Challenges from the field. *Hybrid organizations and the third sector. Challenges for practice, theory and policy* (pp. 153-175). London: Palgrave Macmillan.
- [3] Alexander, J. C. (1982). *Theoretical Logic in Sociology*. London: Routledge and Kegan Paul.
- [4] Aligica, P. D. (2014). Addressing Limits to Mainstream Economic Analysis of Voluntary and Nonprofit Organizations The "Austrian" Alternative. *Nonprofit and Voluntary Sector Quarterly*, 44(5), 1026-1040.
- [5] Andersen, G. E., Gallie, D., Hemerijck, A., & Myles, J. (2002). *Why we need a new welfare state*. New York: Oxford University.
- [6] Anheier, H. K. & Ben-Ner, A. (2003). *The study of nonprofit enterprise: Theories and approaches*. Springer Science & Business Media.
- [7] Anheier, H. K. (1995). Theories of the nonprofit sector: three issues. *Nonprofit and Voluntary Sector Quarterly*, 24(1), 15-23.
- [8] Anheier, H. K. (2005). *A Dictionary of Civil Society, Philanthropy and the Third Sector*. London: Routledge.
- [9] Anheier, H. K. (2013). Civil Society and Non-Profit Organizations: What are the Issues? In Špalková, D. (Ed.) *17th International Conference Current Trends in Public Sector Research*. Brno: Masaryk University.
- [10] Anheier, H. K. (2014). *Nonprofit organizations: Theory, management, policy*. London: Routledge.
- [11] Anheier, H. K., & Ben-Ner, A. (1997). Economic theories of non-profit organisations: a Voluntas Symposium. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 8(2), 93-96.
- [12] Anheier, H. K., & Salamon, L. M. (2006). The nonprofit sector in comparative perspective. In Powell, W. W., & Steinberg, R. (Eds.) *The nonprofit sector: A research handbook* (pp. 89-114). New Haven, CY, USA: Yale University Press.

- [13] Anheier, H. K., Carlson, L., & Kendall, J. (2001). *Third sector policy at the crossroads: Continuity and change in the world of nonprofit organizations* (pp. 1-16). London: Routledge.
- [14] Ankarloo, D., & Palermo, G. (2004). Anti-Williamson: A Marxian critique of new institutional economics. *Cambridge Journal of Economics*, 28(3), 413-429.
- [15] Austen-Smith, D. & Jenkins, S. (1985). A multiperiod model of nonprofit enterprises. *Scottish Journal of Political Economy*, 32(2), 119-134.
- [16] Badelt, C. (1990). Institutional choice and the nonprofit sector. In Anheier, H. K., & Seibel, W. (Eds.) *The third sector, comparative studies of non-profit organizations* (pp. 53-63). Berlin, New-York: De Gruyter.
- [17] Badelt, C. (1997a). Sozialmanagement: ein hontroverses Konzept zur Integration wirtschaftlichen und sozialen Denhens. *Soziale Arbeit*, 10(11), 326-337.
- [18] Badelt, C. (1997b). Soziale Dienstleistungen und del' Umbau des Sozialstaats. In Hauser (Ed.) *Reform des Sozialstaats I, Arbeitsmarkt, soziale Sicherung und soziale Dienstleistungen* (pp. 181-220). Berlin: Duncker & Humblot.
- [19] Badelt, C., & Weiss, P. (1990). Non-profit, for-profit and government organisations in social service provision: Comparison of behavioural patterns for Austria. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 1(1), 77-96.
- [20] Balgah, R. A., Valentinov, V., & Buchenrieder, G. (2010). Non-profit extension in rural Cameroon: a study of demand and supply determinants. *International Journal of Social Economics*, 37(5), 391-399.
- [21] Baturina, D., & Bežovan, G. (2015). Social Innovation Impact - review No. 9. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.
- [22] Bauer R (1997). Zivilgesellschaftliche Gestaltung in der Bundesrepublik. Möglichkeiten oder Grenzen? Skeptische Anmerkungen aus Sicht der Nonprofit-Forschung. In Schmahls K., & Heinelt H. (Eds.) *Zivile Gesellschaft* (pp. 133-153). Opladen.
- [23] Baum, J. A., & Oliver, C. (1991). Institutional linkages and organizational mortality. *Administrative Science Quarterly*, 36(2), 187-218.
- [24] Becker, G. S., & Murphy, K. (1992). The Division of Labor, Coordination Costs, and Knowledge. *Quarterly Journal of Economics*, 107(4), 1137-1160.

- [25] Beckmann, M., Hielscher, S., & Pies, I. (2014). Commitment Strategies for Sustainability: How Business Firms Can Transform Trade-Offs Into Win-Win Outcomes. *Business Strategy and the Environment*, 23(1), 18-37.
- [26] Bell, J., Masaoka, J., & Zimmerman, S. (2010). *Nonprofit sustainability: Making strategic decisions for financial viability*. San Francisco, USA: John Wiley & Sons.
- [27] Beng-Huat, C. (2003). Non-transformative politics: civil society in Singapore. In Schak, D. C., & Hudson, W. (Eds.) *Civil Society in Asia* (pp. 20-32). Aldershot, England: Ashgate.
- [28] Ben-Ner, A. (1986). Nonprofit organizations: Why do they exist in market economies. In Rose-Ackerman, S. (Ed.) *The economics of nonprofit institutions: Studies in structure and policy* (pp. 94-113). Oxford: Oxford University Press.
- [29] Ben-Ner, A. (1994). Who benefits from the nonprofit sector? Reforming law and public policy towards nonprofit organizations. *The Yale Law Journal*, 104(3), 731-762.
- [30] Ben-Ner, A., & Jones, D. C. (1995). Employee participation, ownership, and productivity: A theoretical framework. *Industrial Relations: A Journal of Economy and Society*, 34(4), 532-554.
- [31] Ben-Ner, A., & Van Hoomissen, T. (1991). Nonprofit organizations in the mixed economy. *Annals of Public and Cooperative Economics*, 62(4), 519-550.
- [32] Ben-Ner, A., & Van Hoomissen, T. (1993). *Independent organizations in the mixed economy: A demand and supply analysis. The Independent Sector in the Mixed Economy*, Ann Arbor: The University of Michigan Press.
- [33] Benz, A. (2009). *Politik in Mehrebenensystemen*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- [34] BEPA. (2010). Annual activity report. [online]. Available at: http://ec.europa.eu/atwork/synthesis/aar/doc/bepa_aar.pdf
- [35] Berger, P. L., & Neuhaus, R. J. (1996). *To empower people: From state to civil society*. New York: Amrericl Enterprise Institute.
- [36] Besel, K., Williams, C. L., & Klak, J. (2011). Nonprofit sustainability during times of uncertainty. *Nonprofit Management and Leadership*, 22(1), 53-65.
- [37] Bielefeld, W., & Murdoch, J. C. (2004). The locations of nonprofit organizations and their for-profit counterparts: An exploratory analysis. *Nonprofit and Voluntary Sector Quarterly*, 33(2), 221-246.

- [38] Billis, D. (1993). *Organising public and voluntary agencies*. London: Routledge.
- [39] Billis, D. (1993). What can nonprofits and businesses learn from each other. In *Nonprofit organizations in a market economy* (pp. 319-341).
- [40] Billis, D. (Ed.) (2010). *Hybrid organizations and the third sector: Challenges for practice, theory and policy*. London: Palgrave Macmillan.
- [41] Billis, D., & Glennerster, H. (1998). Human services and the voluntary sector: towards a theory of comparative advantage. *Journal of Social policy*, 27(01), 79-98.
- [42] Bilodeau, M., & Slivinski, A. (1995a). Rational nonprofit entrepreneurship, Working paper, Ontario: University of Western Ontario
- [43] Bilodeau, M., & Slivinski, A. D. (1995b). *Rival nonprofit firms*. Indiana University Center on Philanthropy.
- [44] Bilodeau, M., & Slivinski, A. D. (1995c). Profitable nonprofit firms. Paper presented at ARNOVA annual conference, Cleveland, Ontario.
- [45] Bilodeau, M., & Steinberg, R. (2006). Donative nonprofit organizations. *Handbook of the Economics of Giving, Altruism and Reciprocity*, 2, 1271-1333.
- [46] Bilšćan, P. (1999). Matematická štatistika v geológii. *Acta Montan. Slovaca*, 2, 115-123.
- [47] Bloom, G., Standing, H., & Lloyd, R. (2008). Markets, information asymmetry and health care: towards new social contracts. *Social Science and Medicine*, 66(10), 2076-2087.
- [48] Bob, C. (2011). Civil and uncivil society. SSRN working paper. 209-219.
- [49] Bode, I., & Brandsen, T. (2014). State–third sector partnerships: a short overview of key issues in the debate. *Public Management Review*, 16(8), 1055-1066.
- [50] Boehnke, K., Rippl, S., & Fuss, D. (2015). Sustainable Civil-Society Engagement: Potentials of a Transnational Civil Society in French-German, Polish-German, and Czech-German Border Regions. *Sustainability*, 7(4), 4078-4099.
- [51] Bonoli, G. (2005). The politics of the new social policies: providing coverage against new social risks in mature welfare states. *Policy & Politics*, 33(3), 431-449.

- [52] Bonoli, G. (2007). Time matters postindustrialization, new social risks, and welfare state adaptation in advanced industrial democracies. *Comparative Political Studies*, 40(5), 495-520.
- [53] Boris, E. T., & Steuerle, C. E. (2006). Scope and dimensions of the nonprofit sector. In Powell, W. W., & Steinberg, R. (Eds.) *The nonprofit sector: A research handbook* (pp. 66-88), New Haven, CT: Yale University Press.
- [54] Boris, E., & Mosher-Williams, R. (1998). Nonprofit advocacy organizations: Assessing the definitions, classifications, and data. *Nonprofit and Voluntary Sector Quarterly*, 27(4), 488-506.
- [55] Bowman, W. (2011). Financial capacity and sustainability of ordinary nonprofits. *Nonprofit Management and Leadership*, 22(1), 37-51.
- [56] Brandsen, T., & Karré, P. M. (2011). Hybrid organizations: No cause for concern? *International Journal of Public Administration*, 34(13), 827-836.
- [57] Brandsen, T., & Pestoff, V. A. (2006). Co-production, the third sector and the delivery of public services: An introduction. *Public Management Review*, 8(4), 493-501.
- [58] Brandsen, T., Van de Donk, W., & Putters, K. (2005). Griffins or chameleons? Hybridity as a permanent and inevitable characteristic of the third sector. *Intl Journal of Public Administration*, 28(9-10), 749-765.
- [59] Brhlíková, P. (2004). The nonprofit sector in the Czech Republic. *CERGE-EI Discussion Paper Series*, 128.
- [60] Brhlíková, P., & Ortmann, A. (2006). The impact of the non-distribution constraint and its enforcement on entrepreneurial choice, price, and quality, *Working Paper 229*, Charles University, Prague.
- [61] Brody, E. (1996). Agents without principals: The economic convergence of the nonprofit and for-profit organizational forms. *New York Law School Law Review*, 40(3), 547-536.
- [62] Bruce, I., & Chew, C. (2011). Debate: The marketization of the voluntary sector. *Public Money and Management*, 31(3), 55-157.
- [63] Calabrese, T. D. (2011). The accumulation of nonprofit profits: A dynamic analysis. *Nonprofit and Voluntary Sector Quarterly*, 41(2), 300-324.
- [64] Carella M., Gurrieri A. R., & Lorizio M. (2007). The role of non-profit organisations in migration policies: Spain and Italy compared. *The Journal of Socio-Economics*, 36: 914-931.

- [65] Casey, J. (2015). *The Nonprofit World. Civil Society and the Rise of the Nonprofit Sector*. Lynne Rienner Publishers.
- [66] Casey, J. (2016). Comparing Nonprofit Sectors Around the World: What Do We Know and How Do We Know It? *The Journal of Nonprofit Education and Leadership*, 6(3). 187-223.
- [67] Chambers, S., & Kymlicka, W. (2002). *Alternative Conceptions of Civil Society*. Princeton, USA: Princeton University Press.
- [68] Chaves, R., & Monzón, J. L. (2012). Beyond the crisis: the social economy, prop of a new model of sustainable economic development. *Service Business*, 6(1), 5-26.
- [69] Cheema, G. S. (2010). Civil Society and Democratic Governance: An Introduction. In Cheema, G. S., & Popovski, V. (Eds.). *Engaging civil society: Emerging trends in democratic governance* (pp. 1-20). New York: United Nations University.
- [70] Chiang, R., & Venkatesh, P. C. (1988). Insider holdings and perceptions of information asymmetry: A note. *The Journal of Finance*, 43(4), 1041-1048.
- [71] Chillemi, O., & Gui, B. (1991). Uninformed customers and nonprofit organization: Modelling 'contract failure' theory. *Economics Letters*, 35(1), 5-8.
- [72] Chowdhury, R. (2015). Using interactive planning to create a child protection framework in an NGO setting. *Systemic Practice and Action Research*, 28(6), 547-574.
- [73] CIVICUS. (2013). The CIVICUS 2013 Enabling Environment Index. Johannesburg, South Africa. http://civicus.org/images/Civicus_EEI%20REPORT%202013_WEB_FINAL.pdf
- [74] Civil Code of the Czech Republic. (2014). <http://obcanskyzakonik.justice.cz/images/pdf/Civil-Code.pdf>
- [75] Coase, R. H. (1937). The nature of the firm. *Economica*, 4(16), 386-405.
- [76] Cohen, J. L., & Arato, A. (1994). *Civil society and political theory*. Mit Press.
- [77] Colas, A. (2002). The class politics of globalisation. *Historical Materialism and Globalisation*, 191-210.
- [78] Colas, A. (2013). *International civil society: Social movements in world politics*. San Francisco, USA: John Wiley & Sons.
- [79] Connell, R. (2009). *Southern theory: The global dynamics of knowledge in social science*. Cambridge, UK: Polity Press.

- [80] Corbin, J. J. (1999). A study of factors influencing the growth of nonprofits in social services. *Nonprofit and Voluntary Sector Quarterly*, 28(3), 296-314.
- [81] Corry, O. (2010). Defining and theorizing the third sector. In *Third sector research* (pp. 11-20). New York: Springer New York.
- [82] Crouch, C. (2011). *The strange non-death of neo-liberalism*. Polity.
- [83] Cullis, J. G., & Jones, P. R. (1992). *Public Choice and Public Finance: Analytical Perspectives*. Oxford: Oxford OUP.
- [84] Curtiss, J., & Škarabelová, S. (2015). Rural nonprofit organizations and their functions in communities and local governance: Survey results from Vysočina and South Moravia. In Špalková, D., & Matějová, L. (Eds.) *19th International Conference Current Trends in Public Sector Research* (pp. 368-377). Brno: Masaryk University.
- [85] Curtiss, J., Škarabelová, S., Navrátil, J., & Vaceková, G. (2014). Size, Structure and Integration of Rural Non-profit Organizations in Local Governance: Survey Results from the Czech Republic. In *Proceedings of the 11th International ISTR Conference: "Civil Society and the Citizen"*, Muenster, Germany, 22–25 July 2014.
- [86] Da Cruz, N. F., & Marques, R. C. (2012). Delivering local infrastructure through PPPs: Evidence from the school sector. *Journal of Construction Engineering and Management*, 138(12), 1433-1443.
- [87] Da, C., Ferreira, N., & Marques, R. C. (2012). Mixed companies and local governance: no man can serve two masters. *Public Administration*, 90(3), 737-758.
- [88] Dart, R. (2004). The legitimacy of social enterprise. *Nonprofit Management and Leadership*, 14(4), 411-424.
- [89] De Vries, M. (2013). The challenge of good governance. *The Innovation Journal*, 18(1), 1-9.
- [90] Dees, J. G. (1998). Enterprising nonprofits. *Harvard Business Review*, 76, 54-69.
- [91] Dees, J. G., & Anderson, B. B. (2003). Sector-bending: Blurring lines between nonprofit and for-profit. *Society*, 40(4), 16-27.
- [92] Defourny, J. & Nyssens, M. (2016). How to Bring the Centres of Gravity of the Non-profit Sector and the Social Economy Closer to Each Other? *VOLUNTAS*:

- International Journal of Voluntary and Nonprofit Organizations*, 27(4), 1547-1552.
- [93] Defourny, J. (2001). From Third Sector to Social enterprise. In Borzaga, C. & J. Defourny, (Eds.). *The Emergence of Social Enterprise* (pp. 1-18). London: Routledge.
- [94] Defourny, J., & Develtere, P. (Eds.). (1999). *The social economy: the worldwide making of a third sector. Social Economy North and South*. De Boeck, Bruxelles.
- [95] Defourny, J., Grønbjerg, K., Meijs, L., Nyssens, M., & Yamauchi, N. (2016). Voluntas symposium: Comments on Salamon and Sokolowski's reconceptualization of the third sector. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 27(4), 1546-1561.
- [96] Defourny, J., & Nyssens, M. (2016). Fundamentals for an International Typology of Social Enterprise Models, *ICSEM Working Papers No. 33*, The International Comparative Social Enterprise Models (ICSEM) Project, Liege.
- [97] Demsetz, H. (1969). Information and efficiency: another viewpoint. *The Journal of Law and Economics*, 12(1), 1-22.
- [98] Demsetz, H. (1997). The firm in economic theory: a quiet revolution. *The American economic review*, 87(2), 426-429.
- [99] Denis, J. L., Ferlie, E., & Van Gestel, N. (2015). Understanding hybridity in public organizations. *Public Administration*, 93(2), 273-289.
- [100] Dewey, J. (1938). *The theory of inquiry*. New York: Holt, Rinehart & Wiston.
- [101] DiMaggio, P. (1987). Nonprofit organizations in the production and distribution of culture. In James, E. (Eds.) *The nonprofit sector: A research handbook* (pp. 195-220). Yale University Press.
- [102] DiMaggio, P. J., & Anheier, H. K. (1990). The sociology of nonprofit organizations and sectors. *Annual review of sociology*, 137-159.
- [103] DiMaggio, P. J., & Anheier, H. K. (2001) The sociology of nonprofit organizations and sectors. In Ott, J. S. (Ed) *The Nature of the Nonprofit Sector* (pp. 274-287). Boulder: Westview Press.
- [104] DiMaggio, P., & Powell, W. W. (1983). The iron cage revisited: Collective rationality and institutional isomorphism in organizational fields. *American Sociological Review*, 48(2), 147-160.

- [105] Dohnalová, M. (2006). *Sociální ekonomika v evropském kontextu*. Brno: Nadace Universitas.
- [106] Dohnalová, M., & Anderle, P. (2002). *Občanský sektor: Úvahy a souvislosti*. Moravský Beroun: Moravská expedice.
- [107] Dohnalová, M., & Průša, L. (2011). *Sociální ekonomika*. Praha: Wolters Kluwer.
- [108] Donnelly-Cox, G. (2015). 1 Civil society governance. In Laville, J. L., Young, D. R., & Eynaud, P. (Eds.) *Civil Society, the Third Sector and Social Enterprise: Governance and Democracy*, (vol. 200) (pp. 30-44). London: Routledge.
- [109] Drucker, P. F. (1994). *Post-capitalist society*. London: Routledge.
- [110] Easley, D., & O'Hara, M. (1986). Optimal nonprofit firms. *The Economics of Nonprofit Institutions*, 85-93.
- [111] Easley, D., & O'Hara, M. (1983). The economic role of the nonprofit firm. *The Bell Journal of Economics*, 14(2), 531-538.
- [112] Eberly, D. (2008). The rise of global civil society. In *Building communities and nations from bottom up*. New York/London.
- [113] Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81-100.
- [114] Eckel, C. C., & Steinberg, R. (1993). Competition, Performance, and Public Policy Towards Nonprofits. In Hammack, D. C., & Young, D. R. (Eds.) *Nonprofit Organizations in a Market Economy* (pp. 57-81). San Francisco: Jossey Bass.
- [115] Edwards, M. (2009). *Civil society*. 2nd ed. Cambridge, UK: Polity.
- [116] Edwards, M. (2011). *Introduction: Civil society and the geometry of human relations*. The Oxford Handbook of Civil Society
- [117] Eikenberry, A. M., & Kluver, J. D. (2004). The marketization of the nonprofit sector: civil society at risk? *Public administration review*, 64(2), 132-140.
- [118] Ekiert, G., & Kubik, J. (1997). Collective protest in post-communist Poland, 1989–1993: A research report. *Communist and Post-Communist Studies*, 31(2), 91-117.

- [119] Emerson, J., & Twersky, F. (1996). *New social entrepreneurs: The success, challenge and lessons of non-profit enterprise creation*. San Francisco: The Roberts Foundation.
- [120] Enjolras, B. (2002). The Commercialization of Voluntary Sport Organizations in Norway. *Nonprofit and Voluntary Sector Quarterly*, 31(3), 352-376.
- [121] Etzioni, A. (1973). The third sector and domestic missions. *Public Administration Review*, 33(4), 314-323.
- [122] European Commission. (2014). A map of social enterprises and their ecosystems in Europe. Country Report: Czech Republic. [online]. Available at: <http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=socentcnyrepts&mode=advancedSubmit&langId=en&policyArea=&type=0&country=8&year=0>
- [123] Eurostat. 2015. [online]. Available at: ec.europa.eu/eurostat.
- [124] Evans, B., Richmond, T., & Shields, J. (2005). Structuring neoliberal governance: The nonprofit sector, emerging new modes of control and the marketisation of service delivery. *Policy and Society*, 24(1), 73-97.
- [125] Evers, A. (2005). Mixed welfare systems and hybrid organizations: Changes in the governance and provision of social services. *International Journal of Public Administration*, 28(9-10), 737-748.
- [126] Evers, A. (2013). The concept of civil society: different understandings and their implications for third sector policies. *Voluntary Sector Review*, 4(2), 149-164.
- [127] Evers, A., & Laville, J. L. (2004). *The Third Sector in Europe*. Cheltenham: Edward Elgar.
- [128] Farouk, A. F. A. (2011). The limits of civil society in democratising the state: The Malaysian case. *Kajian Malaysia: Journal of Malaysian Studies*, 29, 91-109.
- [129] Farouk, A. F. A., & Fazwan, A. (2011). The limits of civil society in democratizing the state: The Malaysian case. *Kajian Malaysia: Journal of Malaysian Studies*, 29(1), 91-109.
- [130] Farrington, J., & Bebbington, A. (1993). *Reluctant partners? Non-governmental organizations, the state and sustainable agricultural development*. Psychology Press.
- [131] Fay, B. (2002). *Current Philosophy of Social Sciences. Multicultural Approach*. Prague: Sociologické nakladatelství.

- [132] Ferreira, S. (2014). Sociological Observations of the Third Sector Through Systems Theory: An Analytical Proposal. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 25(6), 1671-1693.
- [133] Ferris, J. M., & Graddy, E. (1991). Production costs, transaction costs, and local government contractor choice. *Economic Inquiry*, 29(3), 541-554.
- [134] Fiala, Z., (2014). Sociální podnikání dostane zákon. [online]. Available at: <http://www.parlamentnilisty.cz/arena/nazory-a-petice/Zbynek-Fiala-Socialni-podnikani-dostane-zakon-320926>.
- [135] Fleishman, J. (1999). Public trust in not-for-profit organizations and the need for regulatory reform. In Clotfelter, Ch. T., & Ehrlich, T. (Eds.) *Philanthropy and the nonprofit sector in a changing America* (pp. 172-197). USA: Indiana University Press.
- [136] Florini, A. M. (2000). *Third Force, The; The Rise of Transnational Civil Society*. Washington, DC: Carnegie Endowment for International Peace.
- [137] Folland, S. (1990). Nonprofit entry: a theory and an empirical test for the case of hospitals. Working paper, School of Business Administration, Oakland, Minnesota: Oakland University.
- [138] Fowler, A. (2012). Measuring civil society: perspectives on Afro-centrism. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 23(1), 5-25.
- [139] Fowler, F. J. (1995). *Improving survey questions: Design and evaluation*. SAGE Publications.
- [140] Frank, P. M. (2013). Entrepreneurship in a Multi-Sector World. In Young, D. R. (Ed). *If not for profit, for what?* (pp. 29-30). Lexington Books.
- [141] Frič, P. (2000). *Neziskové organizace a ovlivňování veřejné politiky. (Rozhovory o neziskovém sektoru II)*. Praha: Agnes.
- [142] Frič, P. (2004). *Political development after 1989 and their impact on the nonprofit sector*. Prague: Charles University.
- [143] Frič, P., & Goulli, R. (2001). *Neziskový sektor v České republice*. Prague: Eurolex Bohemia.
- [144] Frič, P., Goulli, R., Toepler, S., & Salamon, L. M. (1999). The Czech Republic. In Salamon et al. (Eds.) *Global Civil Society: Dimensions of the Nonprofit Sector* (pp. 285-303). Baltimore, Maryland: John Hopkins University.

- [145] Froelich, K. A. (1999). Diversification of revenue strategies: Evolving resource dependence in nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 28(3), 246-268.
- [146] Furmankiewicz, M., Thompson, N., & Zielińska, M. (2010). Area-based partnerships in rural Poland: The post-accession experience. *Journal of Rural Studies*, 26(1), 52-62.
- [147] Gidron, B., & Hasenfeld, Y. (2012). *Social enterprises: An organizational perspective*. London: Palgrave Macmillan.
- [148] Godin, B. (2012). "Innovation Studies": The Invention of a Specialty. *Minerva*, 50(4), 397-421.
- [149] Gordenker, L., & Weiss, T. G. (1995). NGO participation in the international policy process. *Third World Quarterly*, 16(3), 543-555.
- [150] Götz, N. (2010). Civil Society and NGO: Far from Unproblematic Concepts. In Taylor, R. (Ed.) *The Ashgate Research Companion to Non-State Actors* (pp. 185-196). New York: Springer.
- [151] Le Grand, J. (1991). The theory of government failure. *British journal of political science*, 21(04), 423-442.
- [152] Green, A. T. (1999). Nonprofits and democratic development: Lessons from the Czech Republic. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 10(3), 217-235.
- [153] Grønbjerg, K. (2016). Commentary on „Beyond Nonprofits: Re-conceptualizing the Third Sector“. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 27(4), 1552-1555.
- [154] Grønbjerg, K. A. (1993). *Understanding nonprofit funding: Managing revenues in social services and community development organizations*. Jossey-Bass Inc Pub.
- [155] Grønbjerg, K. A. (1994). Using NTEE to classify non-profit organisations: an assessment of human service and regional applications. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 5(3), 301-328.
- [156] Grønbjerg, K. A., & Paarlberg, L. (2001). Community variations in the size and scope of the nonprofit sector: Theory and preliminary findings. *Nonprofit and Voluntary Sector Quarterly*, 30(4), 684-706.

- [157] Grossi, G., Johanson, J. E., Reichard Ch., & Vakkuri, J. (2015). Performance measurement of hybrid organizations. *Public Money & Management*, 35(5), call for papers.
- [158] Grossi, G. (2007). Governance of Public-Private Corporations in Provision of Local Italian Utilities. *International Public Management Review*, 8(1), 132-153.
- [159] Grossi, G., & Thomasson, A. (2015). Bridging the accountability gap in hybrid organizations: the case of Copenhagen Malmö Port. *International Review of Administrative Sciences*, 81(3), 604-620.
- [160] Gruchy, A. G. (1987). *The Reconstruction of Economics: an analysis of the fundamentals of Institutional economics*. Praha: Praeger Pub Text.
- [161] Gui, B. (1990). Nonprofit organizations and product quality under asymmetric information. Dept. of Economics and Statistics Working Paper, Trieste, Italy: Trieste University.
- [162] Gui, B. (1991). The Economic Rationale for the "Third Sector". *Annals of public and cooperative economics*, 62(4), 551-572.
- [163] Guo, B. (2006). Charity for profit? Exploring factors associated with the commercialization of human service nonprofits. *Nonprofit and Voluntary Sector Quarterly*, 35(1), 123-138.
- [164] Habermas, J. (1985). *The theory of communicative action. Volume 2: Lifeworld and system: a critique of functionalist reason*. Beacon Press, Boston.
- [165] Habermas, J. (1992). *Faktizität und Geltung. Beiträge zur Diskurstheorie des Rechts und des demokratischen Rechtsstaats*. Suhrkamp, Frankfurt am Main.
- [166] Habib, A., & Taylor, R. (1999). South Africa: anti-apartheid NGOs in transition. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 10(1), 73-82.
- [167] Hagedorn, K. (2014). Post-socialist farmers' cooperatives in Central and Eastern Europe. *Annals of Public and Cooperative Economics*, 85(4), 555-577.
- [168] Handy, E (1995). Reputations as collateral: An economic analysis of the role of trustees of nonprofits. *Nonprofit and Voluntary Sector Quarterly*, 24(4), 293-305.
- [169] Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *American journal of sociology*, 82, 929-964.

- [170] Hansmann, H. (1990). When does worker ownership work? ESOPs, law firms, codetermination, and economic democracy. *The Yale Law Journal*, 99(8), 1749-1816.
- [171] Hansmann, H. (1981a). Nonprofit enterprise in the performing arts. *The Bell Journal of Economics*, 12(2), 341-361
- [172] Hansmann, H. (1981b). The rationale for exempting nonprofit organizations from corporate income taxation. *The Yale Law Journal*, 91(1), 54-100.
- [173] Hansmann, H. (1987) Economic theories of nonprofit organization. In Powell, W. (Ed.) *The Nonprofit Sector: A Research Handbook* (pp. 27-42). New Haven, CT, USA: Yale University Press.
- [174] Hansmann, H. (1994). *Organization of production in the human services*. Yale: Yale University.
- [175] Hansmann, H. B. (1980). The role of nonprofit enterprise. *The Yale law journal*, 89(5), 835-901.
- [176] Harding, R. (2004). Social enterprise: the new economic engine? *Business Strategy Review*, 15(4), 39-43.
- [177] Hartigan, P. (2006). Delivering on the promise of social entrepreneurship: Challenges faced in launching a global social capital market. *Social Entrepreneurship, New Models of Sustainable Social Change* (pp. 329-355). New York: Palgrave MacMillan.
- [178] Haugh, H. (2006). Social enterprise: Beyond economic outcomes and individual returns. In Mair, J., Robinson, J., & Hockerts, K. (Eds.) *Social entrepreneurship-book* (pp. 180-205). Basingstoke: Palgrave.
- [179] Havel, V. (1999). *Co je občanská společnost*. Speech in Minneapolis, USA.
- [180] Hayes, T. (1996). *Management, control and accountability in nonprofit/voluntary organizations*. Aldershot: Avebury.
- [181] Herzlinger, R. (1996). Can trust in government and nonprofits be restored. *Harvard Business Review*, 74(2), 97-107.
- [182] Hirth, R. A. (1995). Consumer information and competition between nonprofit and for-profit nursing homes. *Journal of Health Economics*, 18,219-240.
- [183] Hochel, D. (1996). Public Policy in Slovakia: The Role and Status of the NGO Sector. [online]. Available at: <http://www.newschool.edu/centers/ecep/dino.htm>.
- [184] Hockerts, K. (2006). Entrepreneurial opportunity in social purpose business ventures. *Social entrepreneurship*, 1, 142-154.

- [185] Hodge, G., & Greve, C. (2010). Public-Private Partnerships: Governance Scheme or Language Game? *Australian Journal of Public Administration*, 69(s1), S8-S22.
- [186] Hodgson, G. M. (1998). The approach of institutional economics. *Journal of economic literature*, 36(1), 166-192.
- [187] Homann, K. (2002). *Vorteile und Anreize: zur Grundlegung einer Ethik der Zukunft*. Tübingen: Mohr Siebeck.
- [188] Horák, P., Horáková, M., & Sirovátka, T. (2013). Recent Trends and Changes in Czech Social Services in the European Context: the Case of Childcare and Elderly Care¹. *Special English Issue 2013*, 5-19.
- [189] Hunčová, M. (2007). *Sociální ekonomika a sociální podnik*. Ústí nad Labem: UJEP
- [190] Hung, C. K. R., & Ong, P. (2012). Sustainability of Asian-American nonprofit organizations in US metropolitan areas. *Nonprofit and Voluntary Sector Quarterly*, 41(6), 1136-1152.
- [191] Hwang, H., & Powell, W. W. (2009). The rationalization of charity: The influences of professionalism in the nonprofit sector. *Administrative Science Quarterly*, 54(2), 268-298.
- [192] Hyánek, V. (2011). *Neziskové organizace: teorie a mýty*. Brno: Masarykova univerzita.
- [193] Hyánek, V. (2012) Neexistující sektor? *Scientia et Societas*, 4, 4-22.
- [194] Iliopoulos, C., & Valentinov, V. (2009). Toward an economics of the rural third sector. *International journal of agricultural resources, governance and ecology*, 8(5-6), 439-456.
- [195] James, E. (2000). Commercialism among nonprofits: Objectives, opportunities, and constraints. In Weisbrod (Ed.) *To profit or not to profit. The commercial transformation of the nonprofit sector*. (pp. 271-286). Cambridge University Press.
- [196] James, E. (1983). How nonprofits grow: A model. *Journal of Policy Analysis and Management*, 2(3), 350-365.
- [197] James, E. (1986). The private nonprofit provision of education: a theoretical model and application to Japan. *Journal of Comparative Economics*, 10(3), 255-276.

- [198] James, E. (1987). The nonprofit sector in comparative perspective. In Powell, W. W., & Steinberg, R. (Eds.) *The nonprofit sector: A research handbook* (pp. 398–399). Yale, USA: Yale University Press.
- [199] James, E. (1997). Whither the third sector? Yesterday, today and tomorrow. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 8(1), 1-10.
- [200] James, E. (1998). Commercialism among nonprofits: Objectives, opportunities, and constraints. In Weisbrod, B. A. (Ed.) *To profit or not to profit: The commercial transformation of the nonprofit sector* (pp. 271-286). Cambridge, NY: Cambridge University Press.
- [201] James, E. (Ed.). (1989). *The nonprofit sector in international perspective: studies in comparative culture and policy*. Oxford University Press.
- [202] James, E., & Birdsall, N. (1992). Public Versus Private Provision of Social Services: Is There an Efficiency-Equity Tradeoff?. In McCarthy, K. D., Hodgkinson, V. A., & Sumariwalla, R. D. (Eds.) *The Nonprofit Sector in the Global Community: Voices from Many Nations* (pp. 51-69). San Francisco: Jossey-Bass.
- [203] Jaskyte, K. (2004). Transformational leadership, organizational culture, and innovativeness in nonprofit organizations. *Nonprofit Management and Leadership*, 15(2), 153-168.
- [204] Jegers, M. (2008). *Managerial economics of non-profit organizations*. London: Routledge.
- [205] Jegers, M. (2011). Financing constraints in nonprofit organisations: A ‘Tirolean’ approach. *Journal of Corporate Finance*, 17(3), 640-648.
- [206] Jones, M. B. (2007). The multiple sources of mission drift. *Nonprofit and Voluntary Sector Quarterly*, 36(2), 299-307.
- [207] Kaldor, M. (2000). Civilising'globalisation? The implications of the Battle in seattle'. *Millennium-Journal Of International Studies*, 29(1), 105-114.
- [208] Kazakov, R., & Kunc, M. (2016). Foreseeing the dynamics of strategy: an anticipatory systems perspective. *Systemic Practice and Action Research*, 29(1), 1-25.
- [209] Kerlin, J. A., & Pollak, T. H. (2011). Nonprofit Commercial Revenue: A Replacement for Declining Government Grants and Private Contributions? *The American Review of Public Administration*, 41(6), 686-704.

- [210] Knutsen, W. (2016). The Non-profit Sector is Dead, Long Live the Non-profit Sector! *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, online first, 1-23.
- [211] Kolibová, H., Václavíková, J., & Bělová, R. (2010). Sociální podnikání a zaměstnávání osob znevýhodněných na trhu práce. [online]. Available at: <http://socpo.vsp.cz/vzdelavaci-moduly/socialni-podnikani-a-zamestnani-osob-znevychodnenyc/>
- [212] Korimová, G., & Vaceková, G. (2011). Social economics and social entrepreneurship in the context of transition economies and Slovakia. *IRSPM conference*. Dublin, Ireland.
- [213] Korosec, R. L., & Berman, E. M. (2006). Municipal support for social entrepreneurship. *Public administration review*, 66(3), 448-462.
- [214] Kramer, R. M. (1993). *Privatization in four European countries: comparative studies in government-third sector relationships*. ME Sharpe.
- [215] Kramer, R. M. (1981). *Voluntary agencies in the Welfare State*. Univ of California Press.
- [216] Kramer, R. M. (2000). A third sector in the third millennium? *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 11(1), 1-23.
- [217] Krashinsky, M. (1986). Why Educational Vouchers May Be Bad Economics. *Teachers College Record*, 88(2), 139-51.
- [218] Krashinsky, M. (1990). Management implications of government funding of nonprofit organizations: views from the United States and Canada. *Nonprofit Management and Leadership*, 1(1), 39-53.
- [219] Krashinsky, M. (1997). Stakeholder theories of the non-profit sector: One cut at the economic literature. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 8(2), 149-161.
- [220] Kuhlmann, S. (2010). Between the state and the market: Assessing impacts of local government reforms in Western Europe. *Lex localis-Journal of Local Self-Government*, 8(1), 1-21.
- [221] Kuvíková, H. (2004). *Neziskové organizácie v Európskej únii*. Banská Bystrica: Univerzita Mateja Bela.
- [222] Kuvíková, H., & Svidroňová, M. (2010). Kvantitatívny rast a akceptácia súkromných neziskových organizácií v Slovenskej republike. In *Bílá místa*

teorie a černé díry reforem ve veřejném sektoru II. Brno: Masarykova univerzita.

- [223] Lange, A., Siebert, R., & Barkmann, T. (2015). Sustainability in land management: An analysis of stakeholder perceptions in rural northern Germany. *Sustainability*, 7(1), 683-704.
- [224] Langton, S. (1987). Envoi: Developing nonprofit theory. *Nonprofit and Voluntary Sector Quarterly*, 16(1-2), 134-148.
- [225] Lašek, J. (1998). Structural aspects of czech economy transformation. *Politická ekonomie*, 46(1), 29-42.
- [226] Laville, J. L., Young, D. R., & Eynaud, P. (Eds.). (2015). *Civil Society, the Third Sector and Social Enterprise: Governance and Democracy* (Vol. 200). Routledge.
- [227] Laville, J. L., & Nyssens, M. (2001). The social enterprise: Towards a theoretical socio-economic approach. In. Borzaga, C., & Defourny, J. (Eds.) *The emergence of social enterprise* (pp. 312-332). London: Routledge.
- [228] Lenette, C., & Ingamells, A. (2015). Mind the Gap! The growing chasm between funding-driven agencies, and social and community knowledge and practice. *Community Development Journal*, 50(1), 88-103.
- [229] Lewis, D. (1998). Nongovernmental organizations, business, and the management of ambiguity. *Nonprofit Management and Leadership*, 9(2), 135-152.
- [230] Li, S., & Ma, Y. (2014). Urbanization, economic development and environmental change. *Sustainability*, 6(8), 5143-5161.
- [231] Light, P. C. (1998). *Sustaining innovation: Creating nonprofit and government organizations that innovate naturally*. Jossey-Bass.
- [232] Linz, J. J. & Stepan, A. (1996). *Problems of democratic transition and consolidation: Southern Europe, South America, and post-communist Europe*. JHU Press.
- [233] Linz, J. J., & Stepan, A. (1996). *Problems of democratic transition and consolidation: Southern Europe, South America, and post-communist Europe*. JHU Press.
- [234] Lipsky, M., & Smith, S. R. (1989). When social problems are treated as emergencies. *The Social Service Review*, 5-25.
- [235] Lohmann, R. A. (1989). And lettuce is nonanimal: Toward a positive economics of voluntary action. *Nonprofit and Voluntary Sector Quarterly*, 18(4), 367-383.

- [236] Lohmann, R. A. (1992). The commons: A multidisciplinary approach to nonprofit organization, voluntary action, and philanthropy. *Nonprofit and Voluntary Sector Quarterly*, 21(3), 309-324.
- [237] Lyons, M. (1993). The history of non-profit organisations in Australia as a test of some recent non-profit theory. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 4(3), 301-325.
- [238] Macmillan, R., & Buckingham, H. (2013). A Strategic Lead for the Third Sector? Some May Lead but Not All Will Ever Follow. *Third Sector Futures Dialogues: Big Picture Paper 5*. Third Sector Research Centre. <http://www.birmingham.ac.uk/generic/tsrc/documents/tsrc/news/a-strategic-lead-for-the-third-sector.pdf>
- [239] Maier, F., Meyer, M., & Steinbereithner, M. (2014). Nonprofit Organizations Becoming Business-Like: A Systematic Review. *Nonprofit and Voluntary Sector Quarterly*, 45(1), 64-86.
- [240] Malani, A., & Posner, E. A. (2007). The case for for-profit charities. *Virginia Law Review*, 2017-2067.
- [241] Marquardt, D., Möllers, J., & Buchenrieder, G. (2012). Social networks and rural development: LEADER in Romania. *Sociologia Ruralis*, 52(4), 398-431.
- [242] Marques, R. C., & Berg, S. (2010). Revisiting the strengths and limitations of regulatory contracts in infrastructure industries. *Journal of Infrastructure Systems*, 16(4), 334-342.
- [243] Mason, D. P., & Fiocco, E. (2016). Crisis on the Border: Specialized Capacity Building in Nonprofit Immigration Organizations. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, doi:10.1007/s11266-016-9754-8, first online.
- [244] Massetti, B. L. (2008). The social entrepreneurship matrix as a “tipping point” for economic change. *Emergence: Complexity and Organization*, 10(3), 1-8.
- [245] Matějová, L., Plaček, M., Ochrana, F., Půček, M. J., & Křápek, M. (2015). Political Business Cycle in Local Government. Case Study of Czech Municipalities In Špalková, D., & Matějová, L. (Eds.) *19th International Conference Current Trends in Public Sector Research* (pp. 142-148). Brno: Masaryk University.
- [246] Mayntz, R. (ed) (1992). *Verbände zwischen Mitgliederinteressen und Gemeinwohl*. Gütersloh.

- [247] McCambridge, R. (2005). Is accountability the same as regulation? Not exactly. *The Nonprofit Quarterly*, 12(4), 6-9.
- [248] McCarthy, K. D., Hodgkinson, V. A., & Sumariwalla, R. D. (1992). The nonprofit sector in the global community: Voices from many nations (No. 658.74 MAC. CIMMYT.).
- [249] McDonald, R. E. (2007). An investigation of innovation in nonprofit organizations: The role of organizational mission. *Nonprofit and voluntary sector quarterly*, 36(2), 256-281.
- [250] McKay, S., Moro, D., Teasdale, S., & Clifford, D. (2015). The marketisation of charities in England and Wales. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 26(1), 336-354.
- [251] McKnight, J. (1995). *The careless society: Community and its counterfeits*. Basic Books.
- [252] McQuaid, R. W. & Scherrer, W. (2010). Changing reasons for public-private partnerships (PPPs). *Public Money & Management*, 30(1), 27-34.
- [253] Means, R., Morbey, H., & Smith, R. (2002). *From community care to market care? The development of welfare services for older people*. Bristol: The Policy Press.
- [254] Michalski, G., & Mercik, A. (2011). Liquid assets strategies in Silesian nonprofit organizations. In *Financial Management of Firms and Financial Institutions*, (pp. 258-270). Ostrava: VŠB.
- [255] Mikušová Meričková, B., Nemeč, J., & Soukopová, J. (2014). The Economics of Waste Management: Evidence from the Czech Republic and Slovakia. *Lex localis - Journal of Local Self-Government*, 12(3), 431-449.
- [256] Mikušová Meričková, B., Nemeč, J., & Svidroňová, M. (2015). Co-creation in Local Public Services Delivery Innovation: Slovak Experience. *Lex Localis - Journal of Local Self-Government*, 13(3), 521-535.
- [257] Mikušová Meričková, B., Nemeč, J., & Svidroňová, M. (2015). Co-creation in local public services delivery innovation: Slovak experience. *Lex Localis*, 3, 521-535.
- [258] Moeller, L., & Valentinov, V. (2012). The commercialization of the nonprofit sector: A general systems theory perspective. *Systemic Practice and Action Research*, 25(4), 365-370.

- [259] Munoz, S. A., Steiner, A., & Farmer, J. (2014). Processes of community-led social enterprise development: learning from the rural context. *Community Development Journal*, 50(3), 478-493.
- [260] Murray Svidroňová, M., Vaceková, G., & Valentinov, V. (2016). The Theories of Non-profits: A Reality Check from Slovakia. *Lex localis-Journal of Local Self-Government*, 14(3), 399-418.
- [261] Muukkonen, M. (2009). Framing the field civil society and related concepts. *Nonprofit and Voluntary Sector Quarterly*, 38(4), 684-700.
- [262] Najam, A. (1996). Understanding the third sector: Revisiting the prince, the merchant, and the citizen. *Nonprofit management and leadership*, 7(2), 203-219.
- [263] Nałęcz, S., Leś, E., & Pielński, B. (2015). Poland: A New Model of Government–Nonprofit Relations for the East? *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 26(6), 2351-2378.
- [264] Navrátil, J., & Pospíšil, M. (2014). *Dreams of Civil Society Two Decades Later: Civic Advocacy in the Czech Republic*. Brno: Masarykova univerzita.
- [265] Nemeč, J., Špaček, D., Suwaj, P., & Modrzejewski, (2014). A. Public Management as a University Discipline in New European Union Member States. *Public Management Review*, 14(8), 1087-1108.
- [266] Neumayr, M., Schneider, U., Meyer, M., Pospíšil, M., Škarabelová, S., & Trávníčková, D. (2007). Nonprofits' functions in old and new democracies: an integrative framework and empirical evidence for Austria and the Czech Republic. *Working Paper des Instituts für Sozialpolitik No. 02/2007*. [online]. Available at: www.wu.ac.at.
- [267] Nič, M., & Sturm, C. (2016). “Solidarity with refugees is not exclusively reserved for the West.” In Social Europe. Internet: (accessed 27.9.2016): <https://www.socialeurope.eu/2016/05/solidarity-refugees-not-exclusively-reserved-west/>
- [268] Nicholls, A., & Cho, A. H. (2006). Social entrepreneurship: The structuration of a field. *Social entrepreneurship: New models of sustainable social change*. Oxford: Oxford University Press.
- [269] Ochrana, F. (2015). *Methodology of social science*. Prague: Charles University in Prague, Karolinum Press.
- [270] OECD (2006). *The New Rural Paradigm: Policies and Governance*. Paris: OECD Publications.

- [271] Offe, C. (2000). Civil society and social order: demarcating and combining market, state and community. *European Journal of Sociology*, 41(01), 71-94.
- [272] Olk, T., Rauschenbach, T., & Sachsse, C. (1995). Von der Wertgemeinschaft zum Dienstleistungsunternehmen. Oder: über die Schwierigkeit, Solidarität zu organisieren. In Rauschenbach, T., Sachsse, C., & Olk, T. (Eds.) *Von der Wertgemeinschaft zum Dienstleistungsunternehmen. Jugend- und Wohlfahrtsverbände im Umbruch* (pp. 11-34). Frankfurt: Suhrkamp.
- [273] Ortmann, A. (1996). Modern economic theory and the study of nonprofit organizations: why the twain shall meet. *Nonprofit and Voluntary Sector Quarterly*, 25(4), 470-484.
- [274] Ortmann, A., & Schlesinger, M. (1997). Trust, repute and the role of non-profit enterprise. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 8(2), 97-119.
- [275] Osborne, S. P. (1998). Organizational structure and innovation in UK voluntary social welfare organizations: Applying the Aston measures. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 9(4), 345-362.
- [276] Osborne, S. P. (Ed.). (2008). *The third sector in Europe: Prospects and challenges*. London: Routledge.
- [277] Oster, S. M. (1992). Nonprofit organizations as franchise operations. *Nonprofit Management and Leadership*, 2(3), 223-238.
- [278] Oster, S. M. (1995). *Strategic management for nonprofit organizations: Theory and cases*. Oxford: Oxford University Press.
- [279] Ostrander, S. A. (1989). Private social services: obstacles to the welfare state? *Nonprofit and Voluntary Sector Quarterly*, 18(1), 25-45.
- [280] Pajas, P., & Vilain, M. (2004). Finance of nonprofit organizations. In Zimmer, A. & Priller, E. (Eds.) *Future of Civil Society: Making Central European Nonprofit Organizations Work* (pp. 341-366). Wiesbaden: VS Verlag.
- [281] Páleník, V., Radvanský, M., & Slobodníková, S. (2010). Midterm Forecast of Slovak Economy for the Period 2010–2013 with Outlook to 2015. *Ekonomický časopis*, (06), 614-634.
- [282] Parlamentní listy, 2014. [online]. Available at: www.parlamentnilisty.cz
- [283] Peredo, A. M., & Chrisman, J. J. (2006). Toward a theory of community-based enterprise. *Academy of Management Review*, 31(2), 309-328.

- [284] Pestoff, V. (1998). *Beyond the market and state: social enterprises and civil democracy in a welfare society*. Aldershot: Ashgate.
- [285] Pestoff, V. A. (1992). Third sector and co-operative services – An alternative to privatization. *Journal of Consumer Policy*, 15(1), 21-45.
- [286] Pestoff, V. (2005). *Democratizing the welfare State: revisiting the third sector and state in democratic and welfare theory*. Mid-Sweden University.
- [287] Pestoff, V. (2012). Co-production and third sector social services in Europe: Some concepts and evidence. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 23(4), 1102-1118.
- [288] Peters, G. (2000). Globalization, institutions, and governance. In Peters, B. G. & Savoie, D. J. (Eds.) *Governance in the Twenty-First Century: Revitalizing the Public Service* (pp. 29-57). Montreal & Kingston et al.: McGill University Press.
- [289] Pies, I. (2012). *Regelkonsens statt Wertekonsens: Ordonomische Schriften zum politischen Liberalismus*. Berlin: Wissenschaftlicher Verlag Berlin.
- [290] Pies, I., Hielscher, S., & Beckmann, M. (2009). Moral commitments and the societal role of business: An ordonomic approach to corporate citizenship. *Business Ethics Quarterly*, 19(03), 375-401.
- [291] Plotkin, P. T. (1994). Migratory and reproductive behavior of the olive ridley turtle, *Lepidochelys olivacea* (Eschscholtz, 1829), in the eastern Pacific Ocean. Texas A & M University.
- [292] Pollitt, C., & Bouckaert, G. (2000). Public management reform: A comparative perspective. In *Notes form supporting the international conference on modernization and state reform*. Rio de Janeiro (Vol. 13).
- [293] Poon, D. (2011). *The emergence and development of social enterprise sectors*. University of Pennsylvania: Scholarly Commons.
- [294] Pospíšil, M. (2006). Mapping the Czech Nonprofit Sector. *Civil Review*, 3(3-4), 233-244.
- [295] Pospíšil, M., & Hyánek, V. (2009). Country-specific situation of the nonprofit sector in the Czech Republic. *Working Papers 2*. Brno: CVNS.
- [296] Pospíšil, M., Navrátil, J., & Pejcal, J. (2014). Czech Republic. In Maecenata Institute (Ed.) *Civil Society in the 'Visegrád Four': Data and Literature in the Czech Republic, Hungary, Poland and Slovakia* (pp. 48-93). Berlin: Maecenata Institut.

- [297] Pospíšil, M., Prouzová, Z., Škarabelová, S., & Almani Tůmová, K. (2012). Czech nonprofit sector twenty years after: current developments and challenges. *Civil Szemle*, 3, 5-22.
- [298] Poteete, A. R., & Ostrom, E. (2008). Fifteen years of empirical research on collective action in natural resource management: struggling to build large-N databases based on qualitative research. *World Development*, 36(1), 176-195.
- [299] Preston, A. E. (1992). Entrepreneurial self-selection into the nonprofit sector: effects on motivations and efficiency. W. Averell Harriman School for Management and Policy Working Paper, SUNY at Stony Brook, Stony Brook, NY.
- [300] Pryor, F. L. (2012). Determinants of the size of the nonprofit sector. *The European Journal of Comparative Economics*, 9(3), 337-348.
- [301] Putnam, R. D. (1993). The prosperous community. *The American Prospect*, 4(13), 35-42.
- [302] Putnam, R. D., Leonardi, R., & Nanetti, R. Y. (1994). *Making democracy work: Civic traditions in modern Italy*. Princeton university press.
- [303] Radvanský, M., Páleník, V., & Slobodníková, S. (2010). Midterm Forecast of Slovak Economy for the Period 2010-2013 with Outlook to 2015. *Ekonomický časopis*, 58(6), 614-634.
- [304] Rangan, V. K. (2004). Lofty missions, down-to-earth plans. *Harvard Business Review*, 82(3), 112-9.
- [305] Rawls, J. R., Ullrich, R. A., & Nelson, O. T. (1975). A comparison of managers entering or reentering the profit and nonprofit sectors. *Academy of Management Journal*, 18(3), 616-623.
- [306] Řežuchová, M. (2010). *Fenomén Public Private Partnerships a poskytování veřejných služeb*. Brno: Masarykova univerzita.
- [307] Robertson, D.B.c (Ed.) (1966). *Voluntary Associations: A Study of Groups in Free Societies; Essays in Honor of James Luther Adams*. Louisville, KY: John Knox.
- [308] Rose-Ackerman, S. (1996). Altruism, nonprofits, and economic theory. *Journal of Economic Literature*, 34(2), 701-728.
- [309] Roth, S. (2015). Free economy! On 3628800 alternatives of and to capitalism. *Journal of Interdisciplinary Economics*, 27(2), 107-128.

- [310] Roth, S., & Schutz, A. (2015). Ten systems: Toward a canon of function systems. *Cybernetics & Human Knowing*, 22(4), 11-31.
- [311] Rutherford, M. (1995). The old and the new institutionalism: can bridges be built?. *Journal of Economic issues*, 29(2), 443-451.
- [312] Rymśa, A. (2013). Zagubiona tożsamość? Analiza porównawcza sektora pozarządowego w Polsce i w Stanach Zjednoczonych. Warszawa: Ministerstwo Pracy i Polityki Społecznej, http://www.pozytek.gov.pl/download/files/Biblioteka/Zagubiona_tozsamosc_ost.pdf
- [313] Rymśa, A. (2016). Main challenges and opportunities faced by the nonprofit sector in current Poland. *Society. Integration. Education. Proceedings of the International Scientific Conference*, 4, 434-447.
- [314] Salamon, L. M. (1987a). Of market failure, voluntary failure, and third-party government: Toward a theory of government-nonprofit relations in the modern welfare state. *Nonprofit and Voluntary Sector Quarterly*, 16(1-2), 29-49.
- [315] Salamon, L. M. (1987b) Partners in public service: The scope and theory of government-nonprofit relations. In Powell, W. W. (Ed.) *The Nonprofit Sector: A Research Handbook* (pp. 99-117). New Haven, CT, USA: Yale University Press.
- [316] Salamon, L. M. (1993). The marketization of welfare: Changing nonprofit and for-profit roles in the American welfare state. *The Social Service Review*, 67(1), 16-39.
- [317] Salamon, L. M. (1994). The rise of the nonprofit sector. *Foreign Affairs*, 109-122.
- [318] Salamon, L. M. (2010). Putting the civil society sector on the economic map of the world. *Annals of Public and Cooperative Economics*, 81(2), 167-210.
- [319] Salamon, L. M., & Anheier, H. K. (1992a). In search of the non-profit sector. I: The question of definitions. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 3(2), 125-151.
- [320] Salamon, L. M., & Anheier, H. K. (1992b). In search of the non-profit sector. I: The question of definitions. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 3(2), 125-151.
- [321] Salamon, L. M., & Anheier, H. K. (1997). *Defining the nonprofit sector: A cross-national analysis*. Manchester University Press.

- [322] Salamon, L. M., & Anheier, H. K. (1998). *Nonprofit Institutions and the 1993 System of National Accounts*. Johns Hopkins University Institute for Policy Studies.
- [323] Salamon, L. M., & O'Sullivan, R. (2004). *Stressed but coping: Nonprofit organizations and the current fiscal crisis*. Baltimore, MD: Johns Hopkins Institute for Policy, Studies.
- [324] Salamon, L. M., & Sokolowski, S. W. (2010). *Global Civil Society: Dimensions of the Nonprofit Sector*. 3rd ed. Bloomfield, VT: Kumarian.
- [325] Salamon, L. M. & Sokolowski, W. (2016a). The Size and Scope of the European Third Sector. *Working Paper No. 13/2016*. . [online]. Available at: <http://thirdsectorimpact>
- [326] Salamon, L. M., & Sokolowski, S. W. (2016b). Beyond Nonprofits: Re-conceptualizing the Third Sector. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 27(4), 1515-1545.
- [327] Salamon, L. M., Anheier, H. K., List, R., Toepler, S., & Sokolowski, S. W. (1999). *Global civil society. Dimensions of the Nonprofit sector*. Baltimore: The Johns Hopkins Center for Civil Society Studies.
- [328] Salamon, L. M., Sokolowski, S. W., & Anheier, H. K. (2000). *Social origins of civil society: An overview*. Baltimore, MD: Johns Hopkins Center for Civil Society Studies.
- [329] Salamon, L. M., Sokolowski, S. W., Haddock, M. A., & Tice, H. S. (2013). The state of global civil society and volunteering: Latest findings from the implementation of the UN nonprofit handbook. *Center for Civil Society Studies Working Paper*, 49.
- [330] Schiff, J., & Weisbrod, B. (1991). Competition between for-profit and nonprofit organizations in commercial markets. *Annals of Public and Cooperative Economics*, 62(4), 619-640.
- [331] Schlesinger, M. (1985). *Economic models of nonprofit organizations: a reappraisal of the property rights approach*. John F. Kennedy School, Harvard University.
- [332] Schumpeter, J. A. (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle (Vol. 55)*. Transaction publishers.
- [333] Scott, R. W. (2003). *Organizations: Rational, Natural, and Open Systems*. Upper Saddle River, NJ, USA: Prentice-Hall.

- [334] Seibel, W. (1992). *Funktionaler Dilettantismus: erfolgreich scheiternde Organisationen im "Dritten Sektor" zwischen Markt und Staat*, Nomos-Verl. Ges, Baden-Baden.
- [335] Seibel, W. (1996). Successful failure an alternative view on organizational coping. *American Behavioral Scientist*, 39(8), 1011-1024.
- [336] Selznick, P. (1996). Institutionalism" old" and" new". *Administrative science quarterly*, 270-277.
- [337] Sharir, M., & Lerner, M. (2006). Gauging the success of social ventures initiated by individual social entrepreneurs. *Journal of Wworld Business*, 41(1), 6-20.
- [338] Shleifer, A., & Treisman, D. (2014). Normal countries: the east 25 years after communism. *Foreign Affairs*, 93(6), 92-103.
- [339] Shucksmith, M. (2000). Endogenous development, social capital and social inclusion: Perspectives from LEADER in the UK. *Sociologia Ruralis*, 40(2), 208-218.
- [340] Simsa, R. (2000). Der Dritte Sektor als Losung arbeits-und beschäftigungspolitischer Problemlagen?. *Österreichische Zeitschif für Soziologie*, 25(2), 24-42.
- [341] Simsa, R. (2001). *Gesellschaftliche Funktionen und Einflußformen von Nonprofit-Organisationen. Eine systemtheoretische Analyse*. Frankfurt/Main, Berlin, Bern, Brüssel, New York, Wien: Peter Lang.
- [342] Simsa, R., Auf, M., Bratke, S. M., Hazzi, O., Herndler, M., Hoff, M., Kieninger, J., Meyer, M., Mourad, M., Pervan Al-Soqauer, I., Rameder, P., Rothbauer, J. (2016). *Beiträge der Zivilgesellschaft zur Bewältigung der Flüchtlingskrise – Leistungen und Lernchancen*. Wien: NPO & SE Kompetenzzentrum der WU.
- [343] Skocpol, T. (2011). Civil society in the United States. In Edwards, M. (Ed.) *The Oxford Handbook of Civil Society*, Oxford: Oxford University Press.
- [344] Smith, C. E., & Freedman, A. E. (1972). *Voluntary associations; perspectives on the literature*. Harvard, USA: Harvard University Press.
- [345] Smith, D. H. (1973). Dimensions and Categories of Voluntary Organizations/Ngo's. *Nonprofit and Voluntary Sector Quarterly*, 2(2), 116-120.
- [346] Smith, D. H. (2010). *Religious giving: For love of God*. USA: Indiana University Press.

- [347] Smith, D. H. (2012). The Impact of the Voluntary Sector on Society. In Ott, S., & Dicke, L. A. (Eds.) *The Nature of the Nonprofit Sector*, 2nd ed. (pp. 71-87). Philadelphia: Westview.
- [348] Smith, S. R., & Grønbjerg, K. A. (2006). Scope and theory of government-nonprofit relations. In Powell, W., & Steinberg, R. (Eds.) *The Nonprofit sector: A research handbook* (pp. 221-242). New Haven: Yale University Press.
- [349] Snow, C. P. (2012). *The two cultures*. Cambridge University Press.
- [350] Soukopová, J., & Struk, M. (2011). Methodology for the efficiency evaluation of the municipal environmental protection expenditure. In *International Symposium on Environmental Software Systems* (pp. 327-340). Springer Berlin Heidelberg.
- [351] Soukopová, J., Malý, I., Hřebíček, J., & Struk, M. (2013). Decision Support of Waste Management Expenditures Efficiency Assessment. In *International Symposium on Environmental Software Systems* (pp. 651-660). Springer Berlin Heidelberg.
- [352] Staatz, J. M. (1987). The structural characteristics of farmer cooperatives and their behavioral consequences. *Cooperative theory: New approaches*, 18, 33-60.
- [353] Stecker, M. J. (2014). Revolutionizing the nonprofit sector through social entrepreneurship. *Journal of Economic Issues*, 48(2), 349-358.
- [354] Stecker, M. J. (2014). Revolutionizing the nonprofit sector through social entrepreneurship. *Journal of Economic Issues*, 48(2), 349-358.
- [355] Steinberg, R. (1997). Overall evaluation of economic theories. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 8(2), 179-204.
- [356] Steinberg, R. (2004). *The economics of nonprofit enterprises*. Edward Elgar Publishing.
- [357] Steinberg, R. (2006). Economic theories of nonprofit organization. In Powell, W., & Steinberg, R. (Eds.) *The Nonprofit Sector: A Research Handbook*, 2nd ed. (pp. 117-139). New Haven, CT, USA: Yale University Press.
- [358] Steinberg, R., & Gray, B. H. (1993). The Role of Nonprofit Enterprise: Hansmann Revisited. *Nonprofit and Voluntary Sector Quarterly*, 22(4), 297-316.
- [359] Steinberg, R., & Powell, W. W. (Eds.). (2006). *The nonprofit sector: A research handbook*. USA: Yale University Press.

- [360] Steinberg, R., & Weisbrod, B. A. (1996). To give or to sell? That is the question. Or... price discrimination by nonprofit organizations with distributional objectives. *Working paper*, Indiana University Center on Philanthropy.
- [361] Strachwitz, R. (2014). Social Life and Politics in Voluntary Organizations: An Historical Perspective. In *Modernizing Democracy* (pp. 19-30). New York, USA: Springer New York.
- [362] Strachwitz, R. (2015). Introduction. In Ch. Schreier (Eds.) *25 Years After: Mapping civil Society in the Visegrad Countries*. Stuttgart: Lucius et Lucius Verlagsgesellschaft.
- [363] Streeck, W., & Schmitter, P.C. (1985) Community, Market, State-and Associations? The Prospective Contribution of Interest Governance to Social Order., *European Sociological Review*, 1(2), 119-138.
- [364] Suchanek, A. (2007). *Ökonomische Ethik*. Tübingen: Mohr Siebeck.
- [365] Svidroňová, M. (2013). Sustainability strategy of non-government organisations in Slovakia. *E+M Ekonomie a Management*, 16(3): 3-30.
- [366] Svidroňová, M., & Vaceková, G. (2012). Current state of self-financing of private non-profit organizations in the conditions of the Slovak Republic. *Technological and Economic Development of Economy*, 18(3), 438-451.
- [367] Swarts, D., & Warner, M. E. (2014). Hybrid firms and transit delivery: The case of Berlin. *Annals of Public and Cooperative Economics*, 85(1), 127-146.
- [368] Taylor, M. (2002). Government, the third sector and the contract culture: The UK experience so far. In Ascoli, U., & Ranzi, C. (Eds.) *Dilemmas of the welfare mix: The new structures of welfare in an era of privatisation* (pp. 77-108). New York: Kluwer.
- [369] Taylor-Gooby, P. (2004). *New risks, new welfare: the transformation of the European welfare state*. Oxford: Oxford University Press.
- [370] Terluin, I. (2001). *Rural Regions in the EU: Exploring Differences in Economic Development*. Utrecht: Koninklijk Nederlands Aardrijkskundig Genootschap.
- [371] Thomasson, A. (2009). Exploring the ambiguity of hybrid organisations: A stakeholder approach. *Financial Accountability & Management*, 25(3), 353-366.
- [372] Thompson, J., & Doherty, B. (2006). The diverse world of social enterprise: A collection of social enterprise stories. *International Journal of Social Economics*, 33(5/6), 361-375.

- [373] Toepler, S. (2004). Conceptualizing nonprofit commercialism: A case study. *Public Administration and Management: an Interactive Journal*, 9(4), 1-19.
- [374] Toepler, S., & Salamon, L. M. (2003). NGO development in Central and Eastern Europe: An empirical overview. *East European Quarterly*, 37(3), 365-378.
- [375] Tranfield, D. R., Denyer, D., & Smart, P. (2003). Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management*, 14(3), 207-222.
- [376] Trukhachev, A. (2015). Methodology for evaluating the rural tourism potentials: A tool to ensure sustainable development of rural settlements. *Sustainability*, 7(3), 3052-3070.
- [377] TSI project. (2016). Third sector impact. [online]. Available at: <http://thirdsectorimpact.eu/>
- [378] Tuckman, H. P., & Chang, C. F. (1992). Nonprofit equity: A behavioral model and its policy implications. *Journal of Policy Analysis and Management*, 11(1), 76-87.
- [379] Tuckmann, H. P. (2000). Competition, commercialization, and the evolution of nonprofit organizational structures. In Weisbrod, B. A. (Ed.) *To profit or not to profit: The commercial transformation of the nonprofit sector*. Cambridge, NY: Cambridge University Press.
- [380] United Nations. Statistical Division. (2003). *Handbook on Non-profit institutions in the system of National Accounts (Vol. 91)*. United Nations Publications.
- [381] Uphoff, N. (1993). Grassroots organizations and NGOs in rural development: Opportunities with diminishing states and expanding markets. *World Development*, 21(4), 607-622.
- [382] USAID. (2015). The 2014 CSO Sustainability Index for Central and Eastern Europe and Eurasia. <https://www.usaid.gov/sites/default/files/documents/1863/CSOSI-Report-FINAL-7-2-15.pdf>
- [383] Usten-Smith, D., & Jenkins, S. (1985). A multiperiod model of nonprofit enterprises. *Scottish Journal of Political Economy*, 32(2), 119-134.
- [384] Vaceková, G. (2014). Effects of the non-distribution constraint on the entrepreneurial motivation of non-profit organizations. In Špalková, D. & Matějová, L. (Eds.) *Proceedings of the 18th International Conference. Current Trends in Public Sector Research* (pp. 362-370). Brno: Masaryk University.

- [385] Vaceková, G., & Murray Svidroňová, M. (2016). *Nonprofit organizations in selected CEE countries: A journey to sustainability*. Radom: Spatium.
- [386] Vaceková, G., & Bolečeková, M. (2015). Social Entrepreneurship in the Czech Republic in the Light of European Migrant Crisis. *Littera Scripta*, 8(2), 136-149.
- [387] Vaceková, G., & Svidroňová, M. (2014). Benefits and risks of self-financing of NGOS-empirical evidence from the Czech Republic, Slovakia and Austria. *E+M Ekonomie a Management*, 2014(2), 120-130.
- [388] Vaceková, G., Soukopová, J., & Křenková, T. (2015). Social Entrepreneurship in the Czech Republic. Current Trends in Research on Hybridity. *Scientific Papers of the University of Pardubice, Series D*, 22(35), 161-172.
- [389] Vaceková, G., Valentinov, V., & Nemeč, J. (2016). Rethinking Nonprofit Commercialization: The Case of the Czech Republic. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 1-21, online first.
- [390] Valentinov, V. (2006). Toward an economic interpretation of the nondistribution constraint. *International Journal of Not-for-Profit Law*, 9(1), 60-71.
- [391] Valentinov, V. (2007). Why are cooperatives important in agriculture? An organizational economics perspective. *Journal of Institutional Economics*, 3(01), 55-69.
- [392] Valentinov, V. (2008a) The economics of the nondistribution constraint: a critical reappraisal. *Annals of Public and Cooperative Economics*, 79(1), 35-52.
- [393] Valentinov, V. (2008b). The economics of nonprofit organization: In search of an integrative theory. *Journal of Economic Issues*, 42(3), 745-761.
- [394] Valentinov, V. (2008c). Third sector organizations in rural development: a transaction cost perspective. *Agricultural and Food Science*, 18(1), 3-15.
- [395] Valentinov, V. (2009). Managerial nonpecuniary preferences in the market failure theories of nonprofit organisation. *International Journal of Social Economics*, 36(1/2), 81-92.
- [396] Valentinov, V. (2011). The meaning of nonprofit organization: insights from classical institutionalism. *Journal of Economic Issues*, 45(4), 901-916.

- [397] Valentinov, V. (2012a). The economics of the nonprofit sector: Insights from the institutionalism of John R. Commons. *The Social Science Journal*, 49(4), 545-553.
- [398] Valentinov, V. (2012b). Toward a critical systems perspective on the nonprofit sector. *Systemic Practice and Action Research*, 25(4), 355-364.
- [399] Valentinov, V. (2012c). Toward a holistic nonprofit economics: insights from institutionalism and systems theory. *Journal of bioeconomics*, 14(1), 77-89.
- [400] Valentinov, V. (2012d). Understanding the rural third sector: insights from Veblen and Bogdanov. *Kybernetes*, 41(1/2), 177-188.
- [401] Valentinov, V. (2015). Value devolution in social enterprises institutional economics and systems theory perspectives. *Administration & Society*, 47(9), 1126-1133.
- [402] Valentinov, V., & Chatalova, L. (2014). Transaction costs, social costs and open systems: some common threads. *Systems Research and Behavioral Science*, 31(2), 316-326.
- [403] Valentinov, V., & Chatalova, L. (2016a). Institutional Economics, Social Dilemmas, and the Complexity-Sustainability Trade-off (A response to Hielscher and Pies). *Systems Research and Behavioral Science*, 33(3), 488-491.
- [404] Valentinov, V., Chatalova, L. (2016b). Institutional economics and social dilemmas: a systems theory perspective. *Systems Research and Behavioral Science*, 33(1), 138-149.
- [405] Valentinov, V., Hielscher, S., & Pies, I. (2013). The meaning of nonprofit advocacy: An ordonomic perspective. *The Social Science Journal*, 50(3), 367-373.
- [406] Valentinov, V., Hielscher, S., & Pies, I. (2015). Nonprofit organizations, institutional economics, and systems thinking. *Economic Systems*, 39(3), 491-501.
- [407] Valentinov, V., Hielscher, S., & Pies, I. (2016). Emergence: a systems theory's challenge to ethics. *Systemic Practice and Action Research*, in press.
- [408] Valentinov, V., & Iliopoulos, C. (2013). Economic theories of nonprofits and agricultural cooperatives compared new perspectives for nonprofit scholars. *Nonprofit and Voluntary Sector Quarterly*, 42(1), 109-126.
- [409] Valentinov, V., & Vaceková, G. (2015). Sustainability of rural nonprofit organizations: Czech Republic and beyond. *Sustainability*, 7(8), 9890-9906.

- [410] Van Til, J. (1988). *Mapping the third sector: Voluntarism in a changing social economy*. New York, NY: Foundation Center.
- [411] Van Til, J. (2000). *Growing civil society: From nonprofit sector to third space*. Indiana University Press.
- [412] Van Til, J. (2008). A paradigm shift in third sector theory and practice: Refreshing the wellsprings of democratic capacity. *American Behavioral Scientist*, 52(7), 1069-1081.
- [413] Volunteurope. (2014). Rural Isolation of Citizens in Europe; Policy Brief December 2014. Available online: <http://www.volunteurope.eu/wp-content/uploads/2014/12/Briefing-Rural-Isolation-Final-Layout.pdf> (accessed on 11 March 2015).
- [414] Vyskočil, M. (2014). *Sociální podnikání - Dílčí studie ke Koncepci 2020*.
- [415] Wagner, A. (2000). Reframing “social origins” theory: The structural transformation of the public sphere. *Nonprofit and Voluntary Sector Quarterly*, 29(4), 541-553.
- [416] Wagner, A. (2012). What management professionals can learn from Immanuel Kant about critical thinking, purposiveness, and design’. In *Performance-management in nonprofit-organisationen* (pp. 238-248). Bern, Stuttgart, Wien: Haupt Verlag.
- [417] Walker, J. W. S. G., & Thompson, A. S. (Eds.). (2008). *Critical mass: The emergence of global civil Society*. Wilfrid Laurier Univ. Press.
- [418] Wallis, S. E., & Valentinov, V. (2016). A Limit to Our Thinking and Some Unanticipated Moral Consequences: A Science of Conceptual Systems Perspective with Some Potential Solutions. *Systemic Practice and Action Research*, in press, online first.
- [419] Walsh, K. (1995). *Public services and market mechanisms: Competition, contracting and the New Public Management*. New York: St. Martin’s Press.
- [420] Walzer, M. (Ed.). (1998). *Toward a global civil society*. Berghahn Books.
- [421] Wang, G., Wang, M., Wang, J., & Yang, C. (2015). Spatio-temporal characteristics of rural economic development in Eastern Coastal China. *Sustainability*, 7(2), 1542-1557.
- [422] Ware, A. (1989). *Between profit and state: Intermediate organizations in Britain and the United States*. Princeton, NJ: Princeton University Press.

- [423] Weerawardena, J., & Mort, G. S. (2006). Investigating social entrepreneurship: A multidimensional model. *Journal of world business*, 41(1), 21-35.
- [424] Weerawardena, J., McDonald, R. E., & Mort, G. S. (2010). Sustainability of nonprofit organizations: An empirical investigation. *Journal of World Business*, 45(4), 346-356.
- [425] Weerawardena, J., & Sullivan Mort, G. (2006). Investigating social entrepreneurship: A multidimensional model. *Journal of world business*, 41(1), 21-35.
- [426] Wei, F., & Kong, Y. (2014). Government governance, legal environment and sustainable economic development. *Sustainability*, 6(4), 2248-2263.
- [427] Weigle, M. A., & Butterfield, J. (1992). Civil society in reforming communist regimes: The logic of emergence. *Comparative Politics*, 25(1), 1-23.
- [428] Weisbrod, B. A. (1975). Toward a theory of the voluntary non-profit sector in a three-sector economy. Institute for research on poverty. Discussion Papers. (pp. 132-172)
- [429] Weisbrod, B. A. (1977). *The Voluntary Nonprofit Sector*. Lexington, MA, USA: Lexington Books.
- [430] Weisbrod, B. A. (1988). *The Nonprofit Economy*. Cambridge, MA: Harvard University Press.
- [431] Weisbrod, B. A. (1989). Rewarding Performance That Is Hard to Measure: The Private Nonprofit Sector. *Science*, 244(4904), 541-546.
- [432] Weisbrod, B. A. (1991). The health care quadrilemma: an essay on technological change, insurance, quality of care, and cost containment. *Journal of Economic Literature*, 29(2), 523-552.
- [433] Weisbrod, B. A. (2000). *To profit or not to profit: The commercial transformation of the nonprofit sector*. Cambridge University Press.
- [434] Weisbrod, B. A. (2004). The pitfalls of profits. *Stanford Social Innovation Review*, 2(3), 40-47.
- [435] Williamson, O. E. (1975). *Markets and hierarchies: Analysis and Antitrust Implications*. New York: Free Press.
- [436] Williamson, O. E. (2012). Transaction cost economics: What are the questions. Draft, April.
- [437] Wolch, J. R. (1990). *The shadow state: Government and voluntary sector in transition*. Foundation Center.

- [438] Wronka, M. (2013). Analyzing the Success of Social Enterprises: Critical Success Factors Perspective. *Active Citizenship by Knowledge Management & Innovation: Proceedings of the Management, Knowledge and Learning International Conference 2013* (pp. 593-605). ToKnowPress.
- [439] Wuthnow, R. (1991). The voluntary sector: legacy of the past, hope for the future? *Between states and markets: The voluntary sector in comparative perspective*, 3-29.
- [440] Xu, J., Dai, J., Rao, R., Xie, H., & Lu, Y. (2016). Critical Systems Thinking on the Inefficiency in Post-Earthquake Relief: A Practice in Longmen Shan Fault Area. *Systemic Practice and Action Research*, 29(5), 425-448.
- [441] Yamauchi, N. (2016). Commentary on Re-conceptualizing the Third Sector from Japanese Viewpoints. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 27(4), 1552-1555.
- [442] Young, D. R. (1980). *Entrepreneurship and the behavior of nonprofit organizations: Elements of a theory*. Institution for Social and Policy Studies, Yale University.
- [443] Young, D. R. (1981). Entrepreneurship and the behaviour of nonprofit organizations: elements of a theory. In M. White (Ed) *Nonprofits Firms in a Three-Sector Economy*, Washington DC: Urban Institute.
- [444] Young, D. R. (1983). *If Not for Profit, for What? A Behavioral Theory of the Nonprofit Sector Based on Entrepreneurship*. Lexington, MA, USA: D.C. Heath and Company.
- [445] Young, D. R. (1986). *What business can learn from nonprofits*. Mandel Center for Nonprofit Organizations, Case Western Reserve University.
- [446] Young, D. R. (1996). *Games universities play: An analysis of the institutional contexts of centers for nonprofit study*. Mandel Center for Nonprofit Organizations, Case Western Reserve University.
- [447] Young, D. R. (2013). *If not for profit, for what?* (1983 Print Edition) Lexington Books.
- [448] Young, D. R., & Salamon, L. M. (2002). Commercialization, social ventures, and for-profit competition. In Salamon, L. M. (Ed.) *The State of Nonprofit America* (pp. 423-446). Washington, DC: Brookings Institution Press.
- [449] Young, D. R., & Steinberg, R. (1995). *Economics for nonprofit managers*. New York: Foundation Center.

[450] Zimmer, A. E., & Priller, E. (Eds.). (2013). *Future of civil society: Making central European nonprofit organizations work*. Wiesbaden: Springer Verlag für Sozial-wissenschaften.