Introduction

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With the hundredth anniversary of the start of World War I, it has become popular to speculate on how the world would be different now if Archduke Franz Ferdinand had not been assassinated in Sarajevo. The interdependencies and treaties connecting European countries at that time underwrote a chain of events over which governments lost control, leading to the Great War. Some speculate that had World War I not occurred, the twentieth century would have been spared World War II, the Bolshevik revolution, the Cold War and much of the collateral damage associated with these great events. Europe might have evolved towards a unified and democratic society under an enlightened and decentralized Austro-Hungarian regime at peace with England, the US and a less autocratic, expansive and brutal Russia.

We will never know the implications of this alternative history. But it is clear that some very fundamental factors were at work in the events of 1914 that changed the world forever. Three of these factors and their interplay – governance, democracy and civil society – are the subject of this book. In 1914, governance in continental Europe was largely a system of autocracies linked by military treaties and royal family relationships. Woodrow Wilson pronounced World War I to be the war that would make the world safe for democracy. Clearly that was never achieved. Democracy was emergent and modelled on the American, French and British experiences. Civil society was a vague concept reflecting the empowerment of the masses, whether in socialist or communist forms, in cooperative and labor movements, or in the American experience of social movements and associational life as described by de Tocqueville in the nineteenth century (Tocqueville, 1996). What is striking in the twentieth century is that some authors such as Mauss continue to believe that alternative forms of social and economic organization (cooperatives, mutual societies, associations) may be the way to democratize the economy from inside in order to achieve a more humanistic and cohesive society (Mauss, 1997).

Of course, today's world is far different from that of 1914. While autocracy prevails in many places, democracy is fuller and more strongly rooted throughout the world; and civil society and the nonprofit sector have come to play critical roles in the social, economic and political life of most countries. Nonetheless, strengthening civil society, governance and democracy remains crucial. For Fukuyama (2006), history was supposed to come to an end when an emerging universal consensus on democracy eliminated ideological conflicts. It is now obvious that much remains to be done to achieve this goal. Governance is still problematic as regional and global institutions such as the United Nations, the European Community and the International Court of Justice help inch society towards a system of economic, social and political regulation and moderation, and as nations continue to face serious flaws and tensions in the internal functioning of their democratic institutions. Furthermore, the planet as a whole faces major global issues: financial crises, climate change, increasing inequality of wealth and income, rising populism and religious fanaticism. Global capitalism is incapable of effectively addressing these issues. Therefore, new and innovative forms of organization emerging in different cultural contexts and a pluralistic economy must be identified. Fair trade, solidarity-based finance, social currency, community supported organic farming, free software, creative commons communities, local energy cooperatives, and sustainable communities that recycle and renew their resources are all examples of what can be done to better integrate the economy with civil society. All these initiatives involve new forms of entrepreneurship embedded in citizenship. Worldwide, civil society has exhibited a spectacular increase in both the number and the roles of its organizations. Yet civil society organizations (CSOs) or associations are very diverse and must be understood through different conceptual lenses.

The first part of this introduction reviews the characteristics of the two most important conceptualizations of CSOs – as a third sector and as social enterprise. The second part highlights how the governance of CSOs has generally been analyzed in the international literature. The third part then explains the specific contributions of this book: the development of a broad understanding of governance, which strongly integrates inter-organizational, intercultural and institutional considerations. In particular, we argue that three factors are especially important for developing a new level of understanding of contemporary governance and democracy: commons, the public sphere and substantive rationality.

The economic approach to CSOs: from the third sector to social enterprise

Following the seminal article by Coase (1937), which highlighted that certain transaction costs can explain the formation of economic enterprises, Williamson (2002) defined an organization as a "governance structure" that allows the reduction of transaction costs. The new institutional economy, as introduced by Coase and further developed by subsequent authors including Williamson, confers to the organization a theoretical status that was not previously recognized by orthodox economic science. From the start, neoclassical economics emphasized idealized maximizing behavior by producers and consumers, leading to equilibration of demand and supply through price setting in the free market. Nevertheless, market failures attributable to imperfect competition and externalities were progressively acknowledged. As a result, the state and the firm emerged as coordinating structures alternative to the market. This new institutional economy stipulates that the execution of contracts among agents requires an operating governance structure, which reduces the costs of transactions, be they coordination costs due to the collect of information and negotiation, or motivation costs attributable to the incentive mechanisms affecting how individuals behave.

The third sector as a collection of nonprofit organizations

Since the 1970s, neoclassical economists have reflected on an apparent paradox: the presence of nonprofit organizations inside markets driven by the quest for profit. They explain this phenomenon by the nature of the particular goods and services produced by nonprofits, including their relational character. In particular, since the precise characteristics of many nonprofit services are unclear before the transaction takes place, particularly acute trust and quality issues arise, as exemplified in the case of care for elderly people or young children where third-party purchasers (e.g., parents) are not always present to observe the quality of care. The market may thus fail in domains where even public services provided by government are not always suitable substitutes.

Going deeper into the argument, when certain agents have more information than others, a condition called *information asymmetry*, they can use their information advantage in transactions to the detriment of their contractual partners. Thus producers can often take advantage of their superior information to mislead consumers. As a consequence, market transparency is replaced by opacity, which is damaging to exchange because it leads to consumer dissatisfaction or reluctance to engage in otherwise desirable transactions. In short, information asymmetry favors some actors over others and destabilizes their relationships to one another. The risk of this condition is especially strong in a service economy, where it is more difficult to evaluate quality *ex ante*. Unlike the quality of goods, the quality of services exists only during consumption, as the result of a co-production between the service provider and the user. The more personalized the service, as in care services, the more prominent is this condition. Services such as home care for elderly people or young children are emblematic because the information necessary to judge quality is especially difficult to obtain.

According to third-sector theory as articulated by Hansmann (1980) and others, the comparative advantage of nonprofit organizations is related to the assurance that nonprofit criteria offer to consumers. In particular, the "non-distribution of profit constraint," which precludes distributing surplus revenues to owners or managers, is a key protection to consumers. This protection derives from two main arguments: the mitigation of adverse selection and moral hazard.

Concerning adverse selection, the exclusive ownership of information by service providers makes it difficult for consumers to distinguish among providers based on prices and uncertain perceptions of quality. In particular, users lack trustworthy indicators to guide them in their choices. For example, when dual-income families require service providers to take care of their parents, they often feel guilty and reluctant to call on "strangers," as if this meant that they were neglecting or "abandoning" their elders. Faced with this discomfort, they may be reassured by high prices, which they take as a signal of high quality. However, ill-intentioned service providers may take advantage of this situation to increase their margins by selling low-quality services for the same price as high-quality ones. Nor is this situation resolved by the presence of lower-priced, lower-quality providers. Even here, bad service providers can drive good providers from the market, because spending money to train staff or ensure the monitoring of services adds to costs, which can disadvantage responsible producers in a highly competitive market context. Eventually, the market runs the risk of contracting instead of growing as users withdraw from it. There are thus various situations, which can be grouped under the general heading "adverse selection," where bad services end up chasing good ones away, a situation characterized by Akerlof (1970) as the "market for lemons."

To address this problem, providers can make quality perceptible through "signals" accessible to consumers. In particular, Hansmann (1980) argued that the non-distribution of profit constraint is such a signal of trust. This is a primary argument justifying the existence of nonprofit organizations in contemporary market-based economies.

The problem of "moral hazard" arises when one of the stakeholders in a transaction takes an action that other stakeholders can neither observe, control nor constrain. For instance, in the case of childcare, absent parents have no real control over service delivery. They can only surmise the results of the service based on imperfect information. The service provider can thus exert less effort or care than agreed upon in the terms of the contract. Even when both parties are present, such opportunistic behaviors can occur, for example when the user is in a state of dependency or when unexpected circumstances occur. Thus, a home care provider can easily take advantage of the weakness of an elderly user, especially if the health of that user deteriorates and requires still more assistance.

Moral hazard can also develop when a transaction requires major investment of time or other resources, for instance when the user has to make substantial effort in order to investigate the adequacy of services. Here too, the service provider may exploit the situation and fail to properly fulfill his or her commitments. This is known as the "hold-up" issue. If the user has made an "irretrievable investment," he or she may hesitate to change service providers, even if he or she is no longer satisfied with the service. This issue is exacerbated in a quasi-rent situation where a scarcity of service providers results in demand exceeding supply. This gives excessive power to existing suppliers, who are empowered to choose solutions and methods that best serve their own interests. Their rationing of services dissuades users from changing service providers because they are unsure of finding better service somewhere else. In this way, information asymmetries lead to market power, reduced transparency, competitive supply, and mobility of buyers and sellers.

Finally, moral hazard may involve third parties such as service funders. For example, funding authorities often cannot prevent the misappropriation of their funds or the "creaming off" of users by service providers who select the "easiest" (least costly) users and leave aside those for which the cost of intervention is too high – either because their pathology is difficult to address or because their geographic location entails high transportation costs. In such instances, Krashinsky (1986) breaks down transaction costs into two categories, coordination costs (concerning information, decision and control) and motivation costs (related to the incentives for individuals to fulfill their obligations).

Economics literature on the nonprofit sector is thus a continuation of the neoclassical tradition, which examines the *raison d'être* of organizations in a market economy. While this tradition remains faithful to rational-choice theory – according to which economic phenomena can be explained as an aggregation of individual rational behaviors, which reflect optimization under constraints based on complete and transitive preferences – it nevertheless acknowledges that the free market is not always the most efficient resource-allocation mechanism. It even recognizes the existence of other organizational modes better adapted than the market to some circumstances. Moreover, this literature recognizes that organizations are not all identical nor are they only capital enterprises. In particular, the special value resulting from absence of profit redistribution is recognized as an asset for organizations in services where information, trust and personalization of services are decisive. As Badelt sums it up, it is precisely this constraint of profit non-redistribution that can overcome informational asymmetries (Badelt, 1990). Be it adverse selection or moral hazard, nonprofit organizations are specifically supposed to provide safety to the consumer because financial surplus resulting from these behaviors cannot be used to reward shareholders.

The third sector, beyond nonprofit

Other theories of the third sector are less concerned with the non-distribution of profit constraint. Instead, they relate the third sector to the public or semi-public nature and characteristics of goods and services, in particular the externalities, that it generates for society as a whole. For instance, childcare services generate positive externalities by facilitating the access of women to employment and training. Likewise, they reduce gender inequality, which is particularly acute in domestic care. As a consequence, childcare services generate positive externalities by reducing uncompensated work and unemployment compensation expenses. Similarly, home care services can generate positive externalities such as job creation for women with reduced family responsibilities or reduction of public expenses where the maintenance of elderly people at home is less expensive than their placement in institutional facilities. Home care services are both individual and quasi-collective services. They are personally targeted to the consumer while also having broader effects on society through positive externalities, which are complex and multidimensional.

Economists address this problem by prescribing the "internalization of externalities." As explained by Pigou (1932), services with positive externalities are under-produced as compared to the social optimum. In many cases it is possible to resolve this problem through bilateral negotiation resulting in payment of monetary compensation by the beneficiaries of positive externalities to the producers of those externalities. However, such solutions become impractical in the case of multilateral collective externalities. In this case, the parties responsible for the positive externalities can be subsidised proportional to the social benefit produced. Thus in the case of services which are both individual and quasi-collective, marked by the extent and the complexity of their related externalities, it is often justified to rely on taxation for funding.

Likewise, intervention by public authorities is encouraged for strictly collective goods and services. These refer to non-rival goods and services (for which consumption by one individual does not hinder consumption by any other individual – as in the case of environmental protection) and non-excludable goods (where the producer cannot prevent consumption by those who do not contribute to the funding – as in the instance of a highway without toll). For quasi-collective and collective services, neoclassical economics thus supports the legitimacy of public funding. However, the theory does not necessarily imply that government should or will respond to demand for all such goods.

This is the point made by Weisbrod in the context of public choice theory, which addresses political decisions based on rational choice. Weisbrod (1975) focuses on the propensity of the state to satisfy the median voter. He argues that this results in an "excess demand" for public goods by those citizens whose preferences for such goods exceed those of the median voter. This condition is especially pronounced when the preferences of citizens within a political jurisdiction are highly heterogeneous. Thus voluntary or associative responses adapted to peoples' needs arise in reaction to the state's neglect of minority groups. Minority demands, which are not directly accommodated by public authorities, thus lead citizens to create third-sector organizations dedicated to the particular services they desire.

From the third sector to social enterprise

The forgoing economic approach to the third sector is a theory of "institutional choice" which highlights users' trust for the services provided by nonprofit organizations and associations, as well as externalities that lead to the provision of services by third-sector organizations for minority groups that are neglected by the state.

These conceptualizations of the role of the third sector are "demand theories." They detail the reasons why users and donors select nonprofit organizations and associations. As such, they postulate their prior existence, allowing for choices to be made in their favor. Yet they do not provide an explanation of the process of establishing these organizations. To address this lacuna, some scholars have addressed the "supply side" by studying the motivations of entrepreneurs and the involvement of stakeholders in voluntary and associative structures.

More broadly, Young (1981, 1983, 1986) approached entrepreneurs as actors seeking autonomy and spaces of creativity, as well as material and other goals.

Motivation to establish new associative forms lies in these objectives, along with religious motivations for groups wishing to promote their beliefs, increase the number of their members and expand their audiences. Young (1983) provides a typology of motivational types for entrepreneurs engaging in organizations for ideological, personal and other reasons. Social purposes are implied as motivators for social entrepreneurs and social enterprise and an important criterion for their economic engagement, even within the business sector.

In contrast to entrepreneurial theories, stakeholder theories stipulate that the aims of an enterprise depend on the configuration of property rights of stakeholders who retain those rights and who determine the objectives of the organization. This view allows for social enterprises to avoid dominance by financial investors. Thus social enterprises may not be controlled by such investors but by other types of stakeholders whose goals may not include the accumulation of capital. As Hansmann (1980) and Gui (1991) emphasize, there are as many potential forms of property rights as types of stakeholders, among which, besides investors, are workers and consumers. Nonetheless, stakeholder control implies the selection of an associative form through which stakeholders can exert their rights.

The association form does not, however, in itself guarantee that stakeholders will deliver a service of quality. Indeed, Ben-Ner and Van Hoomissen (1991) argue that the best way to overcome information asymmetry lies in the control of supply by actors (stakeholders) on the demand side. Users and funders, who might otherwise be poorly informed, can overcome their information deficits by becoming governing members of the organization. However, as conditions may not allow for every stakeholder to be a member, representative members may be required. The efficiency of the latter arrangement may be tenuous, especially where the service is non-rival, i.e., when quality does not vary according to beneficiary – as in the case of a day nursery where the treatment given to the children cannot easily be differentiated. Here, some stakeholders may "free ride" at the expense of other stakeholders. In many cases, however, stakeholders recruit professionals to administer the organization, or such initiative may also arise from professionals themselves. Being conscious of the information problems that stakeholders face, professionals (acting as entrepreneurs) can take the lead in conceiving and organizing a service, allowing them to address stakeholder demands as well as their own goals.

The governance of CSOs

First, what is governance? One reflexively thinks of governance as the function of government, but it is a far broader and more fundamental concept than that. The *Oxford Dictionary and Thesaurus* indicates that to govern is to "rule or control" but this raises the question of how governance works. Obviously governance applied to government or to specific organizations can operate in a variety of ways, through different systems of authority, rules and decision-making regimes. Further insight can be gained from interpreting governance in an engineering context. How do control mechanisms work to guide the operations of machines or electrical or mechanical systems? The interesting thing about governance in the engineering context is that it is generally based on the concept of "feedback and correction." For example, the governor in a steam engine measures the speed at which the engine is running, compared to some desired or standard speed, and then adjusts the flow of steam so as to close the gap (reduce the error) between the desired and actual performance. A thermostat works on the same feedback principle: a desired room temperature is set, actual temperature is measured, and the thermostat turns the furnace on or off so as to reduce the error between the desired and measured temperatures. Once the desired temperature (or speed) is reached, the governor assures the maintenance of that standard by making appropriate adjustments as deviations occur.

This engineering view of governance is easily applied to organizational or political systems, though with alternative possible results. A system of government is based on authority and those in authority act according to the information they receive and the conditions or standards they wish to achieve or maintain. Presumably, some systems of political governance are better than others at maintaining the desired control. Autocracies may receive precious little or distorted feedback from constituents until society overheats, sometimes to the point where control is lost. Democracies may produce loud, frequent, robust, though perhaps confusing, feedback and may have slow and complex corrective mechanisms to reduce the errors between what constituents desire and what they are actually experiencing. Similarly, organizations may be autocratically run without sufficient feedback from members to guide leaders' decisions, or they may be governed democratically, producing a cacophony of feedback and ineffective responses by leaders of limited authority and skill.

Another implication of the engineering metaphor of governance is that feedback can be positive or negative. In this context, so-called "negative" feedback is generally a good thing – identification of errors indicating that the organization or society is off course and requires correction. On the other hand, "positive" feedback can feed on itself through governance mechanisms that amplify the errors, leading to loss of control. Indeed, such positive feedback loops are the basis of the mathematics of chaos theory. One can certainly envision situations where this occurs in societies or organizations. Autocratic regimes receive information indicating disapproval of their performance which leads them to stifle dissent, which further increases dissent until a boiling point is reached beyond which the system ceases to function. This can happen in a democratic regime as well if an unpopular faction takes control. Presumably, however, a democratic regime has a better chance of avoiding this scenario because of its richer flow of feedback information and its multiple means of adjustment. This applies at both societal and organizational levels. Moreover, civil society, in the form of multiple, diverse organizations and networks, itself constitutes a critical part of the feedback loop in democratic societies, providing conduits for societal preferences, expressions of dissatisfaction and levers of political influence to induce course corrections in public policy and administration.

In summary, various understandings of the governance of CSOs reflect the generic notion of control and achieving efficiency and effectiveness evoked by the engineering paradigm.

The disciplinary approach

Berle and Means (1991) worried about the rise of the large corporation and the emergence of a powerful class of professional managers. They warned that such uncontrolled power could endanger the democracy of the United States. Based on the necessity of countervailing power in the firm, their thesis has opened the door to a stream of research in corporate governance related to transaction cost theory. In this research tradition, governance emerges as a function that allows an efficient balance between market and hierarchy to be achieved (Williamson, 1979, 2002). Governance is also a means for shareholders to control managers. To do so, shareholders have fostered the development of the audit. Accordingly, governance can be seen as the management of the management (Pérez, 2003).

As a result, CSOs have moved into an era of so-called *managerialism*, i.e., a "system of description, explanation and interpretation of the world based on management categories" (Chanlat, 1998). This new era is marked by the centrality of the notion of performance, by the importance of instrumental rationality and by the emphasis on concepts of auditability and responsibility. In this narrow paradigm, individuals are viewed abstractly, i.e., as economic objects without any affect, history or culture. As such, they are engaged in an instrumental project, which values a single "technical" logic (Chanlat, 1998, p. 61). This is supposed to guarantee the effectiveness and efficiency of wage-earning managers. In conformity with this firm governance model, internal mechanisms for the governance of CSOs aimed at disciplining their executives have thus been devised. The reasoning behind this is grounded in the aforementioned theory of the neo-institutional economy. It takes into account informational asymmetries favoring managers and seeks their reduction through signals (e.g., reports) provided by the organization's administration, which thus becomes a major control tool for stakeholders.

Behavioral and evolutionary approaches

These first conceptions regarding the governance of the third sector say little about the creation of value, the identification of development opportunities, or the sustainability of activities and their adaptation to contingencies. These gaps have led to alternative approaches, more focused on internal competencies and innovation. Two main approaches can be distinguished: behavioral and evolutionary economic theory. The behavioral approach depicts the firm realistically as a coalition of individuals and/or of groups with diverse political interests in situations of cooperation or conflict, but also as a locus for organizational learning. In contrast, in evolutionary theory, the firm is defined as a set of evolutionary capacities (Nelson and Winter, 1982, 2002), i.e., knowledge acquired through collective learning and accumulated in organizational routines. In the tradition of Schumpeter, this approach puts emphasis on innovation-based competition. Focus is on cognition, and the role of administration is approached in strategic terms through the imbrication of stakeholders into the firm's operations, allowing them to bring additional information. This inclusion of stakeholders is clearly relevant to the governance of CSOs and social enterprises.

The chapters in Part I of this book testify to increased complexity in the analysis of third-sector governance. Moreover, given the "blurring of frontiers" (Evers and Laville, 2004) and hybridization between the private nonprofit and the public sectors, the very notion of "sector" must be put into a new perspective (Steen-Johnsen, Eynaud and Wijkström, 2011).

The public approach

The rise of CSOs as economic actors has generated expectations of financial transparency. These expectations derive from budgetary restrictions advocated by major international institutions (e.g., the World Bank, International Monetary Fund and others) and supported by Western governments. In the context of tension over public resources, where states are required to reduce deficits and liabilities, stewardship of CSOs has become a key concern, resulting in pressures for CSOs to professionalize their managements. Furthermore, governance became a buzzword in the 1990s in the public management field. The popularity of this concept may be related to the multiplicity of its definitions. Indeed, the notion of governance reflects many changes that have occurred in recent decades. For example, Rhodes posits that governance is a process that "refers to self-organizing, inter-organizational networks characterized by interdependence, resource exchange, rules of the game and significant autonomy from the state" (Rhodes, 1997, p. 15). But the authors of this way of thinking perceive changes occurring in a particular institutional context: "Governance is a concept that tries to make sense of the changing nature of the state" (Kitthananan, 2006, p. 6). That is, the state has shifted from an era of government to an era of governance (Richards and Smith, 2002).

This twofold origin (the corporate world and the public sector) has consequences for the legitimation of the third sector. In the new configuration of the state reflected in the shift from government to governance, the third sector has a special role to play. Specifically, organizations in the third sector are expected to pursue conditions for the professionalization and democratization of the welfare provision system (Fazzi, 2009). Alternatively, the evolution of the corporate governance model supports the rise of the social enterprise modality of the third sector. Indeed social enterprises can sometimes be seen as corporate cousins – corporations that are hybridized by adding a social goal.

Interdisciplinary perspectives

The forgoing evolutionary thinking about the governance of CSOs establishes the ground for Part II of this book. Here we address the issue of how governance of society as a whole is changing and the role that civil society is playing in this change. One of the classical views of CSOs is that they can serve as "schools of democracy." This is one of the themes in Part II: how civil society can strengthen citizenship and consequently societal governance – through new forms such as networks, participatory forums and hybrid organizational forms, and through opportunities to "practice" democracy within CSOs themselves. Our authors also argue in the reverse direction. As associations seek to promote and respond to social change, they themselves must adapt their governance structures to be appropriately sensitive to, and representative of, the citizenry at large. Several of our authors examine a variety of new organizational forms and strategies that allow civil society to take a stronger role in societal governance through such diverse approaches as multi-stakeholder governance; collective ownership of nonprofits; social purpose cooperatives; social management through "para-economies" that acknowledge cultural differences, equality and individual autonomy; "design thinking" to facilitate interactive policy formation with government; and new holistic institutional approaches to volunteerism and the building of social networks and social capital.

In order to fully appreciate the contributions of the new multidisciplinary approaches to organizational and societal governance, it is helpful to return to the characteristics of the already quoted seminal contributions of Coase and Williamson, whose works helped to establish institutional theory as an expansion of standard neoclassical economic theory. These scholars moved beyond the neoclassical paradigm without violating the axiomatic assumption of rational choice initially developed to analyze market logic (Nyssens, 2013, p. 56). While their versions of rationality are limited and procedural, they remain optimization-based. They see organizations as logical results of individual interests converging towards equilibrium. The contributions of other disciplines in social sciences go beyond this perspective, ascribing special behaviors to enterprises and institutions themselves.

The embeddedness debate

Granovetter (2000) was one of the first to express concern over the weakness of an approach to institutions based solely on effectiveness and efficiency. He questioned the Hobbessian logic adopted by Willamson (1979) according to which institutions are no more than mere "hierarchies" compensating for the market's inability to address opportunism.

According to Granovetter, by neglecting the interactions of the key actors, neo-institutional economics fails to account for social structure. By rejecting this atomized conception of economic activity, Granovetter develops the concept of embeddedness within personal relations networks. Specifically, individual capacities (Nelson and Winter, 1982, 2002), i.e., knowledge acquired through collective learning and accumulated in organizational routines. In the tradition of Schumpeter, this approach puts emphasis on innovation-based competition. Focus is on cognition, and the role of administration is approached in strategic terms through the imbrication of stakeholders into the firm's operations, allowing them to bring additional information. This inclusion of stakeholders is clearly relevant to the governance of CSOs and social enterprises.

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According to Granovetter, by neglecting the interactions of the key actors, neo-institutional economics fails to account for social structure. By rejecting this atomized conception of economic activity, Granovetter develops the concept of embeddedness within personal relations networks. Specifically, individual choices are made relative to the choices and behaviors of other individuals and to the personal ties prevailing in networks, these latter being defined as regular sets of contacts or social relations among individuals or groups of individuals.

Embeddedness can be approached from different angles. The "relational" aspect is focused on "personal relations" and the "structural" one on the "structure of the general network of these relations." The structural aspect focuses on segments of the social structure in the larger social context. In this approach, far from being simply the solution to efficiency issues, institutions are products of human history. An institution can thus not be entirely grasped without studying the process through which it evolved. Indeed a variety of historical paths are possible. For example, an institution may result from the crystallization of certain personal relations. Granovetter studied the example of the American electricity industry (Mcguire *et al.*, 1993), which now appears to be very stable and "natural," but could have taken a radically different shape. Thus, the institution as it exists nowadays cannot be fully understood in terms of efficiency. Other factors must be taken into account, in particular personal relations networks. Network analysis must thus be used to capture the explanatory factors underlying institutional formation. Indeed, institutions can be defined, according to Granovetter, as "fixed social networks."

Moreover, network analysis should not eclipse the contexts in which networks are located. Accordingly, neo-institutional sociology has studied from a phenomenological standpoint the relation between economic action and the cultural order. The latter is seen as a cognitive reference framework contributing to the shaping of action logics subordinated to the practices of a social context that defines the identities and possible or preferable choices of the actors involved. This research orientation studies social institutions as symbolic systems which give sense and collective values to entities and particular activities by integrating them into wider schemes according to which social actors are able to order reality and make their experience of time and space more meaningful.

This anti-utilitarian and constructionist institutionalism highlights the influence of cultural interpretations on the daily behaviors of economic actors. In this way, it focuses on systems of meaning and the symbolic framework, and on the cultural repertoires intertwined with social practices. Economic action is channelled by routines related to beliefs, by roles, by scenarios, and even by myths. Institutions establish cognitive and normative regularities (Rizza, 2004, p. 95). Organizations are dependent on institutionalized action models that are legitimate and socially acceptable. Organizations are embedded in contexts characterized by the presence of institutions with a continuously normative influence. This influence depends on legitimacy criteria. Such criteria define appropriate methods of operation and the chances of success. Di Maggio and Powell (1983) illustrate this with the notion of an "organization field" consisting of different actors (enterprise, public organizations, associations, trade unions, etc.) that provide reference standards and promulgate beliefs that influence different dimensions of organizational life.

The contributions of economic and neo-institutional sociology help to clarify the relationship between enterprise and institution. In particular, these conceptual traditions criticize the assumption of market-based choice optimization and the pretence that the market modulates private interests held by strategic agents. This assumption is reductive and precludes definition and study of "good governance" and "accountability" in CSOs.

The institutional framework

In order to compare the institutional structures of for-profit enterprise and civil society organizations, we begin with Table I.1, which outlines the basic dimensions on which these forms differ.

One point to note is that restraint of profit distribution does not mean that "nonprofit organizations do not, in effect, have owners" as argued by Glaeser (2003, p. 1), or at least leaders who make decisions about profits. On the contrary, Petrella (2008) posits that individuals who control the organization have the obligation to reinvest residual profits into the organization in order to advance its mission. Ultimately, residual profit benefits key beneficiaries (Gui, 1991): for example recipients of services, workers in work integration programs, and paid managers. Therefore, even if the redistribution of profit to individuals is legally forbidden in CSOs, residual benefits are allocated nevertheless. This realization helps us to understand the diversity of CSOs and why it is important to identify the stakeholders who control the allocation of benefits.

Chapter 5 by Koliba, which offers a network-oriented approach to the third sector, effectively adapts Granovetter's model relating individuals to organizations. We think that this analysis of reticular embeddedness must be extended to the study of cultural embeddedness. In the field of organizational studies, Powell and Di Maggio put strong emphasis on this point in a neo-institutional sociological framework.

The departure point of organization studies is that all productive action assumes segregation of duties through the breakdown of work into component

Table I.1 Institutional structures

	For-profit enterprise	*Civil society organization*
Decisions	Decision-making power proportional to the share of capital held	Decision-making power from participation in activities
Goals	Maximization of the return on investment and financial value	Sharing common goals
Members	Shareholders	Stakeholders
Ownership rights on residual profit	Distribution of residual profit	No distribution of residual profit

tasks on the one hand and the integration of individuals into groups for the achievement of collective goals on the other hand. Therefore, a tension emerges between differentiation and integration, as noted by Durkheim (1893). Resolving this tension has long been a goal of organizational studies. First, the scientific work organization claimed the capacity to define the most rational structure in order to maximize efficiency. Later, during the 1950s, contingency theories embraced the idea that efficiency was dependent on context, which meant that organizations had to adapt to their environments. Burns and Stalker (1961), Woodward (1956), and Lawrence and Lorsch (1973) posited that the environment had a strong influence on a firm's choices. Contingency analyses have provided new insights: in particular, solutions could be found locally by adjustment to external constraints. This meant that management solutions were no longer universal. However, a major weakness of this idea is the way that it conceived external constraints. In particular, it implied that the environment is the main factor affecting organizational performance. Various criticisms have been levelled at this way of thinking. Chanlat (1998) lists them as follows: excessive formalism, occultation of political processes, pseudo-neutralism, and technicist bias, the latter of which assumes that the environment is determined by technology. We can add to this list the lack of historical perspective, which precludes an understanding of how the current state of an organization is affected by its origins.

By the end of the 1970s, the limits of the foregoing contingency framework were being addressed by the sociological institutionalism school of thought, especially by extending beyond instrumental rationality to the notion of "social conveniences." Attentive to forms, procedures and symbols, sociological institutionalism introduced the notions of legal regulation, agreements and norms as means to shape behaviors.

If CSOs seek to address social demands, their integration into an institutional framework contributes to their normalization. This is less the consequence of an inevitable adjustment to environmental pressures (as suggested by contingency theory) than coercive or mimetic effects that help to ensure socially acceptability. The new sociological institutionalism calls this institutional isomorphism, i.e., a binding process that leads one unit to act in the same way as other units facing the same environmental conditions. Enjolras has built on Powell and Di Maggio to analyze institutional isomorphism in the case of associations. Enjolras argues that isomorphism can be coercive through political influence, mimetic in offering uniform solutions, and normative in the dissemination of standards (Enjolras, 1996).

Sociological institutionalism spans systems of symbols, cognitive models, and moral models which provide signification frameworks to guide human action. It challenges the explanation of structures based on efficiency. For a better understanding of organizational dynamics, it highlights the reproduction phenomenon and the spreading of models embedding particular behaviors. As a result, it argues that the border between public and private models is gradually blurring for a large number of CSOs.

However, sociological institutionalism does not simply postulate isomorphism. It has opened the door to the understanding of actors' roles in the transformation of the institutional framework. It distinguishes itself from contingency analysis by focusing on cultural practices, symbols and routines. Sociological institutionalism also examines the way institutions are able to modify themselves. Lawrence and Suddaby (2006) have called this "institutional work." Social actors are not only dependent on an established framework; they can also take affirmative action through the creation, preservation or weakening of the institutional framework.

According to Di Maggio (1988, 1991), institutional work assumes awareness on the part of the actors. They are capable of reacting to the present and future institutional conditions they face. Through reasoning and practical action, their institutional innovations are related to resources and potentialities in the fields in which they are located. In the 1990s and 2000s, studies of institutional work were mainly based on empirical evidence on firms and the business sector (Lawrence and Suddaby, 2006). As a result, the terminology of institutional entrepreneurship is better suited to organized actors working for their own interests. Nonetheless, institutional work and institutional entrepreneurship are relevant concepts though they require revisiting for application to CSOs. For example, Wijkström and Reuter (Chapter 7) coin the term "norm entrepreneurs," indicating that some CSOs function as primary sources of governance norms – through a process of meta norm-entrepreneurship – by negotiating "the very rules of the game" in society.

From interdisciplinarity to interculturality

In summary, the institutional structure of civil society is endowed with a democratic potential of its own. Therefore, the topic of CSO governance interfaces with the question of democratic governance. Governance in CSOs cannot be assessed only on the basis of value creation. Assessment must also deal with the capacity of governance to stabilize and foster the evolution of society and its political regimes. Even if associations play a modest role in that matter, it is important to identify – internally and externally – the risks and opportunities provided by them relative to the democratization of society.

Several scholars have proposed theoretical frameworks to support this perspective, including Ostrom, Habermas, Polanyi and Ramos. Our own perspective in this book is based on the foundations established by these authors, on their practice of interdisciplinarity, and on the perspective of an intercultural epistemology. Thanks to them, it is possible to enlarge the scope of CSO studies and to supersede an implicit Western-centrism; the latter is currently reflected in the international research literature by a disparity between the amount of Anglo-Saxon cited references and references cited in other language contexts.

From commons to deliberative governance

Ostrom (1990) addresses third-sector goods in terms of their rivalry and excludability. She defines the commons as consisting of both rival and non-excludable goods. Because of their vulnerability to free riders, common resources are subject to depletion. This is the case with fishing areas or irrigation systems, for example. In her third-sector approach to this problem, Ostrom overcomes the dualism of market and state by showing that sustainable governance is possible through collective and self-organized action. Heuristically, her approach bridges economics and sociology.

From an economics perspective, Ostrom stipulates that individuals are best placed to create the relevant institutions to support their interaction and reduce uncertainty, and that surviving institutions are the ones with adaptive efficiency. However, Ostrom "sociologizes" her approach by introducing the social conditions of rules, which take into account the particular norms of each community and the communication among individuals. Hence, there is a close relationship between "reciprocity norm, democratic management, and active participation for producing several resources" (Dardot and Laval, 2014, p. 151). This makes it no longer necessary to identify signals likely to reduce informational asymmetries but rather to build, through deliberation and action, particular institutions. This is a crafting process that is deeply sociological and political (Dardot and Laval, 2014, pp. 137–175). The process assumes that the people involved in the commons are able to define by themselves the rules they will use. But this inventiveness is linked to the depth of their deliberation.

From deliberative governance to the public sphere

It is precisely on this point that we propose to make the connection with Habermas's thesis about politics. The relevance of his conceptual framework is based on the richness of his work perspective and the way he draws on deliberation. Habermas belongs to a philosophical tradition rooted in Europe. In particular, he contributes to the critical theory defined by Marx in 1843 as the "clarification produced by the present time on its own struggles and aspirations" (Marx, 1971, p. 300). This critical theory, characterized by a desire to foster emancipation, challenges the Frankfurt school's concept of domination as articulated by its emblematic authors including Adorno, Horkheimher and Marcuse and by sociologists such as Bourdieu.

Habermas's innovation is his stand against perspectives that suppress emancipation (Habermas, 1981, p. 116). As stated by Rancière, critical theory has locked itself in a "radical critique of a radically immutable situation" (Rancière, 2003, p. 365). To escape this paralysis, Habermas rejects the belief in inevitable domination in favor of the idea that "there is an insurmountable tension between capitalism and democracy" (Habermas, 1998, p. 379). While recognizing the importance of power and money, he highlights the role of democratic resources by including in his political analysis the study of the public sphere (Habermas,

1962) and by acknowledging the necessity of pluralism, which leads him to analyze the link between associations and democracy (Habermas, 1992). This is an important step in the study of CSOs because it leads to a fresh new vision: rather than viewing CSOs merely as private organizations, Habermas's perspective allows us to appreciate their public dimension.

From public dimension to substantive rationality

The clear separation made by Habermas – as well as Arendt – between the public sphere and the economic sphere leads Habermas to emphasize the role of CSOs dedicated to advocacy and protest activity. Such demarcation between policy on the one hand and the economy on the other hand calls for further examination. According to Fraser (1990, pp. 56–80), this demarcation is an impediment to understanding that socio-economic equality serves as a precondition for parity in public participation.

There is broad support for Habermas's view that associations embrace and articulate, in the political public sphere, social issues that derive from the private realm (Habermas, 1997, p. 394). But how can this be done only by associations with no private economic activities and no links with public organizations? The presumed prevalence of such CSOs is not consistent with empirical evidence. Rather it is more relevant to re-examine all CSOs in the light of their communications activities, organizational characteristics and power relations, relative to their involvement in public issues.

In this perspective, Polanyi asks us to avoid what he refers to as the economistic fallacy, i.e., the troublesome conflation of economy and market implied by Smith (1776) when he describes man's propensity to barter, truck and exchange one thing for another. Smith's description reveals indifference to man's social evolution over the long term. In particular, we have become accustomed to minimizing the importance of the last ten thousand years and thinking about them as just a prelude to the real history of our civilization. Economic anthropology usefully challenges this view and allows new insights into modern society. Thus, Polanyi (1944) posits in *The Great Transformation* that four main principles drive and explain economic behaviors: market, redistribution, reciprocity and householding. Each of these principles is associated with a different institutional model: the market itself for the market principle, centrality for redistribution, symmetry for reciprocity, and closed groups for domestic administration or householding. Accordingly, the analysis of CSOs must adopt the concept of hybridization as a way to fully understand what is occurring on the ground, for example such phenomena as income generated from the sale of services; corporate sponsorships; public subsidies related, for example, to social goals or to increasing volunteering; and various forms of in-kind support for CSOs.

To sum up, a CSO involved in commercial activities will not be driven by return on capital or by certain legal requirements and it will combine market principles with those of reciprocity and redistribution. Thus, CSOs mix different economic principles. A private company may also do this, for example when receiving grants. However, an association distinguishes itself by denying dominant power to shareholders in its legal statute and by rejecting a market-oriented perspective. Generally, prioritization is the result of a particular history and not solely dependent on features of a specific legal form. In this respect, both Polanyi's approach and Mauss's are relevant to establish the basis for a plural economy (Laville, 2006, pp. 77–83) by embracing a diversity of economic principles.

Polyani's historical perspective has found its way into international scholarship. In particular, the theoretical social management approach and the new organization science proposed by Guerreiro Ramos retreat from formal rationality (considered as utilitarist and only relevant to the market) in favor of substantive rationality. According to Serva (1997), and reported by Cançado, Pereira and Tenório (2011), substantive rationality and the theory of communicative action can be reconciled "because the two theories have as [their] starting point the human emancipation regarding the constraints of self-realization imposed by contemporary society and constitute a case of complementarity" (Serva, 1997, p. 22).

Chapter 13 of this volume, by França Filho and Boullosa, raises awareness of the issues at stake. The book concludes with a chapter meant to demonstrate the heuristic capacity of an intercultural approach to studying social enterprise. This last chapter provides a glimpse of the possible avenues that could be opened by an intercultural CSO research program.

Conclusion

Overall, it seems fair to expect that changes in civil society itself will be reflected in societal governance writ large. As civil society becomes more complex and as it responds to economic, political and social pressures, it also becomes more prominent as party to the democratic process. Our authors explore the various nuances and ramifications of this development in the framing of public policy, the delivery of public services, the definition of the public interest, and the functioning of government itself. Just as the boundaries within civil society, and between civil society, government and business, have become blurred, the notion of societal governance as a distinct and exclusive function of government per se has clearly become less salient. Indeed, societal governance has become a more diffuse and amorphous phenomenon but perhaps also more democratic and possibly more effective in addressing the ever more complex local and global issues of the twenty-first century.

While we are now far removed from 1914, the world of 2015 and beyond brings many other challenges. Woodrow Wilson's quest to make the world safe for democracy is still a bit beyond our grasp, but the evolution of governance at the nexus of democratic government and civil society brings with it the promise for a future better in many respects than what we have experienced over the past century.

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