

# The Invisible World of Association

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**W**e have business and we have government. For too many intents and purposes, we have nothing in between. This distinction has framed the great social debate for more than a century: capitalism versus socialism, markets versus controls, individualism versus collectivism, privatization versus nationalization, “free enterprise” versus “democracy of the proletariat.” The debate features no cooperatives, no NGOs, no not-for-profits, no volunteer organizations, not because they don’t exist—clearly they are present in large numbers—but because they have been forced aside by this simplistic divide.

In a sense, this is a problem of labeling. The sector that is neither business nor government is invisible because it is not clearly labeled. It is instead confounded by a plethora of inadequate labels. The two most common, *nongovernmental organizations (NGOs)* and *not-for-profits*, are negative, about what these organizations are not. And these labels are ambiguous as well, since government is also not-for-profit, while business is also nongovernmental. We need to understand this sector by what it *is*. Another label is the voluntary sector, but in many of these organizations, the only volunteers are the members of the Board of Directors.

We have, of course, the label “third sector.” But that sounds third rate. We can instead call this the *social* sector, in contrast to the political and economic sectors, which helps somewhat, but only as a starting point. And now, of course, “civil society” is gaining currency, perhaps because, as a label, it has no serious competitors. The term has some historical significance, but is hardly enlightening. What does it mean to the general population? Why civil? In contrast to uncivil? If this sector is to come into greater prominence, as it must, then it will require a label that engages rather than excludes the population at large.

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This article proposes some labels for this sector, and then develops a framework by which to identify the basic kinds of organizations found in it.

## Association and Associations

One of us recently received a letter requesting information about whether we are doing research “that relates to nonprofit, voluntary or charitable organizations or associations (including grassroots or community associations and cooperatives).” Quite a mouthful! What the social sector needs is a label, equivalent to *government* in the political sector and *business* in the economic sector, that works, as they do, in the singular for the sector at large and in the plural for the organizations it contains. And the query letter includes what is, in fact, a good candidate for the label, with a fine pedigree: *association*. Alexis de Tocqueville used the word in his *Democracy in America* two centuries ago: “In no country in the world has the principle of association been more successfully used or applied to a greater multitude of objects than in America. . . . Associations are established to promote the public safety, commerce, industry, morality, and religion. There is no end which the human will despairs of attaining through the combined power of individuals united into a society.” (This extract was translated by the authors from the original.)

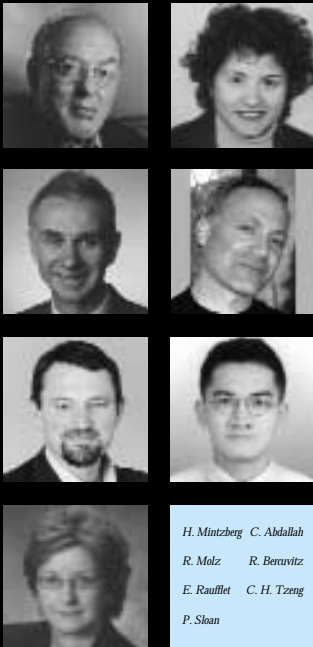
The word *association* describes a prime characteristic of this sector: its reliance on networking, or associations among cooperating in-

dividuals, in contrast to governments that tend to favor impersonal controls and businesses built around arm’s-length transactions. This is not to imply that networks are absent from businesses and governments any more than controls and transactions are absent from associations, only to point out that each sector tends to favor a particular form of organizing.

## Member-Owned and Non-Owned Associations

Businesses are owned *privately*, whether closely held (by one or a few individuals) or widely held (by many shareholders). Governments are owned by the *public*, in a democratic society by everyone equally, which means that no one has any shares to buy or sell. In a sense, governments and their agencies are owned collectively.

Associations can also be distinguished by how they are owned, two ways in particular. Some associations, usually called *cooperatives*, are owned by their members, whether suppliers (as in farmer cooperatives, also unions), customers or users (as in retail cooperatives and credit unions), or workers (as in taxi cooperatives). There are also community cooperatives (kibbutzim in Israel, for example, that have both governing and work aspects), and cooperatives of other organizations (such as trade associations, owned by businesses, and cooperative federations, owned by cooperatives). In this fact of ownership, cooperatives are somewhat like businesses—indeed, many compete with



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businesses, or have been created to bypass them. But in that each member has an equal share—and cannot sell it—cooperatives are somewhat like governments as well.

In almost all countries, including the United States, cooperatives are very numerous—far more so than most people realize. But they are not really so numerous as our second group of associations, which are owned by *no one*. They are formally incorporated but have no identifiable owners. Greenpeace, the Red Cross, the University of Chicago, the Massachusetts General Hospital, these and a great many more are responsible to boards of directors, usually made up of people who volunteer their time to make sure that the associations carry out their missions effectively.

### Basic Forms of Association

Associations are typically known as developmental agencies, charities, trusts, cooperatives, volunteer organizations, trade associations, professional associations, unions, foundations, environmental organizations, churches, and so on. Together these labels offer no real sense of what the overall social sector is all about: what associations do, why they exist outside the spheres of government and business, who they serve.

We believe that there is coherence in the social sector, just that it has not been clearly articulated. So we set out to develop a framework of the basic forms of associations. First we classified them according to who they have been created to benefit. In some cases, that is their own people, whom we refer to as *selves*, as with farmers in an agricultural cooperative. In other cases, they have been created to benefit *others*, outside the association, whether some particular target group such as the poor, or the population at large, as in an environmental organization.

Second, we classified them according to their basic purpose. Some associations provide some kind of *service*, such as health care or the funding of community activities. Others engage in *advocacy*, for or against change, for example to improve the treatment of convicts in prison or to reduce taxes.

This gives us four basic kinds of associations, which we label *mutual* (services for selves), *benefit* (services for others), *protection* (advocacy for selves), and *activist* (advocacy for others), shown in the matrix in Figure 1.

In discussing each form of association here, we consider various of its characteristics, including its sources of

FIGURE 1. ASSOCIATION MATRIX.

		Beneficiaries	
		OTHERS	SELVES
Purpose	ADVOCACY	<b>ACTIVIST ASSOCIATIONS</b> <b>ADVOCACY FOR OTHERS</b> (such as environmental organizations, nature preservation organizations)	<b>PROTECTION ASSOCIATIONS</b> <b>ADVOCACY FOR SELVES</b> (such as lobbying organizations, anti-defamation leagues)
	SERVICE	<b>BENEFIT ASSOCIATIONS</b> <b>SERVICES FOR OTHERS</b> (direct or indirect) (such as arts festivals, "private" universities, food banks)	<b>MUTUAL ASSOCIATIONS</b> <b>SERVICES FOR SELVES</b> (for pleasure or gain) (such as cooperatives, student newspapers, literature clubs)

financial support, which can include dues from members (who can also volunteer time), donations from donors (whether individuals or foundations), grants or subsidies from governments, and fees from users.

### **Mutual Associations: Serving Selves**

Many associations exist to provide services for the ultimate benefit of those personally involved in them. Hence we call them *mutual*.

The services may be delivered to these people directly, of which there are many obvious examples: literary clubs whose members come together to discuss books, condominium associations concerned with their members' building facilities, Alcoholics Anonymous and the like that enable members to help each other. Mutual insurance companies and retail cooperatives would technically fall into this group, since to become a customer means to become a member. Unions that negotiate contracts for their members and industry associations that source common supplies for their corporations are other examples.

The services may also be delivered to other people, but for the ultimate benefit of the members, as in agricultural cooperatives. Since these mutual associations have to rely on user fees, they tend to be somewhat more open to external influence. Those that supply services to their own members, in contrast, generally rely on dues paid by these members, often supplemented by considerable volunteering of time, and so tend to be more closed.

Membership is important in all mutual associations, although access to it can vary widely, from rather closed clubs to rather open retail cooperatives. As a consequence, mutual associations tend to be member-owned, whether formally, as in the case of cooperatives, or informally, as in clubs that emerge spontaneously.

Ocean Spray is a well-known food brand, particularly for cranberry products. What is less well known is that it is an agriculture cooperative, with more than 800 grower-members in the United States and Canada. Formed in 1930, it now employs more than 2,000 people worldwide, and has sales of more than \$1.4 billion.

The Hash House Harriers is an unusual mutual association in more than name. Expatriate British citizens started it in 1938 in Kuala Lumpur, coming together to run every week, followed by some friendly imbibing. (The members like to describe this as a drinking club with a running problem.) Since then, chapters have sprung up all over the world, mostly organized by expatriates. There are no bud-

gets to speak of, but the adherents volunteer a certain amount of time. They also hold an annual, rather "global," conference.

### **Benefit Associations: Serving Others**

Probably the most numerous of the formally organized associations, and encompassing most of the largest ones (aside from the huge cooperatives), are what we call *benefit* associations: created for the purpose of serving others. Most so-called not-for-profit and voluntary associations fit into this group.

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Indeed, the prevalence of volunteerism here—encouraged by the altruistic missions—may explain the success of many of these associations. Included here are “private” (really non-owned) universities, charities, food banks, museums, arts festivals, foundations, and many more. Organizations that promote standards, such as the International Organization for Standardization (better known by the Greek word *ISO*), may be thought to fit here, although some, by serving specific member groups, might seem more like mutual associations.

Benefit associations can provide direct or indirect services. *Direct service* means some final output, such as health care or entertainment, delivered directly to the targeted recipients. *Indirect service* helps the recipients develop their own benefits. Foundations and charities (such as the United Way), for example, provide funds that allow other associations to deliver health and educational services and the like.

Most benefit associations are non-owned, although some (such as churches, in their service work) might be more accurately described as member-owned. As a consequence, especially compared with mutual associations, they tend to require more complex and diverse financing arrangements. Donations are sought from donors and grants from governments; user fees can vary from nothing (in food banks), or token amounts (in the Salvation Army sale of clothing), to rather substantial sums (for symphony orchestras and private universities).

The volunteering of time (and other resources, even blood in the Red Cross) can also be a major activity here, and perhaps helps to explain the size and abundance of benefit associations. Volunteers usually staff the boards of directors; they sometimes hold administrative positions too, and they can get involved in the operations, sometimes as aids to the professional staff (as in hospitals), and often in fundraising.

Médecins Sans Frontières (MSF, or Doctors Without Borders) was recently awarded a Nobel Peace Prize for its pioneering work in health care. Founded in 1971 as a non-owned association in France and since replicated in other countries, MSF rushes fully equipped hospitals to areas of war and natural disaster. MSF stockpiles all the necessary supplies and transportable facilities, and maintains a list of 2,000 volunteer physicians, nurses, and other medical professionals ready to move on short notice. Financial support comes from private donations (more than 50 percent of the operating budget), as well as from foundations, governments, and international agencies.

The Grameen Bank, equally famous in its own way, is a different kind of benefit association. Founded in Bangladesh in 1976, it provides micro financing mainly to poor women, to enhance their opportunities for self-employment. During the first six years of its operation, the bank was sponsored by the Bangladeshi Central Bank and the nationalized commercial banks of Bangladesh. Today, with 90 percent of the shares belonging to the rural poor it serves—the government retains a token 10 percent ownership—the Grameen Bank has in a sense shifted toward a mutual association.

### **Protection Associations: Advocacy for Selves**

Many associations exist to advocate specific positions for the benefit of their own members. They lobby government officials and engage in various promotional campaigns to sway public sentiment in support of measures and attitudes favorable to these members. Hence we label them *protection* associations.

Protection associations tend to be member-owned, although the members may be other organizations, not just individual people. Frequently these member organizations come from the private sector, but have banded together in the social sector to function on a not-for-profit

basis because the gains go to the members rather than to the association. Chambers of Commerce established by businesses on whose behalf they act provide examples. A protection association may also be non-owned, but as a front for what amount to member interests.

Funding is rather straightforward here. Those who receive the ultimate benefits pay, usually in dues, sometimes in donations, and often in volunteered expertise as well.

The National Rifle Association is a well-known example of a protection association, although it also presents itself as acting on behalf of the public at large (in claims of supporting freedom of expression as well as protection of the population). It has been enormously successful in protecting the interests of its member gun owners, not to mention the manufacturers of armaments. Founded in 1871 to promote improved rifle handling skills and safety, today it offers a wide variety of educational programs and shooting competitions, giving it the flavor of a mutual association as well. But perhaps it has become best known and most effective as an advocate and lobbyist for the rifle-owning public.

Another protection association is Equity, the trade union formed in 1930 by a group of West End London performers. Equity members today include actors, singers, dancers, choreographers, stage managers, theater directors, designers, and other artists. While Equity negotiates minimum terms and conditions of employment, it prides itself on its work at national and international levels lobbying governments and other bodies on issues

of paramount importance to its membership, such as freedom of artistic expression.

### **Activist Associations: Advocacy for Others**

The most prominent associations these days, and the ones most often identified with “civil society,” are those that advocate for broad causes, beyond the specific interests—or at least opportunities for financial gain—of the people associated with them. These we call the *activist* associations. They are agents for change, or conservation, whether social, political, economic, or

ecological. Here we find Greenpeace, Amnesty International, and Mothers Against Drunk Driving. We also find many of the groups that protested globalization on the streets of Seattle and Quebec City.

Activist associations are just that: they engage in concerted, sometimes dramatic and confrontational acts to influence public opinion, to change private behavior, or to stimulate government action through legislation, regulatory control, and other

means. Compared with the three other forms of association, which tend to use rather focused repertoires of activities (ranging from lobbying to various forms of service delivery), the activist associations are often rather creative in their actions, aiming to draw attention to the changes they propose. Many are adept at working with the media and using the courts as well as exploiting electronic forms of communication. Many extend their influence deep inside agencies of government.

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viduals and foundations that share their political views. They also make extensive use of volunteers.

Greenpeace may be the most prominent example of an activist association. It has become a global symbol of challenge to those who pollute and damage the planet. Greenpeace uses nonviolent direct action and creative communication to expose environmental problems and to promote solutions for a “greener” world. It acts locally by blocking drainpipes and diverting nuclear carriers, while it lobbies globally, including at international conferences. After 30 years of operation, it has a presence in 39 countries, with 2.5 million members worldwide, and does not accept donations from governments or corporations.

The League Against Cruel Sports, which has been at the forefront of the campaign to ban fox hunting and other blood sports in Britain since 1924, is another example of an activist association. Political action is key to its efforts. In 2001 British Members of Parliament voted in favor of an outright ban on hunting with dogs; this was overturned in the House of Lords, and the debate has continued.

### **Associations Across the Categories**

**T**he test of a framework such as this is the ease with which different organizations can be fitted into its categories. Our experience to date, in considering a wide variety of associations, is that they all fit rather well into these four types, if not necessarily into any one type. Some function in several. But we see this not as a weakness of the framework so much as a strength,

because it helps to explain the full richness of activities carried out by associations.

Consider unions. On first glance, they seem most obviously to be mutual associations, providing a specific service for their members: they negotiate pay scales and working conditions. But unions can also (as we saw in the example of Equity) be protection associations, advocating for the interests of their members. Indeed they sometimes advocate for broader social causes too, and so can also be seen as activist associations. Some even provide support for other groups (by running food banks, for example), and so are also benefit associations.

Compare MSF with the Red Cross. The latter has strict norms about the avoidance of political engagement; the former engages actively in causes, and has often been critical of the Red Cross for its neutrality. In our terms, the Red Cross is strictly benefit, while MSF is activist as well.

Different associations that provide the same service may fit into different categories too, depending upon who ultimately gains from the activity. For example, a non-owned hospital can be considered a benefit association, while one owned and operated for a particular group—the members of a church, for example—can be considered a mutual association. Beyond associations are, of course, government-owned hospitals (for veterans, the poor, or other specific beneficiaries), and privately owned hospitals (for paying customers, to benefit the shareholders). In the United States, a significant majority of hospitals have traditionally been voluntary, or non-owned.

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This suggests that some associations get rather close to the private sector and others to the public sector. Certain mutual associations—retail cooperatives, most evidently—are quite close to private sector businesses, and in fact often compete with them. But they can be quite different in their ownership (shares cannot be traded), and in their style of operating, which can be more engaging. Many, as noted, attract voluntary help, which is not common in business.

On the other side, some benefit associations, such as the voluntary hospitals, can be quite close to services offered in the public sector. Indeed, these associations are often the vehicles by which public services are provided. The government funds; the associations deliver.

There are also associations that sit as halfway houses between government and business, doing what resembles both yet is provided by neither. The Forest Stewardship Council, for example, an international organization headquartered in Mexico, acts between government regulation of forest product standards on one side and industry self-policing on the other. In this respect, it is an indirect service provider with both mutual and benefit characteristics.

### **Why Associate?**

**W**hat are the reasons that organizations spring up outside the sectors of private ownership on one side and public or state ownership on the other?

Economists, political scientists, and sociologists have, of course, addressed this question extensively. Our frame-

work helps to further clarify that discussion. It suggests that associations appear for two prime reasons. The first is to advocate before (or beyond) rough consensus. Democratic governments generally act only when there is rather widespread acceptance that something is “in the public interest.” This does not necessarily mean total consensus—which is rarely possible in any event—and governments can certainly lead public opinion, just as they can follow it. But, generally, governments can act only within the boundaries of rather widespread support. The role of advocacy associations is to push for or against that kind of support.

The second reason for association is to provide services that are not offered in the public or private sectors for one reason or another (not profitable, too controversial, and so on), or else are offered in ways that some groups consider inadequate or unacceptable.

Governments can be crude in how they control their agencies, and in how they deal with citizens on necessarily equal bases. Businesses, on the other hand, can be crass in how they provide

products and services, and to whom. For certain services, many people prefer neither crude nor crass. The Grameen Bank, for example, presumably exists as it does to avoid the bureaucracy of government on one side and the self-interest of business on the other. It can provide banking services in a more engaging manner, with a sense of trust that it serves neither private shareholders nor any political agenda.

Popular efforts to avoid the crude and the crass, in favor of engagement, are most evident in health care and education. It is not coincidental, for example, that most

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American hospitals are non-owned, as are most of the prestigious universities. And that includes the University of Chicago, whose free market economists have not chosen to accept for themselves what they argue is so superior for everyone else.

Note that our point here is not quite the argument of market failure, which has been made often about this sector. Some associations are certainly created to provide services that have not been available in the private or public sectors—bingo clubs at churches, for example. (It's not that gambling casinos are unavailable, it's just that the atmosphere is a little different.) But others arise in the face of such services.

Consider the agricultural cooperatives that have been created by disgruntled farmers who felt that the market did not serve their interests. The market did not fail; it was just considered inadequate. The same can be concluded about the voluntary hospitals. There are private hospitals in America, and state hospitals. But Americans seem to

prefer ones that are owned by no one yet rooted in particular communities, much as they prefer nursing homes of that nature. These exist *for* those communities, and so are able to engage volunteers rather effectively. To repeat,

there can be something engaging about association, compared with business and government. Of course, when associations act like businesses, as many tend to do these days, they risk losing that advantage, as many have. The organizations of each sector have an obligation to be true to their sector's own needs.

To conclude, only with a clear understanding, represented by a concise vocabulary, can we get past a century of narrow and divisive debate—that trivializing reduction of everything to left and right, states or markets. This understanding can enable us to pursue the important work of achieving balance among the social, the political, and the economic sectors—the three necessary legs of society's stool. It is time, in other words, for association, time that associations take their rightful place in society, alongside businesses and governments. ■

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