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SIGNIFICANCE OF "NPOs" IN THE MARKET: SUGGESTIONS BY JAPANESE NPOs TOWARDS SUSTAINABLE SOCIETY

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ABSTRACT

In Japan, recently, a "market" where NPOs (nonprofit organizations) compete with FPOs (for-profit organizations) is emerging in a certain few service areas. Why do NPOs take the nonprofit form in the market? Prior researches suggest that NPOs have advantages over FPOs because of tax deductible status, donations and getting easily trust from consumers due to the "non-distribution constraint." In this paper, I focus on Japanese NPOs daring choice of the nonprofit form in the market in spite of no tax benefits, and make a comparison between NPOs and FPOs in terms of what they think and how they behave in the market. Among others, I found that significance of taking the nonprofit form is practicing policy not for precedence to economy, and that leads to sustainable NPOs which can compete with FPOs in the market.

Keywords: nonprofit form, market, policy, sustainability, Japanese NPOs

INTRODUCTION

Since the "Law to Promote Specified Nonprofit Activities" allowing incorporation of NPO was enacted in 1998, more than 32,000 incorporated NPOs were born in Japan. They are engaged in a wide variety of activities from care service for the elderly, raising children, social education, environmental preservation, even promoting technology and increasing economic activities. Although Japanese NPOs are necessary to meet various demands and provide opportunities to participate in society for people through volunteer activities, their economic role has been quite limited. It is estimated that the total expenditure of Japanese NPOs are ¥694billion¹ (\$US 6.3billion) and amount to mere 0.08% of GDP - it corresponds to the market size of two-wheeler industry in Japan (Yamauchi, 2002). However, a phenomenon which could change such a situation has occurred in recent years. Through a series of deregulations because of financial difficulties, increase of female workers and aging people, a "market" where NPOs provide services in competition with FPOs is emerging in a certain few service areas.

Why do NPOs take the nonprofit form in the market? The purpose of this paper is to investigate significance of taking the nonprofit form under competition with FPOs and to suggest significance which NPOs bring to consumers and society.

The phenomenon that NPOs compete with FPOs is prevailing throughout the world, especially in the US and European countries. Competition between NPOs and FPOs could bring some merits for both society and NPOs themselves because of satisfying diverse needs and increasing revenue; on the other hand, it could cause serious issues; perhaps NPOs will be motivated by self-aggrandizement, not social purpose, and differences between NPOs and FPOs will go. As Charlesworth et al. (1996), Weisbrod (1998) and Young and Salamon (2002) indicate, "significance of NPOs" is now in question in blurred sectoral boundaries. Prior researches discuss significance of NPOs mainly from the two points of views-"social significance" such as meeting heterogeneous demands, ensuring freedom and pluralism, and promoting cooperation among individuals (e.g., Salamon, 1992; Weisbrod, 1975; Young, 1983), or "superiority in the market" such as being perceived as being more trustworthy due to the "non-distribution constraint," being able to get tax deductible status, donations and subsidies (e.g., Hansmann, 1980; James and Rose-Ackerman, 1986; Smith and Lipsky, 1993). Especially, that the tax deduction applies only to NPOs not to FPOs in the same market generates controversy and it is presumed as a basis of "unfair competition" and a trigger for "for-profits in disguise," i.e., "NPOs" pursuing exclusively commercial activities under the cover of charitable organizations (e.g., Anheier, 2005; Etzioni and Doty, 1976; Steinberg, 1991). However, in Japan, the requirement for tax deductible organizations is very severe. First of all, due to no tax-deduction for donations to NPOs, it is very difficult for them to pass a "public support test" demanding that more than 20% of revenue is brought by donations for getting tax-deductible status². Therefore, the number of tax deductible organizations is just 70 out of more than 32,000 incorporated NPOs. That is to say, at least in Japan, the "for-profit form" ought to have a distinct advantage over the nonprofit form in terms of raising fund easily. By focusing on Japanese NPOs daring choice of the nonprofit form in spite of such an unfavorable situation, I can find significance of only NPOs.

In this paper, I consider significance of taking the nonprofit form from multiple angles; "social significance" vs "superiority in the market," "organization aspect" vs "institution

¹ In this paper, the exchange rate is 110 yen for a dollar.

² The Japanese government gives tax deductible status to QUANGOs almost unconditionally. There is a great controversy over such a tax system because it would stunt the growth of NPOs.

aspect," and "providers' perspective" vs "consumers' perspective." Under this framework, I investigate the market where NPOs provide services in competition with FPOs in Japan. More specifically, I will choose four particular market segments-nursery school service, care service for the elderly, welfare evaluation service and organic certification service-where competition between NPOs and FPOs is prevalent and NPOs have relatively a large market share.

First, I conducted questionnaire surveys to consumers to investigate how consumers' perception of "trust" affects NPOs and FPOs in the period of September of 2004 and November of 2005³. As a result, I found that significance of taking the nonprofit form do not come from getting easily "trust" from consumers because of the "non-distribution constraint." Therefore, paying attention to organizational business scale, I investigated how providers' thought and behavior in the market are different between NPOs and FPOs next.

Combining results of the researches to consumers and providers, I could gain three main findings. Firstly, NPOs do not choose the nonprofit form at all because of getting easily trust from consumers. Secondly, rather, NPOs choose the nonprofit form in order that they practice "policy" not for precedence to economy. Concretely, NPOs take the nonprofit form to provide services for socially excluded people, discuss more necessary services for the community and engage in advocacy works together with consumers. This behavior is not occurred in for-profit providers. Thirdly, practicing policy not for precedence to economy brings sustainability to NPOs to be able to compete with FPOs in the market because it attracts trust from consumers, enhances solidarity among staff members and brings financial support from governments.

INSTITUTIONAL SITUATION ON JAPANESE NPOS

Despite importance, until mid of 1990s, NPOs were not known well by the general public in Japan; therefore, most of them have been engaged in voluntary mutual help activities with a meager revenue. However, the Great Hanshin Awaji Earthquake occurred in 1995 demonstrated the limitation of governments; on the other hand, the effectiveness of voluntary activities. As a result of a clamorous cry for institutions for supporting NPOs in the public, the "Law to Promote Specified Nonprofit Activities" was introduced in 1998. NPOs are able to become incorporations easily by this law; therefore, the number of incorporated NPOs is increasing year by year. As of October of 2007, there are more than 32,000 incorporated NPOs. Followed by this law, local governments establish institutions for promoting NPO activities and carry out partnerships with NPOs. As Tables 1 and 2 show, about 77% of prefectural governments implement various types of partnerships such as contracting out, joint projects and participation in policy making process.

Table 1 - The number of local governments implementing partnerships with NPOs

	Prefectural government	Municipal government
We are now implementing	36 (76.6%)	241 (33.0%)
We are going to implement	3 (6.4%)	154 (21.1%)
We think about implementation	5 (10.6%)	41 (5.6%)
We do not think about implementation	0 (0.0%)	236 (32.3%)
Others	3 (6.4%)	48 (6.6%)

Source: C's (2003). Notes: (1) Sample size of prefectural governments = 47. (2) Sample size of municipal governments = 720.

³ Details of the questionnaire surveys to consumers are introduced in Nakagawa and Kaneko (2007a, 2007b).

Table 2 - Types of partnerships with NPOs which local governments select

	Prefectural government	Municipal government
Participation in policy making process	38 (86.4%)	228 (52.3%)
Exchanging views with NPOs	36 (81.8%)	292 (67.0%)
Contracting out to NPOs	41 (93.2%)	324 (74.3%)
Joint projects	39 (88.6%)	262 (60.1%)
Asking NPOs for advice about policies	34 (77.3%)	181 (41.5%)
Paying subsidies to NPOs	27 (61.4%)	113 (25.9%)
Offering places for NPO activities	27 (61.4%)	233 (53.4%)
Sponsoring projects and events implemented by NPOs	31 (70.5%)	172 (39.2%)
Others	2 (4.5%)	16 (3.7%)

Source: C's (2003). Notes: (1) This result is on the basis of plural answers. (2) Sample size of prefectural governments = 44. (3) Sample size of municipal governments = 428.

Especially, since the "Urgent Measure for Unemployment" which was implemented from fiscal 2000 to 2002, contracting out to NPOs is a fashionable thing for local governments. Most of prefectural governments contract with NPOs in order to meet diverse and unsatisfied needs, promote citizens' participation and provide opportunities for capacity building of NPOs as shown in Tables 3 and 4. Although contracting out to NPOs is still limited at the municipal government level, the number is expected to increase in the future as local governments are able to contract out management of their own facilities not only to QUANGOs but also to NPOs and FPOs through the "Revision of Law on Local Governments" in 2003.

Table 3 - The number of local governments implementing contracting out to NPOs

	Prefectural government	Municipal government
We are now implementing	45 (95.7%)	334 (45.8%)
We have implemented	1 (2.1%)	28 (3.8%)
We have never implemented	0 (0.0%)	294 (40.3%)
Others	1 (2.1%)	74 (10.1%)

Source: C's (2003). Notes: (1) Sample size of prefectural governments = 47. (2) Sample size of municipal governments = 730.

Table 4 - The reasons why local governments contract out to NPOs

	Prefectural government	Municipal government
To reduce costs	4 (8.7%)	100 (27.6%)
To provide services which only a local government can not offer	32 (69.6%)	221 (61.0%)
To meet citizens' various demands	36 (78.3%)	230 (63.5%)
To expect that NPOs carry out this project as their own business in the future	9 (19.6%)	27 (7.5%)
To promote transparency in policy making process	2 (4.3%)	10 (2.8%)
To promote citizens' participation in policy making process	28 (60.9%)	217 (59.9%)
To raise awareness of NPO activities among citizens	8 (17.4%)	66 (18.2%)
To raise awareness of NPO activities among public officials	7 (15.2%)	17 (4.7%)
To give opportunities for capacity building of NPOs	21 (45.7%)	107 (29.6%)
To provide financial support for NPOs	4 (8.7%)	59 (16.3%)
Others	1 (2.2%)	8 (2.2%)

Source: C's (2003). Notes: (1) This result is on the basis of plural answers. (2) Sample size of prefectural governments = 46. (3) Sample size of municipal governments = 361.

The principle of cost effectiveness and efficiency was introduced into even social services which have long been monopolized by governments because information asymmetry is inherently present and could give bad effects on consumers. For instance, in care service for the elderly, as a result of drastic deregulation, a "market" where NPOs and FPOs can provide services was emerged in 2000. Because of entry of various service providers, the market size grew rapidly-it achieved ¥6trillion (\$US55billion) for only 4 years. The market share of NPOs, in terms of the number of service providers is about 1.3% (Ministry of Health, Labour and Welfare, 2003).

The situation of nursery school service is somewhat similar. NPOs and FPOs are allowed to run nursery schools as a result of deregulation carried out in 1997. As of 2000, the market size including other related services such as child care is ¥2.6trillion (\$US24billion). The market share of nongovernmental organizations composed of NPOs in a broad sense-including educational foundations and religious corporations- and FPOs, measured in terms of the number of service providers is about 2% in 2001 (Nationwide Child Care Association and Child Care Laboratory ed., 2003).

In social and other similar services where information asymmetris cause serious problems to consumers, governments consider it necessary to implement "certification and accreditation system" to assure quality of services and protect consumers from opportunistic behavior of service providers. The market where NPOs and FPOs co-exist was born because organizations having legal entity are only permitted to be accredited bodies being able to charge for evaluation. Especially, in certification and accreditation for welfare services and organic foods, many NPOs and FPOs engage in evaluation.

The accreditation service for welfare services such as care for the elderly, challenged and children was, needless to say, formed by commercialization of welfare services as noted before. Neither the total market size nor the market share of "NPOs" is known. In four prefectures -Tokyo, Kyoto, Okayama and Mie- where a variety of service providers get in on the accreditation market, the market share of "NPOs" in terms of the number of service providers is about 36%.

The organic food certification service was accompanied by "JAS (Japanese Agricultural Standard) certification system" which reflects the CODEX guidelines, the international organic standard set by United Nations in 1999, to remove counterfeits to take advantage of increase of interest in organic foods. The market size is estimated as no more than ¥605million (\$US5.5million)⁴; however, the market share of NPOs, in terms of the number of service providers is remarkable-it is as high as 41%⁵.

Thus, as well as in the US and European countries, in Japan, competition with NPOs and FPOs appears in some fields. However, as oppose to in these countries, in Japan, in terms of tax policies for NPOs and donations, the nonprofit form has hardly any competitive advantage over the for-profit form. In the tax law, the central government defines 33activities for income, e.g., lending money, selling commodities and managing accommodations. When NPOs engage in which of activities, even if it is related to nonprofit mission and public purpose, they are imposed same tax rate as FPOs (30%) although QUANGOs are permitted light tax rate (22%). Furthermore, unlike QUANGOs, NPOs are not applied tax deductibility for donations. To obtain tax benefits, the ratio of donations to total revenue of NPOs must exceed 20%. Satisfying this requirement is extremely difficult for Japanese NPOs because, first of all, there are no tax incentives for donations to NPOs. Due to such "dilemma," the number of NPOs having tax deductibility status is merely 70 out of more than 32,000 incorporated NPOs.

CLEARING SIGNIFICANCE OF NPOS FROM MULTIPLE ANGLES

The thrust of my research is making clear significance of taking the nonprofit form in the market and significance which NPOs bring to consumers and society through focusing on Japanese NPOs not having competitive advantages over FPOs in tax policies. Concretely, I analyze significance of NPOs from the following multiple angles.

(1) "Social significance" vs "superiority in the market"

"Social significance" means a function of NPOs in building rich society. According to the public goods theory suggested by Weisbrod (1975), NPOs exist to respond diversity of demands because governments provide services based on demands of the median voter. Young (1983) argues that NPOs are established to pursue non-pecuniary goal and cause social innovation. James (1982, 1984 and 1987) and Rose-Ackerman (1982, 1983 and 1996) also argue that NPOs are founded and managed by interests in maximizing non-monetary returns or ideologies such as religious faith, adherence and socialization⁶. Salamon (1992) suggests that NPOs take a role in not only seeking for freedom and pluralism but also creating social cohesion⁷.

In contrast to such "social significance," "superiority in the market" means competitive advantages over FPOs in providing services. For example, Hansmann (1980) indicates under conditions that information asymmetry works disadvantageously to consumers, NPOs are perceived as being more trustworthy because of the "non-distribution constraint." While many researchers suggest effects of the "non-distribution constraint" as a signal of trustworthiness (e.g., Easley and O'hara, 1986; Krashinsky, 1986; Nelson and Krashinsky, 1973; Steinberg and Gray, 1993; Thompson, 1980), Ben-Ner and Van Hoomissen (1993) insists that NPOs are

⁴ I calculated it provisionally based on the average fee for certification per farmer multiplied by the number of farmers using certification services.

⁵ According as revision of Organic JAS system in March of 2006, all current certification bodies are required to apply for being a certification body again.

⁶ These assertions from a supplier side are called the "entrepreneurship theory."

⁷ Putnam (1993) suggests that activities by "civic engagement" such as NPOs could develop "social capital" which encourages the norms of reciprocity, social interaction and trust among individuals.

created by consumers themselves worrying about quality of services and opportunistic behavior so they are regarded as being trustworthy⁸. Schill (1994), Smith and Lipsky (1993), Steinberg (1987) and Weisbrod (1988) suggest that tax deductible status, donations, subsidies and volunteer labor give special merits to NPOs.

To grasp significance of NPOs more accurately, it is crucial to investigate the reason why NPOs take the nonprofit form in terms of both "social significance" and "superiority in the market;" however, many prior researches discuss it theoretically on the basis of either of them. Therefore, from these two aspects, I will not only review theories but also conduct an actual condition survey.

(2) "Organization aspect" vs "institution aspect"

In order to make clear significance of NPOs, I have to focus on not only organizational characteristics but also effects of institutions because, as North (1990) suggests, what organizations exist and how they develop depend on institutional framework. Truly, NPOs are influenced by many institutions such as tax deduction and restriction on their service areas and freedom to increase profits, so I compare NPOs and FPOs in terms of both aspects.

In organization aspect, I focus on the following three things - "organizational principle," "governance structure" and "solution to uncertainty." Concerning "solution to uncertainty," according to Arrow (1974) and Williamson (1975), organizations could contribute to reducing costs for communication and provision of trust. Therefore, considering how to exchange information and offer trust in service provision process, I make a comparison between NPOs and FPOs.

In institution aspect, I handle various institutions which are relative to NPOs such as tax policies, partnerships, subsidies, deregulation, and certification and accreditation systems.

(3) "Providers' perspective" vs "consumers' perspective"

When providers choose an organizational form, they may somewhat consider consumers' perception to appeal altruistic images and get easily trust. Most of previous works do not conduct surveys to consumers (cf. Schlesinger et al., 2004), so I deal with consumers' perspective as well as providers' perspective.

QUESTIONS EMERGED THROUGH SURVEYS TO CONSUMERS

First, I looked into how consumers' perception of trust affect NPOs and FPOs in nursery school service, care service for the elderly, welfare evaluation and organic food certification services where NPOs actively compete with FPOs. More specifically, I investigated how consumers attach importance to trust when they choose services and why consumers feel that services which they buy are trustworthy. It is to be noted that "consumers" of welfare evaluation and organic food certification services called in this paper are welfare service providers and farmers who buy a certification and accreditation service from a certification and accreditation body. As the reasons, I suppose that welfare service providers and farmers have knowledge about technical and legislative mechanisms of the certification and accreditation system and needs of final consumers in welfare service and organic food markets. In addition, according to some newspaper articles and works (e.g., Foundation of Promoting and Encouraging Farming Production Industry, 2002; Ministry of Agriculture, Forestry and Fisheries, 2002), many final consumers of welfare service and organic foods do not have sufficient knowledge or awareness of the certification and accreditation mechanism and the purposes thereof.

⁸ The assertion of Hansmann (1980) is called the "trust theory", on the other hand, that of Ben-Ner and Van Hoomissen (1993) is called the "stakeholder theory."

I conducted sample questionnaire surveys to and interviews with consumers of the above four service areas in the period between September of 2004 and November of 2005. As a result, I obtained three major findings. Firstly, regardless of whether the service provider is NPO or FPO, consumers of each service are considerably concerned with trust when they choose services. For example, parents using nursery schools attach more importance to trustworthiness than any other factors such as accessibility, fees and atmosphere of nursery schools. Secondly, the reasons why consumers feel the service to be trustworthy are different depending on whether a service provider is NPO or FPO. Thirdly, consumers' trust in NPOs does not come from the "non-distribution constraint" which many researchers point out as a signal of trustworthiness. Unlike in the case of FPOs, accreditation by governments is not the reason for trust in NPOs, too. Rather, "sharing information" such as deciding service contents and carrying out advocacy works with consumers brings consumers' trust to NPOs. That is to say, to get trust from consumers, NPOs have to make an effort not rest on being only "NPO."

So, why do NPOs take the nonprofit form? To make clear what NPOs think and how they behave in the market, I implemented case studies including intensive interviews with providers in care service for the elderly and organic food certification service. I purposely chose the two services, because, unlike in nursery school and welfare evaluation services, in elderly care and organic food certification services, there are a variety of NPOs in terms of the time of establishment and business scale. In addition, in care for the elderly, the final product - care service - is delivered within a community; on the other hand, in organic food certification service, the final product - organic foods - is offered beyond a community. By focusing on these two services having such a similarity and a difference, I could find out significance of taking the nonprofit form in competition with FPOs regardless of difference of business scale and service characteristics.

As Table 5 shows, I selected out NPOs and FPOs for my case studies so that I can control the organizational form and business scale for comparison. For instance, if I compare organizations in the column, I can see how organizational thought and behavior is different between NPO and FPO, and if I compare organizations in the row, I can see how organizational thought and behavior is different depending on business scale.

Table 5 - Target organizations of case studies

Organizational form	Business scale	
	Nationwide	Local
NPO	NPO C (care for the elderly) NPO Y (care for the elderly) NPO J (organic certification service)	NPO N (care for the elderly) NPO H (organic certification service) NPO O (organic certification service)
FPO	FPO N (care for the elderly) FPO O (organic certification service)	FPO C (care for the elderly) FPO Y (organic certification service)

To get more exact results, in nationwide NPOs of care service for the elderly, I picked up two NPOs: one is a provider offering services really nationwide and another is a provider offering services in more than one prefecture. In local NPOs of organic food certification service, I selected a provider established by the partnership movement between organic farmers and purchasers of organic produce since 1970s and a provider not having such a long partnership history.

In the period of March of 2006 and January of 2007, I interviewed with CEOs, senior managers, staff members and their some consumers by site visit and/or telephone. In the

interviews conducted on a semi-structured basis, I attempted to get "answers" to the following questions.

Question 1: Do you hold up *"We create better society," "We promote cooperation among people"* or *"We conserve environment"* as your mission?

Question 2: Do you have *"We provide services depending on each consumer's situation"* or *"We carry out advocacy works not only service provision"* as your policy?

Question 3: Do you practice the policy?

Considering Bovaird and Rubienska (1997), Drucker (1990) and Emerson (2001), in this paper, I define a mission as "aiming at being better at society level not specific organizational and individual level" and a policy as "directions on organizational and each individual staff members' behavior." According to Emerson (2001), some of the policies are provided by regular communications with members not documentation.

Controlling the organizational form and business scale, I compare target NPOs and FPOs in terms of missions, policies and behavior.

FINDINGS

Arrow (1974) suggests that the bigger organizations are, the more they apply a hierarchical system so that they can easily communicate. Considering this suggestion, I assume that nationwide NPOs attach importance to efficiency as FPOs do and local FPOs respond to each consumer's wants and needs like NPOs do rather than pursue efficiency. Is this supposition confirmed? Perhaps are NPOs' missions, policies and behavior different from FPOs even if they provide services nationwide? As a result of comparison under control of business scale, I found that NPOs' policies and behavior is quite different from FPOs in nationwide service providers and local service providers although missions are same between NPOs and FPOs. Next, I compared missions, policies and behavior between nationwide and local organizations in NPO and FPO. Consequently, I obtained remarkable findings - missions, policies and behavior of nationwide and local organizations are really same in NPO and FPO.

I show all target organizations' missions, policies and behavior in Table 6. Looking at local NPOs' behavior, I found all of them do not give precedence to economy in their service provision. For example, in the NPO N, a local care service provider, staff members eat and chat with consumers for nothing after they finish providing care service. To offer services free of pressure, they lay down that working hours of staff members are not more than two hours a day in two times a week. The NPO O not only carries out organic certification but also proposes dealing in organic produce to about 40supermarkets and tells contact addresses of organic produce dealers to farmers. In addition, they established a farming school and instruct people having interest in organic farming in the field.

Table 6 - The list of target organizations' missions, policies and behaviour

		Mission	Policy	Behavior
Nationwide NPOs	NPO C	Anyone can receive care service anytime and anywhere (source: brochure)	We respond to each consumer's needs and wants as much as possible (source: interview)	<ul style="list-style-type: none"> •Providing services for consumers refused by other care service providers •Providing services on an around-the-clock basis •Listening to consumers until they get relief
	NPO Y	We do not refuse any consumers (source: book)	We provide services according to each consumer's condition (source: interview)	<ul style="list-style-type: none"> •Providing services on an around-the-clock basis •Not for members •Studying behavior and the way of care for the challenged with them and nurses •Establishing a multi- functional facility where stationed nurses exist
	NPO J	We realize sustainable society through popularizing organic foods (source: website)	We start movements for encouraging organic farming and preserving environment with consumers (source: interview)	<ul style="list-style-type: none"> •Holding events about organic foods with consumers to the public •Discussing the way to encourage organic farming and foods with foreign environmental groups
Nationwide FPOs	FPO N	We improve quality of life and create better society through our business (source: brochure)	Headquarters decide whole things on service provision such as the way of care and handling accidents (source: brochure)	<ul style="list-style-type: none"> •Headquarters make manuals on taking care of the elderly •Headquarters deal with accidents which occur in each care facility
	FPO O	We work as a servant of environment (source: website)	We kindly respond to any questions on organic certification (source: website and interview)	<ul style="list-style-type: none"> •Telling consumers to let ask for answers when they have problems about organic certification •Holding explanatory meetings for consumers when laws on agriculture and certification are revised
Local NPOs	NPO N	We create better society by promoting human contact (source: newsletter)	We provide services based on mutual help (source: interview)	<ul style="list-style-type: none"> •Not dividing members into care workers and care receivers •Using coupon tickets when members provide/receive services •Eating and chatting with consumers for nothing after they finish providing care service
	NPO H	We encourage organic farming and preserve environment (source: website)	We popularize organic foods through advocacy works (source: interview)	<ul style="list-style-type: none"> •Holding seminars on agricultural policies with local environmental groups •Calling for enactment of the Law for Promoting Organic Farming with professors, industry, politicians and farmers
	NPO O	We improve people's health through generalizing organic farming and gardening therapy (source: website)	We act as a mediator between farmers and dealers to generalize organic foods (source: interview)	<ul style="list-style-type: none"> •Establishing a farming school and instructing people having interest in organic farming in the field •Proposing dealing in organic produce to about 40supermarkets and telling contact addresses of organic dealers to farmers
Local FPOs	FPO C	We offer pleasure of living to everyone and create better society (source: brochure)	We provide care service for consumers based on manuals created by our management committee (source: book)	<ul style="list-style-type: none"> •Deciding what kind of consumers whom they provide with services •Senior managers make manuals on the way of care and time for care •If care workers can not provide services according to manuals, they are asked about the reason by senior managers
	FPO Y	We create better society by providing safe foods (source: website)	We give advice on marketing to consumers so that they can show a profit (source: website)	<ul style="list-style-type: none"> •Providing information on the market trend for consumers •Teaching customer satisfaction analysis to consumers

Such a behavior is also seen in nationwide NPOs. To provide services for the challenged, staff members of the NPO Y study the way of taking care of the challenged with the person and nurses. In addition, they established a multi-functional facility composed of an adult day-care center, nursing and group homes for the first time in Japan. Because of existence of stationed nurses, a serious patient who was refused by a hospital can live at her ease. The NPO J, an organic certification body, discusses the way of promoting interest in organic produce in the general public and holds events with consumers.

In this way, regardless of difference of business scale, NPOs provide services without giving precedence to economy. How about FPOs? Looking at nationwide FPOs' behavior, I found that they emphasize efficiency. In the FPO N, one of the biggest care providers in Japan, the health care service department of headquarters, not care workers in each care facility, make a decision on how to take care of the elderly and handle accidents. The FPO O once held events to promote interest in organic produce; however, they only implement certification service because they feel that holding events for the public is unnecessary and uneconomic for a certification body.

Local FPOs' behavior is quite same as nationwide FPOs. The FPO C only provides care services for consumers whom they judge that they can accept. If care workers can not provide services according to manuals made by senior managers, they are asked about the reasons. The FPO Y carries out organic certification service and consultation about marketing to consumers; however, they do not hold events for the public because of inefficiency. Thus, regardless of difference of business scale, FPOs provide services with attaching importance to economy.

Why do such distinct behavioral differences between NPO and FPO occur? As Table 6 shows, both NPO and FPO have missions that they contribute to building better society and preserving environment. For instance, the NPO N states, "*We create better society by promoting human contact.*" The FPO C also says, "*We offer pleasure of living to everyone and create better society.*"

However, policies are distinctly different between NPO and FPO. According to brochures and websites of FPO providers, I found that all of them have policies for precedence to economy. For example, the FPO N, a nationwide care service provider, remarks, "*Headquarters decide whole things on service provision such as the way of care and handling accidents.*" Similarly, the FPO C, a local care service provider, says, "*We provide care service for consumers based on manuals created by our management committee.*" These policies have some advantages for consumers since headquarters and managers accept full responsibility for service provision so consumers can receive services at their ease. However, these policies also provide benefits to FPO themselves because they can achieve efficiency by centralization of information. In organic food certification service, FPOs hold policies for only focusing on their consumers not the public to achieve efficiency.

Contrary to FPOs, all of NPOs have policies not for precedence to economy which staff members understand through regular communications and daily works. For example, The CEO of the NPO N, a local care service provider, says, "We want to provide services based on mutual help activities because we achieve our mission -*We create better society by promoting human contact.*-" To realize this policy, the NPO N issues coupon tickets so that anyone both provides and receives services anytime. Although business scale is large, the NPO C also has a policy not for precedence to economy and makes an effort to realize it. A general manager of the NPO C, a nationwide care service provider, says, "We try to achieve our mission -*Anyone can receive care service anytime and anywhere*- as much as possible.

So, we provide courses to learn our thought -*We respond to each consumer's needs and wants as much as possible*- for candidates for care work. We hire people who understand our thought very well and have a strong will to practice it." In organic food certification service, as well as in care service for the elderly, NPOs take actions under their policies not for precedence to economy. Regardless of differences of business scale, both a general manager of the NPO J, a nationwide certification body, and a vice-CEO of the NPO H, a local certification body, say, "We do not want to be a mere certification body. We want to start a social movement for raising consciousness of environmental issues with our consumers so that we achieve our missions -*We popularize organic farming and produce for preserving environment*-. Therefore, they require farmers who apply for organic food certification services to implement advocacy works with them.

Thus, the different behavior between NPOs and FPOs are caused by what policies they have, not what missions they have. Unlike FPOs, NPOs have policies not for precedence to economy which reflect missions such as "*We preserve environment*" and "*We promote mutual help*" and really practice them even if their business scale becomes large. I guess why local governments pay subsidies to these NPOs is because they hold policies not for precedence to economy and make an effort to achieve them.

CONCLUSION

The purpose of this paper is to investigate significance of taking the nonprofit form in the market and significance which NPOs bring to consumers and society by focusing on Japanese NPOs daring choice of the nonprofit form in spite of not having tax benefits. To make clear these things, I looked into nursery school, elderly care, welfare evaluation and organic food certification services where competition with NPOs and FPOs are prevalent and "information asymmetry" is inherent present from multiple angles, i.e., "social significance" vs "superiority in the market," "organization aspect" vs "institution aspect" and "providers' perspective" vs "consumers' perspective." First, focusing on relationships between "trustworthiness" and "NPO," I considered significance of taking the nonprofit form because many previous works suggest that NPOs are perceived as being more "trustworthy" than FPOs due to the "non-distribution constraint."

As a result, although consumers are considerably concerned with "trust" when they choose services, why they feel trustworthiness to NPOs is because of "sharing information" such as deciding service contents and carrying out advocacy works together not "non-distribution constraint." In addition, I found that NPOs do not choose the nonprofit form because of getting easily trust from consumers, too. Rather, they choose the nonprofit form to practice policy not for precedence to economy, i.e., providing services according to each consumer's situation, implementing advocacy works with consumers. Combining results of researches to consumers and providers, I will say that practicing policy not for precedence to economy will contribute to sustaining NPOs to be able to compete with FPOs because it brings trust which consumers regard as the most important thing when choosing services, solidarity among staff members and financial support from governments.

So, why do some NPOs provide services nationally as FPOs do? Through the case studies, I obtained three reasons. The first is to practice policy not for precedence to economy throughout the country. The reason why the NPO J extends their business throughout the country is because they start a nationwide movement for raising awareness of environmental issues and promoting environmentally-friendly life style, not carrying out organic food certification service nationwide. The second is to practice policy not for precedence to economy in other related services. For instance, to practice the policy -*We respond to each consumer's needs and wants as much as possible*-, the NPO N decides service fees and

contents depending on economic situation and population structure of each area. Therefore, in some rural areas, they take care of not only the elderly and the challenged but also children with lower fees. The third is to keep motivation to practice policy not for precedence to economy. The NPO Y establishes a new facility and holds big events because they continue to practice their policy -*We provide services according to each consumer's condition*- under strong unity among staff members.

That is to say, NPOs extend their business scale in order to realize "inclusive society" that every people can live at their ease beyond differences of income level, the place of residence, physical characteristics and generation. Of course, not all of the NPOs engage in action for society. However, as far as I investigate, NPOs make an effort to create inclusive society day and night.

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