

日本における非営利組織とソーシャル・キャピタル：  
制度化の影響に関する実証研究

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Nonprofit Organisations and Social Capital in Japan: An Empirical  
Study of the Impact of Institutionalisation<sup>1</sup>

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**Abstract:**

Nonprofit organisations (NPOs) are an important part of social capital generation in a community. They provide intra-organisational as well as inter-organisational ties for the participants. In Western countries, however, it is argued that the capacity of NPOs to generate social capital has been undermined because of institutional pressure both from the state and the market. This paper intends to find the impact of institutionalisation on the capacity focusing on organisations providing care for elderly people in a suburban city in Tokyo, Japan. This research indicates that the institutionalisation of NPOs has impact on bonding type of social capital only. It also finds that the impact depends on the characteristics of organisations in terms of the relationship with existing social capital in their community. The findings suggest that institutionalisation does not necessarily undermine the capacity of NPOs to generate social capital as existing literature assumes, but it transfers the capacity as for an organisation to reduce negative aspect of social capital and to foster more positive aspect of the capital.

Key words : nonprofit organisation(NPO), social capital, institutionalisation, Long-Term Care Insurance, Japan

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## 1. Introduction

Nonprofit organisations (NPOs) have capacity to contribute to the health of a community. The appetite for participation in voluntary associations is an essential aspect of a community. Voluntary associations mediate between citizens and state agencies, mobilise people, and then solve the problems of a community outside the state's responsibility (Smith and Lipsky, 1993; van Deth, 1997). Social capital theories have indicated the significance of NPOs in the political, economic and social development of the society emphasising on the community building or developmental role of these organisations. Because social capital is not just a private good but also a public good which 'inheres in the relations between actors and is drawn upon to facilitate collaborative actions (Maloney, et al., 2000, p.213)', it is assumed that voluntary associations generate social capital effectively in offering people cross-cutting ties and social networks (Putnam, 1993a).

One of the major changes in terms of the role of NPOs is that they have become recognised as an important part of social service provision. NPOs are expected to be effective and efficient agencies and assumed to have comparative advantages over the state and the market (Weisbrod, 1977; Hansmann, 1980). It is argued that NPOs have become a part of the welfare mix (Evers, 1995). The boundaries between the nonprofit sector and other sectors have been blurred through contracting as well as competition in social service provision and the relationship of NPOs and the state and the market has become much closer. Consequently, NPOs have been institutionalised (Kramer, 1994, p.52).

In Western countries, especially in the United States and the United Kingdom where the institutional pressure on NPOs are much evident, institutionalisation of NPOs often have negative connotation. Institutional theories argued that it is difficult for institutionalised organisations to balance between external pressure and organisational strategy or mission. As a result of institutionalisation, organisations may become healthier and they are more likely to survive (DiMaggio and Powell, 1983). In contrast, the community where the organisations are based may become unhealthier (Backman and Smith, 2000). Therefore, it is assumed that institutionalisation of NPOs may undermine their capacity to contribution to the community (Smith and Lipsky, 1993; Alexander et al., 1999; Backman and Smith, 2000).

In Japan, the institutional environment of NPOs has changed drastically within several years. For instance, community-based organisations, which are relatively small and used to be unincorporated but have been contributing to our social, economic and political life in a community apart from the state and the market, find the way to be incorporated under the Law

to Promote Specific Nonprofit Activities [*Tokutei Hieiri Katudou Sokushin Hou*] (so-called the NPO Law) in 1998. The Long-Term Care Insurance Law [*Kaigo Hoken Hou*] in 2000 makes it possible for NPOs to be a registered service provider of welfare service for elderly people. Currently, NPOs collaborate with the public sector organisations. At the same time, NPOs compete with public as well as private for-profit organisations in providing social services. Institutional pressure on NPOs from other sectors has become evident in Japan.

According to Western experience, it could be assumed that the capacity of NPOs to contribute to their community would be undermined as the institutionalisation of their environment progresses; however, few empirical evidences addressed this assumption in Japan. Therefore, the purpose of this paper is to explore the impact of institutionalisation on NPOs' capacity to generate social capital in a community. This paper intends to fill the gap between the assumptions of Western literature and the current state of Japanese NPOs in terms of the impact of institutionalisation.

It is difficult to measure the capacity of NPOs to generate social capital itself, this research focuses on the level of social capital within organisations. A questionnaire survey was used to measure the level of social capital at individual level. The questionnaire was developed Toshio Yamagishi and his colleagues and designed to measure the extent of different types of trust at individual level (Yamagishi and Yamagishi, 1994; Yamagishi, 1998). In addition, interviews for these organisations were done in order to supplement the findings of questionnaire survey. In this research, both quantitative and qualitative approaches were used for the data collection.

Four organisations, which were engaged in social service provision for elderly people in a suburban city in Tokyo, were selected in accordance with their level of institutionalisation as well as the relationship with their community. In order to find out the impact of institutionalisation of NPOs, organisations registered as a provider of the Long-term Care Insurance scheme were selected in this research as highly institutionalised organisations. Also this research considered the level of existing social capital in each community where these organisations were based.

First, this paper reviews existing literature on social capital and institutionalisation and their relationship with NPOs. Current situation of social capital as well as the environmental changes of NPOs in Japan is also shown. Second, the research approach is revealed in order to explore the extent of the impact of institutionalisation on NPOs. Third, the research findings in terms of the level of social capital in four organisations are discussed with implication for further research.

## **2. Theories of social capital and institutionalisation**

### **2.1. Nonprofit organisations and social capital**

#### **2.1.1. Definitions of social capital**

Defining the concept of social capital is not an easy task. Some argue that the concept is still underdeveloped (Onyx and Bullen, 2000) while others find that a number of definitions have been developed with their particular ‘nuances’ (Adler and Kwon, 2002, p.19). One of the most important definitions of social capital has been presented by Coleman (1988, 1990). He defines social capital as aspects of structure which facilitate social action. Social capital is considered to be found in any social relationships which provides resources for the action. According to Coleman, social capital is ‘embedded in the relationship among persons, an group whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish more than a comparable group lacking trustworthiness and trust (Coleman, 1990, p.304)’.

Putnam (1993a, p.167) defines social capital as ‘features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions’. He also recognises social capital as ‘features of social life – networks, norms and trust – which enable participants to act together more effectively to pursue shared objectives (Putnam, 1995a, pp.664-5)’. In this sense, social capital can solve the problems of collective action. Social capital, according to Putnam (1993a; 1993b), is considered not to be a private good but a public good which would not be provided sufficiently by private agents and should be created as a by-product of other social activities. It is argued that Putnam’s concept of social capital has become the dominant idea of the debate (Foley and Edwards, 1999; Schuller et al., 2000).

#### **2.1.2. Types of social capital**

Several researches have revealed that social capital exists in several forms (Onyx and Bullen, 2000). Portes (1998) identifies different types of social capital with regard to human motivations, namely consummatory and instrumental social capital. Similarly, Krishna (1999) differentiates relational social capital from institutional social capital. The former is based on norms and beliefs regarding appropriate behaviour within a bounded community whereas the latter refers to clear rules and behaviour which provide guidance for people. Narayan (1999) recognises relational social capital as endowments and institutional social capital as sources which contribute to generate social capital.

Putnam (2000) makes a clear distinction between 'bonding' and 'bridging' social capital following the idea of 'strong' and 'weak' ties (Granovetter, 1973) as well as 'thick' and 'thin' trust (Williams, 1988). Bonding social capital is associated with strong ties and thick trust in traditional communities and refers to inward-looking forms of social capital generated by intensive, daily contact between people and reinforces exclusive identities within a homogeneous group. Although bonding social capital may be beneficial especially for poor people (Woolcock and Narayan, 2000; Warren et al., 2001), some negative aspects should be considered (Portes and Landolt, 1996; Portes, 1998). Strongly established norms within a bounded community may bring about negative consequences in several ways. Portes (1998, p.15) summarises it as follows: 'exclusion of outsiders', 'excess claims on group members', 'restriction on individual freedoms' and 'downward levelling norms'. Therefore, the purpose of the organisation is important in making use of social capital (Boix and Posner, 1996).

In contrast, bridging social capital is outward-looking and includes people from diverse social groups (Putnam, 2000). This form of social capital is associated with less dense ties based on thin trust among heterogeneous people across certain boundaries. Bridging social capital may raise the capacity of people to gain access to information and resources lacking within their society (Granovetter, 1985). Bridging type of ties, as well as some social cohesion, is required for a society to be developed (Woolcock, 1998; Narayan, 1999). The existence of generalised trust or social trust is considered to be an important aspect of civil society where people confront risks (Giddens, 1990; Beck, 1992; Seligman, 1992; Newton, 2001).

This paper defines social capital as 'features of social life which enable participants to act together more effectively and efficiently in order to pursue shared objectives' following Putnam's definition (Putnam, 1993a; 1995b). According to Putman, social capital can be found in different forms in a society such as norms, trust and networks. In order to operationalise the concept, this paper focuses on trust at individual level rather than norms or networks and different types of trust, namely bonding and inward-looking type as well as bridging and outward-looking type are considered.

### **2.1.3. Social capital and nonprofit organisations**

NPOs are important part of social capital generation. For a community to address social problems, it is important to have connections among members of neighbourhood and ties with people outside the community (Granovetter, 1973). NPOs are considered to have capacity to generate these intraorganisational as well as interorganisational ties. These organisations

contribute to cross-cutting ties and social networks and generate social bonds within a certain group as well as between different groups (Newton, 2001).

Putnam (1995b, p.67) argues that 'networks of civic engagement foster sturdy norms of generalised reciprocity and encourage the emergence of social trust'. He emphasises the importance of horizontal associations characterised by mutuality rather than vertical organisations associates with dependence in social capital generation. He argues that horizontal associations 'bring together agents of equivalent status and power' while vertical associations 'link unequal agents in asymmetric relations of hierarchy and dependence (Putnam, 1993a, p.173)'. He points out that the decline in membership in voluntary associations indicates the disappearance of social capital (Putnam, 1995a).

Backman and Smith (2000) recognise that NPOs are critical part of social capital generation in a community. They point out that these organisations provide opportunities for local residents to interact formally as well as informally because NPOs are not subject to the motivation of the state and the market but rely on voluntary participation.

The important aspect of the relationship between NPOs and social capital is the causality. The relationship is not linear but circular. Putnam (1993a, p.177) points out that the 'stock of social capital ... tend to be self-reinforcing and cumulative. Virtuous circles result in social equilibrium with high levels of cooperation, trust, reciprocity, civic engagement and collective well-being'. Therefore, on one hand NPOs have capacity to generate social capital in a community, the stock of social capital in a community facilitates the involvement in voluntary associations on the other.

## **2.2. Institutionalisation of nonprofit organisations**

### **2.2.1. Theories of institutionalisation**

The relationship between NPOs and other sector organisations has become much closer than ever. The state and the market sectors now have significant control over the capacity of NPOs caring resources (Wuthnow, 1991; Gronbjerg, 1998). In order to meet the requirements from the state as well as the market, it is argued that NPOs have been institutionalised (Kramer, 1994).

A number of institutional theories (or neo-institutionalism) have focused on nonprofit organisations such as day care centres and child care service organisations (Baum and Oliver, 1991; 1992), art museums (DiMaggio, 1991), colleges (Brint and Karabel, 1991; Kraatz and Zajac, 1996), and associations (Halliday, Powell and Granfors, 1987). One of the main ideas

of institutional theories is that organisational structures and practices reflect the expectation of institutional environment. Emphases are on factors which contribute to legitimacy. Meyer and Scott (1983) make distinction between technical environments and institutional environments. On one hand, technical environments are defined as 'those in which a product or service is produced and exchanged in a market such that organisations are rewarded for effective and efficient control of their production systems (Scott and Meyer, 1991, p.123)'. Institutional environments, on the other, refer to 'those characterised by the elaboration of rules and requirements to which individual organisations must conform if they are to receive support and legitimacy (ibid.)'. A number of types of nonprofit organisations, especially those of professional service organisations, including schools, welfare agencies and churches, are considered as subject to strong institutional environments but weaker technical environments, while organisations providing personal services such as child care operate in weak technical as well as weak institutional environments (Scott, 1992).

Meyer and Rowan (1977) argue that the myths of environments rather than work activities determine the formal structure of organisations. Among the several sources of institutionalised myths such as relational networks and organisational practices, they recognise that public organisations are important part of the generation of myths. They argue that 'many myths also have official legitimacy based on legal mandates. ... Legislative and judicial authorities create and interpret legal mandates; administrative agencies ... establish rules and practice; and licenses and credentials become necessary in order to practice occupations (ibid., p.347)'. A understand that a common legal environment has influence upon behaviour and structure of an organisation (DiMaggio and Powell, 1983).

Organisations in strong institutional myths acquire new structure in order to accommodate with the institutional pressures. The consequences of institutional pressures are isomorphism of organisations with external environments. Meyer and Rowan (1977, pp.348-9) argue that organisations 'incorporate elements which are legitimated externally, rather than in terms of efficiency, ... employ external or ceremonial assessment criteria to define the value of structural elements, ... and dependence on externally fixed institutions reduces turbulence and maintains stability'. DiMaggio and Powell (1983) identify three mechanisms of institutional isomorphism: coercive isomorphism, which stems from political influence and the requirement of legitimacy, mimetic isomorphism, which results from standard response to uncertainty and refers to modelling or imitating other organisations, and normative isomorphism, which is associated with professionalisation.



Institutional isomorphism may bring about the higher levels of success and survival of organisations; however, institutionalised organisations find it difficult to balance the requirements from ceremonial elements and efficiency of day-to-day practices. As a result, organisational structure may be decoupled from activities (Meyer and Rowan, 1977). Organisations will react to accommodate themselves to external pressure to be legitimate rather than behave in accordance with their strategies or organisational mission.

#### **2.2.2. Impacts of other sectors and organisational changes of nonprofit organisations**

Institutional pressures both from the state and the market influence the structures and practices of NPOs. The relationship between NPOs and the state is not necessarily zero-sum. Some argue that their relationship could be mutually beneficial and interdependent (Salamon, 1987; Lipsky and Smith, 1989-90; Saidel, 1991; Gronbjerg, 1998). Gronbjerg (1998) describes the relationship as mutual. She argues that accepting funding from the government opens up new opportunities for NPOs. Saidel (1991) finds that the NPOs and the governmental agencies exchanges substantial resources such as information, capacity and legitimacy and the exchange results in symmetrical resource interdependence between NPOs and the government. Salamon (1987) points out that although NPOs have several advantages over statutory organisations in providing collective goods, they inherit voluntary failure. He identifies four sources of the failure, including philanthropic insufficiency, philanthropic particularism, philanthropic paternalism and philanthropic amateurism. These weaknesses of NPOs are the strengths of the government and NPOs have some strengths which are the weaknesses of the government; therefore, their relationship is collaborative.

One of the remarkable changes in terms of funding relationship between the nonprofit and the state sector is shift from grant to contract-based service agreements in providing social services, especially in the United States and the United Kingdom (Wolch, 1990; Smith and Lipsky, 1993; Kramer, 1994; Lewis, 1996). It is argued that adopting contracts and using public money requires NPOs to be accountable to the government. Lipsky and Smith (1989-90) points out that contracts with the government have influences on NPOs' staffing, clients, programmes, facilities and mission because of government's heavy emphasis on equity. Therefore, there are considerable arguments and anxieties over the independence and autonomy of NPOs. Because of the inherently unequal power distribution between NPOs and the government, NPOs have lost their distinctiveness and become public agents.

NPOs have increasingly engaged in the commercial market competing with for-profit

organisations. They compete with for-profits in order to cross-subsidise the nonprofit activities because of the gap between growing social needs they recognise and financial resources they utilise (Schiff and Weisbrod, 1991; Weisbrod, 1998) as well as they provide social services in the market or quasi-market. Weisbrod (1998, pp.48-9) describes NPOs as 'multiproduct organisations' generating three types of goods with regard to their mission; they are a 'preferred collective good', a 'preferred private good' and a 'nonpreferred private good'. NPOs may produce preferred collective goods, which are related to their mission, with financial losses and then use profits from preferred private goods or unpreferred goods.

Engaging in commercial activities, however, would not be an easy task for a lot of NPOs. It requires businesslike expertise as well as management skills (Rochester, 1996). It could be difficult for NPOs to balance the provision of mission-related preferred goods with the act of raising funds by provision of unpreferred goods. Using same resources in providing different types of goods makes boundaries of these goods unclear and the provision of unpreferred goods may distort their mission (Rochester, 1996; Young, 1998). Dees (1998) recognises importance of funding from market-based activities for nonprofit organisations; however, he points out that commercialisation changes the relationship between nonprofits and their beneficiaries in charging fees, and undermines the role of nonprofit in a community in limiting opportunities for voluntary participation.

### **2.3. Social capital and nonprofit organisations in Japan**

#### **2.3.1. Social capital in Japan**

Japanese society is considered to have rich social capital. It could be argued that the existence of social capital has allowed Japanese society to achieve economic growth as well as to foster democracy outside the Western countries after the complete defeat of the Second World War. Fukuyama (1995) makes a comparison between different types of trust cross-nationally. According to him, Japan, together with the United States and Germany, is characterised as a high-trust society, whereas China, as well as France, Italy and Korea, is considered to be a low-trust society. He claims that trust in Japan is broader than in China because of weaker family ties. In a high-trust society like Japan, it is easy for an organisation to move across the boundaries of family or kinship because the existing trust reduces transaction costs and then increases economic efficiency.

Several studies have investigated in the state of social capital in Japan. Inoguchi (2000; 2002) give an overview of social capital in Japan using national surveys such as the Establishment

Census, the Time-Budget Survey and the National Character Survey, as well as following Putnam's concept of social capital. Tsujinaka (2002) shows the cultural dimension in measuring social capital from the perspectives of Japanese society in OECD context. Yamagishi and his colleagues (Yamagishi and Yamagishi, 1994; Yamagishi, 1998) have conducted comparative studies between Japan and the United States focusing on the levels of trust. They have found that the level of trust in Japan is lower than in the United States. They argue that trust in Japan is closed and restricted in a small group, while trust in the United States is generalised and open to the society at large. Trust in Japan is described as mutual assurance rather than generalised trust.

### 2.3.2. Nonprofit organisations in Japan

Salamon and Anheier (1998) categorise Japan as a 'statist' model with the small scale of the nonprofit sector and low social welfare spending by the government. This is attributed to the dominant power of the state in welfare policy and substantial corporate welfare which do not leave much space for the nonprofit in Japan.

It could be a difficult task to define nonprofit organisations in Japan. Amenomori (1997) investigates the Japanese nonprofit by applying the structural-operational definition of Salamon and Anheier (1997). He finds that considerable portions of the sector failed to meet the criteria. On the one hand, most of NPOs are so close to the government that they are considered to be quasi-governmental organisations<sup>2</sup>. On the other, there are a wide variety of community-based organisations<sup>3</sup>. They have very limited or no legal status and protection but are free from statutory authorities. Deguchi (2001) describes the latter type of organisations as non-institutional nonprofit organisations compared to the former type which he calls institutionalised organisations.

These community-based organisations have considerable influence on Japanese society. Vogel (1979) attributes the success of Japanese welfare without dependency on the state to 'communitarian ideals' (p.203). Thranhardt (1990) points out the importance of traditional neighbourhood associations<sup>4</sup> in the Japanese welfare system arguing that these organisations

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2 These organisations include *koueki houjin* (charitable organisations or public benefit organisations) such as *zaidan houjin* (incorporated foundations) and *shadan houjin* (incorporated associations) established under the Article 34 of the Civil Code, and other organisations established under specific legal provision such as *shakaisukushi houjin* (social welfare corporations), *gakko houjin* (private school corporations), *shuukyou houjin* (religious corporations), *iryuu houjin* (medical corporations), *tokushu houjin* (special public corporations), *koueki shintaku* (charitable trusts) and *kyoudou kumiai* (cooperatives).

3 They are called *nin-i dantai* or *jinkaku naki shadan* (unincorporated associations).

4 They are called *jichikai* (self-governing associations) or *chounaikai* (urban ward associations).

allow local people to have face-to-face connections and form 'the fabric or social life (p.351)'. In addition, neighbourhood organisations also provide channels between the local people and the government (Amenomori, 1997). These community-based organisations, which provide social needs and opportunities of volunteering and lobbying, are important parts of social, economic and political life of local people (Thranhardt, 1990).

### **2.3.3. Environmental changes of nonprofit organisations in Japan**

Japanese NPOs have been experiencing drastic environmental changes in the last several years. One of the important changes is the enactment of the Law to Promote Specific Nonprofit Activities (so-called the NPO Law) of 1998. This law allows a lot of unincorporated associations pursuing public interests to have incorporated status and possibly tax privileges. Under this law, a new legal status entitled specified nonprofit corporations (tokutei hieiri katsudou houjin or commonly known as NPO houjin) is given to the groups engaged in nonprofit activities such as health and welfare and community development as specified by the law .

The implementation of the Long-Term Care Insurance Law in 2000 also has been considerable impacts on Japanese NPOs. This law intends to promote community care for elderly people. Those who need caring services are financed by insurance and can purchase services from any registered service providers, including public, private for-profit and nonprofit organisations. Local community organisations can be registered providers if they have legal status as a specified nonprofit corporation.

For a local community organisation, becoming a registered service provider of the Long-Term Care Insurance scheme is problematic. Ohwa (2003) highlights a dilemma associated with the system. If a local community organisation adopts the insurance scheme, the organisation will be reimbursed by the government for the services but, on the other hand, the services will be regulated by the government at the same time. It could be possible for the organisation to provide services in accordance with the needs of the community without being registered; however in this case the organisation will lose the financial support. Furthermore, Kawashima (2003) points out the possible competition arising between for-profit and nonprofit organisations in the Long-Term care market.

As has been pointed out, the level of existing social capital is thought to be high in Japan. Fukuyama (1995) recognises that Japan is a high-trust society having broader type of trust. In contrast, Yamagishi (1998) finds that trust in Japan is closer than that in the United States as

it is restricted in a small group. It could be argued that community-based organisations, which provide opportunity to have face-to-face connections to each other and facilitate everyday life of local people, have capacity to generate social capital in Japanese society; therefore, the existing social capital in Japan is more likely to be that of bonding type which is associated with inward-looking, thick and strong ties within a relatively small group.

Japanese NPOs have been experiencing institutional pressure. Literature in Western countries, especially those in the United States and the United Kingdom where the institutional pressure from the state and the market are evident, assumes that institutionalisation of NPOs undermines the capacity of NPOs to generate social capital. As has been shown, some literature in Japan points out the danger for Japanese NPOs to become a formal part of social service provision. Few empirical studies, however, have addressed this issue in Japan. In addition, because the type of existing social capital in Japan is different from that in Western countries, the assumption of Western literature in terms of the impact of institutionalisation on NPOs' capacity to generate social capital would not be applicable to Japanese NPOs. Therefore, the purpose of this paper is to explore the impact of institutionalisation on NPOs and to fill the gap between the assumption derived from West literature and empirical evidence in Japanese society. Focuses are on the extent of institutionalisation of NPOs and the levels and types of existing social capital in a community on which NPOs are based.

### **3. Research approach**

#### **3.1. Measuring social capital**

Measuring social capital is still in the process of development. Different approaches of conceptualisation and operationalisation make it a difficult substance to measure (Schuller et al., 2000; van Deth, 2003). This difficulty is attributed to the multidimensional aspect of the concept, and so, its 'contextualisation' determines its validity (Schuller et al., 2000, p.28; Onyx and Bullen, 2000<sup>5</sup>). The operationalisation of the concept should be determined in accordance with its focal issues (Schuller et al., 2000). In addition, the multidimensional characteristics of social capital mean that it requires multiple indicators to measure it (van Deth, 2003). He recommends the use of multiple-item measurement rather than procedures based on only single-item<sup>6</sup>.

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5 For example, Onyx and Bullen (2000) find eight distinct dimensions of social capital empirically using factor analysis.

6 In addition to this, van Deth (2003) points out another five possible 'pitfalls' in measuring social capital, namely using proxies from existing data sets, using perceptions instead of observations, using aggregate measures for collective phenomena, using inverse measures as proxies, and using identical indicators in different settings (ibid., pp86-8).

Another difficulty stems from the circularity of the concept (Boix and Posner, 1996; Portes, 1998; Schuller et al., 2000). Portes (1998) describes social capital as 'simultaneously a cause and effect (ibid., p.19)'. In order to avoid this problem, a research is required to clarify its dependent and independent variables and to study factors that may have effects on these variables. Foley and Edwards (1999) identify two different approaches in the social capital literature: one treating social capital as an independent variable, the other considering it as a dependent variable.

With these arguments in mind, this research uses both quantitative and qualitative approaches. The individual level of social capital, including both bridging and bonding types, is considered as a dependent variable. In this research, a questionnaire survey measured the level of social capital in organisations and interviews supplemented the findings of the survey.

### **3.2. Organisations**

This research focused on NPOs providing care for elderly people within a municipal government located in suburban area in Tokyo, Japan. In order to control the possible effects of outside factors, only NPOs from a single field and in a single local government were considered. Within the geographical area of the local government, four NPOs, which had the legal status of specified nonprofit corporations, were selected with regard to these two independent variables.

First independent variable was the level of institutionalisation. In this study, being a registered provider of the Long-Term Care Insurance scheme was considered as a proxy of institutionalisation because the scheme creates an institutional environment in a couple of ways. First, the scheme regulates several aspects of services and practices, including quality as well as quantity of services, qualification of staff, and the reporting and accounting system of registered providers. Second, the scheme creates the long-term care market because it gives recipients right to select providers. NPOs providing services based on the scheme have to compete with public and for-profit organisations in the market. Consequently, NPOs have adopted formal structure rather than informal, become relied on professionals rather than volunteers, and accepted business-like practices.

Second independent variable was the extent of existing social capital to which the organisations are based on their community. Social capital theories point out the circular relationships between existing social capital and the capacity of NPOs to generate social capital. In this research, the community-based aspect of organisations was evaluated how the

organisations were established and to what extent the organisations had relationships with the local community.

These organisations were categorised in four independent categories described as a two by two matrix (Figure 1). Organisation A and B were considered to be highly institutionalised as registered providers of the Long-Term Insurance scheme, while Organisation C and D were less institutionalised. The community-based aspect of Organisation A and C was high because these organisations were formed by local residents in order to address their own problems in the community. Organisation B as well as D were considered to be less community-based because they were formed and organised not necessarily by the local residents but by those who shared particular principles or needs.

Profiles of the organisations were summarised as follows:

- Organisation A was rooted in a community group and established by several community leaders in order to improve the welfare in their community. Most members came from local residents. The composition of members was diverse in terms of their social status and demographic features. This organisation had connections with other local organisations in the community, including neighbourhood associations, local merchants' association and PTAs. This organisation was a registered provider of the Long-Term Care Insurance scheme.
- Organisation B was a workers cooperative. Three workers cooperatives had merged to form this organisation. Most members were female. This organisation, as a cooperative, formed and managed by the people shared the idea of mutual-help. When the original organisations were established, some local residents were reluctant to be a member of these cooperatives because they thought that the organisation had particular ideological background. Those who provided as well as received services had to be a member of the organisation in principle; however, after becoming a registered provider of the Long-term Insurance scheme, they provided services to non-members to meet the requirement of the scheme. This organisation was under the umbrella of a collective body of workers cooperatives in the region.
- Organisation C was founded in order to provide mobility services for those who had

difficulty in going out on their own. Those who were aware of the limitation of existing services by the local government formed this organisation as a volunteer group. The service was dependent totally on volunteers. Users and volunteers lived across the geographical area of the local government and some volunteers lived in out side the area. This organisation did not provide any services based on the Long-Term Care Insurance scheme at that point.

- Organisation D was based on a community group. The group also established a social welfare corporation (Shakaifukushi houjin) which provided care for elderly people based on the Long-Term Care Insurance scheme. This organisation decided not to be a registered provider of the Long-Term Care Insurance scheme; rather, the organisation provided services beyond the scope of the insurance scheme to local people on a voluntary basis. Most members were local residents and they were diverse in nature.

Figure 1 Categorisation of four organisations

		Community-based	
		Low	High
Institutionalisation	High	Organisation B	Organisation A
	Low	Organisation C	Organisation D



### 3.3. Data collection

A questionnaire-based survey was conducted on July 2003 in order to measure the level of social capital in each organisation at individual level. The items were comprised of questions taken from the questionnaire survey developed by Toshio Yamagishi and his colleagues<sup>7</sup> (Yamagishi and Yamagishi, 1994; Yamagishi, 1998). Yamagishi's questionnaire is designed to measure trust related scales, including 'General Trust Scale', 'Utility of Relations Scale' and 'Relational Trust Scale' (Yamagishi, 1998, pp.89-109)<sup>8</sup>. These scales have been proved to be independent through performing a factor analysis<sup>9</sup> (Yamagishi and Yamagishi, 1994).

General trust is 'a belief in the benevolence of human nature in general and thus not limited to particular objects (Yamagishi and Yamagishi, 1994, p.139)'. General Trust Scale is calculated as a mean of the six items from the questionnaire; 'most people are basically honest', 'most people are trustworthy', 'most people are basically good and kind', 'most people are trustful of others', 'I am trustful' and 'most people will respond in kind when they are trusted by others'. This scale is considered to measure bridging type of social capital (Yamagishi, 1998).

Utility of relations is "in-group bias" or preferential treatments to insiders (Yamagishi and Yamagishi, 1994, p.153)' and refers to the belief that 'one receives special treatment by using personal relations and in-group favouritism (Yamagishi, 1998, p.95)'. This scale is calculated as a mean of the three items related to the expectation of 'in-group favouritism' (ibid., p.95). They are; 'if I were going to buy a used car, I would feel more comfortable buying it from a salesperson whom a friend had introduced me to in person rather than from a salesperson who is a total stranger', 'when negotiating over an important issue with a total stranger it is very important to have a personal introduction by someone you know well', 'a doctor examines a patient more carefully than usual if the patient has been referred by a personal acquaintance'. Utility of relations is considered to describe one of the aspects of bonding type of social capital.

Relational trust refers to the belief that 'intimately related people are trustworthy (Yamagishi, 1998, p.95)'. It is based on knowledge about a person. Four items are used to calculate Relational Trust Scale, including 'I trust a person I know well more than one whom I don't know', 'whatever work I have to perform, I feel more secure when I work with someone

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7 In this research, items of the questionnaire were provided in Japanese. Translation from English to Japanese was based on Yamagishi (1998).

8 Although the questionnaire developed by Yamagishi and his colleagues includes item of other scales, this research adapts these three scales in order to measure the levels of social capital. In Yamagishi and Yamagishi (1994), the Relational Trust Scale is as the Knowledge-based Trust Scale.

9 Yamagishi and Yamagishi (1994) explain the development of the questionnaire in detail.

I know well than with someone I don't know', 'generally, a person with whom you have had a longer relationship is likely to help you when you need it' and 'the people I trust are those with whom I have had long-lasting relationships'. This type of scale refers to interpersonal trust base on knowledge. Although both are considered to be bonding type of social capital, Yamagishi (1998) finds that the Utility of Relations Scale and the Relational Trust Scale is mutually independent.

The questionnaire was delivered to possible respondents of each organisation by the interviewees of the qualitative research. Questionnaire respondents were required to rate each items on five-point Likert-type scale (i.e. from 1: No, not at all, to 5: Yes, definitely). The questionnaire also contained items related to respondents' profiles, including the types of their participation, the frequency of their involvement, the length of their involvement, and their age and sex.

Semi-structured interviews were conducted in order to collect information related to the required independent variables. Interviewee in each organisation was a chairperson, a board member or an administrative officer who was involved in the establishment of the organisation. Each interview lasted around ninety minutes and was recorded with the permission of the interviewee and transcribed.

The profile of the interviewees from each organisation was described as follows:

- Organisation A: A board chairperson who was involved in the establishment of this organisation as one of the local community leaders
- Organisation B: A board chairperson, a vice-chairperson and a board member who were all involved in the establishment of this organisation
- Organisation C: A chief administrative officer who was involved in the establishment of this organisation
- Organisation D: A board chairperson who was involved in the establishment of this organisation.

### **3.4. Data analysis**

A total of 152 individual questionnaires were collected from four organisations (Organisation A: 50, Organisation B: 34, Organisation C: 28, Organisation D: 40).

The respondents' age range was 27 to 82 with a mean age of 56.2. 39.5% of respondents

were in their fifties and 25.7% were in their sixties. Types of participation with the organisation were fairly diverse. A quarter of respondents were volunteers and another quarter were part-time staff. 9.9% of respondents were board members. In Organisation C, 53.6% of respondents recognised that they were volunteers, while 60.0% were clients in Organisation D. In Organisation A and B, the number of part-time staff was most significant with 38.0% in Organisation A and 52.9% in Organisation B. A number of respondents participated in the activities on a regular basis. Across the organisations, 31.6% answered that they participated almost every day and 44.1% 1-2days a week. In addition, a lot of respondents answered that they had been involved in the organisation for more than 5 years (41.4%). The majority of respondents were female with 77.6%.

Table 1 describes the basic statistics of each scale across the organisations.

Table 1 Basic statistics of each scale across organisations

		Number	Mean	SD	Minimum	Maximum
<b>General Trust Scale</b>	Organisation A	50	3.56	0.460	2.67	4.67
	Organisation B	34	3.60	0.544	2.67	4.83
	Organisation C	28	3.45	0.862	1.40	5.00
	Organisation D	40	3.57	0.528	2.50	4.33
	Total	152	3.55	0.584	1.40	5.00
<b>Utility of Relations Scale</b>	Organisation A	50	3.51	0.789	1.67	5.00
	Organisation B	34	3.51	0.896	1.00	5.00
	Organisation C	28	3.52	0.739	2.00	5.00
	Organisation D	40	3.95	0.652	2.33	5.00
	Total	152	3.63	0.789	1.00	5.00
<b>Relational Trust Scale</b>	Organisation A	50	3.87	0.619	2.75	5.00
	Organisation B	34	3.76	0.572	2.00	5.00
	Organisation C	28	3.80	0.806	2.00	5.00
	Organisation D	40	4.15	0.660	2.00	5.00
	Total	152	3.91	0.669	2.00	5.00

In order to make comparison of the scores of the General Trust Scale, the Utility of Relations Scale and the Relational Trust Scale across the organisations, Kruskal-Wallis Rank Sum Test was used<sup>10</sup>. This test is one of the nonparametric techniques of hypothesis-testing and is used to compare the scores of more than two groups (Bryman and Duncan, 2000). The reasons for

10 SPSS ver 11.0 for Windows was used for statistical analyses.

using nonparametric techniques were twofold. Firstly, the original data was measured using ordinal scales (i.e. Likert-type scales) and secondly, it could be wrong to assume that the sample population was normally distributed because of the procedure used in distributing and collecting the questionnaire.

Table 2 shows a comparison of each scale across the organisations based on the Kruskal-Wallis Ranks Sum Test. There was no statistically significant difference in the mean rank of the level of the General Trust Scale among these organisations with the non-significant Chi-Square value (Chi-Square value=.561,  $df=3$ , significance level=.905). This result means that there is no difference in terms of general trust level among organisation.

In contrast, both in the Utility of Relations Scale and the Relational Trust Scale, statistically significant differences were found as a result of the test. With a Chi-Square value of 10.212 ( $df=3$ ), there was a significant difference among the mean rank of the Utility of Relations Scale across these organisations at a significance level of .017 ( $<.05$ ). As can be seen in Table 2, Organisation D had the highest mean rank of 95.05, then Organisation A: 71.34, Organisation B: 71.28, Organisation C: 65.55; therefore, it was safe to say that Organisation D was highest in terms of the level of the Utility Trust Scale.

Similarly, a significant difference among the mean rank of the Relational Trust Scale was found. The Chi-Square value was 8.431 ( $df=3$ ) and an asymptotic significance level of .038 ( $<.05$ ). Organisation D again was considered to have the highest level of relational trust with a mean rank of 93.31, while Organisation B had the lowest mean rank of 66.75. The mean rank of Organisation A was 71.70, and that of Organisation C was 72.89.

Table 2 Comparison of each scale across organisations

		Number	Mean Rank
<b>General Trust Scale</b>	Organisation A	50	76.40
	Organisation B	34	77.29
	Organisation C	28	71.48
	Organisation D	40	79.46
	Total	152	
<b>Utility of Relations Scale</b>	Organisation A	50	71.34
	Organisation B	34	71.28
	Organisation C	28	65.55
	Organisation D	40	95.05
	Total	152	
<b>Relational Trust Scale</b>	Organisation A	50	71.70
	Organisation B	34	66.75
	Organisation C	28	72.89
	Organisation D	40	93.31
	Total	152	
	Chi-Square	df	Asymp. Sig.
<b>General Trust Scale</b>	0.561	3	0.905
<b>Utility of Relations Scale</b>	10.212*	3	0.017
<b>Relational Trust Scale</b>	8.431*	3	0.038

\* Chi-Square value is significant at the .05 level (2-tailed)

On the Utility of Relations Scale and the Relational Trust Scale, multiple comparisons were conducted among the organisations. Table 3 describes the results. The Mann-Whitney U Test was chosen in order to compare the score of each scale among the organisations. Confidence intervals were adjusted based on the Bonferroni procedure<sup>11</sup>. As a result, only two pairs of comparisons showed a statistically significant difference. On the Utility of Relations Scale, the score between Organisations A and Organisation D was statistically different with a significance level of  $.006 < .05/6$  (two-tailed). Further, on the Relational Trust Scale, it was revealed that the score between Organisation B and Organisation D had a significant difference with a level of  $.007 < .05/6$  (two-tailed).

11 The probability is divided by the total number of pairwise comparisons. In this study, it is  $(k(k-1)/2)=6$ . Therefore, a significant level of .05 equals to .0083 here.

Table 3 Multiple comparisons of each scale between organisations

	Organisations		Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig.
<b>General Trust Scale</b>	A	B	849.5	2124.5	-0.0046	0.9963
		C	645.0	1051.0	-0.5751	0.5652
		D	940.5	2215.5	-0.4862	0.6268
	B	C	435.0	841.0	-0.5834	0.5596
		D	665.5	1260.5	-0.1583	0.8742
	C	D	515.5	921.5	-0.5566	0.5778
<b>Utility of Relations Scale</b>	A	B	849.0	2124.0	-0.0092	0.9926
		C	623.0	1029.0	-0.8146	0.4153
		D	666.0	1941.0	-2.7514*	0.0059
	B	C	454.5	860.5	-0.3074	0.7585
		D	480.0	1075.0	-2.1951	0.0282
	C	D	352.0	758.0	-2.6219	0.0087
<b>Relational Trust Scale</b>	A	B	803.5	1398.5	-0.4282	0.6685
		C	699.0	1105.0	-0.0105	0.9916
		D	712.5	1987.5	-2.3557	0.0185
	B	C	434.5	1029.5	-0.5931	0.5531
		D	436.5	1031.5	-2.6805*	0.0074
	C	D	418.5	824.5	-1.7788	0.0753

\*Z value is significant at the .05 level (2-tailed).

## 4. Discussion

### 4.1. Institutionalisation and existing social capital

The result indicates that the impact of institutionalisation of NPOs on social capital in organisations was found at least in part. Organisation D, which was not a registered provider of the Long-Term Insurance scheme and was characterised as less institutionalised and highly community-based, showed having statistically significant level of bonding type of social capital, utility of relations and relational trust, compared to other organisations. Therefore, it could be argued that institutionalisation of NPOs has negative impacts on bonding type of social capital.

In contrast, no statistically significant difference was found among the scores of the General Trust Scale across the organisations. This result suggests that institutionalisation of organisations did not influence on bridging type of social capital in organisations regardless to their relationships with the community.

Multiple comparisons of the scores of each scale suggest, however, complex relationships between institutionalisation of organisations and community-based characteristics of NPOs. The scores of the General Trust Scale again showed no difference between any possible pairs of organisations. In terms of the Utility of Relations Scale, the score of Organisation D was higher than that of Organisation A but there was no difference between the score of Organisation

D and Organisation B. Both Organisation A and Organisation D were characterised as highly community-based and the difference between these organisations was the extent of institutionalisation. Less institutionalised Organisation D had higher score of the Utility of Relations Scale than highly institutionalised Organisation A. Utility of relations is bonding type of social capital associated with in-group favouritism; therefore, the result suggests that the level of bonding type of social capital is lower in a highly institutionalised organisation. Furthermore, the score of the Relational Trust Scale was higher in Organisation D than in Organisation B while there was no difference between Organisation D and Organisation A. This result indicates that the level of relational trust which refers to trust based on knowledge of the people in institutionalised organisation could be significant if the organisation is not based on community social capital.

The findings here suggest that the level of social capital is lower in highly institutionalised organisations; however, the impact of institutionalisation is not necessarily described negatively as existing literature in Western countries assumes. The result shows that the Utility of Relations Scale was lower in highly institutionalised organisations. Utility of relations is inward-looking and tightly bound social capital. This type of relationship is based on expectation as well as obligation to other members in a group. It could be argued that a strong sense of mutuality constrains the activity of participants. At the same time, strong norms of reciprocity may exclude those who are outside the group and hinder generalised trust. Therefore, a high level of utility of relations may have a negative aspect on both insiders and outsiders of the group.

In Organisation A, the score of the Utility of Relations Scale was lower than in Organisation D. This result implies that the level of in-group favouritism or inward-looking type of social capital was lower. Participants could be freed from too strong ties of obligation and expectation in highly institutionalised organisations. In this sense, institutionalisation reduces the negative aspects of social capital. Therefore, it could be argued that institutionalisation does not undermine the capacity of NPOs to generate social capital; rather, it changes the capacity to generate more positive type of social capital rather than negative one.

Compared to utility of relations, the level of relational trust in Organisation A was not low. Relational trust refers to a belief that well-known people are trustworthy. This type of trust is considered to be bonding type of social capital but not necessarily associated with the negative aspect of social capital. Unlike utility of relations, relational trust is not based on expectation or obligation and the ties of relational trust may be weaker than that of in-group favouritism.

People will expand their connections beyond the boundaries if they have an opportunity to have knowledge about other people. In an institutionalised organisation compared to a traditional community-based organisation, ties among participants may be weaker and broader. In the case of the organisations of this research, registered providers of Long-Term Care Insurance had employed professional staff and accepted users beyond the boundary of their local community. In this sense, participants had opportunities to interact with more diverse people. This experience made it possible for people to expand their ties beyond the community to which they are based and learn to trust each other.

In Organisation B, the score of the Relational Trust Scale was lower than in Organisation D, whereas there was no difference for the Utility of Relations Scale. In contrast to the case of Organisation A, relational trust rather than utility of relations was low in Organisation B. This suggests that institutionalisation may reduce the negative aspect of social capital only if the organisation is based on the existing stock of social capital in a community. If the organisation does not utilise the existing stock of social capital, the effect of institutionalisation may be different.

In order to explain the different consequence of the level of social capital in Organisation A and Organisation B, it is worth considering the foundation on which these organisations are based. Organisation A, characterised as highly community-based, was based on a geographically defined community. The founders were community leaders and had strong networks with existing community organisations such as neighbourhood associations, local merchants' association and PTAs. Most members of the organisation were local residents with fairly diverse composition in terms of their social and demographic status. In contrast, Organisation B, which was considered less community-based, was a workers cooperative in which members shared the principle of mutual help. Organisation B was more homogeneous than Organisation A in terms of member composition as most members of Organisation B were women. It could be argued that Organisation A opened up or expanded their boundaries using existing social capital while Organisation B tightened their boundary using their shared principle when these organisations faced institutional pressures.

Organisation C was not a registered provider of the Long-Term Insurance scheme nor a community-based organisation in the sense that their members and users were not lived in geographically bounded area, and characterised as less institutionalised as well less community-based. Organisation C could have high level of social capital compared to Organisations B, which was characterised less community-based but highly institutionalised.



Multiple comparisons of scales, however, showed that Organisation C had no significant difference in terms of scores of each scale compared to other organisations. Instead, the score of the Utility of Relations Scale of Organisation C was the lowest among organisations. This result could be understood from the fact that Organisation C was not based on thick and strong community ties and this aspect remained unchanged because of the absence of strong institutional pressure.

#### **4.2. Influence of other factors**

Several other factors could have influenced the results of this study. First factor to note is how the organisations recognise the influence of institutionalisation. The result suggests that the impact could be recognised more positively by the organisations studied in this research than the Western literature assumed. Despite the fact that the organisations registered as a provider of Long-Term Care Insurance were dependent heavily on the public funding, interviews on these organisations revealed that they recognised the law as an opportunity that expanded their ability to provide services rather than a threat. They thought that income from the insurance had stabilised their financial status and did not feel that they were controlled or co-opted by the state system.

Although the insurance has created a level playing field of care for elderly people in which private organisations, including for-profit and nonprofit organisations, as well as public organisations compete with each other, the market is still immature in terms of both supply and demand and the current competition would not have negative impacts as being assumed (see, for example, Rochester, 1996; Young, 1998). As a consequence, the networks and connections of organisations, including volunteers' participation, governance structure, paid-staff and volunteer relationships have not been so undermined as have Backman and Smith (2000) assumed.

The relationship between these organisations and the local government might have an influence on the social capital generation as well. Interviews found that every organisation in this study described the relationship with the local government as a 'partnership' or 'interdependence'. These organisations felt that they shared same goals with the local government as a provider of public services. Their relationship with the government could be cooperative (Najam, 2000). In providing public goods, being legitimised by the government is a crucial aspect in Japan because of the public-private dichotomy in Japanese society (Iokibe, 1999). In this case, the government compensates the voluntary failure aspects (Salamon,

1987). Furthermore, having good relationships with a local government may have expanded the networks of an organisation.

#### **4.3. Bridging social capital in Japan**

Across the organisations, no evidence of influence of institutionalisation on bridging social capital was found. There was no significant difference in the score of the General Trust Scale. Therefore, the impact of institutionalisation was limited to the bonding social capital.

Social capital theories assume that a NPO effectively generates the bridging social capital such as generalised trust or social trust (Putnam, 1993a; 1995b). The existence of generalised trust is considered to be one of the essential aspects of civil society (Seligman, 1992) and it is associated with the idea of modernisation (Giddens, 1990; Beck, 1992). In comparison, the society in which organisations in this study were located, or possibly Japanese society as a whole, was described as traditional. Existing social capital could be rich but the social capital was bonding type rather than bridging type. Therefore, it was difficult for these organisations to generate bridging type of social capital against this background.

#### **5. Conclusion**

Research findings suggest that the institutionalisation of NPOs has some impacts on their capacity to generate social capital. Although it is assumed in Western literature that institutionalisation undermines the capacity of NPOs, the research findings shows that institutionalisation does not damage the capacity but it transfers the capacity as for an organisation to reduce negative aspect of social capital and to foster more positive aspect of social capital. Therefore, it could be argued that institutionalised NPOs may have ability to generate new types of social capital in Japanese society in offering broad and diversified ties for the participant of the organisations and to provide an alternative way of organising society to traditional thick and strong ties.

There are some implications of this paper for related theories. First, the findings suggest that both types of social capital need to be considered. Social capital theories assume that NPOs can generate social capital effectively, especially bridging type. Although some point out the importance of the bonding social capital in the developing world (for example, Woolcock and Narayan, 2000; Warren et al., 2001), a lot of empirical studies, including both macro and micro level researches, use only generalised trust or social trust to measure social capital (for example, Stolle, 1998; Dekker and van den Broek, 1998; Wollebaek and Selle, 2002).

If this paper took only generalised trust into account, the complex relationship between institutionalisation and the existing stock of social capital would not be found. The relationship between social capital and a NPO is said to be circular. Theories assume that existing stock of social capital facilitates voluntary participation, and vice versa. If this mechanism works properly in a community where bonding social capital is more affluent than bridging social capital, a NPO is more likely to generate bonding type of social capital rather than bridging type.

Second, this research found that the relationship with the other sectors was not necessarily a threat for NPOs that undermined their contribution to community needs; rather it was an opportunity to expand the organisations' capacity to achieve their goals. Having relationship with the state may expand the networks of a NPO vertically. It may legitimise the activities of NPOs. Providing public goods as a legitimate provider makes participants feel confident about what they are doing. Similarly, the market may expand a NPO's networks and make it possible for the organisation to reach the potential clients. If a NPO utilises the existing stock of social capital, the relationship between social service provision and community development would not be trade-off nor would the organisation lose its comparative advantage.

Third, this research presented a picture of current NPOs in Japan. The questionnaire survey of this research found the evidence of the impact at least at the subjective level of participants. Further research is needed in order to investigate the impact on the different level, especially the level of an organisation or a community as a whole. Although it revealed the complex relationship between institutionalisation and the existing social capital, it was just a snapshot. The mechanism how a NPO generates social capital and how institutionalisation affects the capacity remains unanswered. A longitudinal research is needed to examine this question. This research has found that a NPO may broaden the social capital and should contribute to the development of civil society in Japan.

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