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Innovation, Entrepreneurship and Sustainable Value Chain in a Dynamic Environment

A CARING INTERPRETATION OF NONPROFIT AND THIRD SECTOR ORGANIZATIONS

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ABSTRACT

The paper aims to present care morality as a normative stakeholder approach for advancing meaningful conceptions and interpretations of the responsibility principle in nonprofit and third sector organizations. The language and method of care, with their focus on both dialogue and the reciprocal strengthening of interpersonal relationships as a primary means of moral deliberation, prove to be sound and defensible for enhancing proper justifications of the legitimacy of stakeholder and 'organization-stakeholder' relationships in European third sector environments. A reasoned review of the main literature on caring offers new insights and suggestions to conceive of nonprofit and third sector organizations as ideal 'architectures of care' that might simultaneously enhance the effectiveness and moral quality of public service provision in local communities. The validity of our arguments is circumscribed to membership-based nonprofit and third sector organizations (voluntary organizations and social enterprises); assets-based organizations (foundations) are not addressed.

Keywords: *care, ethics, nonprofit organizations, third sector organizations, stakeholder involvement*

INTRODUCTION

The current turmoil facing Western European societies has relevant consequences for the sustainability of third sector economies. The steady shortages of public funds in a transnational context characterized by chronic budget constraints and structural crises of social-welfare systems, are forcing nonprofit and third organizations to rethink their strategies and restructuring their service-delivery models in order to survive. This legitimacy crisis of third sector economies has also deep ethical roots and consequences that urge organizations and management scholars to call for a revival of the contribution of ethics and moral disciplines to the subject.

At first glance, such a revival would seem tautological, if not almost paradoxical, when specifically concerning nonprofit and third sector organizations. Indeed, management scholars and practitioners often conceive of such organizations as ethically driven. This is to say that they are thought to share an intrinsic moral commitment to social responsibility, inherent both in their social purpose and in the

co-operative nature of the relationships they establish with service users and community stakeholders. However, there is a need to develop new approaches and methodologies that are able to disclose new ethical perspectives for reassessing or, in some cases, reshaping, concepts and interpretations of the proper ethical basis and morals underpinning their organizational principles of responsibility. In so doing, organization and management scholars still have a real chance to delve into ethical disciplines for the purpose of rediscovering ethical thought and moral philosophies. The path this paper suggests is consistent with helping nonprofit actors and practitioners to clearly understand what it means to reason – and what really counts as reasoning – with real facts and decisions from a value-laden, moral viewpoint.

At its simplest, ethics is nothing more than a system of normative cores and moral principles that force us to account wisely for ourselves and our actions in order to offer good and defensible reasons for our decisions and to justify our own conduct. What counts as a 'good reason' (or bad reason) – whether a set of justifications to give decision-makers clear choices or a right (or wrong) justification to come to their own conclusions – is indifferently influenced on the basis of the normative approach we assume for determining or evaluating ethical behavior. Such relevant aspects here include the duty to comply with principles and rules, the role of one's character and virtues embodied by one's character, and the consequences derived from the outcome of an act or a decision itself. Ethical disciplines and moral philosophies, basically, serve as common theoretical grounds for identifying a range of substantial normative cores and value systems that enable us to put practical questions and events up for meaningful conversation and discussion. Highlighting an underlying moral stance may be of special interest for grounding and developing more suitable decision-making skills. This ability may help tackle the growing ambiguities and uncertainties that board advisors, staff, or volunteers currently face when dealing with dilemmas of responsibility and accountability deficits in modern nonprofit and third sector environments.

This work aims to outline the salient contents and methodological traits of the normative theory of care, with a special concern on offering new insights and suggestions for reasoning on care morality in approaching managerial studies of nonprofit and third sector organizations.

The paper is organized as follows. The next section proposes an alternative methodology to mainstream business thought for approaching ethics in organization and management research. This underlies an attempt to highlight the strict interdependence and blurring of boundaries that exist between the ethical sphere of knowledge and the understanding of facts and managerial decisions in organizations. Indeed, this is a point of special importance when considering the moral relevance of 'stakeholder-organization' relationships in given, situated contexts, such as in nonprofit and third sector markets. In the wake of this argument, in the second section, the theoretical fundamentals and

methods of feminist ethics, and, especially, of the moral grounding of care, are presented. This is directed at shedding light on care morality as a normative stakeholder approach for advancing meaningful concepts, sound descriptions, and coherent interpretations of the responsibility principle. The third section suggests a caring interpretation of nonprofit and third sector organizations, based on four distinguishing attributes useful for setting the boundaries of care. This hopefully helps to conceive of these organizations as an ideal type of 'caring organizations' that are able to simultaneously enhance the effectiveness and the moral quality of public service provision in local communities. It is appropriate to emphasize that the validity of our arguments is circumscribed to membership-based nonprofit and third sector organizations (voluntary organizations and social enterprises); assets-based organizations (foundations) are not addressed.

PRELIMINARY CONCEPTS: THE 'INSEPARABILITY PRINCIPLE' AND THE ROLE OF 'VIRTUE ETHICS' IN STUDYING NONPROFIT AND THIRD SECTOR ORGANIZATIONS

For outlining a new ethical thought for nonprofit and third sector organizations, and in order to ensure that it might really fit for the purpose of properly affecting the moral debate on these organizations, a preliminary step needs to be taken, namely, to assume the 'inseparability principle' (Freeman et al., 2010) as an epistemological foundation of the ethics in modern organization and management sciences.

As simply put by this principle, ethics is seen as a body of knowledge that cannot be distinguished from knowledge of real facts and phenomena. This amounts to saying that, when a certain fact happens, or a certain decision is made, several ethical and moral consequences and evaluations related not only to our own interest, but also, at least, to the interests of one other part, inevitably arise and give birth to new knowledge about reality. Hence, facts, decisions and values are inseparable from their own implicit moral constructs. This deep intermingling of real facts and values holds implications that go beyond the common understanding of reality in the modern organization and management sciences. It allows real facts to be re-valued and reinterpreted by means of new moral concepts and ethical reasoning that are ultimately designed to make a more genuine moral sense of our own conduct, as well as others'. Actually, business facts and managerial decisions always have consequences, and the way these consequences are distributed among the individuals and group stakeholders necessarily involves ethical issues. Furthermore, reciprocally, one can hardly encounter moral judgements or ethical decisions that do not involve any type of business facts or consequences.

Such moral epistemology, however, stands in stark opposition to the usual role of ethics and the usual way of understanding the responsibility principle in modern organization and management

sciences. In fact, in such contexts, analyses and conversations involving ethical reasoning and moral judgments are inherently antagonistic and fundamentally separate from theory building and the making of knowledge regarding facts and managerial decisions.

In this regard, literature on business ethics offers clear examples of the major strands of thinking based on such an epistemological dichotomy (Freeman et al., 2010). At first, as a disciplinary specialty, business ethics deals with the sophisticated analysis of practical and specialized problems on behalf of practitioners and managers, who often need consultancy and the right training to navigate ethical dilemmas in their own strategy-making in order to avoid destroying 'shareholder value'. Secondly, ethics is asked to serve as an extension of the law, a form of external constraint that reins in the excess of selfish actors. At the core of the issue, that is, there is no connection seen between ethics and self-interest. The role that ethics plays in the market, for instance, is essentially normative, as it helps to accomplish the 'invisible hand' by making sure that a firm's behavior does not become so driven by its own self-interest that entrepreneurs begin to run a business for the sole purpose of taking advantage of others – whether by fraud, lying or theft. In the same vein, ethics has to do with the moral foundations that underlie corporate social responsibility (CSR). In CSR rhetoric, ethics, as applied to business, serves primarily to balance the firm's self-interest by extending the enterprise's function to society as a whole. The firm is regarded as a voluntary contributor to society and is supposed to perform this role mainly by promoting inter-sector partnerships with charities, by adopting good citizenship practices, by enhancing the safety of employees or by assessing quality standards for consumers and clients. Though the CSR literature recognizes the existence of implicit moral obligations on the part of the firm, considering them basically as legal, economic and social by-products of society, it has thus far not offered any sound justifications or inspiring remarks regarding the fiduciary duties or moral obligations underpinning CSR. The supposed normative cores underlying the notion of CSR remain rather vague and mostly under-theorized. Despite repeated references to the universal values of justice and fairness, as well as the implementation of cooperative schemes of corporate citizenship (Wood and Logsdon, 2002; Palazzo and Scherer, 2006; Waddock, 2006), this largely undefined normative approach has paved the way to the emergence of a dominant thinking on CSR that is broadly disconnected from ethical disciplines and moral philosophies.[1]

Moving the focus of ethical thought from compliance with hard-and-fast rules and abstract codes of moral conduct to the (re)discovery of human virtues would help us to gain an idea of how human virtues are still deeply embedded in current nonprofit and third sector environments. Dignity, care,

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[1] Indeed, it has to be noted that the CSR approach, along with the above-mentioned main strands of thought in business ethics, shares a common epistemology with philosophical objectivism, best epitomized by the 'ethics of justice' (Gilligan, 1982).

mutual aid, sociality and solidarity (meaning a personal sense of interrelatedness and connection to others), for instance, are all humanist values deeply embedded in human beings, who share an inborn concern for something or someone beyond our own self-interests. Basically, these human virtues refer to a sort of morality that is intimately connected to the subjective and interpersonal aspects of the self in relationship with 'the other' in a given context. Embracing such a value system as a common ethical ground, therefore, would help to deepen our critical understanding of the nature of moral obligations, social norms and fiduciary duties, as well as the ways in which they affect an organization's responsibility. Ultimately, this ethical ground would also help to 'humanize' our common sense about the morally desirable nature of stakeholders' expectations and behaviors when studying nonprofit and third sector organizations. In this sense, the core aspect of the notion of 'stakeholder', that is, the intrinsic moral commitment affecting the nature and functions of 'organization-stakeholder' relationships, lies at the very heart of the theoretical questions about the sources of legitimacy and the principle of organizational responsibility.

FEMINIST ETHICS AND MORAL GROUNDING OF CARE

Amongst the most relevant ethical theories investigated in the stakeholder literature,[1] 'feminist ethics' and, more specifically, the moral grounding of *care*, possess distinguishing virtues and attributes that deserve special attention when considering the sources of moral legitimacy influencing the responsibility of nonprofit and third sector organizations.

Feminist thought has been developed over many decades as a critical analysis of and reaction to contemporary mainstream economics and social science. Feminist ontology of human beings is tied to their epistemology. It assumes that humans are essentially relational, not individualistic beings, and that this social nature cannot be separated from the self (England 1993, 2003; Nelson, 2003). Individuals know through their relationships, and these sources of knowledge also have moral worth, as they provide the basis to undertake open-ended responsibilities with regards to each other (Sevenhuijsen and Svab, 2003). For feminist scholars, the social construction of contemporary economics has to be questioned from the central standpoint of its relationship to gender. Gender relates to the ways in which society ascribes 'masculinity' or 'femininity' to people, activities and concepts (Ferber and Nelson, 1993, p. 1ff.). Economics mirrors the way people have come to think about economic life. In the social construction of modern economics, culturally 'masculine' conceptual associations are signalized, such as men and market behaviors, along with culturally 'masculine'

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[1] A synopsis of the most relevant literature examining the moral foundations of thought on the stakeholder is offered by Phillips, Freeman and Wicks (2003).

features, such as autonomy, abstraction and logic. Quite opposite conceptual associations are labeled as 'feminine', such as women and family behavior, along with culturally 'feminine' attributes of connection, interdependence, concreteness and emotion. In other words, feminists have argued that masculinity entails separation from others, the creation of a strongly bounded sense of self, and a drive to establish agency, power relations and domination in order to ensure stability and predictability over others, whereas human emotions, care, enthusiasm and personal vulnerability are seen as impediments to action (Sevenhuijsen and Svab, 2003).

Feminist economics has extensively influenced stakeholder thought, notably beginning in the 1990s. In this process of transposition, some of the early and most prominent stakeholder scholars, including R. E. Freeman, have led, with the outcome defined in various ways, but always with labels suggesting far-reaching revisions, such as 'reinterpretation' (Wicks, Gilbert and Freeman, 1994), 'alternative approach' (Burton and Dunn, 1996b), 'hybrid approach' (Burton and Dunn, 1996a), or 'different perspective' (Burton and Dunn, 2005). Wicks, Gilbert and Freeman (1994, p. 475) start from the consideration that certain masculinist assumptions 'retained by stakeholder theory from the wider business literature' limit the usefulness of the theory, and that 'the resources of feminist thought provide a means of reinterpreting the stakeholder concept in a way that overcomes many of the existing limitations'. The intent is to suggest a different insight into 'the identity and meaning of the firm', that is, into the very core of stakeholder theory. This particularly results in a diverse image of firm-stakeholder relationships and of 'what it means for a firm to succeed', which reflects the very purpose of the firm. Indeed, some masculine metaphors are contrasted with feminist alternatives. The reasoning revolves around the following five major combinations, with the first metaphor reflecting the masculine view, while the second reflects the feminist view (Wicks, Gilbert and Freeman, 1994, p. 475):

- Corporations as autonomous entities, separate from their environment vs. corporations as webs of interpersonal relations between and among stakeholders as individuals;
- Corporations as entities aiming to enact and control their environment, seeking order and stability vs. corporations accepting change and uncertainty as enriching forces, and hence guided by the idea of 'thriving on chaos';
- Conflict and competition as a fundamental approach to managing firms vs. communication and collective action (or adversarial vs. cooperative approaches);
- Objective strategy formulation vs. strategy as a process of solidarity, drawing on people's capacity to challenge situations with empathy and communication;

- Power and authority structures as strict hierarchical constructions vs. decentralization and empowerment of people by promoting communication, involvement, trust and commitment.

On the whole, the general meaning of the proposed revisions adhering the feminist view reinterprets stakeholder management as aimed at creating value 'for an entire network of stakeholders by working to develop effective forms of cooperation, decentralizing power and authority, and building consensus among stakeholders through communication to generate strategic direction' (Wicks, Gilbert and Freeman, 1994, p. 493).

One of the most relevant strands of thought underlying the feminist philosophy is the 'ethics of care' (Gilligan, 1982; Noddings, 1984, 1999; Held, 2006). It is linked with considering relationships as an essential part of the firm, since 'a firm and its stakeholders are related to each other as part of their very existence' (Burton and Dunn, 1996b, p. 2). Transposed into stakeholder theory, this implies the adoption of a caring approach to stakeholders.

The caring approach to stakeholders has been mainly developed as scholars' response to their frustration with the direction stakeholder research has taken with its adoption of a contractual-based moral grounding and ethics of justice (Wicks, Gilbert and Freeman, 1994; Burton and Dunn, 1996a; Wicks, 1996; Burton and Dunn, 2005). Care scholars have implied that stakeholder theory is something different from a mere collection of generalized rules and universalizable principles; instead, it is a way of managing and practicing relationships that must be understood in depth and lived within particular contexts (Burton and Dunn, 2005). Wicks, Gilbert and Freeman (1994, p. 12) precisely state that 'the corporation is constituted by the network of relationships which it is involved in with employees, customers, suppliers, communities, businesses and other groups who interact with and give meaning and definition to the corporation'. In this sense, the ethics of care, like stakeholder theory, is built upon recognizing the interdependence between and among the individuals who form stakeholder groups. Stakeholder relationships are best investigated by focusing on interpersonal aspects of consensus building, communication, trust and cooperation, as it is likely that managers ought to respond to stakeholders mainly with understanding, concern and the desire to do something to help them (Burton and Dunn, 2005). The adoption of care, indeed, implies a substantial change in managerial attitudes toward firm's stakeholders that emphasizes 'the importance of human interaction and the ability to flourish in a network of relationships' (Wicks, Gilbert and Freeman, 1994, p. 494).

Moving onto a more specific, care-based line of ethical inquiry, the widely referenced first major work by Noddings on the 'ethics of care', *Caring* (1984), provides landmark insight into the 'feminine approach' to the ethics of care. According to Noddings (1984), care and the commitment to sustain it

are seen as the universal heart of ethics. The author has proposed a well-known distinction between two defining concepts of care, concepts that have been progressively refined: *caring for* and *caring about* (Noddings, 1984). While *caring for* implies 'face-to-face encounters in which one person cares directly for another', *caring about* is more general in character, since it may refer to 'strangers who have not addressed us directly, or those unknown others at a great distance' (Noddings, 1999, p. 36). '*Caring about*' may be the foundation of justice, while *caring for* should be placed over caring about, which is 'morally important because it is instrumental in establishing the conditions under which *caring for* can flourish' (Noddings, 1999, p. 36). Acknowledging Noddings' distinction between *caring fo*r and *caring about*, Tronto (1993) uses it to present four stages of the caring process. Rather than excluding care about persons from ethical care, she views 'caring about' as a necessary but insufficient precondition for fully realized care. "Caring begins with *caring about* (stage 1), identifying a need as one that ought to be met. Care progresses to *taking care of* (stage 2), assuming the responsibility for meeting the need. It moves to 'care-giving', directly meeting the need, analogous to Noddings' *care for* (stage 3). Then, the process culminates with *care receiving* (stage 4), as the recipient of care responds. Here, too, the personal nature of care ultimately remains fundamental – as it must, for as long as we *care about* the other, they remain generalized rather than concrete" (Liedtka, 1996, p. 184). In short, caring as a successful process based on successive, developing stages defies generalized and problem-solving approaches. In fact, it must always be interpreted as an investment in interpersonal relationships of which one becomes aware at – and acts properly from – a subjective level, due to the uniqueness of perceptions and lived experiences of the individuals with whom we see ourselves as having relationships.

In describing care as a practice, Tronto (1993) emphasizes its concern with both thought and action directed towards some end and dependent upon the resources of time, skill and material goods. Contrary to the stereotypical view of caring as fostering dependence, her research interests are addressed to its ability to empower the *cared for*, that is, to respect the other's autonomy and to work to enhance the ability of the cared for to make his or her own choices well. The very existence of care as a long-term practice, however, rests on mutual acceptance of the other in his or her current state as one capable of growth (Liedtka, 1996). Care is focused entirely on persons, not on 'quality', 'profits' or any of the other types of ideas around which much of today's 'care-talk' in organizations seems to revolve. It has to be undertaken essentially as an interpersonal process aimed at growth-enhancing the full capacities of the '*cared for*' to empower themselves according to defined needs and aspirations (Liedtka, 1996).

Finally, another aspect to consider is the recognition that care as practice must not be treated as an isolated process but as a part of a larger caring system, that is, as a 'community of mutual aid'

(Herman, 1993). In such a caring system, the development of a capacity to care, or to *care for* others, is fully attained only when members become aware that helping each other is the only way to advance the caring process. Particular relationships between individuals, therefore, derive their shared focus from the needs of that community, and become sustainable only by nurturing self-reinforcing cycles of care involving personal investments of care by each community member.

THE CARING ARCHITECTURE OF NONPROFIT AND THIRD SECTOR ORGANIZATIONS

If care may really support an alternative moral conception of the firm in which activities and outcomes rather than profits and self-interest take the lead, how might this ethics be different in practice from the conventional managerial view? What does it mean, in concrete terms, to *care for* others, whether they be users, employees, suppliers or other stakeholders? Broadly speaking, is it possible for an organization to *care for* others, in the *feminist* sense of the term?

Liedtka (1996) offers an interesting reflection on the preceding decade of feminist writings, advancing an original reading of the problem of promoting care as a comprehensive moral theory of stakeholder management. Liedtka (1996, p. 185) introduces a conceptual framework for approaching and developing the study of 'caring organizations', with the aim of expressly defying the easy managerial fads and business-like 'talks' that usually arise when ethical issues are raised in the firm. For Liedtka (1996, p. 196), attempting to inspire 'caring organizations' to a heuristic design of principles and practices would help scholars to address dialogues and debates to stimulate operationally meaningful translations of these ethical concepts into the managerial domain. The starting point of this reasoning is the recognition that 'caring organizations' are something more than an assembly of caring individuals, and that organizations never care alone but always as part of an all-embracing 'community of mutual care' nurtured by shared goals and resources, human skills and networked infrastructures designed to support care efforts over the long term (Liedtka, 1996, p. 187). Based on this recognition, Liedtka (1996, pp. 192-197) addresses her analysis to the following founding elements of an ideal 'architecture of care' that is able to enhance the moral quality of a firm in the market:

- Decision-making openness, since the reach of care is determined as much by sphere of influence as it is by proximity, not decision-making by conformity with rules. 'Caring organizations', therefore, cannot be bureaucracies or large corporations, because hierarchy and managerial compliance are keys of organizational survival in bureaucracies, wherein the 'superior' becomes internalized as the only 'other' worthy of concern;

- Decentralization of power, to allow managers and employees the 'reach' necessary to care autonomously and on an on-going basis. This would entail the creation of an organizational web of connections, in which the focus is on the proximal nature of mutual and horizontal relationships with key organizational stakeholders rather than on the position of 'boxes' in a hierarchy;

- Engagement of managers and employees as team-focused members for increasing the purposefulness of organizational values and goals;

- Internal communication, shared expertise and continual renewal of the firm's objectives by entailing a dialectical approach to decision-making properly handled through dialogues and the search for consensus;

- Small size, to favor decentralization of power and boost collective voice.

Accordingly, the author states that a firm bounded both by its own reach of care and the need to be competitive would have a responsibility to care 'for those in proximity to them who have needs that they are especially well-suited, by their capability to base, to fulfil, where giving such care does not act against their own needs' (p. 196). To paraphrase Wicks (1996, p. 528), therefore, to be in keeping with care implies that any 'entity', whether an individual or an organization, 'must be intimately connected with the stakeholders who make up the firm and the arrangement they use to shape their interactions'. This point has special reference for those stakeholders who are in a position of proximity to the organization and for the ways in which they direct effort at the corporation without doing harm, or acting against, their own needs and interests. As Liedtka (1996, p. 196) argues, '[…] the focus on care is also upon needs, rather than interests. Self-care is also important, so that I do not have responsibility to give care where to do so would be of significant harm to me'. This suggests that setting the boundaries of care is an exercise that serves not only to enhance the inherent moral qualities of the firm, but also to offer logics and a mechanism for evaluating the substance and health of its stakeholder management.

If the idea of the firm as a caring organization exists as a possibility, and if it really might sustain competitive advantages, then nonprofit and third sector organizations may well be conceived as significant 'organizational exemplars' trying to set the boundaries of care and envisioning 'what' and 'how' an organization designed to *care for* in a fully reciprocal sense would look like in practice.

To support this moral inquiry, we focus our attention on four founding organizational attributes that are especially promising in order to provoke a meaningful conceptualization of *caring* in nonprofit and third sector organizations that could simultaneously enhance both the effectiveness and the moral quality of public service providers. We refer specifically to the following attributes: (1) the

embeddedness in third sector environments; (2) social purpose; (3) social ownership; and (4) stakeholder engagement.

Third sector environments

European third sector economies are usually depicted as highly complex and regulated environments with blurred economic and societal boundaries comprising multiple local actors, including public authorities and civil society. In these environments different mixes of solidarity and civic virtues, public regulation, competition, and several social expressions converge for the planning of social and community-based services (Evers, 2004).[1] In essence, these mixed environments are outlined as socio-political spaces based on the preservation of power and resources and that monitor and enforce mutual expectations and co-operative efforts (Evers, 2006). This may well convey the impression of institutional environments in which the identification and pursuit of the collective interest are shaped by collaboration and mutual trust among societal participants.

Social purpose

Addressing care morality to a social purpose, instead, may lead many conceptual and practical challenges subsequent to the underlying uncertainty about the social quality, or nature, of such a purpose. The heterogeneity of organizational forms underlying European third sector environments opens up almost unlimited approaches for the identification of social purposes. If we look at the definition of social enterprise proposed by the U.K.'s Department of Trade and Industry[2] – one of the most accepted in the European literature – the primacy of social objectives is seen as a defining characteristic, with the generation of funds (profit) being a means to further the social purpose. The use of the adjective 'social' as a qualifier of the term 'enterprise' raises serious concerns about which typologies of organizational objectives can legitimately be considered social – not to mention to what extent a given organization may actually advance those social objectives. In order to resolve the point of care referred to the social enterprise's social objectives, it would remain essential to understand what 'social' means in the specific contexts of the social enterprise and how these social objectives

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[1] Although specifically referring to the emergence and institutionalization of social enterprise, Pearce (2003) has proposed a reasoned and exhaustive categorization of European third sector markets based on three distinct fields of service delivery in the local community:

- Local development and community regeneration (managed workspace, enterprise training programs, green services, social business advice and support, and infrastructure regeneration);
- Partnership with the State for the outsourcing of local public services (e.g., housing, leisure and recreation, health and social welfare services, childcare and domiciliary services);
- Community-based services in response to local demand, with a special focus on the promotion of work-integration initiatives and employment-development schemes for socially disadvantaged groups.

[2] "A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community rather than being driven by the need to maximize profit for shareholders and owners" (DTI, 2002, p. 13).

differ in nature and extension from the two extremes of the 'for-profit' business and pure 'non-profit' firms. In our opinion, discussing social enterprise – or, more generally, nonprofit and third sector organizations – without acknowledging the possibility of fundamentally divergent social objectives makes little or no sense. 'Sociality', that is, the quality of being social, inasmuch as an organization intentionally and effectively pursues the advancement of a social purpose, is a contested and problematic concept in the literature that seems to remain inextricably linked to a variety of potentially incompatible value systems and normative commitments (Nicholls and Cho, 2006). Sociality can be meant both in subjective (related to organizational ends and purposes) and objective (related to selected fields of action) terms. Organizations delivering human services, such as health and social care, education, housing, or other services, to the community clearly reflect an intrinsic commitment to a socially responsible behavior in both subjective and objective terms. Further, this orientation to sociality can range from mutuality to pure solidarity (or altruism), though it often finds expression in a combination of these two principles of action. Addressing care morality to the social purpose, therefore, seems to reach the heart of the debate about the moral foundations of social responsibility in nonprofit and third sector organizations. However, this issue seems inevitably confined to a subjective exercise, resting essentially on judgments and evaluations dependent on personal attitudes and cultural values that are inextricably associated with a particular individual's or group's own social sensitivity with regards to specific acts or given, situated contexts.

Social ownership

Social ownership is one of the most distinguishing attributes conveying caring traits to nonprofit and third sector organizations. This can be defined as a private form of collective ownership by stakeholder members or basic constituencies that basically control the organizations in order to prevent or limit the exploitation of financial surpluses and corporate assets (Pearce, 2003), or, more generally, the pursuance of divergent purposes. Many types of social ownership have an open, voluntary and formally democratic structure that is regulated to ensure co-operative advantages among the member constituents. Bratman (1992) identifies the principle of mutuality based on tripartite aspects of mutual responsiveness, commitment to the joint activity, and mutual support for the common action. These are the basic rules governing social ownership. Such organizations, by their very nature, have a participatory and highly decentralized decision-making process, facilitating internal communication, openness to dialogue and consensus building among member constituents, managers and staff. Further, the democratic governance inherent in the social ownership of many nonprofit and third sector organizations, such as voluntary organizations and 'member-based' social enterprises (e.g., co-operatives and mutual organizations), usually provides member constituencies with voice and influence, if not the formal allocation of voting rights. Following that comes a strong

sense of collective ownership and common identification with the values of equality, equity, and democracy.

Stakeholder engagement

One of the major tasks of the stakeholder approach is not just to simply identify who matters or who should be considered a stakeholder, but, instead, to seek boundary constraints that can clearly define who might not be considered a stakeholder at all (Mitchell, Agle and Wood, 1997). As previously argued, conceptualizing care morality in order to seek boundary constraints to properly address 'organization-stakeholder' relationships and searching for effective ways to influence the resulting activities and decision-making, are tasks intimately connected with the specific nature of the relationship-building established in given institutional environments.

This theoretical insight suggests that we try to sketch an all-embracing framework of methods of stakeholder engagement suited to nonprofit and third sector organizations, which may hypothetically range from conventional methods of stakeholder engagement to the management of differentiated forms of stakeholder involvement in organizational activities, even to the extent of creating 'multi-stakeholder structures', also known as 'multi-stakeholder governance'. This mixed attitude towards stakeholders can be easily observed as inherent in many such organizational forms, mainly voluntary organizations and social enterprises, which provide local public services (such as human services). Indeed, it is quite common to observe, for example, members and key stakeholders of voluntary organizations and social enterprises – such as staff, users, and volunteers, along with other local stakeholders – taking part in board meetings and 'having a say' in decision-making, as well as involving citizens and community stakeholders in the service-delivery process in various ways to enhance user co-production (Brandsen, and Pestoff, 2006). Further, it is worth emphasizing that many of these organizational forms tend to evolve into 'multi-stakeholder structures', that is, organizations which advance stakeholder engagement from a set of informal or specific practices under strict managerial design and control, to a new one based on the formalization of rules and mechanisms of stakeholder board representation.

In sum, stakeholder engagement in nonprofit and third sector organizations leads us to distinguish among four distinct – not mutually exclusive – operational logics that ideally range from 'external information' (minimum engagement) to 'multi-stakeholder structures' (maximum engagement; adapted from Gijselinckx, 2009):

- 'External information', typically addressed to key environmental stakeholders, often involving minimal or no information disclosure to other stakeholders;

- 'Informal involvement' of key service stakeholders (i.e., communication, dialogues and meetings to discuss service issues, often with little or no chance for them to influence decision-making);
- 'Formal involvement' in decision-making, which requires managerial design and control skills at different stages of the process, from identifying the principles of stakeholder engagement and the matters at stake to choosing the method, allocating voting rights or 'having a say' options, measuring outcomes, and auditing;
- 'Multi-stakeholder structures', by which key stakeholders are formally represented on the board and/or are entitled to join the membership.

With regards to the latter, two main definitions can be found in the specialized literature. On the one hand, Pestoff (1995) stresses the importance of 'multi-stakeholder structures' only in terms of stakeholder board representation. Such a form of stakeholder representation is typical of nonprofits and charities, that is, of organizations where staff, volunteers, donors, and other key stakeholders are formally represented as a board of advisors or constituency stakeholders. On the other hand, Borzaga and Mittone (1997) explicitly define as 'multi-stakeholder structures' those organizations where stakeholders are supposed to be at least members or co-owners of the firm. Such a form of stakeholder representation specifically refers to member-based organizations, like mutuals and co-operatives, with a membership (or ownership) that is formally open to the co-existence of multiple stakeholder groups who hold salient interests in taking part in decision-making and benefit from sharing in the organization's results.

According to these definitions, the nature and functions of care would be better justified by reason of 'social proximity' that affects the relationships with those stakeholders who take part in the organization's processes and get some benefit from sharing in organizational outcomes. The suggested process of setting the boundaries of care, therefore, would also require attention drawn to those interpersonal and fiduciary attributes affecting stakeholder relationships that enable us to reinforce a vision of nonprofit and third sector organizations as abler to *care for* the others in the full, reciprocal sense.

The specialized European literature on third sector organizations as providers of local public services and, more specifically, of human and welfare services, offers quite a bit of evidence on user benefits and improvements resulting from the involvement of key stakeholders in the service co-production. These are mainly pursued by sustaining user dialogues, further suggesting that users have a more effective voice when commitment to service change is critical, and when it relies mainly on customization and user attitudes (Pestoff, 1998, 2006, 2012; Fazzi, 2012; Verschuere, Brandsen and Pestoff, 2012). As a matter of fact, mutual trust, reciprocity and the nature of 'social relatedness'

inherent in relationships with service users, for instance, are all self-evident traits that clearly also reveal the potential reach of care in terms of service quality and effectiveness. A 'caring interpretation' of user empowerment, indeed, can be revealed in the aim of strengthening users' knowledge, making them aware of their own experience and taking into account their views and voice on the service delivery system. Finally, caring virtues and attitudes would seem to be fully appreciated when focusing on the social networking that such organizations are able to establish and nurture with local citizens and the civil society. This informal networking is essential for bridging relational capital and other voluntary resources at the grassroots to sustain the service delivery. Likewise, it is often considered a key resource to enabling efforts aimed to democratize local welfare systems by enhancing citizen participation in the co-planning of social services (Verschuere, Brandsen and Pestoff, 2012).

To *care for* others in a fully reciprocal sense and to be concerned for all the relevant interests at stake – at least to the extent that they do not harm their stakeholders – seems as obvious and tacitly accepted when reflecting on the moral legitimacy of stakeholders and the responsibility principle in nonprofit and third sector environments. This would also be of special relevance to improving our understanding of the role of 'virtue ethics' as a normative approach enhancing a stakeholder conception of organizations as relational entities. In this view, organizations appear not only as by-products of a set of formal and informal agreements among key stakeholders, but also as foundational parts of a more extensive and evolving social network of collaborative relationships and co-operative efforts.

CONCLUSION

The legitimacy crisis facing European third sector environments has deep ethical roots. It urges management scholars to delve into ethical disciplines, approaches and languages for rediscovering the moral sources affecting stakeholder legitimacy and the responsibility principle. This needs to be conducted in a way consistent with helping organizational members, staff, managers and other key stakeholders to better understand what it means to reason – and what really counts when reasoning – with real facts and decisions from a value-laden, moral viewpoint. The ethical thought best epitomized by 'virtue ethics', as opposed to the business-like 'ethics of justice', would seem most to the point, helping to advance our knowledge of the moral foundations of nonprofit and third sector organizations. Specifically, the language and method of care, with its special focus on both the dialogue and the reciprocal strengthening of interpersonal relationships as a primary means of moral deliberation, proves to be sound and defensible thought. Its adoption advances the understanding of proper justifications of the moral legitimacy affecting the notion of stakeholders, and 'organization-

stakeholder' relationships, in European nonprofit and third sector environments. As we have noted, the attitude to care would seem clearly visible in terms of stakeholder engagement by nonprofit and third sector providers of local public services, especially in the 'multi-stakeholder structures' delivering human and welfare services for the community. Indeed, care morality would seem to affect mainly those stakeholders who are in 'proximity' with service users, that is, those stakeholders who have salient interests in taking an active part in the service co-production process, and benefiting from sharing in the organization's outcomes.

However, at least at the current stage of research, we cannot know for certain that the moral grounding of care is the best normative theory conveying meaningful interpretations of the moral legitimacy of stakeholders in third sector realms. Once an intrinsic moral commitment to the principle of responsibility is supposed, several additional questions need to be addressed in order to reach the potential of care morality. What combinations of stakeholder practices might efficaciously manage and balance an organization's multiple objectives? How can stakeholder practices be integrated into a governance system? How should divergent stakeholder interests be balanced without doing harm or acting against them? How should boards address the potential conflicts arising from key stakeholders?

Little attention has been so far paid to conceive of care as a comprehensive moral theory of organizations. One critical explanation for this is that care morality has been contextualized only in the business realm for approaching decisional conflicts or teaching managerial dilemmas from an alternative ethical perspective. It has been used in business discourses to maintain distance from the dominant ethical thoughts on justice. Specifically, it has been developed with the prior concern of showing that the best way to understand and teach morality is to focus on the complexity of a single business issue, making use of languages and methods that try to select and isolate the caring attitudes and meanings inherent in the mutual and interpersonal aspects of 'organization-stakeholder' relationships and decision-making (Burton and Dunn 2005). Unfortunately, ethical reasoning and judgements in business studies have always been conveyed by focusing on specific facts or strategic decisions related to relevant business issues in large corporations, often adopting a strictly masculine language dominated by concepts such as self-interest, leadership, competition and profit maximization. By contrast, studying 'organization-stakeholder' relationships from the viewpoint of those key stakeholders who are in 'proximity' to – and take active part in – the service co-production process could be a useful starting point to make morally sound interpretations of the human virtues and moral qualities of nonprofit and third sector organizations as effective public service providers for local communities.

The proposed framework of care morality should hint to scholars that feminist language, methods and principles of care need to take on more relevance in the study of the moral obligations and fiduciary duties of organizations. The necessity of a moral stance on stakeholder orientation is a claim largely shared in literature; the ways in which this can be inflected in any specific culture and/or context, though, are open to debate. The hypothesis can be made that specific ethical theories are abler than others in any given environment or situation for interpreting people's ethical motives. Largely similar ethical behaviors can be traced back to different sources, according to people's sensibilities and ways of thinking, the specific context within which 'organization-stakeholder' relationships are enacted, and the specific values deposited in the organizational culture. This leads us to claim that further theoretical speculation on care and, more generally, on stakeholder thought is still required. Above all, much comparative fieldwork directed at examining concepts and ideas affecting ethics and the responsibility principle in current European third sector economies is essential.

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