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In nonprofits we trust

The perception of trustworthiness
in not-for-profit organizations

A nonprofit szervezetek iránti bizalom

A nonprofit szervezetek megbízhatóságának
percepciója

Doktori értekezés

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Because so many people around the world have expressed their interest in reading this material, I have decided to write it in English. I appreciate the help of Jamie McOuat for her linguistic comments.

Introduction

This paper is driven by my genuine search for answers to some questions that I have faced for the last twenty years of my professional life working on the development of the not-for-profit sector and its organizations in Central Europe. I witnessed the rebirth of civil society in the region and assisted in the development of many organizations. When I used to talk about my job, I saw admiration in people's eyes; I could tell that they had faith in these organizations and so did I, but after a decade, I noticed change, a bit of skepticism entered those same eyes when I talked about not-for-profits. When traveling abroad I observed that not-for-profits were generally trusted all around the world, sometimes with a blind, unquestioning trust, sometimes with a healthy suspicion. In very few places did I sense distrust.

In recent years not-for-profit organizations have been declared to be “the most trusted institutions globally” (Edelman Co. 2012, 13) (Edelman Co. 2013, 17) and the result sparks the question “why”? When the public was asked what non-governmental organizations (NGOs) had done recently to earn their trust (Globescan 2011), words used in their answers were: “help” “people” and “environment” on the one hand, and “nothing” on the other. The report on the survey does not give any further details, but even these answers are suggestive: the expressions related to “help” are likely to relate to a certain group of not-for-profits, those providing service, like traditional charity organizations. The other word frequently used: “people” can refer to helping people but also to the people one can connect with via not-for-profits. Similarly, the word “environment” can mean different things to different people: it can mean global warming and relate to other environmental issues but it can also mean one's social environment which may be nice because of the positive effect of the work by NGOs. But the word “nothing” is surprising. What does it mean? Could it mean that people feel that NGOs do nothing useful for them to gain their trust? Or does it mean that people do not see NGOs making any conscientious efforts to aim at gaining public trust? Or could it simply mean that, for NGOs to be trusted there is no need for anything special to be done. If that is so, than why do people trust NGOs?

On my journey to answer these questions I found a useful starting point in an article that looks at trust and civil society from a different angle. The article recognizes a sociological pattern, an implied causal link between the issue of joining patterns and the trust generation mechanism of voluntary organizations and the consequences voluntary organizations bear in generating trust. Nevertheless, the article authors' "plead for a research strategy that... frame resonance in social movement theory, intrinsic motivation from social psychology, and the embeddedness of trust relations in a wider civil society perspective" (Anheier and Kendall 2002, 358) to better understand the relationship of trust and voluntary organizations. This paper aims to contribute to this discourse from a different angle. It seeks to enrich our knowledge of the perception of trustworthiness in not-for-profits by using the knowledge and models of trust, civil society and communication together.

In the early stages of my work, the participation-based communication model (Horányi, *A kommunikáció mint participáció* 2006) also proved to be inspiring as it helped me realize that the issue at hand should be treated as a communication issue. The model is based on the recognition that communication, after all, means the availability of the relevant preparedness needed for the capability of the problem-solver to recognize and solve a challenge. And from that comes the key questions of the paper: why is the not-for-profit sector perceived to be trustworthy; have not-for-profits realized the perception of their trustworthiness as a challenge; if yes, have not-for-profits or other actors had the relevant preparedness needed for recognizing and solving the challenge?

To sum up, this paper is an attempt to substantiate the claim that not-for-profits are the most trusted institutions. To be able to do that, the following questions and key hypotheses have been identified as:

1. The first hypothesis is that the results of surveys regarding trust in different institutions may be misinterpreted.

To test this hypothesis a clarification of what trust means, especially in the

not-for-profit context, interpretations on possible understandings of the meaning of “not-for-profit” are presented together with the survey interpretations and are elaborated upon.

2. If not-for-profits are trusted across cultures in different environments by different people, it is either embedded in humans to trust not-for-profits or there needs to be some universally appealing characteristic/s of not-for-profits that make them trusted across cultures.

To answer this question, the paper will examine what “not-for-profits” are and how people form an opinion regarding trustworthiness of the not-for-profit sector.

3. The third key hypothesis is that trust of the public in the not-for-profit sector is not the result of consciences efforts of the sector or any other actor.

To test this hypothesis first the intent is examined: why not-for-profits should aim at being perceived as trustworthy, i.e. is it a challenge in need of a solution? Second, key communicative efforts and discourses aiming at presenting not-for-profits as trustworthy entities are enlisted with case studies to show their scope and effect. Third, it will be reasoned whether the perception of trustworthiness is the result of these efforts (either by the not-for-profit sector itself or other stakeholders of the sector) or something else.

This work is mostly an exercise in positive, or descriptive, social science. As such, its prime purpose is to explore, as objectively as possible, why not-for-profits are (the most) trusted institutions. An extensive literature review was conducted in several disciplines (economics, communications, social psychology, not-for-profit management) and earlier results of empirical researches were reviewed and utilized (whenever possible). In my search for an answer I learned that while there are some

fantastic academic and practical materials available, the literature on this question is sporadic. There are “hardly any empirical studies on the origins and consequences of charitable confidence” (Bekkers and Bowman 2009, 2). In addition, even when there is data, many data systems are inconsistent even in their definition of the sector (DiMaggio, Weiss and Clotfelter 2002, 1491) and definitions and interpretation on trust can be confusing too. Much of my work has, therefore, been pulling the threads together and being creative about the use of available materials, ideas, structures, and models to see if my contribution will yield a comprehensive answer to why not-for-profits are trusted.

Besides a substantial literature review, interviews were conducted with key stakeholders of the not-for-profit sector together with site visits in all the countries of the case studies (Germany, Hungary, the Ukraine, the United Kingdom and the United States).

The paper is a result of an effort into answering a very big and challenging question. Because of the questions identified, the paper examines some concrete actors within the institutional group, instead, it focuses on the perceived trustworthiness of the not-for-profit sector which is comprised of not-for-profit organizations.

It was beyond the scope of this paper to systematically examine all three sectors, nevertheless it did identify certain reasons why not-for-profits score higher than other institutions in trust surveys (and often reaching the highest levels of trust). It is expected that this paper will enrich our knowledge in the field and will have implications for all sectors regarding trust maintenance and development. It is hoped that the paper will contribute to the wider discourse on trust, communications, governance, civil society and social movement theory as well as management and that it will also have practical relevance to managers and policy makers in different sectors.

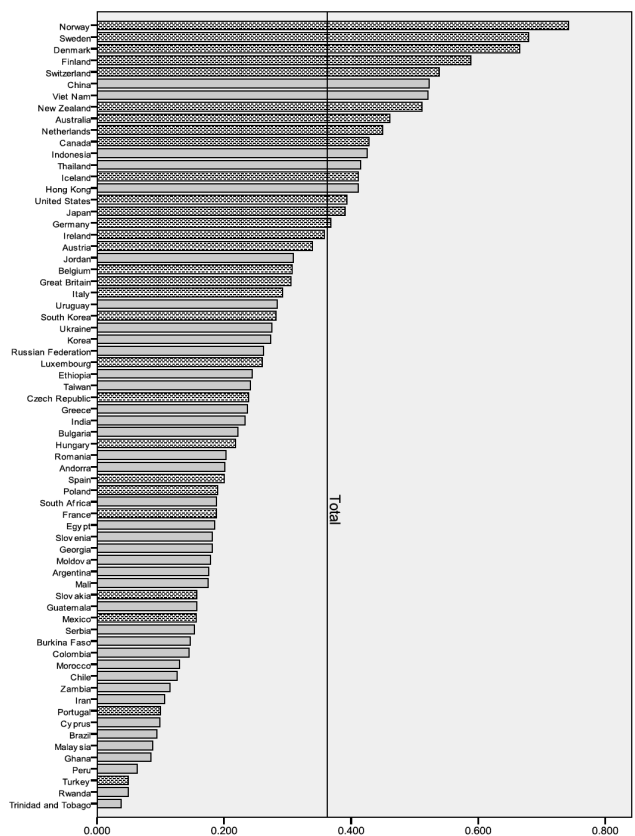
We know that the result of our trust can be displayed by trusting behavior enabling a prosperous civil society that contributes to the well being of our society. Trust facilitates communication (Sztompka 1999, 146-148) by helping people to both speak

and listen. Democracy requires communication and social trust mechanisms are the core of cooperative behavior. It is important, therefore, that civil society and not-for-profits continue to be trusted. If we believe, and why should we not believe, that the more social trust there is, the more prosperous and democratic a system can be, we realize the importance of finding the answer to the question: What makes not-for-profits (the most) trusted?

Trust and confidence (in government, businesses, nonprofits and people)

Trust is a fundamental component of the social fabric and our world is inconceivable without it. Stable democracies depend on trust that is widely spread across society: citizens trusting citizens as well as institutions of their society (Almond and Verba 1963). Trust is recognized to be important for society as the vibrancy and developmental potential of society is argued to be embedded in trust mechanisms. Some argue that differences of economic success can be explained by social trust (Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* 1993) and ‘sociability’ (admitting that cultural factors like spontaneous sociability are only one of several factors that make for economic growth and “the primary impact of spontaneous sociability is on industrial structure, that is, the number and importance of large versus small corporations in a national economy” (Fukuyama 1995, 340). Trust is viewed by many (Arrow; North; Fukuyama; Stiglitz) as an important prerequisite to well-functioning markets because it lowers transaction costs and facilitates cooperation among entities that might otherwise view mutually advantageous exchanges as too costly or risky. The increase in social ills, like crime can also be attributed to a lower level of trust in society while accrediting cleaner public spaces, friendlier people, and safer streets to high-social-capital (Putnam 2000, 38, 107). Many agree with Putnam in considering trust as one of the major components of social capital arguing that social capital enhances economic growth first by improving the functioning of public institution and second by facilitating economic transactions, thereby reducing the effect of market failures (Alesina and La Ferrara 2000). We know that where there is a high level of trust, there is less corruption, as is the case with the Nordic countries. The reverse (low level of trust) is illustrated by Colombia, the Philippines, Turkey, and Brazil (Uslaner and Badescu 2004, 42). Within this framework, trust is considered as a key input into human wellbeing because it indicates the willingness of individuals to co-operate with others. Trust is important for society as it displays close associations with social capital and a number of other dimensions of social progress (Morrone, Tontoranelli and Ranuzzi 2009, 31).

Considering trust as a beneficial element for social progress, it can be read as a good sign that there are countries, where more than 60% of those interviewed answered that most people can be trusted (Denmark, Norway and Sweden) but the fact that there are countries where less than 5% of the population thinks so, is worrisome (Turkey, Rwanda and Trinidad and Tobago), (Morrone, Tontoranelli and Ranuzzi 2009, 13) (Figure 1).



Source: World Value Survey, wave 2005-2008.
 Note: The "dotted" bars refer to OECD countries. For Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal and the Slovak Republic, data refer to the wave 1994-1999. For Norway data refer to the 1996.

Figure 1 Interpersonal trust (Source: Morrone, Tontoranelli and Ranuzzi 2009, 13)

A different kind of trust, trust in institutions, like government and political institutions, has been noted to be decreasing in all advanced industrial democracies since the mid-1960s (reference made to Dalton and Wattenberg in Morrone, Tontoranelli and Ranuzzi 2009, pp. 17). After high distrust in institutions globally in

2012, (Edelman, 2012 Edelman Trust Barometer Findings 2012, 2) there was a shift back in 2013 (Edelman Co. 2013) (Figure 2).

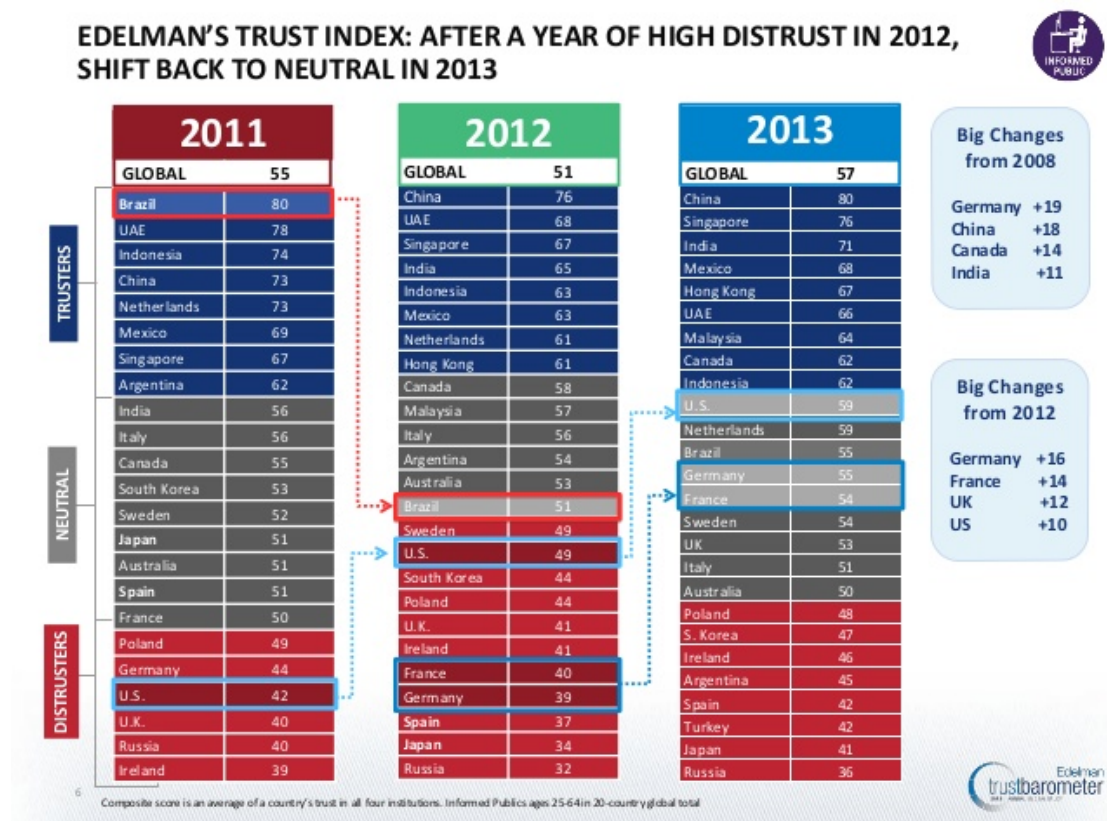


Figure 2 Trust in institutions shifts to neutral (Edelman, 2013, 6)

Low levels of trust in institutions is a concern to democratic societies, especially when looking at trust in government and the political system. When citizens of 19 OECD countries were surveyed only 23% of citizens considered reporting high levels of confidence in their governments (Morrone, Tontoranelli and Ranuzzi 2009, 16). In Europe, for example, in 17 of the 25 countries surveyed, less than half of the people expressed that they trust government to do what is right (Edelman, 2012 Edelman Trust Barometer Findings 2012, 2). Many years of regular tracking of the global public's trust in different types of institutions has shown that NGOs are more "trusted" to do the right thing than businesses, media and government (Edelman, 2011 Edelman Trust Barometer Findings 2012, 4) and in 2012 they "remain the most trusted institutions in four out of five markets" (Edelman Co. 2013, 17) (Figure 3).

NGOs have achieved scores that are higher than the scores of the United Nations, companies, religious groups, press, and national governments (Globescan 2011, 5) in national representative samples of countries¹ from all continents (Figure 4).

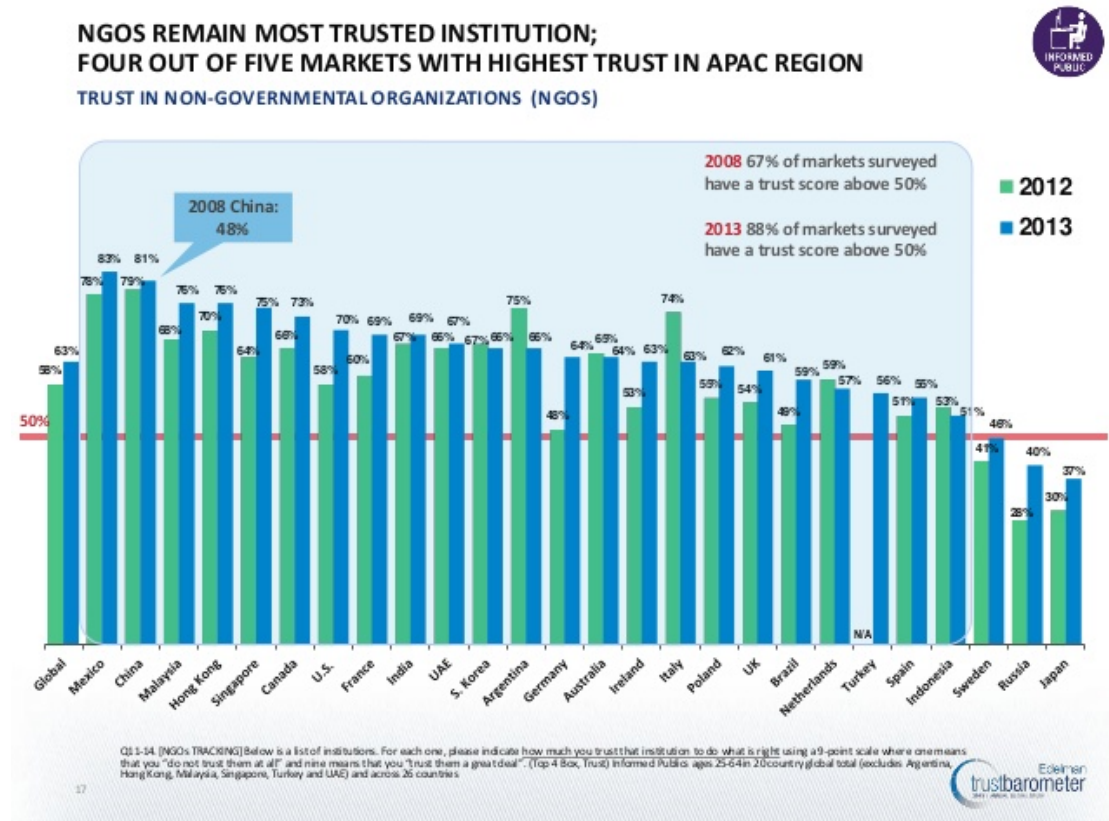


Figure 3 NGOs remain the most trusted institutions (Edelman, 2013,17)

The headlines covering the results of surveys regarding trust in institutions highlight that the not-for-profit sector receives the gold medal in the competition in trust in institutions: “The corporate world is a long way behind NGOs in trust terms...” (Globescan 2011, 5); “NGOs still the most trusted institutions...” (Edelman Co. 2012, 17); “NGOs remain most trusted institutions...” (Edelman Co. 2013, 17).

¹ Argentina, Australia, Brazil, Canada, China, France, Germany, Ghana, Greece, India, Indonesia, Kenya, Mexico, Nigeria, Pakistan, Peru, Russia, South Korea, Spain, Turkey, U.K., USA (based on “Methodology and Research Partners” material provided upon request by GlobeScan)

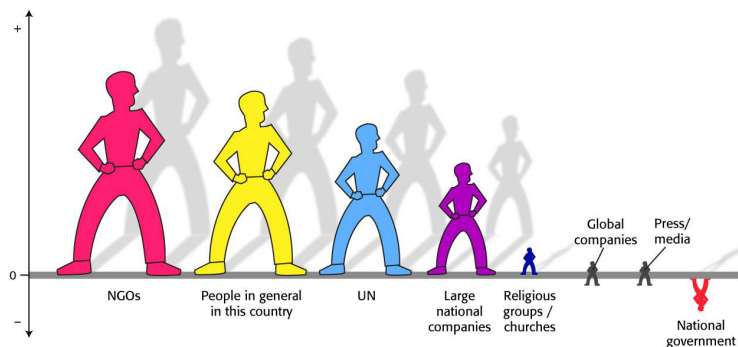


Figure 4 Net trust (net trust equals "a great deal of trust" and a "fair amount of trust" minus "just a little trust" in institutions (Source: Globescan)

Evidently, the results are not the same everywhere. Businesses, for example, got higher scores in some countries, while a detailed survey (focusing on political institutions, state and civil society) found that the state is more trusted (than civil society) in most of Western part of Europe (e.g. Germany, U.K., France) than civil society (Sík and Giczi 2009, 77).

It should be noted that these surveys work with different terminology and can have different meanings when they ask about government, political institutions and states but that the general public is likely to clump these concepts together, as is likely to be the case with the concepts of civil society, nonprofits and NGOs. Even the meaning of trust is problematic in these surveys, and most surveys on trust wrestle with an abundance of concepts and indicators (Morrone, Tontoranelli and Ranuzzi 2009, 8). Therefore, results and interpretations can vary, so they should be treated with caution. In addition, trust may vary from one year to another: timing may influence answers and when measured, levels of trust may fluctuate even within a year. Fluctuations of trust can be understood from a combination of long-term and short-term performance with short-term treated as "weather" and long-term as "climate" (Bovens and Wille 2011, 63). For these reasons, results of any given time, any year, must be put in perspective and observed with caution. Lastly, when global and country data is observed, one needs to remember that people are different. For example, we know

(Sik and Giczi 2009, 78), that the more educated segment of the population, the women, and those in the active workforce are more trusting (findings based on Europe), and the elderly is more trusting in some countries (e.g. France, U.K.) while in another countries (e.g. Poland) the youth are more trusting than most of the population.

This paper takes it for granted that the trust propensity of a given trustor has varied levels of trust for various trustees (Mayer, Davis and Schoorman, An Integrative Model of Organizational Trust 1995, 716). This means that different trusters have different levels of propensity of trust and while the level of trust of different trusters is different towards different trustees, the trust towards not-for-profits is generally high, if not the highest, in most of the countries observed.

NGOs/civil society/nonprofits have been “trusted” for years (for the last six years receiving higher percentages than media, businesses, government when asked “how much do you trust that institution to do what is right?” measured in 18 countries globally) (Edelman Co. 2012, 8) (Edelman Co. 2013, 17). The logical questions rising from this are: why; why do we trust NGOs; what we mean by that; can we really compare our trust in government to our trust in not-for-profits; are survey results on trust in institutions interpreted correctly; is it fair to say that NGOs are the most trusted institutions?

If results are not misleading, and not-for-profits are trusted across cultures in different environments by different people, it is either embedded in humans to trust not-for-profits or there needs to be some universally appealing characteristic/s of not-for-profits that make them trusted.

In nonprofits we trust

Trust is often used as a synonym for familiarity, confidence, reliability and faith, causing misinterpretations and challenges across several disciplines. Major approaches to the issue of trust have been developed in economics, sociology, social psychology and political science.

Most of the psychology study of trust reflects on the calculative conception of trust, focusing on the risk factor, the most frequently used “trust” element being the “willingness to be vulnerable” (Murnighan, Malhotra and Weber 2004, 297). “Trust is not taking risk per se, but it is rather a willingness to take risk.” (Mayer, Davis and Schoorman, 1995, 712). Studies of moral development move on from the short term risk calculation of self interest and recognize the notion of trust as presumed reliability, arguing that trust ‘is in a certain sense blind trust’ (Giddens 1990, 33) and that certain trust, irrespective of the original motives and attitudes about obligations to others can develop a functional autonomy over time. The elements of trust have been conceptualized (Zsolnai, 3) to be honesty and competence and the different levels of perceived honesty and competence generate trust, negative trust, distrust and lack of trust.

The understanding of “trust” is assisted when a distinction is made between the words that are used as synonyms²: familiarity, confidence and trust. Their meaning was clarified by Luhmann pointing out that familiarity, confidence and trust are “different modes of asserting expectations- different types, as it were, of self-assurance. However they use self-reference differently” (Luhmann 2000, 99). There is no need for self-reflection when one is familiar, while in the situations of contingency and danger; confidence emerges, as it is meaningful to reflect on “pre-adaptive and protective measures”. Familiarity is a fact of life, while trust is a solution for specific

² The difference being so subtle that in some languages, like Hungarian, it is almost impossible to find the perfect match for these concepts.

problems and risks when “trust to be achieved within a familiar world, and changes may occur in the familiar features of the world which will have an impact on the possibility of developing trust in human relations” (Luhmann 2000, 94). As for confidence and trust, Luhmann states that they both refer to expectations. In the case of confidence, one is confident that one’s expectations will not be disappointed, neglecting, more or less, the possibility of disappointment, because it is a very rare possibility, but also because we do not know what else to do (unless we are to live in a permanent state of uncertainty). In a situation when alternatives are not considered, one is in a situation of confidence. “Trust on the other hand requires previous engagement on your part. It presupposes a situation risk” (Luhmann 2000, 96). The example given is that one may or may not buy a used car, which turns out to be a “lemon”, and the risk is avoidable only if one is willing to waive the associated advantages. “The distinction between confidence and trust thus depends on perception and attribution. If you do not consider alternatives (every day you leave the house without a weapon), you are in a situation of confidence. At the same time, we define the situation of trust “if you chose one action in preference to the others in spite of the possibility of being disappointed by the action of others” (Luhmann 2000, 96). *Using the differentiation made by Luhmann, one could say that in surveys, the public expresses that it is familiar with NGOs and that it has confidence in them and some may even express they trust in them. As will be evidenced in this paper, there are situations that fit the description of the situations of confidence and some of trust (as there is a possibility of disappointment with the situation involving a not-for-profit) or a mix of confidence and trust. There are also rare situations, where the public is not familiar with NGOs (e.g. as presented in the case study regarding the Ukraine). It needs to be mentioned that confidence is also a sociopsychological mechanism that can positively influence the social behavior of participants in a system, connecting personal motives and beliefs with institutional and social goals. (Csepeli, et al. 2004, 213) This is the case between a “trusting” individual and trusting a not-for-profit. On a societal level, confidence in a system is viewed (ibid) as an ingredient of social integration (and the lack of it leads to social disintegration and delegitimation).*

Trust has two major components, according to G. Zucker (Zucker 1985, 7): background expectations and constitutive expectations. Background expectations are the common understandings, the world as we know it. They are not specific to any situation so they serve as a framework. Background expectations have two properties: the “attitude of daily life” that is created by the coding rules and signals that are held in common by members of the collective, on one hand, and “reciprocity of perfectives”, on the other hand, with different, but mutually identified actors of the same community assuming that all would use the same interpretative frame, by making use of their pre-established social facts (“socially warranted knowledge”). The other, constitutive expectations are understood as the rules defining the context or situation; therefore they are more specific to particular exchanges and sectors. They have two properties: independence from self interest (a set of alternative actions is specified regardless of the individual’s or entity’s circumstances, interests, or plans) and intersubjective meaning, so that the actor knows what the expectations are, knows that others know the expectations, and also knows that others know that the actor knows them.

It is argued that both types of expectations are needed for trust to exist and trust varies depending on the relative amount of the components. While Zucker only talks about trust, it should be understood broadly and her point is valid for the not-for-profit sector since in some countries, the trust in the sector and its organizations is likely to be based not on one expectation, and the relative amount of components varies depending on the given environment. This paper will argue that both background and constitutive expectation are important factors in our trust in given not-for-profits, but for the not-for-profit sector, the background expectations play a bigger role than constitutive ones.

Manifestations of trust towards nonprofits

How our trust manifests itself varies from situation to situation. Using the trust construct categories (McKnight and Chervay, MISR Working Paper Series, The Meaning of Trust 1996, 25) of structural, dispositional, feeling, belief, intention, and

behavior and fitting them together following the pattern of the theory of reasoned action, we can see the steps that start with beliefs/attitudes (i.e. Trusting Beliefs) leading to intentions (i.e. Trusting Intention) that can result in manifest in behaviors (i.e. Trusting Behavior). In practice, this means that someone with trusting beliefs about another party, will be willing to depend on that party and if one intends to depend on that party, then one will behave in ways that manifest that intention to depend (i.e. trusting behavior). Trusting behavior and trusting intention are different. With the former, one takes action on one's willingness to depend.

Acts of dependence or increasing dependence on another are manifestations of trust: committing to a possible loss based on the other's actions; placing resources or authority in the other party's hands; providing open/honest information; cooperating or task coordinating; entering informal agreements; increasing one's vulnerability; reducing one's control over the other; being influenced by the other; taking risks; increasing the scope of the other person's discretionary power, or expanding their role; reducing the rules we place on the other's behavior; involving subordinates in decision making (McKnight and Chervay, MISR Working Paper Series, The Meaning of Trust 1996, 33) are all materializations of trust.

In the not-for-profit context, the manifestos of trust, like committing to a possible loss based on the other's actions, is manifested by the investments individuals make as “shares” in an organization that may or may not bring a desired outcome. Risks that the individual takes are viewed to be typically financial, performance, physical, psychological and social, (Jacoby and Kaplan 1972, 382) and could be time, and opportunity cost risk. They are all relevant, in the not-for-profit context, depending on the type of the given transaction. There is, for example, financial risk when one manifests trust by placing financial resources in another party's hands by donating money to not-for-profit organizations or buying their services; there is the time issue when volunteering; there is psychological risk when signing petitions organized by a not-for-profit as well as when providing open/honest information is manifested by using a service of an organization, like a not-for-profit hospital; there is physical risk

when individuals join demonstrations and marches; there is social risk when increasing one's vulnerability by giving one's name to a cause of an organization or when entering informal agreements by passing on campaign messages of an organization and simply by being associated with an organization; there is performance risk when reducing the rules one places on the other's behavior by giving a charitable donations to an entity without requesting monitoring and control. The opportunity cost related risk is present, but least relevant in the not-for-profit context as the choice of one action or one not-for-profit does not necessarily discredit the individual from choosing the second best choice too. In the not-for-profit world, one can decide to divide one's financial resources among several organizations or give all one's money to one organization and contribute volunteer time or in-kind donations to another, so the opportunity cost related risk is least dominant in the not-for-profit context. In addition, contrary to many other decisions, opting for not taking a risk, i.e. not interacting with a given or any not-for-profit is a free choice of the individual. One still can declare one's confidence in the not-for-profit sector and without practicing trusting behavior.

An individual with trusting intentions will decide to interact if the perceived benefits of his/her interaction are higher than the perceived risks foreseen. This framework is called the valence framework and it has been used to study commercial interactions where it assumes that consumers make decisions to maximize the net valence resulting from the negative and positive attributes of the decision (Peter and Tarpey 1975, 30). This paper assumes that individuals' interaction with not-for-profits is similar to their consumption of other goods, i.e. they have limited information available about the trustee and after weighing in the risks and benefits, they will make a decision (regarding their level of interaction). The types and possible risks have been described earlier in this paper. The benefits can be as tangible as a membership to a community pool that serves the rational self-interest of the person and they can be as abstract as putting out a rainbow flag or peace sign on one's house serving one's "social motivations" that according to some, like Polányi (Polányi 1957, 153), are more fundamental than rational self-interest. Some talk about motives with "self

interest” (R. Wuthnow 1991, 50) and reason that being “involved in caring activities” is as important to one’s identity as a culture as it is to one’s sense of selfhood as an individual motivation. Before one’s intent materializes, one pays attention to "costs" and "benefits" of various human activities; that is a permanent feature of the human species. Not-for-profits have traditionally been viewed to exist in a sphere that provides opportunities to especially satisfy social motivations, the cost of which is to be weighed in on by the trustor before a transaction with a potential trustee.

Going one step further, from intention to actual behavior, the theories of associational involvement follow a similar logic when they claim that for participation, there need to be incentives (motivation) and resources (means, such as time and money) (Meer, Te Grotenhuis and Scheepers 2009, 230). What these authors do not stress, but which is important for the logic of this paper, is that by participation one takes risks that the trustee would view as potential costs. These risks will only be overcome if the foreseen benefits outweigh the risks and, as they do point out, if there are resources available. This paper would like to underscore that one of the resources needed for practicing in trusting behavior is trust itself (i.e. willingness to take risks).

To sum up the concrete case at hand, one can say bluntly that according to global data, the public is familiar with nonprofits; and has confidence and trust in them because not-for-profits are perceived as trustworthy. Confidence in the not-for-profit sector may exist without the occurrence of situations of trust and the practice of trusting behavior. When there is trusting intention and the motivation and incentive is right, and the benefits of practicing trusting behavior are higher than the foreseen perceived costs (among them risk) of action or inaction, than trusting behavior is practiced towards nonprofits as long as the available.

Generalized trust

A distinction of two types of trust (E. M. Uslaner 2002) helps us better understand certain issues relevant to this paper: strategic, moralistic and generalized trust. *Strategic* trust reflects our expectations about how people will or should behave. *Moralistic* trust is a value that rests on an optimistic view of the world and one's ability to control it. Its most important distinctive feature from strategic trust is that moralistic trust is not a relationship between specific persons for a particular context. It is reasoned that if the grammar of strategic trust is "A trusts B to do X", the etymology of moralistic trust is simply "A trusts." It is this type of trust that binds us to others" (E. M. Uslaner 2002, 2). In addition to these two distinctions, Uslaner introduces the concept of "*generalized trust*" that, similar to moralistic trust, is based upon an optimistic worldview but besides morals, its base also contains the collective experience. Generalized trust is viewed as a measure of the scope of the community, "generalized trust is the perception that most people are part of your moral community" (E. M. Uslaner 2002, 26). Using these distinctions, Uslaner argues that our values (i.e. moralistic trust) are lasting, will not change readily, but the way we interpret them reflects some experience of daily life and can go up and down. Generalized trustors tend to agree that most people can be trusted. The other end of the continuum from generalized trust is particularized trust; particularized trustors have faith in some people, most likely, people like themselves, and will join groups that involve people and activities that they view to be similar to their moral community.

Uslaner points out that the surveys on trust, asking the question: "Generally speaking, do you believe that most people can be trusted or can't you be too careful in dealing with people?" is a question regarding generalized trust. Therefore the results of these surveys show the scope of trust in the given community: its morals and its collective experience. Confidence in not-for-profits is related to

generalized trust. Research confirms (Bekkers and Bowman 2009, 891) that charitable confidence is a relatively stable characteristic of people.

Propensity to trust

The focus of this paper is the not-for-profit sector and the not-for-profits that are the trustees and their trustor can be an individual, a group of individuals, an institution or a group of them, in our case it is the public that is comprised of individuals. If trusting intention is present, the individual has the choice to opt for expressing it by practicing trusting behavior. Among factors that influence trustor's attitude and behavior towards potential trustees is trustor's level of generalized and institutional trust, trustor's value system, economic situation, gender, age, education and other factors, all relate to the level and/or the type of trust and trusting behavior the individual is willing to take (volunteering, donating, joining protests, etc.). For example, regarding the impact of the level of generalized and institutional trust on donating behavior research in Europe (Evers and Gesthuizen 2011) has taken the generalized and the institutional trust as independent variables and, based on the European Social Survey, concluded that while there is cross-national variation in the average incident of donating to not-for-profit organizations, at the individual level, both generalized and institutional trust proved to positively relate to donating (with variations regarding the types of organization). As for institutional trust, in the US, for example, the Independent Sector (in 2002) reported a difference of 50% in the annual amount of money donated to charities between people with a high and low level of institutional trust (ibid). Interestingly, the European research (ibid) found that the higher the average level of institutional trust of a country, the fewer citizens donate to organizations. While the researchers suggest that when institutions are perceived to function well, individuals estimate that their charitable donations are less needed, one must be careful in accepting such reasoning to be necessarily true beyond Europe, as the perceived role of the state is not the same in other economies as in Europe (e.g. in most European countries education, pension and health care are generally expected to be state responsibilities. For example, in Hungary, as many as three in four people (Ferge and Dögei 1998) would expect the state to take care of pensions of the

citizens). As the authors themselves argue, the economic situation of the trustor, and other factors, could also be influencing factors.

It is logical, for example, that our values also have an effect on our trusting behavior and when we look at the value surveys (World Value Survey), we can see that the numbers show that the values of a given country (Keller 2009) and the level of participation (Sik and Giczi 2009) (Sik and Giczi 2009) in that country are related to each other. This is another concrete example of the connection between propensity of trust (considering values as a factor influencing propensity to trust) and trusting behavior (considering participation as a manifestation of trusting behavior). Based on the data, it is easy to see that countries where value indexes show weak self expression values (indicating that one approaches the conformist ideal of a restrained individual) also have low levels of participation (Hungary, Romania, Bulgaria, Poland, as well as the Ukraine). When the relationship between confidence and volunteering has been examined (Bekkers and Bowman 2009) in longitudinal research in The Netherlands (with comparative data from the US), it was found that, indeed, generalized trust and altruistic values are sources of confidence in charities, and are important characteristics of people in their decisions regarding volunteering (a form of trusting behavior).

These examples present relation between some propensities to trust and some forms of trusting behavior and show how important the propensity to trust is in materializing trust as trusting behavior (like donations and participation). There are some points that need to be made here to fine tune the picture. First of all, the argument that the propensity to trust influences trust and trusting behavior is valid, but one should not think that propensity to trust is the only factor determining the trust of the trustee (or potential trustee). This means that even with limited propensity to trust, one could decide to take risks and trust not-for-profit/s but it also means that even with high propensity of trust, the risk to trust may not be taken. The second point is that while it is likely that the trusting behavior of a trustee would hardly occur without trust (e.g. throwing money at a charity without trusting it is an unlikely risk one would take), it is also true that “trust” can exist without active trusting behavior (e.g. declaring one’s

trust in not-for-profits does not mean that one will actively support any entity). “In nonprofits we trust” only means that we are familiar with them and have our confidence in them, and with that, we do not necessarily have the intent to practice trusting behavior.

This paper argues that in the trustor-trustee relationship a trustor is present with its propensity to trust, the trustee enters with its “propensity” to be trusted. The perception of trustworthiness of the trustee is the focus of this paper. A potential trustor weighs the costs, among them the risks of its trust, and the perceived benefits of engaging in a trust relationship, like trusting behavior. On the other side of the relationship, the trustee performs a similar measurement and weighs the costs and benefits of being perceived as trustworthy and decides whether it is worthy to be trustworthy and whether it is worthy to make efforts to be perceived as trustworthy. One needs to note an important distinction here, namely, that being viewed as trustworthy does not necessarily mean that the entity is trustworthy, which is true in reverse too: being trustworthy does not necessarily mean that the entity is perceived to be so.

The trust in not-for-profits, therefore, does not necessarily mean that they are trustworthy entities. Instead, it means that they are perceived to be trustworthy. This does not depend on one side, but rather is a result of a fine “dance” that takes place between the trustor and the trustee with factors influencing it from inside the actors and their environment. Separating them from one another is not only hard but also needless, as they constantly influence one another.

A powerful illustration of this interaction is possible when one looks at donation as trust materializing in trusting behavior towards a nonprofit trustee. The “perception of donors that their contribution makes a difference to the cause they are supporting” is an efficacy reasoning used by some (Bekkers and Wiepking 2011) to explain the positive connection that exists between an individual’s generalized trust and donating behavior. For the donor, i.e. the trustor, there is a risk taken as it is unclear how his/her money is actually spent and some, especially those with low levels of

generalized trust, would decide not to practice trusting behavior at all because they are unwilling to take this risk of wasting the money. (The framework described here is in line with the basics of the integrative model of organizational trust (Mayer, Davis and Schoorman, An Integrative Model of Organizational Trust 1995, 715) where the factors of perceived trustworthiness and the trustor's propensity effect trust that can result in risk taking in a relationship and different outcomes after the risk was perceived.) This paper stresses that on the other side of the relationship, the trustee (the nonprofit) may or may not recognize this as a challenge. If the perceived risk is acknowledged, the organization will weigh in its own perceived risks and benefits that come with making efforts towards being perceived as (more) trustworthy by the potential trustor. If the challenge is recognized, it is perceived as an organizational issue as the nonprofit has to decide how it can make itself look (more) trustworthy. The nonprofit may decide not to do anything and accept that it has a given propensity to be trusted, or may decide to help the (potential) trustor by making use of mechanisms that give the perception of lowered risks to the trustor. Such mechanisms could be offering more information (via opening the organization for monitoring and/or control, as well as by offering participation in the entity, or by showing "seals" of third party approvals, to name a few that are elaborated on this paper). The dynamic that works here is the same when we talk about the public and the not-for-profit sector, although the number of actors involved adds to the complexity of the situation. This paper focuses on the efforts the trustee makes regarding its perception of trustworthiness.

Interpersonal and institutional trust and its production

Trust that is developed between and among people is called interpersonal trust. Interpersonal trust can be defined "as the extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another" (McAllister 1995, 25). Interpersonal trust is believed to have cognitive and affective foundations, so there are two principal forms of interpersonal trust: affect- and cognition-based trust. Trust is cognition-based when we base our choice on what we take to be 'good reasons,' constituting evidence of trustworthiness" (Lewis and

Weigert 1985, 970). Affective foundations for trust consist of the emotional bonds between individuals and the emotional ties linking individuals can provide as the basis for trust. Person-to-person communication, due to the, so called “life standpoint³” that has been articulated by Horányi (Horányi, 2001, 58-60) as expressing everything that an individual brings in to the interaction, makes the communicative experience unique and personal. It means that the communicator brings into the given communication all the life experiences, skills, and assets that comprises his/her own unique reality with its experiences, certainties and uncertainties and strongly relates to affect based trust. Some also find it useful (Kim, Ferrin and Rao 2008) to distinguish experience-based trust (e.g. familiarity, Internet experience, e-commerce experience) that could otherwise be considered part of the original category of affect-based trust. With that recognition one needs to note that these categories are not sharp and are often mixed.

Interpersonal trust is a multidimensional concept, where most often at least two major distinctions are made according to whether it is directed to relatives and friends, or to strangers. The trust literature conceptualizes between trust that can be embedded in strong interpersonal relationships (thick trust) and weak interpersonal relationship ties (thin trust) (Putnam 2000, 136) and, in addition, there is trust that is often called “political trust” or “system trust” and lately has been conceptualized as “institutional trust”. Thick interpersonal trust is developed at an early stage of our lives and it is strongly connected to family members, close friends, and small communities. This is our basis for orientation in the social world that is fine tuned as we gain experiences by interactions with others. The basis for thick interpersonal trust is familiarity, reciprocity, and similarity, i.e. people who know each other well, have a lot in common and trust each other. The presence of thick trust is hardly recognized as it becomes automatic very quickly. Meanwhile thin, or social interpersonal trust is developed by interactions with new or unfamiliar people, therefore there is no preliminary knowledge about the other; expectations that need to be developed based

³ Translated by author from original Hungarian word „életvilága”.

on a supposed morality, reputation, norms, and different signals building an expectation that cooperation will meet the interests of both parties. This means a much greater number of ties that form less dense relations (Khodyakov 2007). Not-for-profits are often started by friends and their joint work is based on thick interpersonal trust, but organizations could be equally functional on thin interpersonal trust in cases when there are interactions with new and unfamiliar people and expectations need to be managed based on supposed morality, norms and other signals.

A very different type of trust, institutional trust means both trust towards concrete institutions as well as abstract principles of the system (with anonymous entities). Sociologists (Barber, Giddens, Luhmann) tend to call it “system trust”; political scientist (Newton, Secor, O’Loughlin, Uslander) call it “political trust”. Sometimes “institutional trust” is restricted to political institutions, while others consider it to cover all institutions.

All agree that its main difference compared to interpersonal trust is that there may not be any “encounter...with the individuals or groups who are in some way “responsible for them” (Giddens 1990, 83), so one can believe that there are appropriate conditions in place that are conducive to situational success in a risky endeavor. With formalization of a group, the interpersonal trust of those participating in the entity is likely to be complemented with institutional trust. Those outside the entity are likely to develop institutional trust towards a formalized not-for-profit and depending on their interaction, may develop interpersonal trust too.

One-sided and two-sided trust

When examining specific human and organizational interactions, S. Rose-Ackerman (Rose-Ackerman 2001) emphasizes the need to distinguish between one-sided reliability or confidence and two-sided or reciprocal trust. She notes that under some conditions, these alternative types of trust can operate at cross-purposes.

When person A decides whether or not to trust B (another person or institution), the situation is one-sided in that the trusted person is uninterested in whether A is trustworthy (even though B may be interested and influenced by A's expected reactions). The situation may involve strategic interactions, but only B needs to decide whether to be trustworthy, and only A decides whether or not to trust. In the case of the other type of trust, "reciprocal trust" all participants are affected by the attitudes and expected behavior of those on the other side of the transaction.

The interaction of the public with not-for-profit organizations can be both a one-sided reliability, and a reciprocal trust, depending on the interaction. Reciprocal trust can be interest-based, the situation being one of an encapsulated interest and it can be a reflection of warm personal feelings, because "People may trust others because they believe that the others wish them well" (Rose-Ackerman 2001, 540).

The three types of one-sided reliability distinguished by Rose-Ackerman fit the not-for-profit context:

- a) Reputation-based trust that is based on one's belief that the other can be trusted because it is in his or her interest, i.e. there is "encapsulated interest". If morally good people can credibly signal their character, they have a competitive advantage because they find it easier to convince people that they should be trusted, but in case there is a scarcity of such people, trustworthy reputations can also be developed by other means, like communicating their trustworthiness by presenting a good reputation.
- b) Trust in professionals with specialized knowledge (e.g. doctors, lawyers, scientists) who are likely to be able to give predictions on the future without material incentives

being aligned with one's own interest in the truth or in reliable service and honest reporting of scientific tests.

c) The rule-based trustworthiness— that is, trust that an organization's rules will be followed in a neutral and predictable way. One trusts the institution's rules irrespective of the particular people occupying positions of trust and authority.

Rose-Ackerman adds a dimension to her model: the process by which trust is generated, that is through repeated interactions or through psychological or moral attitudes, develops five categories that may co-exist at once and interact with the others: encapsulated interest; expert-based; rule-based, affect-based and morality-based. She argues that encapsulated interest can produce generalized, one-sided trust as well as reciprocal trust; expert-based trust is mostly one-sided trust; rule-based trust produces one-sided trust (with unique cases of the trust in state making people more willing to trust anonymous others); affect-based trust could involve a one-sided relationship, or it could be influenced by the vulnerability and trust of those who depend on you because of ties of kinship and affection. For example, to trust an association of birdwatchers is different for someone who is a birdwatcher and member of the organization. A member is likely to have personal experience with the individuals in the given association and through those exchanges, is united by their love of birds, their personal experience is enhanced and they develop trust towards the individuals in the organization and the organization itself, which is composed of those individuals. In this case, the member's and the organization's trust becomes reciprocal as the participation of the member is an integral part of the entity, the organization needs to trust the person in order to continue sharing the common interest, i.e. the love of birds and continuing to be a member, and practice trusting behavior by paying membership fees. Our birdwatcher association members are a case where there is an instrumental incentive to act in a trustworthy manner to further the mutual goals; a mutual calculation of the other's interest takes place, on feelings of personal affection and responsibility, on shared values (Hardin 2001). This reciprocal trust case presents some level of encapsulated interest, affect-based trust (and could possibly be morality-based trusting behavior).

Using the example of the same birdwatcher association, one needs to point out that it is a different trust situation when the association offers its services to non-members (from the one when members participate in the organization). In the service provision case to non-members, we talk about a one-sided reliability situation: for example, the association may offer a service for schools to go on field-trips with students who are non-members. The association is viewed by the school (a potential trustor) as a service provider whose trustworthiness needs to be judged, but the trustworthiness of the school is independent of the association's own trustworthiness. In this case, the trust developed is likely to be expert-based, based on the expectations regarding the service provider's professional expertise. (It needs to be noted that both the reciprocal and one-sided trust cases are presented here for illustrations of a simplified positive structure, but Rose-Ackerman points out, that conflict may arise when reciprocal trust based on personal connections operates at cross-purposes to trust as a reliability. Systems that are meant to work on rule based one-sided trust operate with reciprocal, affect-based trust depending on close personal relationships and kinships can be problematic. For example, in the one-sided case above, the school could make its trust decision based on the personal links it may have with the given association rather than based on reliable predictions of expertise.) Interestingly, in the case of nonprofits, where the relationships are often not as sharp as with tertiary forms (like companies), there are many cases, where one and two-sided trust can coexist without causing disharmony and conflict.

Rose-Ackerman points out that in complex societies, one-sided trust is especially important. A similar conclusion is reached by L. Zucker, who says that, modern societies, being complex ones, tend to generate more institutional trust-producing mechanisms (and an emerging market of institutional trust producing mechanisms and institutions specializing in them can be observed in modern times (Zucker 1985). Others underline that the importance of reciprocity even in modern societies should not be underestimated (Polányi 1957): Polányi points out that reciprocity (and redistribution) are able to ensure the working of an economic system without the help of written records and elaborate administration because the organization of the

societies in question meet the requirements of such a solution with the help of patterns such as symmetry and centrality. Because *reciprocity* ("movements between correlative points of symmetrical groupings") is historically more important than the market, "the need for trade or markets is no greater than in the case of reciprocity and redistribution" (ibid 53) and a *market system* only comes into being when there is a market for the "fictitious commodities" of land, labor and money and income becomes dependent upon the market, that the market becomes the market economy. It is only then that the market takes over society and indeed becomes society. Reciprocity, as well as redistribution, and exchange as forms of integration all depend on distinct "institutional supports", so reciprocity does not integrate an empirical economy because of interpersonal relations characterized by mutuality, but because of "symmetrically organized structures", such as "system of kinship groups" (ibid 251) (like many not-for-profits, typically membership associations are).

When Zucker reviews the exchange of gifts, which is a trust producing mechanism that has been described in detail, in both sociology and anthropology, she points out that it is a mechanism that requires interaction of the parties for a longer period of time and trust is produced (mostly) between participating parties (usually individuals) and the exchanges are governed by idiosyncratic rules developed in the process. The trust produced in such exchanges is relevant to that given situation or can be generalized only to exchanges between those participating. To explain the production of trust in more complex environments, an important distinction needs to be made: while trust production mechanisms arise in a local exchange, they need to be reconstructed as intersubjective and as part of the "external world known in common" (Zucker 1985, 11) to be generalized beyond the given transaction. Zucker distinguishes three modes of trust production: process-based, characteristic-based and institutional-based. In the first mode, trust relates to exchanges and acts of exchange of the past and the expected future (exchange). Trust, in this case, relates to the experiences of the individual gained through the exchanges. Examples include: fame, brand name, reputation, and presenting a gift. In the second mode, trust relates

to a certain person who is determined and characterized by something easily recognizable, for example, his/her family background, looks or ethnic origin. In the third one, the institutional-based mode, trust relates to formal social structures to which the individual is integrated through some kind of relations. Trust in institutions has been noted to be very different from trust in people, because of it being impersonal, whereby the subject of trust can be some abstract principle and, often anonymous other/s. The production of institutional trust rests on institutionalized understandings, common formal, usually written, mechanisms, like legal contracts and legislation, organizational membership or other structures (while informal mechanisms, like the norm of reciprocity, rest on local understandings). Zucker's illustration is based on turn of 18th century United States history, when the third one replaced the first type of trust. One of the reasons for this taking place is that geographic and social distances were stepped over. As high internal migration and immigration was taking place with industrialization, certain institutional changes occurred and the spread of rational bureaucratic organizations across the US could be observed. Formal references to reputation and capacity of the individual were needed (like school certificates) for those moving and needing a job in their new location. In addition, the spread of the service economy was taking place, in which financial mediators and the government gained a more important role in developing an environment in which there were general expectations on the standards and rules that define transactions (Zucker 1985). It can be an advantage to the nonprofit organizations, that while they are institutions, the production of trust is not limited to institutional trust production mechanisms.

High and low trust societies

Higher trust levels can, among other factors, affect political stability, the quality of life and, as most often argued, effect economic performance. As early as 1963, social trust is being described (Almond and Verba 1963, 356) as generalized resources that keeps a democratic polity operating and, together with cooperativeness, form key components of civic culture. Thirty years later Putnam proposes that (Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* 1993) northern Italy's economic advantage to other parts of the country can be explained by its dense network of voluntary associations. He introduces the concept of social capital that "refers to features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* 1993, 167) to be refined later as "connections among individuals –social networks and the norms of reciprocity and trustworthiness that arise from them" (Putnam 2000, 19).

Following a similar line of logic, Fukuyama (Fukuyama 1995) explains the differences of economic success of the USA, Germany and Japan by the countries' social trust levels, which are related to some kind of "associational infrastructure". On the macro level, Fukuyama divides societies into two categories: high-trust (Japan, US, Germany) and low-trust (China, Korea, Italy, France), where high trust societies are believed to have high potential for long-term cooperative relationships through civil society and the prevalence of in-group relations is typical in low trust societies and civil society is either absent or is hardly active. When there is a narrow radius of trust (among friends, family) and trust only develops in the private sphere, society is viewed by Fukuyama as a "low-trust" society, while in the case of a wide radius trust, citizens actively participate in broader circles of social life, like civil society, that can help them develop trust in the public, institutional sphere, teach them how to engage in the public life and develop habits of cooperation and participation. There is the argument that trustworthy states can be associated with democracy and active civil society, where active citizens shape their smaller and bigger environment and can, to some extent, control their institutions at the same one notes that it is impossible to

predict a person's trust in government, for example, from his/her trust in other people, as these are different forms of trust that are largely independent from each other (Newton 2001, 201).

The approach of Putnam and Fukuyama has been criticized for several different reasons. Putnam's theory on the origin of social trust, for example, has not been proven on the individual level between involvement in voluntary associations and high social trust and for a causal connection to be considered extant, it also needs to be proven to be true on the micro level. In addition, viewing social capital as an asset neglects the criticism that social capital—like other types of capital—can be used for both benign and malign purposes.

Fukuyama's approach has received criticism, among others, for his treatment of institutional (public) trust to be superior to interpersonal trust as well as its one-dimensional treatment of trust (on one end of the spectrum there is low trust (interpersonal trust) and on the other, there is high trust (institutional trust)). As for the latter, it can be reasoned (Khodyakov 2007) that there can be an environment, where there is high level of interpersonal trust and low level of institutional trust and that does not fit into the one-dimensional high-low trust axis of Fukuyama.

Khodyakov points out (Khodyakov 2007, 119), that during Soviet times there was hardship that taught people to rely on interpersonal networks with their relatives, friends, friends of friends in the Soviet Union, creating a feeling of safety and high levels of interpersonal trust that did not go hand in hand with high levels of institutional trust to the Soviet state and its institutions. A similar situation can be observed when the Solidarnost and other anti-state movements were born in the Socialist, Communist republics of Eastern Europe. The strengths of these movements, that were built up by strong networks of relatives and relatives of relatives as well as friends of friends, where trustworthy relationships, ties were established among the "who-is-who" of the "underground" did not strengthen the institutional trust in the given government establishment. On the contrary, the strong interpersonal trust made it possible for the small circles of relatives and friends and friends of friends to grow into movements and abolish the Communist states and build new institutions after

1989. Many of these groups have strengthened the trust of illegal and semi-legal groups (e.g. the ones related to the samizdat Beszélő in Hungary) and in establishments supporting such groups (like the church in Poland). Based on the challenge Khodyakov highlights by his analysis of the Soviet era, he further develops the one dimensional approach of high and low trust of Fukuyama into a three-dimensional approach of trust that helps depict the overall composition of three types of trust: thin interpersonal trust, thick interpersonal trust and institutional trust (Figure 5).

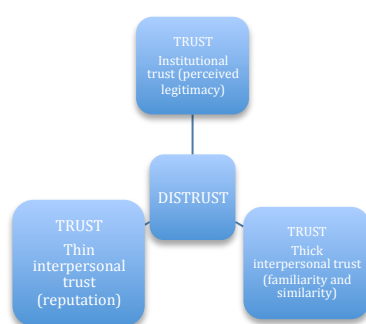


Figure 5 Three-dimensional approach to trust (Source: Khodyakov, 2007, 124)

This new model is helpful in situations when there is high level of thick and thin trusts along with distrust in institutions. This type of approach can help to better explain the trust dynamic of institutional and interpersonal trust in authoritarian regimes and post-Communist countries. It suggests that even in environments where there is low level of institutional trust, because of the interpersonal trust certain groups (formal or informal) can offer, there is a potential for high levels of trust towards a given circle, that may be an informal group or registered organization or a sector (as it will be presented in the case studies, this is the case of the trust towards churches , but not (other) nonprofits in the Ukraine).

Nonprofits are double dipping in trust

Institutions in their broadest sense can be defined as systems of established and embedded social rules that structure social interactions (Hodgson 2006), (Hodgson 2006), like customs and behavior patterns. They can also be defined as formal organizations. Studies and surveys on institutional trust tend to use the term “institution” meaning groups of entities that share key characteristics with one another, like government, churches, and businesses. Unfortunately, the studies do not use the definition of institutions in a harmonized way. In these surveys governments, state entities, not-for-profits, the U.N. and businesses may need to compete with each other as institutions, and, to further confuse the picture, sometimes even professions may become part of institutional surveys (e.g. “scientists”). The likely suggested understanding of these surveys can be that institutions are abstract macro groups of incorporated entities that share the same basic characteristics (so scientists should not be included in institutional surveys). Institutions are sometimes used synonymously with organizations, other times they are understood as being composed of organizations.

Secondary associative forms and their consequences

“Organizations” in their broadest sense can be understood as families, companies, or voluntary organizations because they are “groups where members coordinate their behavior in order to accomplish shared goals or to put out a product” (Scott 2003, 3-30), while a random collection of persons or isolated individuals are not organizations because there are no specified roles, rules and goals and a pattern of recurrence is missing and boundaries are vague.

Three types of associative forms are distinguished as characteristically different groups: the “primary” associative forms where participation is non-voluntary and is determined by tradition with the purpose of maintaining of the relationship (e.g. involving family, kinship, religion, ethnicity) and “tertiary” formations where the goals are fixed and the participation of the individuals is variable (like firms and

political parties). *The so called “secondary” or civic associations where people come together based on their shared values are in an intermediary position between the two: their goals are less specific than those of the tertiary ones, but more concrete than those of the primary ones, reflecting the values and needs of the people involved in them, who are less constant but not as variable as the tertiary associational forms. The people involved in these organizations are likely to be involved in the goal setting processes, have a variety of opportunities for interaction and are relatively free to join or leave the entity* (P. A. Hall 2002). Secondary or civic organizations are considered (Offe and Fuchs 2002) to be organized entities with purposive orientation (not as diffuse as that of primordial collectives, like families but not as specific as those of tertiary formal organizations, like companies) regarding issues that are considered to be durable common concerns excluding profit-making, acting as a domain (e.g. music, philanthropy, education). Unlike primary associations, where membership is non-voluntary as it is based on family, kinship, or ethnicity, participation in secondary associations participation is based on voluntary decision. Participation, like membership, donating, volunteering are conceptualized as egalitarian, distant from familial intimacy and the functional anonymity of the other two forms. It can also be stated that civic associations are considerably more open than families and other identity based communities, they are easily accessible to outsiders who wish to join, although different admission criteria may apply. For example, a club of violin players is open to those who can play a violin, but admission could be denied on the basis of abstract criteria, not *ad personam*. The mode of interaction with group members in a civic association tends to be horizontal rather than vertical (typical of tertiary forms. The communication of those participating is mostly verbal among primary associations and mostly written in tertiary ones, while among secondary associations, communication is likely to be informal, traditionally oral but often varying and often mixing form. *One can see secondary associations representing a dual or one can say, intermediary position between two types of associations, where contingent membership allows (with or without categorical restriction access) strangers to cooperate in shared values and interests under rules*

that are partly defined by law partly by those people who participate in them. Typical entities in this group are civil associations, movements, groups, and trusts and foundations.

From a different perspective, civil society and its organizations have been positioned to be in an intermediary position in the theoretical representation of the four domains of society model too (Cohen and Arató 1992), as the civil sector is presented to be lying between the domains of family (intimate sphere), the market (economic sphere) and the state as an intermediary sphere between, or rather, among them (sometimes stretching out and overlapping with them).

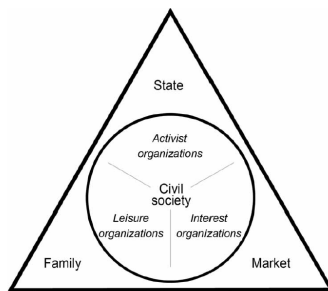


Figure 6 The three spheres of society (Source Arató and Cohen, 1992)

Formal entities

Some social movements or informal groups may decide to formalize themselves to strengthen group cohesion, to garner perceived gains (e.g. tax advantage, interest representation, legal clarity) or because of the expectation of being perceived as more trustworthy as a formalized entity. In such cases, an option to establish non-profit-organization is available (almost to anyone).

They are usually established by people (or sometimes by legal entities too) who have developed or have the intent to develop thin (i.e. social) interpersonal trust towards each other, based on their mutual interests, supposed shared morality and/or

expectations that cooperation will meet their aims. It is likely that the interpersonal trust that was their basis for starting an organization will further develop within the frameworks of that organization as there will be frequent interaction and bonding amongst themselves to allow the making of more and more confident attributions regarding each others' motives of behavior. The thin version of trust (Offe and Fuchs 2002) can be considered to be the necessary condition for joining formal or informal groups, and the thick version of trust, the sufficient condition.

There are many organizations that start with an informal stage, where the entrepreneurial spirit is moving the birth of the organization in the, so-called, entrepreneurial stage. This is followed by the formalization of procedures, protocols, structures with elaboration before the organization moves on to full maturity, decline or streamlining (Daft 2013, 356-358). It is the first stage that is characterized by the creation of the goods (products, services, etc.) and the survival of the marketplace that includes decisions regarding the legal form of organizations. In democratic societies, there is a range of opportunities to make an organization formal in legal sense. When an entity decides to move from informal group to a formal organization and its plan is to work in areas independent of state and business, and it is acting on its own behalf, on the goodwill of participating individuals that are working for the social good based on their own decisions (Brown, 2000) and the primary motive of operation is not the profit making, it is likely that the entity will form an independent social structure, a formal not-for-profit organization.

They can be incorporated or unincorporated (often using the terms formal or informal meaning the same). Incorporated means a legal entity that is effectively recognized as a person under the law. (The corporation may be a business, a non-profit organization, sports club, or a government of a new city or town.) The focus of this paper is incorporated entities but it must be noted that in recent years unincorporated entities are more and more noticeable (e.g. the Occupy Wall Street Movement, Civil Rights Movement, Zapatista) and for this reason one of them, the Occupy Wall Street will be discussed among the case studies. Assisted by modern means of communications, these informal entities can attract individuals in much higher numbers than ever

before and they, with their informal, flexible structures pull resources from all kinds of areas, often niche ones. The people participating in these groups are loosely connected, lack any formal commitment to the group and tend to stay with the group as long as their interest requires. It is believed that the number of these kinds of groups, as well as the number of people participating in them, is increasing (R. Wuthnow 2002).

While in repressive regimes incorporation may have legal obstacles, in modern democracies groups typically opt for informal structures, not because the political and legal environment would not allow them to become incorporated but because flexible structures are more suitable for their operations. Both formations can be valuable to society as they both can develop social capital. Activities employed by formally constituted civic organizations (like donating, membership participation) employ formal social capital (Putnam 2000) whereas informal social capital pertains to informal social ties (Bourdieu 1983) between friends, family and people with shared interests. Having said that, one needs to be clear that the division between formal and informal is often less explicit among not-for-profits. Even when an entity becomes formal, it may have elements of informality, which is a unique characteristic of many not-for-profit organizations, especially small ones. At the same time, formalization by incorporation has legal consequences.

The legal context of a given country determines what that legal system considers to be a not-for-profit entity. For international purposes there are several definitions in use. A widely used definition, based on global comparative work first introduced by Salamon and Anheier, defines an organization as a nonprofit entity if it shows the following five characteristics: organized: institutionalized to some extent; private: institutionally separate from government; self-governing: equipped to control their own activities; non-profit-distributing: not returning profits generated to their owners or directors; voluntary: involving some meaningful degree of voluntary participation (H. K. Anheier, *Nonprofit Organizations Theory, management, policy* 2006, 45-49). This paper will follow this general understanding of a not-for-profit and will focus on the sector that is understood as all not-for-profit organizations. This paper uses

“nonprofit/s”, “not-for-profit/s” and “NGO/s” synonymously and if not explained otherwise, it means an “incorporated not-for-profit organization/s”.

Conceptual and legal differences even in Europe

The major widespread terminology trends used in the European Union (“non-profit sector” and “social economy”) are ambiguous and used interchangeably (even within a given country) causing struggle with the effects of these coexisting concepts.

Discrepancies and misinterpretations of the meaning of the concept are frequent, especially on the global arena, but even within Europe and this section aims to show the reality of these differences in the regional context of Europe. It does so to be able to prove that while not-for-profits may look alike, they are very different, and in a legal sense a not-for-profit in one country may not be a not-for-profit in the other. The example of Europe is a telling one, as it is a region where legal harmonization of many areas has been successfully implemented, but not in the case of not-for-profits.

Differences of terminology make any comparison a challenge. The term “social economy” for example, refers to a “set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The Social Economy also includes private, formally-organized entities with autonomy of decision making and freedom of membership that produces non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them.” (CIRIEC 2012).

Besides the social economy model, there is a functional-operational approach, which is detailed in this paper, and it is mostly characteristic of the new Member states of the EU. Meanwhile in Germany, the notion of Gemeinwirtschaft (General Interest Economy) is used (as well as in Austria); in the United Kingdom, voluntary sector

and non-governmental organizations, more closely related to the idea of non-profit organizations, are used (as well as in Denmark, Malta and Slovenia); while in France, Belgium and Luxembourg, the concepts of the social and the solidarity economy are recognized.

The consequence of this fact that the term “not-for-profit organization” means different things to a German, a Brit, or an Italian and attempts for harmonizing the concept for a European NGO are unlikely to succeed. This means that not only does the perception of a not-for-profit vary from one country to another but so do the legal entities: a Dutch not-for-profit may not qualify as a not-for-profit in Hungary as the legal concepts are different in the countries.

This paper could identify only one attempt for harmonization in this regard in Europe. The so-called Fontaine Report made a very specific proposal for the creation of a legal instrument to enable the not-for-profit sector bodies to operate with greater ease transnationally. When the proposed change was submitted to the Council of Europe by the European Commission (COM (91) 273), a European association statute became part of a package, which included equivalent regulations for cooperatives and mutuals. However, little progress was made, and the “European Association Statute”, together with the other parts of the package, was stalled in the absence of decisive action, as many believed that European action was unnecessary. While the European Parliament launched a written declaration (European Parliament 2010) in 2010 calling on the European Commission to table three proposals for European statutes for foundations, associations and mutuals respectively to give institutional recognition to the engagement and activism of millions of citizens who freely and voluntarily join together in associations across Europe. The idea of a European statute that would fully respect the principle of subsidiarity, as it would be optional by nature, has received broad recognition. In the proposed system, European associations could continue registering their statutes according to their specific national legislation. Those willing to develop transnational activities would be able to adopt, beyond the national legislation, a European legal standard. The legal personality would ensure that social

economy enterprises benefit from equal treatment in internal market law and the subsidies that they may receive become more transparent across the EU.

The size and scope of the sector in Europe and globally

The lack of harmonious interpretation of what not-for-profits are causes challenges for recording comparable data on them. Both The UN Nonprofit Handbook Project of the Johns Hopkins University and the European Commission have expressed concerns (L. M. Salamon, J. W. Sokolowski, et al. 2013) and have developed manuals for drawing up satellite accounts which will make it possible to obtain consistent, accurate and reliable data on the sector. It is commonly agreed that without this step, there is no chance of getting accurate macroeconomic information. What is available often needs to be quoted with caution in any comparison because of the differences of the concept and the reporting systems. We do know that on a macroeconomic level, the not-for-profit sector is important in both human and economic terms. Based on the report prepared for the European Economic and Social Committee, the sector in Europe alone employs over 11 million people, equivalent to 6.7% of the wage earning population of the EU (CIRIEC 2008, 19). Associations, foundations, mutuals, trade unions, cooperatives and other organizations tend to be the majority of the sector, while in some new member countries and also in Italy, Spain, Finland and Sweden, the majority of social economy is composed of co-operatives and similar entities. It is also noted that there was a significant growth in the economic importance of the third sector in Europe in terms of associational density and the number of foundations and their assets; the sector is earning more and more policy recognition and this has in turn heightened social, as well as political, expectations. The sector makes an effective contribution to solving social problems; matching services to needs; increasing the value of economic activities serving these social needs; deepening and strengthening economic democracy; and, building much needed social capital. The rise of the sector is being recognized in political and legal circles, both national and regional. This is reflected in the creation of both the Social Economy Unit within DG XXIII Enterprise Policy, Distributive Trades, Tourism and the Social Economy and the European Parliament Social Economy Intergroup. In 2005 (Report on the

European Social Model for the Future 2005), the European Parliament called on the Commission "to respect the social economy and to present a communication on this cornerstone of the European social model" (Report on a European Social Model for the future (2005/2248 (INI)).

The recognition is necessary, as the sector's role and scope is growing not only in Europe but globally as well. Civil society organization accounts for almost 4.4% of workforce as a share of the economically active population (in the 36 countries researched) (Salamon and Sokolowski, 2003, 81), the share being higher in developed countries (e.g. 141.4% in The Netherlands, 9.8% US, 8.5% UK) and lower in developing countries (e.g. 0.4 % in Mexico) and (post-) transition countries (e.g. 1.1% in Hungary, 0.8% in Poland and Slovakia) (Salamon, Sokolowski and Associates, 2004). Active membership in voluntary organizations is around 18% of the population around the world (World Values Survey) in the US 72 % of households participate in giving to not-for-profits (Center on Philanthropy 2009, 8). The size and economic presence of the sector is also impressive: with the value of volunteer work included, nonprofits account for a 4.5 percent of gross domestic product (GDP) in the 15 countries for which data is available (L. M. Salamon, J. W. Sokolowski, et al. 2013). Organizations are active on national and global levels too. Nearly 4000 NGOs have accredited consultative status with the UN's ECOSOC⁴ and "The World Bank interacts with thousands of Civil Society Organizations (CSOs) throughout the world at the global, regional, and country levels. These CSOs include NGOs, trade unions, faith-based organizations, indigenous peoples movements, foundations and many others. These interactions range from CSOs who critically monitor the World Bank's work and engage the bank in policy discussions, to those, which actively collaborate with the bank in operational activities. There are many examples of active

⁴<http://esango.un.org/civilsociety/displayConsultativeStatusSearch.do?method=search&sessionCheck=false>

partnerships in the areas of forest conservation, AIDS vaccines, rural poverty, micro-credit, and internet development.” (World Bank).⁵

Organizations work in a variety of fields: social assistance, sports activities, recreation, theater, education, library, utilities, health and social services, professional and scientific work, finance and insurance. Organizations are different in many ways, for instance, their goals, their size, the interest they advocate, their target groups, their scope, their structures and so on. Different types of organizations have different resources and resources structures. Some organizations exist without any financial resources as their work is fully based on voluntary time contributions; others operate without volunteers and work from resources generated as cash or in-kind revenues but in most of the cases organizations get their resources from a variety of sources.

Broadly speaking the key types of resource types for not-for-profits are philanthropic giving, fees/membership and government sources. A Johns Hopkins University research shows different patterns of revenue structures in different socio-economic environments, but indicates that on a global level, the majority of resources for not-for-profits come from the latter and notes that philanthropic giving is generally not the major source of financial revenue (L. M. Salamon, J. W. Sokolowski, et al. 2013).

From these broad categories, the area of philanthropic giving and fees and membership is especially interesting for the purposes of this paper, as they are forms of active trusting behavior towards not-for-profits (and will be examined under the case studies about participation) from private entities, while the role of state, in this paper, is less important for its financial support for not-for-profits, but more as the most important actor responsible for setting policies for the functioning of the sector (including the role of rule setter for maintaining the sector’s trustworthiness).

Organizations are supported to work for the public, to create value, but their real impact is hardly measureable. The sector’s impact is generally agreed to be immensely valuable, even if, in scientific sense, it is impossible to measure due to the

⁵<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/CSO/0,,contentMDK:20127718~menuPK:288622~pagePK:220503~piPK:220476~theSitePK:228717,00.html>

current inadequacy of social science methodology (Hodgkinson and Flynn 2001, 14).

The framework

When a whole sector's perceived trustworthiness is examined, a broad perspective needs to be taken. This complexity was recognized in the work of Mizrahi, Vigoda-Gadot and Cohen (2009) who developed a basic structure where the perception of the more complex system, e.g. a sector is presented as a model. The model recognizes that where on the one hand there are factors influencing the perception of a given entity, and on the other hand, there are factors influencing the perception of the system and the two are correlated.

The original model was developed to measure trust in healthcare, but its key point, *that the perception of the trustworthiness of a given organization is not the same as the perception of the whole sector is important for the purposes of this paper. On the level of the individual when there is a positive experience with a given organization, the individual feels that the given organization can be trusted and generalizes the experience regarding the whole of the sector*⁶.

Generalization of a personal experience cannot fully answer the issue of our concern. Mostly because to answer the question of this paper one cannot limit the group in concern to those who have the opportunity to gain first hand experience with an entity. It would mean that while trust developed by the personal experience of a given individual is generalized, but nevertheless stays with the given person that was involved in the interaction. Therefore, the perception of trustworthiness in such cases is transferred from one organization to several (possibly the sector), but it is still limited to the person who was involved in the interaction with the given not-for-profit and not reach more than that one person (and his/her social circle). In addition, one should not only subtract the interactions that do not leave a positive impression but

⁶ The related micro performance hypothesis developed in the literature regarding trust in government, supports this argument and says that as citizens grow more satisfied with public sector performance, their level of trust in government increases, a hypothesis that has been backed by empirical evidence too (Mizrahi, Vigoda-Gadot, & Cohen, 2009, p. 85) but not applicable in every sphere..

should also realize that micro level trust and macro level trust do not necessarily go hand in hand. Individuals may have high level of trust in a concrete entity but lower level trust on the institutional level. Just because I like and even trust my doctor, I may not necessarily trust the health care system and vice versa (I may trust the education system but not my child's teacher). The latter has been tested and proven to be true: patients may have high level of trust in their doctors but lower levels of trust in health care institutions (Calnan and Sanford 2004). To be able to grasp the complexity of this issue a research framework developed by Mizrahi et al. (Mizrahi, Vigoda-Gadot and Cohen 2009) is a good basis as it works to recognize that our trust in a system (a set of institutions) is only partly based on our experience with one entity in that group, i.e. generalization is not the only answer, but there are other factors that provide input to our perception on the institutional level, in our case the not-for-profit sector. The original framework was used for general public sector performance modeling and it can be useful for our purposes because its logical framework of trust relations is easily comprehensible to the not-for-profit environment as trust relations in both sectors exist on three levels: interpersonal, organizational, and institutional. The trustworthiness perception of the sector therefore is influenced by the individual organization's perception of trustworthiness and by the system characteristics (i.e. the trait like features and characteristics of the sector). The perceived trustworthiness of a given organization influences the perceived trustworthiness of the sector and vice versa. In addition, the author of this paper believes that the availability of risk reduction mechanisms also influence the perception of trustworthiness of the individual regarding an organization or the sector (see later chapters on risk reduction mechanisms).

In most situations involving adults, one can assume that the trustor's views are based on preconceptions that will continue to be altered based on input received. This means that the level of trust is never constant and the weight different inputs have on the perception of trustworthiness vary from one situation to the other.

Great expectations

This section of the paper is to focus on those factors that precede social interaction with a concrete party, when judgment of trustworthiness is not based on judgments of concrete organizations and interactions, but on general and generalized characteristics, like those of the not-for-profit *sector*.

In this section the aim is to identify *antecedents* of trustworthiness, looking at the sector as a whole with its general “personality traits”. Organizational research has explored the antecedents of trustworthiness perceptions, like stable personality traits, behaviors and cognitions (Elsbach 2004) and this is what will be attempted here regarding not-for-profits.

Therefore, there are no concrete organizations reviewed here, as the not-for-profit sector is considered to be an abstract group, consisting of thousands of actors with similar characteristic features.

An important, if not the most important, characteristic of not-for-profit organizations is that they are “non-profit-distributing”, i.e. not returning profits generated to their owners or directors. Nonprofit organizations may accumulate profits in a given year, but the profits must be plowed back into the basic mission of the agency, not distributed to the organizations’ owners, members, founders, or governing board. Nonprofit organizations are private organizations that do not exist primarily to generate profits, either directly or indirectly, and that are not primarily guided by commercial goals and considerations. This differentiates nonprofit organizations from the other component of the private sector—private businesses” (H. K. Anheier, Nonprofit Organizations Theory, management, policy 2006, 48) If profits are made, they stay within the determined purpose of the organization. The *non-distribution constraint* is not only a central feature of most definitions of “the non-profit sector” in law and social science literature but can also be an appealing character of the not-for-profit sector, a character that is strongly related to the trust towards the sector. This characteristic is underlined even in legal, fiscal, and administrative terms in some

countries, like Germany (Hansmann 1980), where “commercial” and “non-commercial” is the prime distinguishing feature of the members of this sector. This characteristic, as some argue, gives an advantage for non-profit organizations compared to for-profit entities, in this regard, making them perceived as less inclined to profit generation at the expense of their consumers and appear more trustworthy since they have fewer incentives to downgrade quality in order to increase profits (Hansmann 1980). This trust advantage is especially frequent when monitoring can be too expensive and profiteering is likely. In many fields of not-for-profit operations, monitoring is weak or impossible, as for example, the recipient and the customer/buyer/financier of the service are not the same, or the beneficiaries of the service are unknown to the donor. Some go as far as arguing that even the existence of not-for-profit organizations can be explained based on the asymmetric information challenge. These are the trust-related theories⁷ of the not-for-profit sector that argue that for-profit provision of services and goods for consumers can be problematic when they have public attributes, like non-excludability and non-rivalry in consumption (and not purely private ones) and are provided under conditions of asymmetric information. This theory suggests (Nelson and Krahinsky 1973) that the asymmetries in information between clients and provider may lead to fear on the side of consumer about being taken advantage of, resulting in the feeling of need for a trustworthy entity. Search for trust-engendering signals takes place, for example, when a mother is seeking child care and has the option to choose from private and not-for-profit institutions in the area and chooses the latter for their non-distribution constraint signaling trust for the mother (as the recipient of the service i.e. her child is unlikely to be able to appropriately judge the quality of the service). Other arenas for common information asymmetries and trust are observed when individual contributions cannot

⁷ The trust-related theories underline why non-market rather than market solutions are preferred in certain cases but, as some (Ortmann and Schlesinger, Trust, Repute, and the Role of Nonprofit Enterprise 2003, 81) point out, are not suitable for explaining the existence of nonprofit enterprise in all markets.

be matched with collective services provided, as well as in cases of high risk services for the consumer (e.g. blood giving (Titmuss 1973)).

Strongly related to the not-for-profit nature of the sector, is the perception of altruism. Being selfless for the welfare of other, is not only a traditional virtue in many cultures but also a core value of various religions where something is sacrificed for someone other than the self (e.g. sacrificing time, money or other resources) with no expectation of any compensation or benefits, either direct, or indirect (e.g. receiving recognition for the act of giving). Being benevolent is especially true for charitable organizations, many of them deriving their missions from different religions and, not rarely, acting out the altruistic duties of the given religion. While they do not compose the vast majority of organizations, in some countries, especially in the developing world, they are typically associated with what not-for-profits are. Even when there is no relation to religion, being altruistic is an important assumption with positive connotation regarding the sector. Altruism is an important factor in influencing the perceptions of trustworthiness of the not-for-profit sector. With that comes the perception that opportunities and incentives for opportunistic behavior on the part of people in not-for-profits is negligible. People working in not-for-profits are often viewed as “Mother Theresa” or at least as human beings for whom financial, power, prestige and other perks are not as important as to most.

Another reason for trust-engendering towards non-profit organizations could easily be their *non-governmental character*, i.e. the fact that they are institutionally separate from state (federal, national and local government) (often called as “private”), and therefore, not exercising any state authority. Not being part of the apparatus of government can be especially appealing regimes where trust of government is low. Therefore being structurally separate from the instrumentalities of government is a feature that signals trustworthiness to some segments of the public. This is the case during the late 1980s when years of democratic revival in Eastern Europe created a political environment that was open enough for new, non-state, non-governmental organizations to register. Participation in such entities was an expression of freedom and dislike of the (undemocratic communist) government. With the spread of the

democratic movement, the public's trust of such organizations grew, often as an expression of distrust of the government that went hand-in-hand with growing trust for non-governmental initiatives. Such cases are numerous. In Hungary for example, the Duna Kör (The "Danube Circle"), a new not-for-profit organization started in the 1984 developed mass support for itself and its environmental issues. Their environmental protest against the construction of the government planned Gabčíkovo – Nagymaros Dams was only partly an environmental issue as it was also a political protest where citizens expressed their support of the environmental and political entity that was non-state, i.e. not part of the untrustworthy (undemocratic) government. Similar trust advantage can be noted in the new independent/non-governmental worker unions of Poland, like the Solidarnost and the Democratic Trade Union of Scientific Workers ("TDDSZ", where even the name of the entity illustrates democracy, i.e. not part of the undemocratic state system) of Hungary. After the first democratic elections in 1989, support of these concrete organizations has diminished (mostly due to their loss of human capital to parties and newly established state institutions) but through them the public not only got familiar with not-for-profits but also projected the trust towards other not-for-profit organizations of the new democracy. A decade or so after the political changes, with thousand of organizations operating the environment has changed and being non-governmental was not necessarily a sufficient trust advantage any more.

Being distant from government can garner trust advantage in democratic environments too. It is especially relevant in advocacy and watch-dog organizations whose work is to provide critical input of the state and its institutions and laws. These organizations may opt out of seeking and using money or other support from government, therefore underlining their real, as well as their perceived, independence from the state (e.g. the ACLU in the United States, the TASZ in Hungary). Very closely related to the value of being "non-governmental" is the characteristic of the *self-governing* nature of the not-for-profit sector. This means that these organizations control their own activities to a significant extent and they have their

own internal governance procedures with *citizen participation* and enjoy a meaningful degree of *autonomy*. “Making independent decisions, to further the cause they work for” is among the most important characteristics of the sector that the British public recognized in a recent study (Public Trust and Confidence in Charities 2010, 10) but it is not necessarily the same in other countries. The independence and autonomy can be attributed to one of the key characteristics of not-for-profit organizations, namely that they are self-governed entities with their own *institutional reality*, which is signified by a formal charter of incorporation⁸.

The systems that regulate the working of these organizations are based on the key principle of freedom of association, which on a practical level follow the laws of incorporation/registration. It can be argued that the mere fact of regulating incorporation is a step towards establishing trust building mechanisms for organizations and that individual entities can easily be viewed as more trustworthy when registered as organizations than being “just a group”⁹. Institutionalization is assumed to help to secure trustworthiness and therefore make the registered organizations more credible by being a legally established organization. With regulation one can assume, on a minimal level, that the organization satisfies the legal criteria of being a not-for-profit entity: some level of government supervision (i.e. law enforcement) and some continuity in its existence (i.e. the organization is not going to disappear from one day to the next). Together these characteristics may lead to the assumption that there is some guarantee for trustworthiness there.

In all of these cases, it is true that the entities involve some meaningful degree of *voluntary participation*. This means that participation in such entities is not obligatory

⁸ This characteristic is not true globally (e.g. in some third world countries or undemocratic regimes incorporation may not always be a possible), (H. K. Anheier, Nonprofit Organizations Theory, management, policy 2006) (H. K. Anheier, Nonprofit Organizations Theory, management, policy 2006) but in the countries of this research it is a characteristic feature of the sector.

⁹ Having an institutional guarantee is not a precondition for trust, as several community groups are reported to gain trust without having any formal legal recognition (see the example of the Occupy movement in the USA and globally as well as many formations in third world countries).

and that contributing to them is based on the free will of the individual. The individual even has the choice of not dealing with not-for-profits at all and so completely ignoring them is an option for anyone. (Members of the public may decide to feel generally confident about not-for-profits but still not take the risk that comes when trusting someone or something.)¹⁰.

In many cultures, organizations are expected to be run by volunteers and supported by voluntary contributions. In some countries, with strong voluntary culture, like the United Kingdom and Israel, besides the attributes of non-distribution constrain, and the non-governmental feature, the voluntary nature of these entities may serve as proxy-insurance signaling trust for nonprofits.

Depending on the context, the sector comprising of these organizations is referred to differently in different countries. In the UK for example, the expression “charity” is the commonly used wording for the sector, expressing the charitable nature of these organizations. Meanwhile, in France in the 1980s, the sector offered the vision of decentralization, an alternative to both capitalist and public bureaucracy (Archambult 1990). As an alternative to both market and state, these organizations are often viewed as platforms for “Sociabilité” and self-reliance and are called *social economy*. In other countries the terms third sector, voluntary sector, not-for-profit sector, non-governmental sector, and independent sector are used: all do not mean the exact same thing but refer to a very similar phenomenon: a sector that is an intermediary zone between the market and state consisting of organized entities that can generally be characterized as private, self-governing, non-profit distributing and voluntary. The names used in the different countries often express the role the sector plays in those social environments, having a signaling effect on the most important characteristics of the sector, many of them signaling trust, in the given environment.

¹⁰ It is true that in an abstract sense, the public also depends on the trust of not-for-profits, as not-for-profits will carry on with their work as long as they have confidence and trust in the public as many of them depend on their trusting behaviour. Nonprofits can continue their work based on their trust in the public.

Beyond the structural characteristics of the sector, there are many other things that signal trust to the public. If people were asked what a not-for-profit organization is, most of them would, most likely, not be able to come up with an actual definition, instead, they would give attributes that they associate with the sector, like “they are neutral”, “they do good things”, “they work for the public”, “they are all do-gooders”. For the British public, for example, the attribute of *making a difference* was the most important one (Public Trust and Confidence in Charities 2010) when they were surveyed about the behavior of charities (in 2005, 2008, 2010). Although it is very hard to measure the difference made by the sector, the work of organizations are seen in all aspects of life: children participating in after school programs, adults enjoying local choirs or fisherman’s clubs, people expressing their views on issues of local community concerns like environment protection, serving senior citizens at homes for the elderly, arts, museums, sports, as well as global policy issues (like poverty, global warming, disarmament, etc.) and so on. Third sector organizations are also often characterized by higher degrees of solidarity, altruism and direct exchange, attributes that are appreciated by many. Not-for-profit managers, staff members, board and volunteers are perceived to work in a more ethical way and less “opportunistically”, with a shared commitment to the mission of the organization. In addition, they are assumed to work for lower salaries and be more efficient resulting in the perception that not-for-profit organizations are doing their jobs more cheaply, i.e. that they operate more *cost effectively* than others. For their efficiency and effective decision making (due to their lower degrees of formality), they are often praised as reduction of “big government”.

There are some assumptions that are present in one environment, but not in others. For example, the previously mentioned assumption is often heard in the UK, while the one that not-for-profits are neutral is strongly present in the US, while in other countries organizations can be viewed to be bureaucratic, biased and politically committed.

Some assumptions may turn out to be valid for some organizations and environments, but if there are no institutionalized guarantees, they are not necessarily true for all.

Being viewed as a “neutral” institution, as the last example suggests, (a not-for-profit or other entity) can be an assumption one may base his or her trust on, because neutral institutions and agencies are assumed to be designed (using special guarantees of independence and professionalism) to serve the public interest and to maintain their public commitments, while in reality, the institutional guarantees that provide for the self-enforcement mechanisms necessary for trust (Levi 1998, 86) are not always developed, precisely because of institutional insulation (i.e. lack of accountability) (Sajó 2004, 29).

Some of the assumptions have validity as there are institutional guarantees that establish their validity, and therefore, trust that is based on a given assumption with an institutional guarantee has some basis of truth in it. The assumption of the presence of profit non-distribution constraint in not-for-profits, for example, is the most general assumption that happens to have valid base in most countries as institutional mechanisms to secure the non-distribution constraint of these organizations are established in the legal systems. (It is another question, whether these institutional guarantees are being safeguarded or not.)

Meanwhile, the assumption that altruism and ideological motivation should translate to altruistic behavior of employees, managers and board members in not-for-profits stands on shaky ground. A study (by Leete (2001) quoted by Ortmann and Schlesinger 2003, pp. 17) tested this assumption among paid staff by examining the compensation differentials of 4.1 million private-sector employees in the US and replicated a number of well-known earlier studies of economy-wide nonprofit wage differentials to find that, while there appears to be significant differences between nonprofit and for-profit wages within particular areas of work and industries, there does not appear to be a single economy-wide nonprofit-wage effect. This suggests that (at least in the US) those working in the not-for-profit sector do not necessarily sacrifice their own financial benefits for the sake of their work.

As it was pointed out earlier, some assumptions are wrong, others are wrong in certain environments while in other places institutional guarantees aim to make the assumptions true. These institutional guarantees are meant to maintain the trust in not-

for-profits by reducing the risk that is perceived by those interacting with not-for-profits. Some countries, for example, set a limit for organizational overheads, fundraising and personnel costs for not-for-profits, to assist with the perception of trustworthiness of the sector. Similarly, coalitions of organizations may decide to sign up to ethical codes, for the same purpose, to safeguard the trustor in its dealing with not-for-profits.

Assumptions serve as a basis for expectations of the intentions and behavior of the members of a given group, in our case, the members of the not-for-profit sector. Like personal character traits, they are antecedents of the trustworthiness perceptions. Trust in this sense is treated as a property of emotional content, there is some level of embeddedness in the trustor, which is not necessarily based on interactions between the trustor and organization(s) but more on the context. In this sense, “trust” in not-for-profit organizations, is more synonymous with “faith” and “confidence”.

Confidence, according to Luhmann, is the original or basic form of trust when a person trusts his/her presuppositions. For example, going for a daily walk without being afraid of an accident. The same seems to be true for not-for-profits, that the public has its confidence in them. There is an embedded confidence in the trustor towards these organizations, confidence that they are do-gooders and that they consist of individuals who are not profit driven but mission driven, and who even sacrifice their own financial well being and so on. Faith in these traits is not based on interaction with or data on not-for-profits; they are, similar to personal characteristic traits, and are antecedents of trustworthiness perception. They are faith-based and confidence-based, preceding real interaction with the concrete entity in question.

The antecedents of trust have the most influence at the earliest stage of a (future) relationship when information on the validity of the assumption or other information like experience or knowledge does not influence to trustor (yet).

This section described a series of structural and operational-behavioral traits of the not-for-profit sector that generate responses resulting in enhanced perceptions of

trustworthiness of the not-for-profit sector. Using the earlier described terminology, this kind of trust would qualify as generalized trust (E. M. Uslaner 2002) (based upon an optimistic worldview but besides morals, its base also contains the collective experience). The trust production in this case is not a process, but characteristic and institution based. The features of the system are likely to relate to emotional bonds of individuals (“all do-gooders”, “altruistic”, “not-for-profit”) mostly suggesting positive feelings of benevolence and less on cognition (e.g. incorporation suggesting supervision).

Beyond expectations

Trustworthiness is derived from a perception from and about social interactions.

The distinction between the trustor (the trusting party, in our case an individual) and the trustee (a party to be trusted, in our case a not-for-profit organization) is important. It is the trustor that has some level of propensity to trust and the trustee is judged by the trustor regarding its trustworthiness.

To possess an image of trustworthiness is to be perceived by others as displaying an image of 1) competence/ability, 2) benevolence and 3) integrity in one's behavior and beliefs (Mayer, Davis and Schoorman, 1995, 719). These three categories can encompass within themselves all the other characteristics, described by earlier models. They, together, as a set, appear to explain the major issues of trustworthiness. *Ability* is viewed to be a "group of skills, competencies, and characteristics that enable a party to have influence within some specific domain" (ibid, 719). Some concepts used by other authors belonging to this group are (functional/specific) competence, interpersonal competence, expertness, perceived expertise, business sense, and judgment. *Benevolence*, the other key aspect, is defined as the "perception of a positive orientation of the trustee toward the trustor" (ibid, 717), "the extent to which a party is believed to want to do good for the trusting party, aside from an egocentric profit motive" (Mayer, Davis and Schoorman, 2007, 345). Other models have looked at this issue from other perspectives and stressed intentions and motives as important factors to trust, as well as altruism, loyalty, motivation (not) to lie, receptivity, openness, availability, caring, that the model is encompassed under benevolence. The third major factor is *integrity*, which here means "the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable" (Mayer, Davis and Schoorman, 1995, 719). It is meant to mean issues as consistency of the party's past actions, credible communications about the trustee from third parties, strong sense of justice, and the extent to which a party's actions are congruent with his/her words. It encompasses such characteristics, described by other authors, as

consistency, discreetness, fairness, integrity, promise, fulfillment, reliability, openness, and value congruence.

All the three key features: ability, benevolence, and integrity have high impact on how much trust one can garner. The Mayer-Davis-Schoorman model contends that the three factors are all important to trust, that they are related to one another and each may vary independently of the others. It recognizes that as relationships develop a trustor may collect information on trustee's ability, integrity and benevolence that will alter the original perception of trustworthiness of the given party.

As the model was developed with businesses as its focus, an example is drawn from a supplier-buyer relationship. In this example the buyer may believe that a supplier is able, i.e. capable of providing a suitable product. This does not mean that the supplier will do so, and, therefore, the supplier will not necessarily be trusted. The perception that the supplier has integrity suggests that agreements will be fulfilled according to promises made (without integrity, supplier will not be trusted). If the supplier is perceived as benevolent, they will have a strong desire to serve this particular buyer's needs. *The model recognizes that in a business environment each company is motivated primarily by its own financial interests, therefore benevolence is not likely to be the most important factor in the trust development. Although, unique situations were also identified, such as sole proprietorships, where a sole proprietor owns an unincorporated business by himself or herself, and therefore easily displays significant benevolence, not-for-profit organizations were not considered in the model. It is clear that the relationship of the service providing not-for-profits and their clients is the same as long as the information that the given service provider organization is not-for-profit is not shared with the service user. When it is shared, this additional information can alter the perception of the trustworthiness of the given entity for many service users. The next section further applies the model to the not-for-profit context.*

Ability

When not-for-profits compete in the same marketplace with businesses and state/government entities, they are likely to be judged by the same features as other entities. At the beginning of a relationships, judgments of ability are of the utmost importance: is the entity able/capable of providing a suitable product or service like childcare, art experience, information, etc.? Different actors have different market advantage, because they have been serving their populations longer, with more attention, and better expertise. What is certain is that their “ability” is judged under the same criteria as anyone else’s. It would be foolish to think that a trustor would not judge a not-for-profit for its ability with similar assessment criteria as any other entity. At the same time, the original model stresses that the issue of ability is domain specific, so if a trustee is highly competent in a given area, they may not be equally competent in another, unrelated field. A not-for-profit organization that is considered to have excellent competence in child care, will not be judged to be competent in all possible fields, like elder care, banking or fishing. This is why the model identifies that the question “Do you trust them?” should be “Trust them to do what?” (Mayer, Davis and Schoorman, 1995, 729). Although the model was developed for given entities in mind, rather than a group of entities or sectors, the issue of domain specificity highlighted here helps us to understand that *the answers to the question on what entities are trusted more (a not-for-profit, a business, a state, etc.) should not be expected to provide a comparison on the given sector’s “ability” to other sectors. Instead, it should reflect the “ability” of the given sector and entity in its own domain, i.e. trust entities to do what they are meant to do because that is where their abilities lay.* The model may not be generalized across dissimilar tasks and situations (so, you should not trust a child care service not-for-profit to run a bank, even if your assessment of its ability is high). *Therefore, if not-for-profits score high on trust, it does not mean that their “ability” in all fields, across sectors and domains, are considered to be highest. Instead, they are judged regarding their ability*

to do what they do (and their ability to do that is only one component when they are judged regarding their trustworthiness).

Benevolence

While judgments on ability are based on input gathered regarding a concrete party, this paper argues, that sharing information with the trustor about being part of the not-for-profit sector can provide input to influence the judgments of the trustee regarding the benevolence of the given entity.

Using the (above) definition of benevolence, it is clear that a not-for-profit organization is likely to be viewed as benevolent, because of its traits that suggest a low or non-existent ego-centric motive that, with other perceived features, signals the want to do good to/for the trustee. Most of the traits of the sector (e.g. voluntary, self-governing, altruistic) described in the earlier section may contribute to the perception of benevolence regarding a given organization of the sector. *The most important traits are the not-for-profit character and the altruistic nature of the sector, as well as the perception that not-for-profits would put organizational goals ahead of individual goals. These trait-like features suggest that the members of this sector are benevolent by their nature. While the model breaks with the dispositional and trait-like approach of trust and argues that trust is an aspect of a relationship, varying within person and relationships, this paper would like to propose that the two approaches (that trust is dispositional and that trust is an aspect of a relationship) are not necessarily contradictory but can be complementary, as is the case of not-for-profit organizations. It is so, because some trait-like features of the not-for-profit sector can provide the perception that the trustee adheres to principles that trustor is looking for when judging an entity regarding its benevolence.* In the case of not-for-profits, many trait-like features of the sector are likely to be judged more positively than features of members of the other sectors. Some features, like public purpose function and not-for-profit nature are similar to those of the state, a major difference being that participation in a not-for-profit is voluntary, which is not always the case with the state (in addition,

for the public eye, some action of government actors may be perceived to be against doing good to the trustor (i.e. states levy taxes, collect fines, are run by politicians etc.).

As was described earlier, the not-for-profit sector has several features that influence the perception of benevolence. Benevolence judgments take time, and for this reason, the original model assumes that the effect of perceived benevolence on trust is likely to be minimal at an early stage of the relationship as there is little information available about the benevolence of the trustee. The case of a not-for-profit trustee seems to be unique, as they are likely to be perceived benevolent early on, even prior to real interaction, as the trait-like features of the sector (like not-for-profit distribution, altruism, caring) are likely to send signals of benevolence to a trustor.

Integrity

The issue of integrity, i.e. adhering to a set of principles that the trustor finds acceptable, has been strongly correlated with benevolence in many research, but the model argues that they are separable especially when viewed over time, when real data of benevolence can develop (Mayer, Davis and Schoorman 2007, 346). The model states that the trustor may gather information on integrity with little direct information using observations or third party data. Information effecting perception of integrity is considered to be consistent with the trustee's past actions and the belief that the trustee has a strong sense of justice, character for fulfilling agreements of promises, consistency, discredteness, fairness, reliability, openness, and value congruence (Mayer, Davis and Schoorman 1995, 723).

Judgments of ability and integrity form relatively quickly and benevolence judgments tend to take time (Mayer, Davis and Schoorman 1995) because the trustor needs more time to collect information regarding benevolence. *The benevolence judgments regarding not-for-profit organizations are likely to be available faster because they are part of the trait-like features of the sector and therefore readily available to most people. This gives time advantage to members of the not-for-profit sector when*

compared to members of other sectors. Not-for-profits receive the advantage of the perception of benevolence right away in the beginning of relationships, because of the general traits of the sector.

A similar logic is presented by S. Rose-Ackerman, when she talks about the one-sided reliability using George Akerlof's low-quality "lemons" cars example. It is argued that when everyone is selling only "lemons", high-quality cars will disappear from the market as customers anticipate all sellers are only selling lemons and will not believe anyone who claims to be selling a high-quality car. But, if a businessperson can establish a credible reputation as a seller of high-quality cars, he could make money. He either needs some device, such as a money-back guarantee, to get his business started or he needs to be able to credibly signal his high integrity¹¹ *ex ante*, and then he can successfully enter the market. Taking a parallel with the not-for-profit sector, we can say that the sector has some traits that make its members *ex ante* perceived as benevolent and therefore viewed to be trustworthy while other sectors may need to make special efforts to gain that perception. In addition, as will be discussed later, the not-for-profit sector is viewed to be working with other devices that help to establish a credible reputation: it may not be a money –back-guarantee but is more like public-participation and an easy opting out system. In the case of the "lemon"-car example conscious communication effort is needed for being distinguished as trustworthy. *This paper argues that because of the trait like features of not-for-profits, in cases when not-for-profits compete with members of other sectors, their trait-like features serve as signals of trustworthiness (especially as being benevolent). In that case, to be recognized as trustworthy, the organization only needs to communicate that it belongs to the group of not-for-profits. In the case of a concrete not-for-profit organization, these traits can be communicated to gain trust advantage in the marketplace with actors that do not belong to the same group. Evidently, this can not be a distinguishing feature in situations where there are only not-for-profits on the market, therefore the market advantage is present only in limited cases.*

¹¹ Rose-Ackerman may use "integrity" here but applying the terminology described above to the meaning of her sentence, the use of "integrity and/or benevolence" would be adequate.

While benevolence is only one of the factors that contribute to trustworthiness, it is a unique asset of the not-for-profit sector to be viewed as benevolent. All the previously discussed three elements contribute to the perception of the trustor regarding the trustee and the model goes as far as stating that the trustee will be perceived as quite trustworthy if perceived high on all three factors, but it cannot say which of the elements could be more important in the perception of trustworthiness. Therefore, based on available information, we cannot state how important the perception of benevolence is in a given interaction. Hence, it cannot be said that benevolence or any other feature is more important than the other. Nevertheless, it can be recognized that members of the non-profit sector are likely to be perceived more benevolent, even at an early stage of the relationship because the trait-like features.

Risk reduction mechanisms

Some organizations recognize the need for managing risk and may or may not decide to do something about it, others may not see risks or may see a risk but decide not to do anything about it. This section will examine the mechanisms available for risk reduction. *The work of risk deduction mechanisms is based on the recognition that by reducing the perceived risks regarding not-for-profits trustors (and potential trustors) will trust not-for-profit organizations. If the risk is recognized, it can be managed as long as the knowledge and skills are available.*

Ideally, this section would describe mechanisms that are available for the whole sector. This paper could not identify any mechanisms that would be effective for every not-for-profit on Earth. It could identify some that are available to certain groups of organizations, especially on country level. For this reason, this section will describe mechanisms that are broadly available and will present some case studies in relation to those mechanisms.

It has been discussed earlier, that not-for-profit organizations can have multiple stakeholders, like funders, sector regulators, clients and communities (Farkas and Molnár 2005) (Ebrahim 2003a) and among them are different individuals, whose perceived risk and need of risk reduction is different. As the focus of this paper is the individual, the mechanisms that are available to individuals are in the focus of this section. A person may feel comfortable trusting a not-for-profit as long as she/he participates in it. Another may assume that not-for-profits are trustworthy because they are incorporated and supervised by state (i.e. the risk is perceived to be lower because of the assumed function of the state). Another person may be willing to trust and participate in an organization when she/he sees that a favored celebrity, a respected donor or other trustworthy institutions are associated with the entity giving the message that the organization is trustworthy. (This works because the organization is trusted by those who are already perceived to be trustworthy, their presence becomes a risk reduction for this person.) Others may want to hear from an expert that

the organization is worthy of their trust, and would turn to lawyers, accountants, the media or agencies specializing on this area for assurance.

Funders may perceive some risks in trusting the successful completion of their interest, so they want assurance that the not-for-profit is trustworthy and the risk in dealing with it is bearable (and the benefits are worthy of the risk taking). Some donors may be able to explicitly express their needs on risk reduction (e.g. a private donor may ask who the decision makers are, request audit reports, or information on the financial reserves of the organization and so on), while others may see no risks or have higher levels of risk tolerance and are comfortable with the risks; others may perceive risks but assume that they are taken care of by someone else. The private donor in the example may collect information in advance to reduce his perceived risks and may set up a relationship where a contract is signed with the not-for-profit regarding the donation that contains an agreement about, among other things, the level of monitoring accepted by the parties involved.

For others, risk reduction is not necessary; they either have blind faith or their perceived risk is bearable or risk reduction is too costly. A private individual who contributes a small amount of money to a Samaritan cash collection on the street is likely to perceive the risks as minimal and getting involved in any risk reduction, like monitoring the usage of the donation or the work and ethics of the organization as too costly (and may even be upset if the donation is followed by an overwhelming information flow). But what if the coin donor is interested in engaging in risk reduction activity? What should this person be entitled to: information on the use of his money or the overall finances of the organization, information on who makes decisions and how much is used for collecting the coins? A volunteer campaigner for Greenpeace, risking his life saving sea mammals, may even be interested in much more than what is listed above and may want to know the ethics and morals of the organization, including its carbon footprint.

These examples present cases where the (potential) trustor would like to have assurance that the risk perceived is not too “risky” to take. Most of the trust reduction mechanisms that this paper could identify which are described here work on the

assumption that a trustor is in need of information regarding the trustworthiness of the sector or the given entity as the trustor needs to make a decision with limited information at hand. Using the principle-agent theory, the trustor can be considered to be a “principle”, while the trustee, who has the information, is considered the “agent”. The principle and the agent have different interests and asymmetric information. As the agent has more information and the principal wants assurance that the agent acts in the principal's best interest (i.e. trustworthiness), he demands information. The information can come directly from the trustee or indirectly from a third party. When the information is obtained directly from the trustee, the trustor is in a position to gather information that is “custom-made” for him/her. The trustor may be interested in the values, the management style, use of resource, etc. or information that is related to the institutional nature of the entity (e.g. the budget, the board, the legal framework etc.) to be able to make its own judgment. The trustee may or may not make a conscious effort to manage its perception of trustworthiness. *The organization in the example needs to decide if being perceived as trustworthy is something desirable and if this is the case, whether a systematic effort is needed to manage trustworthiness and whether the related costs are worthy investments.* The organization may decide that there is no need for trust management or to focus on being perceived as trustworthy to a given principle and may provide only the information that the given principle requires (e.g. a given donor only receives information that is related to their donation, or some information is only provided to the board or some only to fulfill the legal requirements of the state). The organization may decide that it is beneficial to be perceived as a trustworthy organization, not only by its derivatively legitimate stakeholders and principles, but by other stakeholders too. If the organization realizes that its perception of trustworthiness needs to be managed and finds it beneficial to bare the costs, it may decide to manage its trustworthiness by providing access to information to its principles. It may do so directly or may do so via a third party or parties. It may publish annual reports; invite potential donors to participate in the life of the organization, with the expectation that the information the potential donors collect by participation will positively influence

their perception of trustworthiness (that may lead to trusting behavior). An organization may decide to use third parties to enhance perception of trustworthiness; request audits and publish the results; join entities with approved ethical standards; become member of umbrella groups with declared trustworthy behavior and so on. *When the information about a not-for-profit reaches the trustor not directly from the organization but via a third party, the third party is positioned between the trustor and trustee and can function as a mediator between the two.* In this example, the prime function of the mediator is to support (or influence) the judgment of the principle (in our case the trustor individual) regarding the trustworthiness of the not-for-profit organization or the sector in its interest (or assumed interest) in risk reduction. The third party that manages risk reduction may do so by providing the information for the judgment of the individual (e.g. not-for-profit databases, ethical codes) or they may come up with information that is a judgment itself (e.g. accreditation, seal of excellence, awards). (When dealing with third parties, the trustor will also have to make a judgment on the trustworthiness of the third party¹².)

This paper could identify incorporation, i.e. being a legal entity recognized by a country to be a mechanism that is mostly “universal”, but even this is only available on a country by country level.

If there was at least one trust managing mechanism that is universally available for all not-for-profits, it would be discussed here. This paper could not identify any that would be globally available. Instead, it has identified laws and regulations, as mechanisms as most broadly available and used mechanisms that are relevant and enforceable for all members of a given community, i.e. a country. It is only the state (with its institutions) that is able to enact laws that are enforceable and valid for all members of its registered not-for-profit population. All the other mechanisms are self-selective and therefore not relevant for all organizations. Nevertheless, they will be discussed here because the perception of the sector is influenced by the availability of

¹² Arthur Andersen would not be viewed as a trustworthy entity after the Enron scandal in 2002.

risk reduction mechanisms relevant to the sector and to individual organizations. Therefore, this paper will discuss those that have a relatively wide availability and use with have some level of institutionalality (i.e. the use of celebrities or referrals for any given organization will not be covered here).

In addition to the description of the most widely available and used mechanisms there will be case studies presented here in the context of a given country. *It will be evident from the case studies that the availability and use of most of these mechanisms is limited and their function of risk reduction may be valuable when dealing with concrete organizations, but their contribution to the trustworthiness of the whole of the sector is limited, although their mere existence can give the perception of reduced risk and higher level of perceived trustworthiness. It will also be visible that while some not-for-profit organizations recognize that trustworthiness should be considered as a “problem” and possibly managed, the sector as such could not come to the same realization.* There are not-for-profits that manage their own trustworthiness (and some of them are very successful at it). For managing the trustworthiness of the whole of the sector different agents have identified different solutions and started to implement them on the sector’s behalf or on behalf of those who participate in the given mechanism.

The mechanisms here are discussed in the context of their own environment, i.e. the country they operate in. The case studies are not meant for the use of systematic comparisons, and to avoid even the temptation of that, their presentation is not harmonized.

First participation will be discussed that is available to all organizations and the case study will show the effects when organizations of the Ukrainian not-for-profit sector do not make good enough use of this mechanisms. As a juxtaposition to this case study, an odd-one-out will be presented, the Occupy Wall Street Movement in the context of the US not-for-profit environment. It will be presented under participation, because it has made an exceptional use of citizen participation.

Second, laws and regulations will be discussed and how in the case of the U.K. they fulfill the supervisory role. Under laws and regulation the case of Hungary will be

presented to show how a (relatively) new not-for-profit sector is being regulated regarding its transparency.

Third, the role of trust brokers will be discussed in the context of the German not-for-profit sector.

As will be shown, most of the mechanisms provide information on the institutional nature of not-for-profits, presenting information that effects cognition-based trust while giving a basis for one-sided institutional trust. As described in earlier sections, because of the intermediary nature of the sector, trust and confidence towards or in not-for-profits is not only institutional but can be interpersonal and is often affect-based. This paper identifies participation that can be considered risk reducing mechanisms that reflect, not only, cognition-based trust but also trust that is interpersonal and affect-based. This paper shows that participation in not-for-profits is a risk reduction mechanism that can be used by not-for-profits. Depending on the type of participation, a trustor gathers input that can be cognitive as well as affect-based. The information is gathered regarding a given organization, and therefore is limited to the participating trustor. Although it should be treated as information regarding the given entity, it also influences the perception of the whole of the sector. As the case studies will show, it is quite likely, that our trust in not-for-profits is not the result of the workings of the risk reduction mechanisms (we do not trust not-for-profits because of the information we gain based on the input of different risk reduction mechanisms), nevertheless their existence, as such, is likely to contribute to our perception of not-for-profits being worthy of our trust.

Participation

Participation theorists have long argued that there is a correlation between participation and trust, and have regarded public participation as the solution to the general trust crisis. Some countries (among them many EU member states) have started to build citizen and stakeholder engagement into their policy-making processes, like large-scale consultations, focus group researches, online discussion forums, or deliberative citizens' juries. Other techniques include public commenting of proposed rules that can be mandatory or optional. The participatory nature of not-for-profit organizations has long been believed to be one of the main reasons for high levels of trust in not-for-profits. Because of the assumed connection between the participation and trust in not-for-profits, the sector has been viewed as a model for citizen participation. This section will elaborate on the uniqueness of participation in not-for-profits in view of their contribution to the perception of trustworthiness of the sector.

Participation has been discussed in this paper as a trait-like feature of the sector, and it could be discussed in many other areas too. Participating creates both an opportunity and vulnerability for the individual. The former, widely discussed in the not-for-profit movement, surrounds the perceived gains for the individual and the collective; the latter, vulnerability, derives from the cost of the involvement and the potential costs associated with misplaced trust (e.g. one's damaged reputation) (Kramer, Brewer and Hanna 1996, 357-385). These all influence the decision of opting to participate or not and the how of participating. Participation in a not-for-profit organization is itself an expression of trusting behavior and also an opportunity for risk reduction (by gaining first hand information about the entity). It is detailed in this chapter because participation, besides serving many other functions, also serves as a risk reducing mechanism because the information that is gained by participation can provide a higher level of knowledge that contributes to the perception of trustworthiness of the given entity one participates in. *In addition to the direct experience that takes place between the individual and the organization, participation also contributes to the trustworthiness perception of the sector because of the generalizing that takes place*

based on the concrete interaction on one hand, and because those who do not participate in the given exchange are also influenced by seeing that when participation takes place that is likely to suggest citizen monitoring and risk reduction on the other hand. This means that participation can be perceived as a risk reduction not only for those involved, but also for those who are aware of the participation. In addition, it is a trait-like feature of the sector, and therefore has influence on the overall perception of the sector.

Participation is a unique mechanism as it can be the basis of affect and cognition-based trust, depending on the type of participation. Participation in not-for-profits can be based on interpersonal trust and can also generate interpersonal trust, which is rare in other sectors (where institutions tend to garner one-sided institutional trust that is often based on cognition).

When one participates one makes a personal decision and there is an emotional link between participation and trust that makes the object of participation part of the person's identity (Bouckaert, et al. 2002, 91). It is difficult to maintain a negative attitude towards one's personality, therefore, cognitive dissonance prevents the person from negative evaluation of his/her participation. This means that those participating are most likely to trust the entity they participate in, so the millions participating in not-for-profits (as volunteers, supporters, CEOs, etc.) are likely to trust the nonprofits they participate in. As the individual's resources are limited, a person can only have limited experience in participation. Therefore one's opinion should be limited to the given entity, but based on that limited experience with a not-for-profit entity, a generalization takes place regarding entities with similar attributes but the scope of the effect of participation in this case is limited. Even if all those people who interact with not-for-profits in one or another way agree to trust not-for-profits, it is clear that the number of participants alone cannot be the reason for so many people expressing their trust in not-for-profits. However high those numbers appear to be, there are still less people interacting with not-for-profits than those people interacting with members of the business or state sectors (because one cannot avoid participating in the state system, and participation in the market is the necessity in most contemporary

societies, while participation in a not-for-profit is a choice). This is why it is important that there is familiarity (see Luhmann earlier) with the sector. Participation alone can become a trait-like feature that contributes to the perception of trustworthiness of the sector even for those who do not participate (and some of them would recognize participation as a risk reducing mechanism).

Whether participation really serves as a broad monitoring mechanism by the public is to be discussed here noting that even if it is not, participation can be perceived as a risk reducing mechanism and therefore it is an important mechanism contributing to the trustworthiness perception of the sector.

The first point to be made is that an individual has several choices regarding participation, and that not all participation can contribute to the perception of trustworthiness, as not all provide opportunity for monitoring and not all are available to anyone. Secondly, participation in not-for-profits is optional. An individual has the choice to participate in a not-for-profit or not, as well as a choice as to which not-for-profit to participate in, what kind of participation and at what level in order to proceed. Opting in and out is fairly easy with not-for-profits. One important reason for a positive connotation with a not-for-profit is that participation in not-for-profits is *choice-based*. The basic condition of the effectiveness of participation is that people must desire participation for it to have major effects. (Ritchie 1974). This condition can be taken for granted to be fulfilled regarding not-for-profit organizations in democratic societies where participation in not-for-profit organizations is based on the voluntary decision of the citizenry¹³. Not-for-profits, being very different, offer a wide range of choices: there are inward and outward looking entities (Offe and Fuchs 2002, 198), there are membership (typically associations) and non membership organizations (typically foundations) where the former ones allow, and often require more participation in decision making and responsibility, while non-membership

¹³ While it can be a practice in undemocratic systems, like the Soviet Union, that participation in community work and state controlled not-for-profits is forced by state and its institutions, extreme cases like that only show that non-voluntary participation does not have the same effects as voluntary one (besides, following the terminology of this paper, they should not even be called not-for-profits).

organizations are run by a limited, usually small number of assigned decision makers bearing most of the responsibility of the entity. There are organizations that are welcoming a broad range of people and are more “universalist” (ibid) than those restricted to certain types of people. There are grant seeking and grant giving entities. Grant seeking organizations tend to be operational ones that run their own programs while grant giving organizations accomplish their missions by providing resources to other entities and expect those entities to contribute to the accomplishment of their mission by delivering their operational work. There are service providing entities (like elder homes, sports clubs, and cultural centers) and non-service providing ones (like advocacy organizations, grant giving foundations, and action groups) and so on. The different organizational forms and missions determine the organizational practice of the entity, the norms of interaction. The dominant modes of participation differ across modes of organizations: the most prevailing mode for leisure organizations is membership, followed by active participation and volunteering and donating money is least popular. For interest organizations the first two are in the same order, but donating comes before volunteering, while in that of the activist, donating comes first, it is followed by membership, active participation and finally, volunteering. Taking donation out, the ordering from most popular to least popular modes is identical in all types of organization: membership, active participation, voluntary work (Ritchie 1974).

Depending on the type of the organization, not only the interaction that takes place between the individual and the entity is different, but also the trust that is developed based on the interaction is different too: volunteering as a dog walker in a dog shelter is different from being a board member of a hospital. Being a dog walker is an emotional experience and an opportunity to learn about the organization and is likely to effect the affect-based, rather than the cognition-based trust of the volunteer, while it may be the other way round for a board member. The dog walker may gain interpersonal trust by interacting with other members and the trust can be a two-sided trust, rather than a one-sided institutional trust. *The input gathered by participation*

assists the perception of the participant regarding the trustworthiness of the given organization, therefore, those participating in a not-for-profit have more information on which to base their trust than those not-participating. If non-participants are on one end of the spectrum regarding the availability of information to them, those participating in decision making are argued to have the opportunity to gain the highest level of knowledge about an entity. Participation in a decision-making process satisfies psychological needs for responsibility (Wood 1972), and participants tend to have increased understanding and more shared responsibility for outcomes (R. D. Putnam 1993), have strengthened group identity, loyalty to the entity (Bouckaert, et al. 2002) and what comes with them: higher levels of trust. The decision maker can gain affect-based trust and is also in best position to gain the highest level of knowledge about the organization (by monitoring it) that affects his/her cognition based trust. While participation in decision-making does predict satisfaction with a given organization, this relationship is not unconditional. Conditions moderating the effects of participation can be as varied as (Discroll 1978, 44-56) having relevant skills and information; perception that the participant's involvement will affect the outcome; feeling of the participation being legitimate; no experience of major status or expertise differential. In addition, people differ in their desire and expectation for participation in decision-making and it has been proven (Discroll 1978, 44-56) that the congruence of desired and perceived participation itself, predicts satisfaction with participation. Participation in the not-for-profit sector is not only voluntary but it also has an immense variety of opportunities for participation, a lot more than other sectors, therefore the likelihood that there is a congruence of desired and perceived participation is high.

The reality of participation in decision making

This section will examine the reality of participation in decision making in not-for-profits and how much congruence, monitoring and control (by citizens) there is as well as how much is assumed to be there. The latter question is interesting as its focus

is not the trust in the organization or those who participate in decision-making, but the trust of those, who are not participating in it. The circle of non-participating citizens is much higher than those participating citizens; therefore, their perception is particularly important here.

Before addressing this question, first the issue of accountability needs to be addressed which leads to the issue of the power of decision-making and the perception of monitoring and control in not-for-profits.

This all leads to a question of a much debated issue, the question of who not-for-profits are accountable to. Some believe that they are accountable to their founders, others think they are accountable to their donors, or users or the general public. When asked the question *to whom* is a business accountable to, the short answer is: to its stakeholders (although lately this limited view of accountability is debated) while in not-for-profit organizations, the answer tends to be: to the citizens, suggesting a broader understanding of accountability, i.e. a broader number of stakeholders that the organization has an obligation to be accountable to. This paper will make use of the stakeholder and the principal-agent theories to clarify these issues.

The *stakeholder theory* of organizational management and business ethics helps to identify groups of constituents as stakeholders in different entities that have different “stakes”, i.e. interests in them. The stakeholder theory was first developed with businesses in mind, and later has been found to be applicable beyond the business sector, including the not-for-profit sector. According to this theory, in the case of businesses, in addition to the owners of a company (e.g. shareholders, stockholders), there are other parties who may not own the entity but have other interests in them. Ownership of an organization can be defined as a possession of two rights: the right to control (the mission and objectives) and the right to returns (the disposition of any material and nonmaterial returns resulting from the organization’s work). In a for-profit scenario these rights are clearly specified by ownership shares. A not-for-profit organization does not have share-holders but it has, just as a business does, stakeholders that are particular to that given entity with certain characteristic traits of that given industry and field. Stakeholders of a business can be as narrowly defined as

its owners and customers, or as broadly understood as having governmental bodies, political groups, trade associations, trade unions communities, financiers, suppliers, employees, competitors, and management viewed as competitors. In the not-for-profit case where shares are absent, it is the stakeholders that share the right to control and right to return.

In not-for-profits there are at least three types of accountability: horizontal, upwards and downward. Horizontal accountability is understood as the organization's own accountability to itself for accomplishing its mission in an efficient, effective and ethical manner while generating and making use of resources in ethical and professional way (or what the organization has set forward as its guiding principle). Internal good governance and management and other organizational mechanisms, such as self-evaluation and performance assessment, self-regulation, and participatory decision making processes are essential elements for keeping the trust of those within the organization (effecting the trust of the public too). The mission is key in horizontal accountability, as it provides "a verbal link between the presumably deeply held principles and the conduct of those representing the nonprofit" (Lawry 1995, 174). Those participating in an organization do so because of their beliefs in the mission of the entity and they can make the organization accountable to its mission. The organizations' accountability to clients, communities and other stakeholders is often called "downward accountability", to distinguish it from the upward one (reporting to derivatively legitimate stakeholders) and horizontal accountability (being accountable to normatively legitimate stakeholders within the organization).

Normatively legitimate stakeholders are those to whom an organization holds a moral obligation while derivatively legitimate stakeholders are those whose stakeholder status is derived from their ability to affect the organization (or its normatively legitimate stakeholders) (Phillips 2003). Normatively legitimate stakeholders of organizations vary from one entity to the other, and can range from users (e.g. homeless people in a homeless shelter), partner organizations (e.g. coalition partners in a joint project of an environmental group), to endorsers (people endorsing an art organization at an event opening), etc. Derivatively legitimate stakeholders in not-for-

profits can be state regulators, founders, board of trustee members, members of associations, etc. Some of the derivatively legitimate stakeholders are positioned to be directly involved in the decision making of the organization and are entitled to monitor and control the organization.

While the circle of those in decision making positions is limited, the public often assumes that because of the participatory nature of the not-for-profit sector the circle of those monitoring and controlling not-for-profits is much broader than normatively legitimate stakeholders (i.e. possibly understood as broadly as the public, the citizens, the people) and that they have the same level of involvement and oversight as decision makers do (therefore serve the purpose of risk reduction). This means, that while the boundaries between normatively and derivatively legitimate stakeholders and decision makers are normatively clear, not-for-profits, because of their participatory nature are often assumed to have more stakeholders that monitor and control the organizations, than a business or a state institutions. This can suggest that not-for-profits work under more citizen/public monitoring and control than entities in other sectors. Those participating in an entity, and especially those participating in decision making, have higher levels of trust towards the entity they participate in. It has already been argued that different participation options can give different monitoring and control powers to those participating. Involving a broader circle of citizens in the decision making of not-for-profits can have different purposes resulting in different levels of shared knowledge and opportunity to control. This will lead to the argument that not-for-profits' trait-like feature of citizen participation contributes to their perception of trustworthiness by leading the public to the assumption that, compared to other sectors, they have higher levels of citizen control and monitoring which is not necessarily the case.

An important contribution to this issue was made by Ben-Ner and Van Hoomissen (Ben-Ner and Van Homissen 1993). Their starting point was the recognition of an inherent conflict of interest between demand and supply side stakeholders, where the latter want more quality and quantity, the former want the opposite. They concluded

that through demand side stakeholders (consumer, donor, sponsor) control in nonprofit organizations eliminates the problems of asymmetric information and stakeholders can safely reveal their demands and make contributions without fear of exploitation. Such stakeholder control can materialize only if certain conditions are met, like the organization is structured in such a way that facilitates exercise of that control and that stakeholders also engage in nonprofit supply. In addition, demand-side stakeholders are defined as individuals, organizations or public bodies that either pay for and consume goods or sponsor the consumption by someone else (i.e. those entities that are only beneficiaries of goods made available to them, are not included). Their paper argues that two categories of goods: trust¹⁴ and collective goods can be provided more advantageously by demand-side stakeholders themselves. Demand exists for a different organizational form for trust goods, i.e. the not-for-profit form to show that profit is not the dominant motive, therefore the profit is not going to be the motive for the entity to deceive. Still, the paper argues that stakeholders of trust goods may look more favorably at entities when they can be assured that the incentives to deceive them is not going to arise from other motivations either. This type of stakeholder may be interested in an entity that is controlled by stakeholders with simultaneous interest in both the demand and supply side of a given service and who have more trust in the entity. Based on this view, it can be argued that, for example, if founders remain in control of an organization (which in some countries is normative while in others, it is a derivatively legitimate thing to do, while in others it is prohibited) and have a direct “stake” in output, incentives for cutting corners on quality are not only reduced because of the non-distribution constraint, but because to do so would be to inflict self-harm. Thus the trust is viewed to be protected twice, from the supply and the demand side (Anheier and Kendall 2002, 348 based on Ben-Ner and Gui, 1993).

In addition, the level of trust is not only higher among those directly involved, i.e. those who are placed in derivatively legitimate stakeholder positions with decision making

¹⁴ Following Weisbrod’s definition, where trust goods include all goods with an asymmetric information problem for consumers/stakeholders (i.e. the case of the day care mentioned earlier) and adding the requirement of significant nonrivalry aspects.

power, but also those that are demand-side stakeholders who are in non-controlling positions, i.e. hold normatively legitimate stake-holding positions. This is so, goes the reasoning (Ben-Ner and Van Homissen 1993, 527) because the trust goods have non-rival aspects, and these stakeholders consume the same unit(s) simultaneously as controlling stakeholders who can deceive them only if they are willing to “punish” themselves. (If the good were rival, controlling stakeholders have chances of exploiting others, just like in the case of for-profits.) This background makes it understandable why parents in the US where state or local government supervision is hard to find for day cares, would prefer to trust a not-for-profit day-care with parental control over other not-for-profit day cares or for-profit ones. *Therefore, it seems to be true that stakeholders in controlling positions, have more trust in the not-for-profit organization that they are part of in a controlling position, and in the case of organizations with nonviral goods, stakeholders in non-controlling positions have higher levels of trust to organizations that have people with similar stakeholding interest in controlling positions. The highest number of controlling stakeholders tend to be in associations.* It needs to be mentioned, that the opportunity to gain a higher level of knowledge, monitoring and control is not necessarily practiced even when granted, as even those participating (even with decision making positions) may feel that the decision making is such that it will produce results suitable to them¹⁵. Trust in an organization (called by some organizational trust) can be defined as the probability that the decision making system will produce preferred outcomes for the individuals, even if they do not exert influence on the system (Gamson 1968). This means that *individuals, even those with decision-making positions, may trust “their” organization and may participate without using their powers to control and monitor. This is not unique to the not-for-profit sector, but this further decreases the circle of those who really practice the monitoring and controlling power over not-for-profits.*

¹⁵ It was also observed that “many boards, at least of the elite institutions, require no more of their directors than that they “give, get, or get off”; and many directors seem to want the honor of board membership without the work and responsibility” (E. Brody, 2002, 478.).

One of the frequently quoted authors on participation, Arnstein, makes it clear that participation is ultimately about power and control (Arnstein 1969, 214). When presenting her model for participation as a ladder, Arnstein puts citizen power on the top of the ladder and non-participation at the bottom. In the model, on the top of the ladder is citizen participation that includes citizen control, delegated power and partnership. In the middle, under “tokenism” there is consultation, informing and placation (where, in many of the cases decision has already been made and representatives are “tokens” without real power, therefore can be manipulated). When examining participation in the NGO context, similar conclusions can be drawn, namely: “Participation must be seen as political. There are always tensions underlying issues such as who is involved, how, and on whose terms. The arenas in which people perceive their interests and judge whether they can express them are not neutral” (White 1996, 6). When the aim of participation is examined (ibid.) the forms of participation and their function, the motivation for involving people in the decision making, as well as the perspective of the participants regarding their participation are useful points of reference. For our purposes it is useful to examine the relation between the form of participation in decision-making in a not-for-profit, its purpose and its contribution to the perception of trustworthiness regarding the given organization. The perception of trustworthiness can be examined from the perspective of two groups of trustors: those directly involved and the observers (directly not involved). In the first case the participant’s judgment is based on personal experience and the information available, while in the second case, the entity can be judged (by the observer) based on the (mere) possibility of participation and the review of those participating. As it will be clear from the description below, participation can take place on different levels. The opportunity of gaining higher knowledge of the organization is different depending on the level of participation based on the stakeholding position and the power. The following section examines four types of form in the typology of already established organizations to present how much they are likely to contribute to the perception of trustworthiness in relation to being under the monitoring and control of citizens. The

forms discussed are: nominal, instrumental, representative and transformative/participatory decision making.

In the case of the *nominal participation form*, the intent of the organization using participation is legitimation. A development case presented by White describes the government in Zambia that, to demonstrate its popular base for legitimation, formed large numbers of women's groups. Similar examples can be found outside the development context, where the intention of the not-for-profit entity to involve individuals or other not-for-profits is window-dressing, because legitimacy is needed for the organization to gain trust by showing its popular base, its contacts, its outreach to the world (e.g. donors, aid agencies, politicians, etc.).

For those participating, this form of participation is hardly going to contribute to their perception of trustworthiness of the given entity because their knowledge of the entity will not be higher than those not participating, therefore, their trust in the organization and its decision maker remains uninfluenced by their participation. The participating individuals and groups may go along with this form as they may have the chance of gaining some information that they otherwise would not get and this gives access to connections that can be useful for purposes of their own agendas and therefore it is a suitable fit for them to participate.

This is a superficial participation as information is not shared and decisions are not made together. Those participating may or may not realize that they are legitimizing the organization they are involved with. Their participation is intended to send positive signals of trustworthiness to those not participating in the entity. This intention is likely to be achieved because the intention of involving outsiders, itself can send the signals of openness that contributes to the perception of trustworthiness and the people involved can legitimize the process (as described in detail later).

Instrumental participation cases are motivated by the efficiency interests and are mostly used for cost-effectiveness. Many NGOs use volunteers to save costs on human resources and/or invite donors to contribute to the revenues of the entity. For those involved, the participation is seen as a cost, because they contribute resources,

like time in the case of volunteering and money in case of a donation. Participation in this case is instrumental.

This kind of participation is characterized by the individual or organization being involved for a specific purpose and would not necessarily contribute substantially to the participants' understanding of the organization more than the transaction requires it. In most cases, there is no substantive information sharing and no involvement of the participant in decision-making processes. For the participants it is probably a suitable fit as they are likely to gain as much access to information as is relevant to their participation. This form of participation can contribute to the perception of trustworthiness of the given entity or its decision makers for those participating. For the observers, this form is likely to send positive signals of trustworthiness regarding the organization. This is so because the intention of the entity to involve outsiders is recognized as a sign of trustworthiness. Secondly, the participation of outsiders contributing their own resources sends the signal that they trust the entity, therefore it is likely to be trustworthy.

Representative participation cases, in the development context of the S. White paper, are motivated by sustainability. The paper gives the example of a Bangladeshi NGO that encouraged individuals to set up their own groups, develop bylaws, and draw up plans for what they would do. The function of participation was to allow the local people a voice in the character of the project and ensure sustainability of the issues that are of concern of the NGO. An example of a representative form of participation, outside the development context, could be when an entity sets up bodies and committees that have been delegated some decision making. To be able to make decisions they are likely to receive relevant information regarding the issue at hand, therefore have substantial insight to certain segments of the organization. In such cases the participating individuals or organizations are likely to find it a good fit and have the feeling of being able to obtain information regarding the derivatively legitimate decision makers on issues that are relevant to their interests. Therefore, for those involved in representative participation, the participation can give substantial input to the perception of the trustworthiness of the entity. For the observers, this form

is likely to send positive signals of trustworthiness regarding the organization. This is so firstly, because the intention of the entity to involve outsiders is recognized as a sign of trustworthiness; secondly, the participation of outsiders in decision making can send the signals of trustworthiness and those participating can legitimize and give credit to the entity with their participation in decision making.

Transformative participation is motivated by empowerment in the development context of the original paper by providing the practical experience of being involved in considering options, making decisions. In other literature, this type of participation is also called participation in decision making which is relevant to the purposes of this paper. This kind of participation is capable of providing high level of involvement with access to substantial knowledge and information about the organization as well as decision making power for those (interested in) participating. This can be an ideal congruence between those willing to be involved and the not-for-profit organization. This kind of participation can give real input regarding the trustworthiness of the entity and those involved in the decision-making. It has the highest likelihood to influence the perception of trustworthiness of the given entity for those involved. It also can have substantial effects on the perception of the entity for those not involved in a decision making processes as they see the entity to be open to participation and they see that others are there to monitor and decide.

As the examples show, some forms of participation can serve as a risk reducing mechanisms contributing to the perception of trustworthiness regarding the entity and the sector for those participating and to those who are not. The more substantial the involvement in the decision making, the more opportunity there is for monitoring and control for the participating individual, therefore the more likely he/she is to perceive the entity as trustworthy. This perception is not based on the information gained, but on the opportunity of gaining that information. The real access to information and real monitoring and control is only available to those in decision making positions (the section described as transformative or participatory decision making in the typology). Not-for-profits, by offering a broader range of opportunities for participation than any

other sector, are likely to be perceived as more trustworthy, even by those not participating because of their openness to involve outsiders and allowing them access to monitoring opportunities. Whatever the form is, non-participants are likely to assume citizen control even when it is limited. Such perception reinforces the assumption of participatory decision-making and citizen control driven from the trait like feature of the sector.

This suggests that the participatory nature of not-for-profits contributes to the perception of trustworthiness of the sector even for those who are not participating because of the assumed monitoring and control power of those involved.

Case presentation: Familiarity and participation, the case of the Ukraine

The Ukraine is presented as a case study because it is one of those few countries where more people distrust not-for-profits (49.8%) than trust them (15.2%) (DIF 2004) and the churches are more trusted than NGOs. It will be argued here that because not-for-profits could not exist under Soviet regime, the population was not familiar with the sector and the trait like features of the sector still did not become part of the common knowledge, “the world as we know it”. While civil society was prohibited in other countries of the former Soviet-bloc too, in many countries the “underground” has had its own groups generating both thin and thick interpersonal trust and there was high level of participation in these groups. These entities have become the first registered official organizations that were followed by thousands. The concept of the not-for-profit sectors was familiar to the public in Poland, Hungary and Czechoslovakia, and with their active participation not-for-profits have become trusted entities in these countries. It was not the case in the Ukraine: the lack of familiarity has remained and the sector and its organizations did not use the method of participation for building familiarity, confidence and trust in not-for-profits. Trust in not-for-profits has remained a challenge that only some recognize.

The Ukraine is a former Soviet Republic, a country with borders to the Russian Federation, Belarus, Poland, Slovakia and Hungary, Romania and Moldova. Its population is around 45 million people, with about 7,2 USD GDP per capita (PPP) and 76 point human development index¹⁶.

The Ukraine, as part of the Soviet regime, has existed in a system where the state ruled all spheres of public life. As explained earlier, during the Soviet times people relied on interpersonal networks with their relatives, friends, friends of friends

¹⁶ Svitlana Kuts and her „Civil Society Decelopment in Ukraine” was an essential resource in writing this section.

developing interpersonal trust among certain people and distrust of the Soviet state and its institutions (Khodyakov 2007, 119). The state allowed some civil activity but with supervision and forced community work as well as non-voluntary membership obligations to benefit Communist-ruled entities and one-party-state propaganda. There are generations for whom the democratic system and capitalism is new and who have spent most of their adult life under the rule of the state where all institutions were controlled by state and not-for-profits could not register. While there is democracy, the rule of law in the Ukraine is reported to be poor (Freedom House 2004) and the country's governance is problematic due to the persistent lack of transparency in policy making: "...state safeguards are, to a large degree, intended to protect power as such and some particular individuals at the helm of power, rather than to protect performance in pursuance of the people's interests" (Freedom House, 2004). Therefore it is understandable that limited effectiveness of the state means that Ukrainians generally lack confidence in government institutions and officials (IFES 2005). Ukrainian law provides a solid legal basis for exercising freedoms of speech and association through citizens' associations, unions of citizens' associations, and unions of legal entities (ICNL 2001). These laws are subject to interpretation (Freedom House 2003), stating that the Ukrainian Constitution contains broad guarantees for human rights and civil liberties, but these rights are not always secure. In this climate it does not come as a surprise that the majority of respondents in trust surveys (42.3%) still prefer the answer "difficult to say" in all cases except trust of family (DIF 2004). The level of trust of other people grew after the Orange Revolution (from 30.2% in 2001 to 49.5%) where masses have participated. Ukrainians are reported (CSI Community survey) (DIF 2004) to have their highest level of trust in the church, more trust than in NGOs, labor unions, or the armed forces. The lowest level of trust is of political parties, the press, police and companies. While more Ukrainians say that they have a more positive than negative impression of nongovernmental organizations or NGOs (29% vs. 7%), more than a quarter of Ukrainians (27%) do not have an opinion on this question. The large number of "Don't Know"-s reflects the fact that many Ukrainians are not aware of what an NGO

is (IFES 2005). It is likely to be due to the fact that the concept of a not-for-profit organization did not exist during Soviet times; therefore there are whole generations who are not familiar with these entities and they have no experience with such entities. It is only for the new generation that these organizations have some meaning. Most of the population is unlikely to have an understanding of not-for-profits and have any familiarity and antecedents to trust regarding not-for-profits (if not outright mistrust towards strange, foreign, unknown formations).

State control, self regulation and transparency of not-for-profits in Ukraine

Not-for-profits are autonomous from the state and state oversight is reasonably designed in Ukrainian law. The law addresses the authority of tax, licensing, legalizing and details supervising activities of not-for-profit entities, determining which documents may be demanded for the purposes of an audit, as well as, when and to whom audit reports should be submitted. The registration procedure for organizations complies with standards of good practice. Not-for-profits must present their financial information to the tax authorities twice a month (USAID Sustainability Index 2012, 211) due to a new tax code. The bodies that audit legal entities, like not-for-profits, are clearly specified in law but the absence of procedural outlines on how to conduct audits is problematic, as audits could be conducted every week or at even during the night (ICNL 2001). Government oversight has been assessed to increase the period of elections (CSI Legislation Case), when public bodies were reported to use their control power selectively, possibly serving party politics purposes. While the state and its institutions collect information on not-for-profits, information is not available to the public. The absence of even a centralized not-for-profit registry and the restricted public access to registry contents are critical flaws in the current system (ICNL 2001)

Some organizations recognize the need to raise the level of trust towards NGOs and promote the use of transparency, a code of ethics, annual reports with budget information and other tools to strengthen the credibility of the third sector (USAID

2002) but neither the state, nor the organizations have made it a reality. Organizations are not abiding by a collective code of conduct and efforts within civil society to establish voluntary codes of conduct has resulted in minimal participation: a survey shows that 86% of NGOs acknowledge the necessity of an ethics code but only 36% have one in place (Counterpart Creative Center survey (2002-2004) in (Kuts 2012, 32)) and when a sector-wide common Code of Ethics was adopted by an NGO Conference in 2003, it was signed by less than 50 organizations. Reports note that there is a significant gap between the values pursued inside and outside of organizations. This discrepancy, i.e. lack of integrity is a major reason for the lack of public trust in civil society, according to some observers of the Ukrainian not-for-profit sector (Kuts 2012).

Participation in not-for-profits in the Ukraine

There are around sixty thousand not-for-profit organizations registered in Ukraine. Today it appears to be relatively easy to bring together a few people for a public purpose and to create a legal entity as it takes only (at least) one person to register a “charity” and at least three to register a “public organization” (a membership entity). Still, only 5 % of the population participate in not-for-profit activities (USAID Sustainability Index 2012, 216). While there is an improving tendency, according to the data, 83.8% of people are not members of any organized civil society (compared to 83% in 1997) (Democratic Initiatives 2004).

The legal requirements for the number of people needed to establish an organization is very small, resulting in a minimal number of people being in normatively legitimate positions to monitor and control organizations. Still, or more likely as a result, there is a considerable degree of uncertainty over where the governance function resides within organizations and lack of a clearly defined and positioned governance function has been reported (BoardSource 2003) to be a concern. It has been argued that the legal framework is confusing, but organizations themselves do not show much inclination to structure governance through provisions in statutes, bylaws, and other

documents. Internal mechanisms bear informal character or serve administrative paperwork (Kuts 2012) rather than internal control mechanisms. According to the law a board is seen as the management body, which is not productive for the division of governance and management in not-for-profits. As a result, organizations are viewed as quite corruptive bodies (3 on the scale of 1 being not corrupt and 5 being extremely corrupt of the Transparency International Global Corruption Barometer 2004), although less corruptive than political parties and government (4.3) but more corruptive than religious organizations (2.0) (Transparency International 2004). Ukrainian NGOs generally take a minimalist approach to transparency and accountability. Annual reports are sporadic and distributed only to a narrow audience of members; interestingly, “nearly 40% of respondents did not identify a means of distributing annual reports, perhaps suggesting they are not distributed at all” and only 33% of organizations do annual financial audits (BoardSource, 2003). Double bookkeeping is noted as a common means of avoiding excessive Ukrainian taxation (Freedom House 2003) and the number of entities formally pertaining to the “third sector” in reality operate as arms of particular government bodies, clans and groups of oligarchs (Hillenbrand 2005). Not-for-profits are viewed by many to be elitist and non-representative due to their weak societal basis resulting in low levels of respect from government and the general feeling that private connections and links to kinship and client list networks are more instrumental in achieving success in public life (Lutsevych 2013).

Against a corrupt background and disappointment, churches score as the country’s most trusted social institutions (60% of the population saying that the church can be trusted while trust in public organizations did not exceed 32 % according the Democratic Initiatives Foundation). While participation in church activities was prohibited in most Communist countries of the Soviet-block, the Ukraine had relatively decent religious freedom and enjoyed one of the most liberal church-state laws among the former-Soviet states. These were maintained later too, resulting in more than three fourths of the adult population declaring themselves to be religious

and the number of religious congregations rising to a level comparable to the number of all other non-governmental organizations (Yelensky 2008). One can explain this exceptional level of trust by the fact that this institution has remained a lot like it was before the political changes, while all other institutions changed and new institutions were established (e.g. democratic Parliament, not-for-profits, and a new country). The trait-like features of the church have remained very much the same. The fact that participation in churches, for example, was always voluntary, even when all other activities of life were under state control, as well as its not-for-profit making nature and its perceived benevolence, positively resonates with people and they trust the church more than the recently established “unknown” not-for-profit organizations. The public’s trust has been reinforced by the availability of diverse centers of religious power, offering a real choice for participation and active communication with church leaders in public spheres of life and has resulted in high trust in churches.

The case of the Ukraine shows that the legacy of the Soviet times hinders democratic development even after two decades of political changes. In today’s Ukraine, not-for-profits can register but are unable to gain real trust of the population. Major segments of the population has no perception of what not-for-profits are, therefore the sector’s trait-like features, like benevolence, have no effect on the population’s level of trust. After fifty years of forced non-voluntary community work, public participation in not-for-profit organizations remains very low, limiting the opportunity for the development of interpersonal trust. Organizations have not developed emotional or affect-based trust with the public. Their internal governance is argued to be lacking democratic governance with lack of proper monitoring and internal controls and transparency resulting in questionable integrity of organizations. Even more, when asked about NGOs, it turns out that only one in ten Ukrainians believes that NGOs inform them about important issues (Kuts 2012). Some argue that poor media outreach and the minimal use of social communications, like Facebook and other factors weakens NGOs and creates an image that makes the public suspicious (Lutsevych 2013, 7). In addition, the sector has not developed its own voluntary

ethical standards of governance to assist in a positive perception of trustworthiness. While the state and its institutions have the legal mechanisms to provide safeguarding by auditing organizations, they have not used their powers to generate public trust by making use of the information gathered.

It is no wonder, therefore, that not-for-profits are not the most trusted entities in the Ukraine and that the practice of trusting behavior towards not-for-profits by Ukrainians is rare (e.g. low numbers of membership and the majority of organizations derive their funding from international donors (68%) and only a quarter receive funding from individuals and hardly one third from membership fees) (BoardSource 2003).

With the information and reasoning used in this section, one is not likely surprised by these findings (Kuts 2012, 77) that show, that contrary to the social capital literature, in the Ukraine, the difference between members and non-members of organizations regarding their level of trust in other people is hardly noticeable (79.6% of the first group vs. 75.9% of the latter).

Case presentation: The case of the US and the “Occupy” Movement

The “Occupy ” movement, that is not a formal registered incorporated organization, is used as a case study here to present the immense effect of participation and communications on the perception of trustworthiness. The case is presented with its background as the US not-for-profit sector, a sector active in a complex modern society, a strong democracy, a sector that is one of the most institutionalized not-for-profit sectors in the world with high recognition and high participation rates, with well established mechanisms of risk reduction.

The US: high participation in a complex institutionalized system

An often quoted observation of Tocqueville is that the American civil society is a ferment of active associations which are key factors in providing stability and the ability to function successfully as a democracy; “Associations are established to promote order, commerce, industry, morality,...” (Tocqueville 1865, 186). Today, there are around 1.5 million not-for-profit organizations (based on the accounts of the National Center for Charitable Statistics (NCCS) that include public charities, private foundations, and other types of nonprofit organizations, including chambers of commerce, fraternal organizations and civic leagues) and 14,000 businesses that provide services to not-for-profits (GuideStar 2011). In the US, one in ten people, of the economically active population (i.e. around forty million people), has a personal connection with at least one not-for-profit by volunteering (2.5%) or by working in the sector (7.7 %) (L. M. Salamon, J. W. Sokolowski, et al. 2013, 2). The number of those practicing trusting behavior is high in the area of donations too, individual giving typically making up almost three-quarters of all giving that totaled \$316.2 billion in 2012, according to "Giving USA". In comparison to other developed countries, a higher percentage of the revenues of the sector in the US come from philanthropy (12.9% in comparison to 7.2% average in developed countries) and fees (56.6% in comparison to a 44.6% average in developed countries), while relatively less from government (30.5% in comparison to 48.2% average in developed countries) (Salamon, Sokolowski and Associates 2004, 302).

Active citizenry can have an important role in the monitoring and risk reduction of the not-for-profits, a role that can be complementary to government institutions with their legislative power. But how much a system can be based on volunteer participation control and in risk reduction has been debated earlier. The current debate in the US also expresses concerns regarding public accountability and citizen oversight of not-for-profits, especially large private foundations (D. P. Hall 2013).

In addition, some observe with concern that institutions of state and government do not work hard as supervisors of not-for-profits, as one commentator has put it regarding the courts: they “treat charity fiduciaries leniently in order not to discourage charity service.... regulators and courts ... degrade the legal standards by avoiding findings of liability” (Brody 2002, 479).

Nonprofit organizations are regulated by federal and state laws and regulations. Not-for-profit status can be granted under a prescribed procedure for certain types of activities with some constraints, such as political and legislative activities (for organizations receiving tax-deductible gifts) while state attorney generals are responsible for ensuring that charity boards carry out their fiduciary duties of loyalty and care, enforcing donor imposed restrictions on gifts, and regulating charitable solicitations. The Internal Revenue Service (IRS) is one of the most important bodies as it administers the federal requirements for federal income tax exemption while attorney generals represent the executive power for law enforcement.

Certain areas of not-for-profit work are not regulated on a federal level, but on state level. One such regulation addresses charitable solicitation, a regulation developed due to concerns regarding misconduct in this area. State regulators (in almost all of the states) have implemented regulations to reduce the risk of the public dealing with not-for-profits when being solicited for donations by these not-for-profits. A similar risk reduction mechanism is the regulation regarding advocacy and lobbying that was developed due to concerns about policy advocacy activities of nonprofit organizations when it was noted that lobbying within tax law domain is defined rather narrowly to mean directly or indirectly attempting to influence the passage of particular pieces of legislation or administrative actions. The Lobbying Disclosure Act of 1995 imposed additional restrictions on nonprofit organizations in the political advocacy arena. (Salamon and Gronbjerg 2002). While regulation has supported the trustworthiness perception of the public, it has been articulated (E. Brody, 2002) that even when legal power is present, state institutions hold nonprofits to minimum (and in practice, minimal) legal standards. The IRS, with its nearly exclusive authority and discretion to challenge the actions of not-for-profit finances, “uses its powers sparingly” (Brody

2002, 479) as not-for-profit law enforcement and supervision has never been high in the US in areas beyond improper distribution of profits to insiders and regulators. When the state does use its control, as in the case of the IRS questioning the registration of not-for-profit status for organizations related to the Tea Party and other public purposes, the organizations and the media question intentions (Ballhaus 2013) because it is more customary to have less active supervision and control (if any at all). The assumption that not-for-profit boards (composed of individual volunteers) would function as a control mechanism is not a given or realistic either in many cases. An insider law drafter (California nonprofit law) observed that the law— out of concern for attracting “sensible people” to nonprofit boards— allows volunteer directors “to almost be asleep at the gate” (E. Brody 2002, 479 quoting *Case Western Law Review*, vol 29. No 3. Pp 772) .

The current legislative framework strongly relies on the accountability of not-for-profits to the general public, the public that has had much access to information on not-for-profits for the last few decades. To a large extent, this is a result of a battle over the 1969 Tax Act, which was the pivotal legislation that imposed a variety of transparency requirements on US foundations for the first time. The 1969 Tax Act battle woke up the foundation community and one of the community’s reactions was to enlarge the circle of normatively legitimate stakeholders by providing them access to information on foundations and the broader nonprofit sector (P. Hall 1992). In 1973, a commission called the Commission on Private Philanthropy and Public Needs was created (i.e. the Filer Commission). The Commission studied the role of the private sector and made recommendations, among those recommendations were issues related to the trustworthiness of major foundations, and trustworthiness of the whole not-for-profit sector. This encompassed recommendations relating to risk reduction by better oversight of the public. For instance, all larger tax-exempt charitable organizations (except churches and church affiliates) were required to prepare and make readily available detailed annual reports on their finances, programs and priorities. Larger grant-making organizations were required to hold annual public meetings to discuss their programs, priorities and contributions. Tax-exempt

organizations, particularly funding organizations, had to recognize an obligation to be responsive to changing viewpoints and emerging needs and take steps such as broadening their boards and staff to insure that they are responsive (Commission on Private Philanthropy and Public Need records).

Today, not-for-profit organizations file their yearly reports at the Internal Revenue Service and as a result of a public-private collaboration, a not-for-profit organization called GuideStar makes official, legal, and valid information on the country's 1.8 million nonprofits and private foundations publicly available on the Internet. Ten million users a year utilize this type of information, but one may argue that, compared to the size of the sector in the US, this amount of usage is still limited; therefore supervision by the public is made possible but is still limited. The type of information presented in the database is based on the organizations as institutions and relate to cognition-based trust, with a focus on deliverables and financial information (as it is based on the reports submitted to the IRS). The US, when compared to other countries, has much more information available on its not-for-profit sector and organizations. A most recent initiative is “Markets for Good”, whose aim is to identify and connect the many initiatives underway to improve the system for generating, sharing, and acting upon data and information in the social sector in the hope of creating a robust map of social sector data and information initiatives from around the world. It has identified 12 entities working with the data towards similar goals.

In addition to providing data, some of these organizations provide the function of mediator and manage risk reducing mechanisms. Such entities have existed on the US market for decades for businesses, like the Better Business Bureaus (whose slogan is “Start with Trust”). In addition to business risk reduction mechanisms, some have started to operate to reduce the risk of those dealing with not for-profits too (Better Business Bureau Wise Giving Alliance), while others were established to specifically specialize on not-for-profit trustworthiness (e.g. Evangelical Council for Financial Accountability). A unique method of risk reduction that is widespread in the US is the United Way model, where the burden of deciding which organization to

trust is taken away from the individual because the individual can simply support the United Way of America, one of the largest charities in the country. It is viewed as an established mechanism for risk reduction as it has the expertise to decide whom to trust with the given donation. It is recognized as a valuable community organization with 1,200 local offices reporting over \$4.2 billion in contributions (in 2007) (The Philanthropy Four Hundred 2008, 10).

A similar role was planned for Charitableway.com. The site brought together charities and donors through a giving interface and provided information on how to give and what to look for in a charity. Among local and national charities represented by the site were the United Way Silicon Valley, the Pediatric AIDS Foundation, Big Brothers Big Sisters of America, Rock the Vote, the National Breast Cancer Coalition, and Human Rights Watch. By 2013 the site was still existed but with a post that read “This domain may be for sale”, indicating that the service for this type of risk reduction was not suitable for the market. Other observers expressed concern (among them Buzz Schmidt and David Bonright in February-May 2013 in the Alliance Magazine) regarding the value of current information for the public, since it was, after all, to work for the purpose of trust protection and risk reduction.

The background provided underlines key factors influencing the trustworthiness of not-for-profits in the US: a complex, institutionalized society with almost two million not-for-profits and a supportive not-for-profit legal framework with minimal supervision and oversight from state. Traditionally the active participation of citizens in not-for-profit charitable activities is a key element in risk reduction mechanisms, but with such a complex system, institutional risk reducing mechanisms have existed for the last few decades with varying success. These mechanisms tend to focus on the institutional trust and be self-regulatory, where opting in and out by an organization is optional.

The Occupy Wall Street Movement

Against the rich charitable culture and social activism background of the US, it is not a registered organization, but a movement that has achieved the biggest social mobilization for a social purpose¹⁷ with exceptional trust among the population of recent years. For this reason, the author has decided to examine this movement in the context of this paper. The case study shows that not incorporation as a not-for-profit per se, but being perceived as one or at least having nonprofit-like characteristics (like being perceived as not a profit making entity, as a benevolent group and having participation opportunities on all levels) is important for being perceived as a trustworthy entity (at least at an early stage of the organizational life cycle). This section will examine the early weeks of the Occupy Wall Street (OWS/Occupy) focusing on the perception of trustworthiness of this movement.

Beyond making use of the limited available research on the movement, this section focuses on the communication materials from the most important websites of Occupy: (www.occupywallst.org, occupytogether.org, <http://occupywallst.org/attendees/>, <http://www.nycga.net/>), together with the author's own experience of personal visits to the location of the demonstration, the Zucotti/Liberty Park in New York, as well as results of the author's survey (called "Early in the movement") which was conducted among Occupiers at a very early stage of the movement in October, 2011 when a questionnaire was shared among active Occupiers electronically. The selection of those targeted was based on their visible activity in forums and their acclaimed activity in different settings, e.g. people with confirmed participation at Occupy events (on "Meetup.org" and <http://occupywallst.org/attendees/>). The selected active Occupiers received a direct email from (occupymovements@gmail.com) requesting participation in the survey. The collection of answers used the internet survey tool surveymonkey¹⁸ for two weeks, starting on October 10, 2011. All together 137

¹⁷ the social mobilization for the election of President Obama is considered here to be a party-politics tactic

¹⁸ <http://www.surveymonkey.com/s/Q3NF7QB>

answers were collected. The successful response rate could be attributed to the fact that there were hardly any surveys conducted within the movement at such an early stage of the movement and occupiers were willing to participate¹⁹. While working to follow Occupy for three months, this paper focuses on its first month and finished when Occupy 2.0 was called upon December 17, 2011.

Not a formal organization

While Occupy seems to match most of the characteristics of a not-for-profit, it is not registered and it is not managed as an organization. To be a legally registered not-for-profit entity requires that statutes and bylaws are agreed and for the formalities of receiving tax-exempt status from the IRS, an entity is required to have more than “formless aggregation of individuals” (Internal Revenue Service of the United States). At minimum, it must have an organizing instrument, some governing rules, and regularly chosen officers. Occupy does not meet any of the criteria and it may not be able to pass the organizational and operational tests, where a clear statement of purpose is needed. OWS has considered becoming a formal entity, and it is most likely, that even if it did decide to become one, it would not have satisfied the legal requirements of becoming a not-for-profit entity in the US. The origins of the Occupy movement are traced to a web communiqué in July 2011 at the website Adbuster. In the background material on this site, a new tactic is introduced, with a concrete suggestion of a theme to use (while asking for ideas for other themes as well). A new intention of "a whole new social dynamic in America..." is envisioned with a new tactic that is labeled as the “fusion of Tahrir with the acampadas of Spain” where people talk to each other in various physical gatherings and virtual people's assemblies, to “zero in” on what the demands are and then to go out and seize a square “of singular symbolic significance and put our asses on the line to make it happen” (Adbuster). The communiqué expressed that the tactic can be used for the

¹⁹ The truth is that this questionnaire originally was only meant to test the willingness of responding but it turned out to be so efficient that there was no time to create a new one.

expression of several concerns of society “could be the beginning of a whole new social dynamic in America, ... where... we the people start getting what we want whether it be the dismantling of half the 1,000 military bases America has around the world to the reinstatement of the Glass-Steagall Act or a three strikes and you're out law for corporate criminals...Post a comment and help each other zero in on what our one demand will be.” (ibid). Based on this original message, one can judge that the original mission of OWS was really to test a new way of expression for the masses, and proposing a suitable, appealing goal for the movement and a test trial: “The most exciting candidate that we've heard so far is one that gets at the core of why the American political establishment is currently unworthy of being called a democracy...This demand seems to capture the current national mood because cleaning up corruption in Washington is something all Americans, right and left, yearn for and can stand behind.....” (ibid). The message stressed that the time had come to deploy this “emerging stratagem against the greatest corrupter of our democracy: Wall Street, the financial Gomorrah of America.” And the measurable output was also presented “On September 17, we want to see 20,000 people flood into lower Manhattan, set up tents, kitchens, peaceful barricades and occupy Wall Street for a few months. Once there, we shall incessantly repeat one simple demand in a plurality of voices.” “And then let's screw up our courage, pack our tents and head to Wall Street with a vengeance September 17” (ibid). On September 17, 2011 the Occupy Wall Street movement (OWS) was born and fulfilled the mission and objectives of its originators but also started a new life. A life that was not alien to the mission its originators at Adbuster had designed but, nevertheless, a different mission. The difference is clear when one looks closer at the purpose of OWS based on the communications of OWS. Occupiers never quoted the purpose that was designed by Adbuster and, for a while, did not developed another one either. Instead, they worked with an assumed mission. The first tangible document, the so called “Declaration of the Occupation of New York City” was issued on the September 29, 2011 (almost two weeks after the start of OWS), is a manifesto of a “feeling of mass injustice” and being”, “ wronged by the corporate forces” listing 23 grievances and declaring that

„These grievances are not all-inclusive.” (ibid). The Declaration supported the general understanding that the vision of the movement was economic fairness and the “...mission is to raise awareness for inequity, which has cropped up and been exacerbated....”²⁰. Several versions of a mission, not contradicting one another, were articulated over a period of a couple of weeks: “We Are The 99% that will no longer tolerate the greed and corruption of the 1%....This OWS movement empowers real people to create real change from the bottom up. We want to see a general assembly in every backyard, on every street corner because we don't need Wall Street and we don't need politicians to build a better society.” (Occupy Wall Street) concluding with one at the one month anniversary of the movement “OWS is fighting back against the corrosive power of major banks and multinational corporations have over the democratic process, and the role of Wall Street... and aims to expose how the richest 1% of people are writing the rules of an unfair global economy...” (Occupy Wall Street). The originators of the movement at Adbuster aimed at the expression of the masses and wanted to deploy a new tactic, and OWS has worked with a topic chosen by its originators, i.e. corrosive power of Wall Street and “exposed” the public to this topic (Geró 2013, 312). The fact that the vision and mission seems to be an end in itself (both with the Adbuster version and the adjusted OWS ones) limits any further steps of defining goals, next steps and objectives, therefore many argued accordingly: “The movement doesn't have to have a goal, just a mission.”²¹.

Nevertheless, many argued that without objectives the movement would die out: “Having demands can acknowledge cohesion and direction, and can communicate that there is an ultimate "point" other than just venting. Listen. I've said it before and I'll say it again- I think Occupy has some time left in which it can just keep growing without unifying under one general, coherent push... Right now, Occupy's message is

²⁰ Comment by “Common Sense” in a New York Times debate forum
<http://www.nytimes.com/roomfordebate/2011/10/18/the-psychology-of-occupy-wall-street/occupy-wall-street-cant-be-all-about-anger>

²¹ <http://www.nytimes.com/roomfordebate/2011/10/18/the-psychology-of-occupy-wall-street/occupy-wall-street-cant-be-all-about-anger>

"Corporate greed is bad". Great!...Now what, *specifically*, do we propose doing about it?"²² The ideas for aims range from the formation of new power structures²³ to demanding constitutional convention²⁴ with most interest in acting upon corporate tax loop holes and upper income taxes, as well as the expectations of Capital Hill to respond. Almost equally as high on the scales are occupiers' interest in discussing things. When asked about "Why are you with 'Occupy'?" they commented that they wanted to participate, wanted change and to have their voice heard: "*It is the right thing to do. Social change means participation.*" as one occupier commented. Some researchers sum it up as "... it is the compassion for justice that precipitates anger, but it is the empathetic impulse that inspires the people to remain committed to any movement. Anger alone cannot do."²⁵

To my question "Why are you with Occupy?" (Figure 7) respondents expressed that they envisioned change within the established system (most view legal changes as very important to them for being with the entity) and discussing things is among the most popular reasons for being with „Occupy”.

²² TheMismatch (Lafayette, IN) on OWS internet forum

²³ Ranger4564 (New York, NY) 1 points 2 days ago "Agreed. We are trying to create alternate societies, institutions, rituals. We do not need to acknowledge the old power structure, we just need to create our future and the rest will join us when they see fit. "<http://occupywallst.org/article/so-called-demands-working-group/>

²⁴ <http://groups.google.com/group/viral-campaign-for-a-constitutional-convention?hl=en>

²⁵ The Psychology of Occupy Wall Street, There's a common thread in the Occupy protests worldwide: everyone is mad. Do they have more in common than anger? It Can't Be All Anger, October 19 by Jeffrey O.G. Ogbar <http://www.nytimes.com/roomfordebate/2011/10/18/the-psychology-of-occupy-wall-street/occupy-wall-street-cant-be-all-about-anger>

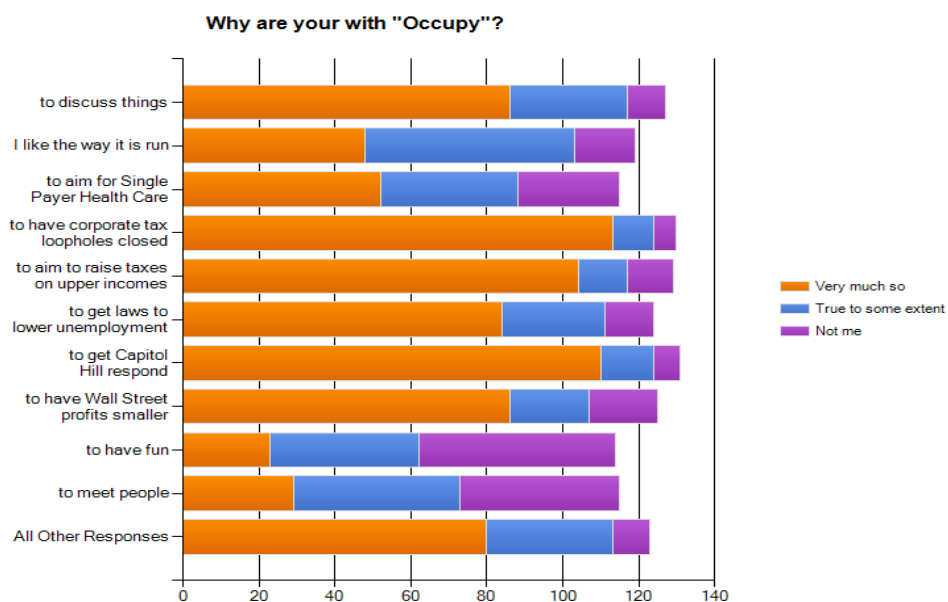


Figure 7 Answers to question: Why are you with Occupy?

(The items on the list were copy-pasted from most frequently mentioned purposes in the discussion forums.)

Certain observers argued that the pure request for concrete aims is against the nature of the movement: “The demand for demands is an attempt to shoehorn the Occupy gatherings into conventional politics, to force the energy of these gatherings into a form that people in power recognize, so that they can roll out strategies to divert, co-opt, buy off, or—if those tactics fail—squash any challenge to business as usual.”²⁶ As we know from later developments, OWS decided not to continue with concrete aims and the movement, as it was known between September and December 2011, dissolved by 2012. Most Occupiers have no regrets about their participation, as they say, “even if nothing else happens here, even if everyone goes home today, it’s

²⁶ Robert Jensen: Occupy Demands: let's radicalize our analysis of empire, economics, ecology http://www.jadaliyya.com/pages/index/3023/occupy-demands_lets-radicalize-our-analysis-of-emp

enough, because what's started here is going to continue in other ways...in other ways we can't predict."²⁷

Those who argued that there was no need for further steps in Occupy Wall Street were the ones, who consciously or intuitively, were true to the original reading of the purpose presented by Adbuster. Following this logic, after successful self-expression by the public, the next stage was to finish OWS (since concrete aims and objectives for the movement to work on were not found). Accordingly, in the period that followed, the task was to come up with new themes that the public could embrace and act upon by using the new tactic that was tested by/with OWS.

One cannot know now, whether this special form of public expression is to continue in the future. It is clear that the key success factors in this case were: choosing a vision that was easy to agree with (i.e. "fair economy") and attaching a mission that did not ask for more than empowering *people participation*. With these, OWS opened itself up to a very broad constituency resulting in 43 % of Americans who agreed with the purpose of the movement²⁸. The originators' intentions were accomplished very quickly: attracting 20,000 occupiers on September 17, 2011 to "Liberty Square" in Manhattan's Financial District was not a challenge, and in addition, in merely a month's time, people in 100 cities in the US (from Ketchum, Idaho to Kalamazoo, Michigan, from Orlando to Anchorage) were mobilized and over 1500 events took place in 82 countries (from North and South America to Asia, Africa and Europe). So in approximately two months after the movement began, its originators at Adbusters sent out a mass e-mail to friends of the magazine, proposing that the nation's Occupy protesters throw a party in mid-December, declare victory, and withdraw from their encampments²⁹. In addition, there was intensive on-line community building and

²⁷ *ibid*

²⁸ CBS News/New York Times Poll, October 25, 2011 http://www.washingtonpost.com/blogs/the-fix/post/how-the-occupy-wall-street-movement-could-help-democrats/2011/10/25/gIQAgIyZIM_blog.html?wpisrc=emailtoafriend

²⁹ http://www.newyorker.com/reporting/2011/11/28/111128fa_fact_schwartz?printable=true
The Political Scene, Pre-Occupied, The origins and future of Occupy Wall Street.
by Mattathias Schwartz November 28, 2011

community work that was sometimes the motor of the off-line activism, and at other times was the recorder of the activities and in many cases had a life of its own.

Participation in the Occupy movement

The most outstanding principle of the movement is that participation is open to all. Inclusivity is not only a principle but a practice in the decision making process (consensus-based), in the governance (leaderless) and in membership (self-selected, all inclusive), as well as in communications (“Post a comment...”). “Occupy” meetings, parades, assemblies, and marches were organized in real spaces and cyber-space. Right after the first in-person movement meetings, the first webpage: www.occupywallst.org went online, together with <http://www.nycga.net/> (i.e. the NYC General Assembly website). As the movement spread, so did the communications for general assemblies, meetings, and city websites of the movement along with an “umbrella” site, www.occupytogether.org and several others later. The city websites were meant to be platforms for providing space for discussion (e.g. OWS’ website alone had more than 60 different forums as well as a chat opportunity on its one month anniversary) and spreading information regarding real life events, while the www.occupytogether.org was initiated as “a hub for all of the events springing up across the world in solidarity with the Occupy Wall St. movement... to provide people with information about events that are organizing, ongoing, and building across the US and the world...” (Occupytogether 2011). There was no authority who made decisions about who should create a communications space; creation was conducted by self-appointed volunteers (without any derogative meaning in being self-appointed). Neither was there any authority that decided which website or which general assembly should be the center of the movement. Individuals (i.e. self-appointed members) could use and participate in any forums they liked. The in-person and the electronic forums were created, organized, and facilitated by volunteers who are equal creators and participants the same as anyone else. The classical borders of an organization were abolished and no membership acceptance procedures were practiced, as there was no boundary between those inside and outside; as soon as someone enters the physical or cyber space of Occupy, he/she feels part of it as was intended.

Communications of the Occupy movement

Communications of Occupy was run in the most open manner. Anyone could enter any communications space of the movement (physical or cyber). There were no sections that would not allow membership to anyone wishing to join and no privileges were given to anyone. The basic distinction of external and internal communication had no meaning with Occupy, as what had evolved was a structure of communication where the two were one and the same. One could enter the communications space freely and once present, all were treated as insiders. As long as one was present, one had the opportunity to facilitate discussions, develop posters, design platforms, write materials, upload meeting memos or videos without being and without authorization from anyone else. The movement is still there to be reached, for anyone to become part of it, as easily as a click of a mouse or a trip to the assembly. And once present in person, one establishes not only participation rights but also voting rights. While some cry chaos, OWS looks at it differently: “The beauty of this new formula, and what makes this novel tactic exciting, is its pragmatic simplicity: we talk to each other in various physical gatherings and virtual people’s assemblies ... we zero in on what our one demand will be, a demand that awakens the imagination and, if achieved, would propel us toward the radical democracy of the future ...” (Occupytogether 2011). According to the results of my survey during the first month of the movement (Figure 8), most Occupiers had been actively involved in communications with more than half creating messages themselves in the movement (e.g. “Keep broadening the participant list”; “Helped set up the forums at <http://www.themultitude.org> to try to organize the discussion more”; “*messages and comments I refer to are on other internet MSM sites to promote this movement*”³⁰) and/or they were present at meetings (almost half of the people did so (did what, attend meetings?)).

³⁰ Written comments to the question in the survey.

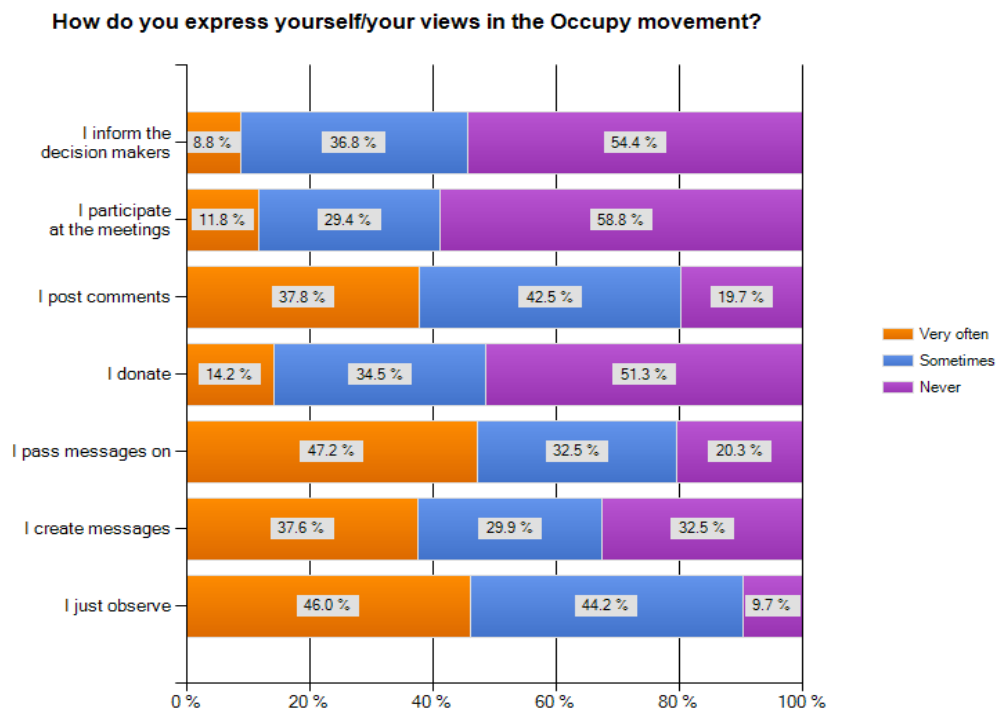


Figure 8 How do you express yourself/your views in the Occupy movement?

The setting of the movement is so inclusive that the feeling of “being part of it” is very quickly achieved. This is enhanced by statements like “a movement with people of many colors, genders and political persuasions” and the broadly used electronic communications tools, especially social media. These tools expand the boundaries of inclusivity: 400,000 visits per day to occupywallst.org (during the week of October 2) means that at least this many people felt a part of OWS each day. Occupiers are frequent users of electronic tools available (the percentage of those agreeing somewhat or strongly that they regularly use YouTube is 73.9%, 66.4% for Facebook and 28.9% for Twitter) (Cordero-Guzman 2011). Respondents to my survey expressed a variety of places where they gathered information about the movement and only one third stated that being present at meetings was the way to get information about the movement, while most (58.4%) mentioned www.occupywallstr.org (many added Meetup.com, MoveOn.Org, reddit and Google news, while some referred to XM Radio Left 127, Truthout, MoveOn.org, YES

Magazine, tumblr, wbur, The Daily Bail.com, <http://www.themultitude.org> and fewer mentioned television programs (CNN, MCNBC, network news programs like Charlie Rose, BBC, Aljazeera) and only once was printed media mentioned³¹.

Participation in decision-making

The first planning meetings were run by consensus and on the recommendation of the anarchists present at those meetings, consensus remained the driving principle.

Consensus was created at the gatherings called General Assemblies (GA) which are the only “authority” the occupiers took upon themselves as GAs were the places where decisions were made by people present³².

Occupiers argued that although “the direct democratic process they adopted” had deep roots in American radical history (it was used in the civil rights movement and by the Students for a Democratic Society, in feminism and even in spiritual traditions - both Quaker and Native American- as much as in anarchism), the all inclusive consensus-based decision making process was never used in such mass assemblies before as those measured in New York. Therefore the technique itself is novel and so is/was the result. The ground rule was that no decision could be made without giving everyone in attendance at a GA the chance to cross his or her arms and bring the meeting to a halt³³. The consensus reaching process was described as “... an open, participatory and horizontally organized process through which we are building the capacity to constitute ourselves in public as autonomous collective forces within and against the constant crises of our times.”³⁴ Protesters said that the horizontal structure was a must and far from being weakness, they said, their lack of hierarchy and the absence of

³¹ Note: It is not the aim of this paper to analyse the news media coverage of OWS, and please note that this information is recorded at very early stage of the movement.

³² It is late September when the idea of cyber assemblies catch on and are realised in http://www.openassembly.org/index.html#check_key

³³ A nine-tenths vote could override a block, but only after each block had explained his or her objections and the facilitators had responded.

³⁴ <http://www.nycga.net/about/>

concrete demands helped fuel their growth³⁵. The “rules” of decision-making, operations and communications of OWS was the same in the online and the offline space. The two communities served the same purpose and there was some overlap between the participants. As there was no leadership, one can easily say that the online and offline communities were not the same, but different entities. The group dynamics and rules in the on-line community of OWS mirrored those of the real life community, which is in line with the general observations (Fromann 2013) regarding the rule setting of online communities.

The most frequent criticism that came from those participating in decision-making is the fact that the designed process was very slow. This issue has been corrected to some extent³⁶, while other concerns, like the reality of being a leaderless movement and undemocratic decision-making did not become real issues in the movement.

OWS stated it was “a leaderless resistance movement” (Occupy Wall Street 2011) and two in three people (in my survey) agreed with that statement: “there is no need for leaders here”. At the same time many observers argue that the principle of being leaderless is questionable in practice. The dynamics of the general assemblies of OWS revealed that there was leadership (Schwartz 2011). Leaders may not have been appointed or claimed themselves to be leaders but the dynamics identified a group of individuals as leaders. The answers to my questions from occupiers (see the graph presented earlier) regarding self expression in the movement, also shows that occupiers did recognize leaders and almost half of them (36.8% sometimes and 8.8% very often) have expressed that they would “talk to the leaders”. This clearly indicates that even in the early weeks of the movement that claimed itself to be “leaderless”, had leaders.

What is clear is that there was a huge emphasis on inclusivity and transparency in

³⁵ “It has allowed Occupy Wall Street to pop up in all these different cities where the occupations, the needs and the populations are different,” said Willie Osterweil, 25, one of the protest’s first organizers.

³⁶ Realizing the handicaps and the frustration of the process (especially slowing down all decision making), the protesters discussed the issue and voted to continue with the consensus but revamp the process after one and half month: the general assembly would still decide broader issues, but representatives of smaller groups would form a “spokescouncil” to handle day-to-day operations.

decision-making processes in OWS, a practice that was highly appreciated by Occupiers, who in line with the practice actively got involved and had their voices heard.

They paid a lot of lip service to democracy without realizing that being inclusive and transparent does not equal democracy. There was a huge legitimacy gap in the movement that was hardly visible to its participants: the fact that voting took place only by those who happened to be present at the voting assemblies, which were, no doubt all inclusive and all transparent. To check this hypothesis, occupiers were confronted by a practical question within my survey. It was a question regarding “The Official Declaration”³⁷ of OWS, the very first written document of the movement. This document was voted on and agreed upon by the General Assembly (GA) of September 29, 2011 and posted on the website of OWS. There was no explanation provided by OWS as to what “official” meant, but it was generally understood that it was approved at the GA. (As one forum member put it later in a comment regarding another material “It’s not ‘official’ in that it hasn’t been blessed by the GA yet...” (NYCGA 2011). Occupiers who took my survey were not asked what they believed “official” to mean, instead they were asked whether they were happy with the text of the Declaration and the way it had been made “official”. It turned out that more than half of the respondents had (“absolutely” (32.2% or “mostly” (26.4%)) agreed with the way the Declaration was made official and almost two thirds of them agreed with the result of this concrete decision, namely the text of the Declaration³⁸. The movement was created for transformative participation (whether it was intentional or not is debated among the pioneers of the movement). It empowered people and the participation highly contributed to the feeling of trustworthiness for those within the movement (that was considered to be the 99%). For those outside the movement, the clearly visible openness and participation of the movement likely contributed positively to the perception of trustworthiness of the movement, while the broadly

³⁷ The word „official” in its title was taken away only at the end of October (2011)

³⁸ Note that the content of the Declaration is not the subject of the concern here.

defined aims, the lack of formality and leadership could easily have had counter effects to many.

Occupy Wall Street is trusted

While diminishing levels of trust across the US are a concern to many, OWS received attention and was trusted within weeks of its introduction and trusting behavior was practiced towards the movement by thousands of people donating their time, goods, expertise and other resources immediately. The movement had no history behind it for people to base their judgment on. It had no third party references, not even a “public face” that could be read for signs of trustworthiness. While there was a stereotypical Occupier,³⁹ my research shows that there were no previous personal bonds that could help trust develop as most people within the movement had no previous interaction with each other before September 2011 (see Figure 9) below showing author’s research that 68% of the people involved had not met anyone in the movement before). There was no organizational or personal history to judge if the movement had the *ability* to accomplish anything (and as time progressed, the signs for such ability read differently depending on the expectations of the observers and participants.)

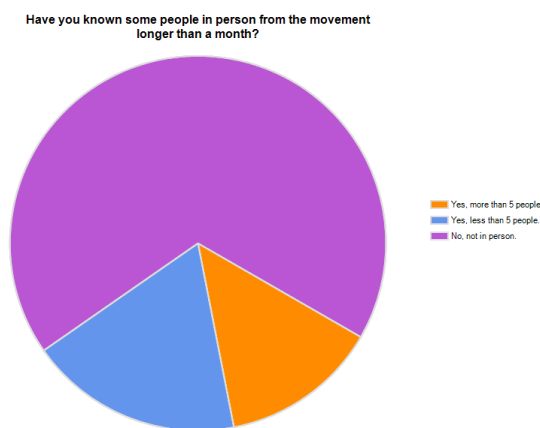


Figure 9 Most people on the movement did not know each other before

³⁹ Mostly young (bellow 40) white people with jobs (half of them employed full-time, and an additional 20% work part-time) (Cordero-Guzman 2011)

Nevertheless, Occupiers expressed in my survey that they were proud to be part of the movement (89% responded that they were proud to be participating), and they trusted the movement (81%). While their trust is unlikely to be based on signs of ability, benevolence and integrity must have played a major role. The rhetoric of the movement expressed the intention of being benevolent since its mission and vision left no doubt that there was no egocentric motive. On the contrary, there was a strong will to do good for the trusting party. What makes Occupy unique is that it was able to turn potential trustors to trustees: involving everyone who wished to be involved in any segment of the organization, allowing participation for all on any level, including decision making. On the level of rhetoric, a telling example is when, in a communiqué, the subject and the beneficiary are meant to be the same, expressing something like “we the people”: "a whole new social dynamic in America...where the people start getting what we want” (and instead it means the opposite). The participatory technique that the movement not only preached but practiced as well, gave the experience of value congruence between its rhetoric and practice. There was no need for credible communication from a third party to help with signs regarding the integrity of the organization as trustor could act as trustee in the Occupy movement (causing confusion in the media and in politics as to who they should talk to). In my research I wanted to assess the level of trust among Occupiers, so gave them a concrete and real example of a possible misconduct. The background is related to the difference between being a movement and a registered incorporated organization, which Occupy Wall Street never aimed for. This limited the movement in its financial resource mobilization, as it could not even open a bank account of its own. To be able to collect financial resources, the Alliance for Global Justice, a Washington-based nonprofit agreed to sponsor Occupy Wall Street and lend its tax-exempt status to the movement. On a practical level, if one wanted to donate money to Occupy on occupywallst.org, one ended up getting this message “Don’t be alarmed when you end up on nicanet.org this is the method that our sponsor Alliance for Global Justice provided to the NYCGA.” for weeks. There was no explanation that [nicanet](http://nicanet.org) is the Nicaragua Network, a project of the Alliance for Global Justice, neither

was there any explanation what the Alliance is. To be fair, it is true, that rather than just giving out a bank account number, Occupy was honest as to where the money went. This financial arrangement meant that the Alliance for Global Justice's board ended up being legally responsible for the usage of donations, information that was not explicitly explained on the donation site. The level of trust was so high among Occupiers that half of those who addressed this issue in my questionnaire felt that there was “no reason to be alarmed, it is only a technicality”. It was not until the movement was about four months old and had five hundred thousand dollars that supporters⁴⁰ and media⁴¹ started to raise issues regarding decision-making and financial resources allocation. The open participation system with its absolute inclusivity resulted in such high levels of trust that those participating in the movement were even blinded to potential risks of financial fraud and legitimacy gap. The trust of early Occupiers was based on the signals of benevolence and integrity that were collected, not from institutional forms or third parties, but by participating in the movement that had proven to be a very strong trust building mechanism. The fact that OWS has not even aimed to establish itself as a not-for-profit entity shows that, for the thousands of people that composed OWS, the institutional legitimacy and the safeguards that the government may provide to not-for-profit organizations is not necessary. The fact that OWS was able to attract the attention and the active participation of the US and the global population with unconventional organizational forms underscores that argument that says that some older ways of social capital decline while newer ways of connecting emerge. OWS did not need the legitimacy that comes with being an incorporated entity, therefore it did not register itself as an organization (at least in the first months of the movement). It needed trust to be successful and could achieve it by acting like a not-for-profit, i.e. bearing characteristics that a not-for-profit has as trait-like features: working for the public good, participatory nature, voluntary etc. that supported the movement to be judged as

⁴⁰ <https://www.wepay.com/donate/ows>

⁴¹ For more: <http://www.foxnews.com/us/2011/10/27/occupy-wall-street-protesters-debate-how-to-deal-with-500000-in-donations/#ixzz1hICqsEf>

benevolent. Its characteristic mode of involving people in its open participatory decision making stem has given the public the feeling of control and monitoring that could highly contribute to its perception of trustworthiness.

OWS succeeded to draw our attention to certain issues but did not cause legitimacy crises neither in the political nor in the economic system. It could put a question mark on the existing socio-political system and also on the existing modes of organizational behavior.

Laws and regulations

When a group of people decide to form and register a not-for-profit organization, they send some important signals: that they have been accepted by the state as an entity that belongs to a group of entities with the same characteristics based on certain standards (set by state); that they should be seen as an entity belonging to that group and that they accept the rules of that group and the power of the state to punish them if they break the rules.

Not every social movement or group decides to become legally formalized, but being a legal entity is viewed by some as a natural step in development. In a democratic system, having a legal personality is likely to have a positive effect on the perception of a given group as it portrays more professionalism and suggests the availability of assurance of its trustworthiness (as long as the state is assumed to be doing its job). One could view such entity as having a “diploma” issued by that country, in comparison to a “certificate” or nothing at all. If one prefers to have more institutional assurance, than one goes with those with diplomas, i.e. with registered not-for-profit organizations. One can assume that that the risk one would take with not-certified entities is higher than with those who are certified. With incorporated entities, one assumes a minimum standard that is upheld by the state authorities and that there are necessary measures in place if an entity is not pursuing the purposes for which it was set up or if it is not managed according to the standards of the given group. With these assumptions, one delegates some of the responsibility regarding the judgment of trustworthiness to a third party, the state.

It is true that out of all stakeholders, it is the state (and its institutions) that has the tools that influence the whole population of a given sector. State bodies can register entities and grant not-for-profit status, set up monitoring and control requirements and mechanisms, provide benefits and so on. At registration, which is typically carried out by courts, states or their bodies, most systems require a clearly-defined purpose, typically a purpose that is of the public good and benefit and a governance structure,

as well as a starting capital or asset. But what these requirements are vary from one country to another, and even can be different within a country (e.g. in Germany registration requirements are determined by federal State law resulting in every state having its own form and process, similarly to the US system). Requirements also differ regarding the form of association: open-closed, membership associations, foundation; grant giving, grant-seeking, etc. *The choice of what type of legal entity is created is determined by the intent the entity has and its willingness to accept the requirements that come with choosing one legal form over the other. The role of the state as a first step is that of a doorkeeper to filter organizations that fit the requirements of the given group. The doorkeeper acts as creditor protection by taking upon itself some supervision and control functions. It establishes that the rules that members of the not-for-profit sector must obey (e.g. non-profit distribution constraint, timely disbursement of revenues, reasonable administrative and fundraising costs, governance, and duty of care/loyalty) and sets up supervision mechanisms, like authorities for controlling and/or monitoring not-for-profits.* These offices can be the registration offices themselves by having the right to register and dissolve entities; they could be ministries with designated roles (e.g. in Ukraine), or could be special offices like the Charity Commission in the UK. In some countries supervisory bodies are only responsible for certain types of organizations but not all not-for-profits (e.g. Malta and The Netherlands). Their supervisory power also varies from initiating inquires based on citizen appeals to approval of documents and formal on site inspections as well as the right to dismiss or replace managing board or dismissing the organization itself. In countries, where such institutions exist, the legal power vested in these authorities can range from high to minimal and even when the legal power is available, a lack of capacity of practicing supervisory authority has been reported. Examples of weak enforcement has been reported by the European Center for Not-for-Profit Law in Cyprus, Hungary, Italy and Luxembourg (European Foundation Center, DAFNE 2011, 20), while in the US the issue of weak enforcement has been the topic of discourse of concerned professionals for years. This means that risk prevention mechanisms are available in many countries in the form of external

supervision by state authorities who tend to have legal power but, in practice, they rarely serve the function of trust protection that the public is likely to assume to be taking place in the case of legally incorporated not-for-profit organizations.

The state, with its stakeholding power, can also broaden the circle of those to whom organizations are accountable within or beyond the government institutions. It can do so by setting up a state supervisory body dedicated to not-for-profits (e.g. the Charity Commission in the UK) and delegate the supervision to non-state actors (e.g. determine the minimum number of board members to register a not-for-profit; request the establishment of a supervisory body in addition to the board; and set up transparency requirements). In these cases, the state establishes mechanisms aimed at maintaining trust in not-for-profit organizations. In the first instance, it establishes an institution of its own, in the latter cases stakeholding rights are delegated to non-state actors. The broadest of these is when transparency to the public is a requirement. The information available on a given organization is usually restricted to a given organization that is in relation with a principle. It is only states that are likely to be in a position of having information on all organizations of a given country's not-for-profit sector. The information from state related sources is likely to be the only one that is valid and is inclusive of all of the organizations of the sector. It is logical to assume that if states set up mechanisms for sharing this information beyond the derivative stakeholders (possibly, with the general public, i.e. all principals and potential principles), they can raise the level of perceived openness and trust in the organizations and the sector.

Although there are no measurable benefits for sharing information, based on the results of game theory experience, it can be argued that the efforts of states in sharing information collected by them may maintain a level of trust of other principles that otherwise would “not be able to trust agents and will be forced to engage in costly monitoring activities or not engage in interactions with agents in the first place” (Ortmann and Schlesinger, 2003, 81).

This can be done by the government regulating not-for-profit accountability by making reports as widely available and transparent as possible, so that the public, i.e. anyone, can monitor any organization (that can result in informed decision regarding trustworthiness of the given not-for-profit based on the information presented). As I will make it clear in this section, transparency is different from the earlier discussed participation as the amount of knowledge that can be obtained by transparency can never reach the level of knowledge one can achieve by participating in decision making in an organization, and also cannot result in influencing decision making regarding the work of the organization. Its purpose is no more or less than to provide information on the work of the entity as a monitoring tool aiding public accountability to help the judgment of the individuals regarding the trustworthiness of a given entity. This tool can assist the individual's decision to practice the appropriate level of trustworthy behavior: giving appropriate level of resources and providing the appropriate level of support, (doing nothing being one of the options). Case studies in this work and other research suggest that transparency per se is not a key factor driving charitable behavior (Bekkers and Wiepking 2011), some empirical research even suggests, that some of the information provided to the a trusting public may hold little interest for them: most donors and volunteers have little interest in the sources of nonprofit organizations' funds. When they give relatively small amounts to charity, "givers of such modest amounts, may be much less interested in sources of funds than individuals who give substantial gifts as well as officers of foundations, corporations, and federated organizations." (Herman and Rendina 2001, 166/167). *This suggests that the need for information varies from stakeholder to stakeholder and is different depending on the commitment made.* This is supported by a current study on accountability and transparency in the German third sector (Anheier, Beller and Rabea, 2011). The report concluded that while the requirements not-for-profits in Germany face in the areas of accountability and transparency are far less than those faced by private and state organizations in Germany, they are also far less than those faced by non-profit organizations in other countries. Nonetheless they are suitable for the "needs" of the stakeholders (based on the in-depth interviews) because the system

is not as based on a questioning civil society public as on a relatively stable state and a tax oriented system which also entails field-specific accountability and reporting requirements.

Regulating nonprofit transparency

States can use legal mechanisms to assist with the reduction of risk that other stakeholders of the not-for-profit sector may have. They may for example force with their legal power nonprofits to have supervisory bodies, to have open board meeting and to be transparent. In this section the latter is to be examined as it is one that effects to most people if implemented.

Legal entities are often required to present their own basic data, and often, their annual accounts to the state and/or to interested stakeholders and/or to the public (i.e. make them publicly available) to ensure that credible information is provided to the stakeholders. The question of stakeholders has been elaborated upon earlier; here it is useful to remind the reader that a stakeholder group can be as small as the direct circle of normative stakeholders or as large as the general public. *It can be argued that, because of advantages (however big or small they can be) a not-for-profit receives from the state (i.e. tax privileges, legal personality, grants, contracts etc.), it is accountable to all taxpayers (understood as the general public). Therefore information on an organization needs to be publicly available, as the public at large has a legitimate interest in the organization.* A country may require a report for its own purposes, it may encourage/require organizations to report to the public and/or share the same with the public (as is the case in Poland, Romania and Hungary), but it may also decide to share the information that was disclosed to the state authorities with the broad public (as is the case in the UK, Israel, US).

The content and depth of required transparency for the public varies from country to country. The usual elements of reports that are required from not-for-profits cover the overall work and management of the entity, including the use of resources, i.e. financial, activity and management information, as well as auditor reports in some cases.

An ad hoc search was conducted regarding valid information of not-for-profits in forty countries. Valid information here is defined as information that has legal efficacy or force, executed with the proper legal authority and formalities. It was found that many countries require their not-for-profits, or a select group of not-for-profits like public benefit organizations, to provide the information about themselves to the public either by making it publicly available themselves and/or making it available to the public if a member of the public required it (e.g. public benefit status not-for-profits in Hungary are required to publish their public benefit reports). It was found that there is no valid information available on the global level and only a handful of countries (e.g. UK, US, Israel) aim to have valid information on all members of the sector of not-for-profits available in a comprehensive format. This means that even when countries require some sort of reporting to be done by their not-for-profits they are likely to decide not make that information available to the public. The author believes that making valid information on all organizations of the sector publicly available is a tool that can enhance public accountability of the not-for-profit sector by making valid information on its members transparent and thus serving as a potential risk reduction mechanisms.

As it was found that comprehensive valid information is only available in a limited number of countries, in order to judge the range of available information from credible sources, the lowest denominator was chosen in this paper to test availability: the registry level data (name of entity, address, board, and purpose) to see if one can at least learn from a credible source if an organization exists at all. For the scope the developed world was chosen, with the assumption that developed countries are more likely to have (at least) this mechanisms available. In addition, some other countries were examined regarding this level of data availability (India, Pakistan and South Africa) and were found not to have registry level data available in one credible central place. The information gathering took place from a range of different sources among

randomly selected developed countries⁴². Registry level data available and is accessible in Belgium, Czech Republic, Estonia, Estonia, Finland, Hungary, Ireland, Israel, Japan, Luxembourg, Malta, Poland, Romania, Slovenia, UK, US. Register exists but information appears to be difficult to access in Austria, Bulgaria, Denmark, France, Greece, Latvia, Lithuania, Netherlands, Portugal, Slovak Republic, Spain, Sweden. There is no credible central registry information for the whole country that would be accessible in Cyprus, Germany, Pakistan, India, South Africa and South Korea.

It can be asserted that in most European countries, as well as in Israel and the US, not-for-profits are logged in a register and there are mechanisms available for obtaining basic level registry information. There are countries (e.g. Czech Republic, Estonia, Finland, Hungary, Ireland, Malta, Poland, Romania, Slovenia and the UK) where government registers exist and these registers (or most parts of them) appear to be publicly available. For example, in Estonia, the Central Commercial Register includes information on all non-profit associations and foundations in Estonia and can be searched online, or requested from the register, sometimes for a fee. There are countries where a register has been identified but it is either not publicly available or not available in a user-friendly format. For example, Latvia and Lithuania provide searchable databases fed by company registry data, which can be accessed online via subscription, while in The Netherlands' information on not-for-profits is available but it is among commercial entities in the Register of Commerce. In Germany no central comprehensive registry is available – registry data is collected in some localities while not in others. In Cyprus, there is a register but data from it must be requested in person at the ministry where it is held.

⁴² The most prominent sources were: The EFC Comparative Study on the EU27s National Legal Framework on Foundations (April 2007), The GuideStar International reports, The Johns Hopkins Comparative Nonprofit Sector Project, CIVICUS Civil Society Index (CSI), the Report on European Foundations (European Foundation Center, DAFNE 2011), (European Foundation Center, DAFNE 2011), United States International Grant Making (USIG) and internet research. Internet research, email and telephone correspondence was also conducted with local experts; namely officials from government ministries, academics and civil society contacts.

In addition to valid information sources, there are information sources on not-for-profits in global, national and thematic databases (e.g. Worldwide NGO directory <http://www.wango.org>, NGOs in Indonesia www.smeru.or.id , organizations working with the World Bank) that are collected by different actors based on voluntary information of the entity without legal consequences if the information is false. Therefore these may not be considered valid.

It can be concluded that there are several voluntary databases available on NGOs without the trust building power of validity, while in the developed world there is a tendency of governments to make some effort to provide at least the registry level data available to the public in a comprehensive form. At the same time, this research could identify only a few easily available databases where information beyond registry level data on all organizations in a given country (or globally), like valid reports, were easily obtained. This means that, unfortunately, beyond registry level data, there is limited reporting-based information available globally from legitimate sources on NGOs as a sector.

It needs to be noted, that this research began in 2007 and was completed in 2013 and that the picture has continuously evolved so is by no means is it complete and never can be. There is a dynamic development going on in different countries, especially those in the developed world, and new regulatory environments, new reporting systems and presentation of available data continue to develop locally and globally too.

As a relevant comparison, one needs to notice that making registry level information and often reports available regarding companies is a global trend. This type of transparency is a reality in many more countries for companies than for not-for-profits, and for businesses, even in Europe, it is becoming a reality. As is the case with not-for-profits, reporting and filing requirements for companies differ from country to country and sometimes from state to state or region to region, and as much as is the case for not-for-profits, they also vary depending on the size and legal form of the company (sole proprietorship, partnership, limited liability, etc.), but official company registries are the norm. Many of them are available on the web and offer

access to their database of companies completely free, or at least registry level information is free and detailed reports may carry a charge (RBA Information Services 2012). Even a regional level European Business Register exists as an online official information source on all companies of countries that have joined the database. Its aim is to provide valid information on all companies in Europe by cooperating with countries on the provision of valid information from relevant offices of member states and offering automatic retrieval of documents from a source of authentic documents to/from another member state.

It seems that even countries that see value in providing valid comprehensive information for the public regarding companies in their country, and have the administrative system to make them work, do not necessarily provide the same information on their not-for-profits. *This means that the not-for-profit sector is by far not in an advantageous position regarding the availability of valid information on the whole of the sector in comparison to businesses, as only a limited number of countries use a transparency mechanism as a tool for public accountability of their not-for-profit sector. Therefore this risk reducing mechanism should not be considered as one that gives a trust advantage to the not-for-profit sector.*

Case presentation: risk reducing approach in Great Britain

The nonprofit sector in England and Wales has been part of the democratic system for centuries and charities (as the term is used in Britain) play a substantial and vital role in society and enjoy a high level of trust from the public.

There are approximately 160,000 registered charities, among them around 13,000 larger charities that work internationally. In addition, there are less than 100,000 small unregistered charities. Participation in charities ranges broadly, there are 950,000 people involved performing unpaid volunteer work. Regulations provide charities significant fiscal benefits such as tax repayments for charities including Gift Aid, rate relief, VAT, and stamp duty relief and are worth £2.56 billion.

The work of these organizations is regulated by the Charity Commission for England and Wales, a non-ministerial government department completely independent of ministerial influence and also independent from the sector it regulates. It has a number of quasi-judicial functions where it uses powers similar to those of the High Court. It reports on its performance to Parliament annually to ensure that it appropriately carries out its public duties and claims to protect the public's interest in charity based on a risk-based approach (Charity Commission 2012). It recognizes the interest of the charities and aims to protect the public's interest in charity and ensure that, as the law requires, charities focus on those purposes for the public benefit which give them their charitable status. With that it expects to maintain public confidence in the integrity of charities. It does so by responsibly checking and deciding which organizations can register as charities. It also provides information on charities to the public as well as advice and guidance. It claims that a key means of being accountable is to provide key public information and for this purpose a Register of Charities is made freely available online. It also highlights those charities who fail to comply with basic information requirements and checks a sample of accounts to take follow up action if necessary. It is the Commission's role to grant permission or approve the charity's powers. Last but not least, it can intervene in serious cases, or when there has been non-compliance or abuse. It maintains a website with all the available information and

publishes annual reports on its work and the status of the sector provides consultations, like safer giving advice for donors, SORP, data protection and so on. The example of the Charity Commission shows that taking the risk reduction approach and using it to protect the public from taking risks by making bad decisions is feasible on the level of the sector. It also shows that a third party can make conscious effective communication efforts to assist the perception of trustworthiness of the sector. This originates in the recognized need of the public at large and the charities' self interest to be perceived as trustworthy to be able to provide public good as a collaborative effort of charities, the public and the state.

Case presentation: valid information regarding not-for-profits, the case of Hungary

Hungary is a good example to present that trust in not-for-profit organizations is part of a broader issue of trust and value relations and the general level of trust and value preferences influence the trust towards not-for-profits. After providing a general background on issues related to trust, this section focuses on a seemingly more neutral area: on the availability of valid sources of information and comprehensive data on not-for-profits by presenting the most important efforts in this regard since 1989.

The 1989 political changes resulted in a free political environment, freedom of expression, freedom of association, pluralistic democratic system with a multi party system, and a market economy based on private property, but it also resulted in financial inequality, lower levels of safety and social security, unemployment, taxes, etc. The original euphoria of the 1990s was soon gone, and trust of state and political institutions started to decrease and the shock of the changes resulted in the level of trust being even lower than in other countries (Utasi 2006). After fifteen years of political changes, social capital has been noted to be lower in some areas (like generalized trust and civil participation) in comparisons to most European countries, and remain roughly the same or a bit higher in other areas (like trust in political institutions and colleagues) (Fuzer, et al. 2006, 342). Some argue that the prevailing distrust is mainly due to an anomic atmosphere present in the country at least since World War I, resulting in high levels of suicide (Andorka 1972) (Kopp and Skrabski 1992) and a feeling of decline and lagging behind (Moksony 1995). Twenty years after political changes, the results of value orientation surveys place Hungary closer to the Orthodox, sometimes South-American cultures than to Western cultures and as its people's prevailing value orientation is closer to the secular than the rational (meaning that with secular-rational values one approaches the rational ideal of a secular community with emphasis on religiosity, patriotism, authority, obedience and familism) and to weak self-expression values (meaning that one approaches the conformist ideal of a restrained individual with lesser value of emphasis on civil and

political freedoms, support and practice of public expression, tolerance of nonconformity, feeling of self direction and sense of human trust) (Welzel 2006). In practice, writing petitions and participating in boycotts, for example, is characteristic of cultures with strong self expression, but Hungary is much closer to the “weak” Ukraine, Bulgaria, and Romania than to the “strong” UK and US. In that regard, it is especially striking when one considers the notion that the peaceful velvet revolution was considered a success due to the self expression efforts of people in civil movements in 1989, but two decades later, civil courage seems to be weak (Keller, 2009, 20) and the feeling of “lost ground” remains and the outlook for the future is the worst when compared to the other post-Socialist countries (60% in Hungary say they have lost ground in the past five years; only 15% say they have made progress, followed by Lithuanians and Ukrainians where the balance is also negative) (Pew Global Attitude Project 2009, 22). Some argue that because of the anomic state of society the general trust is low and connections beyond traditional strong ties remain underdeveloped with low levels of trust, and secondary ties and civil communities cannot develop and flourish (Utasi 2006).

The scope and size of the not-for-profit sector

Today there are around 65,500 not-for-profit organizations in Hungary (KSH Central Statistics Office 2012) (and its population is ten million). Not-for-profits are the most trusted institutions in Hungary, but their score (2.6 on a scale of 4) is just above the line dividing trust from distrust, where 1 is the lowest available score (Hazai közösségfejlesztő szakmai műhelyek 2013, 2).

There has been steady growth in the not-for-profit sector since 1989, today organizations are present in all spheres of life, the majority of them working in the area of hobbies, education, and social support related fields. After about ten years of existence, the laws and regulations of the sector were revised and new principles were introduced. Within the category of not-for-profits a special legal status, the status of

public benefit was introduced in 1997⁴³ and the status is available to a not-for-profit organization that request and is approved to be registered as a PBO and works for the public good and serves functions that are public functions (often understood as something that is traditionally the responsibility of state of its institutions). The PBO pursues economic activity only in the interest of realizing its public benefit objectives, without jeopardizing them; does not distribute profits but rather utilizes such profits for the activities defined in its charter; does not pursue direct political activity and is independent from and does not provide financial aid to political parties. In return for this status, organizations receive tax benefits and must file, and make publicly available, yearly public benefit reports. Half of the not-for-profit organizations today work as public benefit organizations (PBO) and 5% of them have obtained exceptionally public benefit status (KSH Central Statistics Office 2012, 1). This legislation was meant to provide remedy for those concerned about accountability issues of the sector. PBOs receive some financial advantages and “in return” the law requires that organizations prepare financial and narrative reports every year, file them with the relevant state authority. The reports are made public both by the not-for-profit and the state entity. The fact that within 15 years, half of the organizations have chosen to become a public benefit organization suggests that it is not clear whether the advantages outweigh the costs paid by organizations fulfilling the requirements of the law (i.e. reporting and transparency). This section will examine the road to this way of transparency that is encouraged by regulations.

Registration, reporting and transparency

Hungarian nonprofits are required to register at the courts. The registration process is paper-based and requires nonprofits to register their key governing document as well as other basic information. Entities and individuals undertaking activities must also

⁴³ 1997. CLVI. Law on public benefit status

register with the state tax authority. They receive a tax identification number at the time of registration and will need to provide a report to the tax authority. The tax authority supervises the financial reports and financial activities of not-for-profits, while the Prosecutor's Office is entitled to supervise whether the by-laws of a given organization are in accordance with the law. If discrepancies are found it can turn to the courts to decide if any harm was done or if an unlawful act was committed. The Prosecutor's Office can request corrections or decide to request the closure of the organization.

For years, except for the purposes of tax statements and statistical research, publication of reports were left to the discretion of the organization and since almost half of the sector consisted (and still does) of "small organizations" with an annual income of less than 2000 Euro (KSH Central Statistics Office 2012, 2), there was no official proposal for more reporting on the grounds that it would be neither rational nor practical as it would put a huge burden on nearly half of the sector for mere record keeping purposes and trigger strong opposition from organizations.

To fill this information gap, several state institutions and civil society organizations used to maintain their own register of basic information on NGOs, but none of them were valid, comprehensive or up-to-date and only some of them were available on the internet.

The different ministries and state institutions have developed databases for years for their own recording purposes but they were not comprehensive and the data was limited. In these years voluntarily run NGO databases sprung up. Some used to run at a regional level, maintained mostly by a regional NGO information centers, while others run at national level. Some were published in print format only, while others were available on CDs (of NIOK) and later available online (Civilhirado.hu, Civilmagyarország.hu, <http://europa.civilcenter.hu>, www.onkentes.hu). The most important one is the "Nonprofit Self-Portrait" (available on www.nonprofit.hu), as it was the most widely-used voluntarily-run database with the most information. It was created in 1997 by the Nonprofit Information and Training Center (NIOK)

Foundation. The disadvantage of the database was, as is the case with any other voluntary one, is that the information validity is limited and because it is voluntary, it will never cover the whole of the sector. A major step forward was when pursuant to MJ Decree 24/2001 (XII.26.), as of January 1, 2003, the national registry of social organizations and foundations (hereinafter “social organizations”) was made publicly available on the Internet. The initially only voluntary database of NIOK added the registry level valid data from the courts to its database to appear along with the voluntarily provided information of the organizations. This means that in a public private partnership, registry level data is available on all not-for-profits (based on the courts’ registry) and thousands of organizations feed in their own information voluntarily and sign a certificate that validates the data they provide is not false. A most recent development is that the National Court Office (OBH), in addition to the registry level data, collects the reports organizations prepare and attaches the scanned documents to the registry level information⁴⁴. While the pdf format does not allow any comparisons to be made on sectoral level, it can be viewed as a first step at least towards transparency of individual organizations (that the sector is comprised of).

This case study shows an interesting development when different actors in stakeholding positions see the perception of trustworthiness as a challenge and view transparency as a possible solution. Certain organizations that are members of the sector start to convince other members to use the solution they see suitable, i.e. make some information available in a database that is run on voluntary basis. The limitation of such an initiative are clear: it will never be fully inclusive as participation in the initiative is not obligatory and the quality of data depends on the honesty and goodwill of those participating. The fact that thousands of organizations have joined shows that other too agreed that the challenge is not (only) the challenge of the individual agents but of the whole sector.

The fact that the state realizes the same challenge and offer a similar solution shows

⁴⁴ <http://www.birosag.hu/allampolgaroknak/tarsadalmi-szervezetek-es-alapitvanyok-nevjegyzeke>

that the problem is identified by the agents and its key stakeholder and one can only hope that the solution they have worked out is a good one and will result in higher levels of trustworthiness of nonprofits in Hungary.

The role of intermediaries in conveying trustworthiness

The role of intermediary institutions has been pointed out by Zucker (Zucker 1985) in the example of the US where, during the period of 1840 to 1920, trust between people and companies broke down resulting in the birth of new companies and sectors that had an intermediary function (e.g. banks, insurance, governance, real estate agencies, and legal services). These new “intermediators” provided social and public services and through this activity, they improved the emergence of other economic activities. As trust-producing formal mechanisms come into being, i.e. as these are institutionalized, trust becomes a product that can be sold and exchanged. What followed were entities that specialized in participating in the production, communication and marketing of trust. These firms and bureaucracies mostly evolve and spread when trust is damaged or breaks down, so hence, these firms and bureaucracies begin to function as social networks, usually, as weak ties between companies, bureaucracies, and individuals. Legislation and regulations set up an institutional environment which is the development of institutional-based trust, thus, stable expectations emerge during the transactions while formal guarantees and certificates help to strengthen trust.

A similar trend can be observed regarding trust maintenance of not-for-profits in complex contemporary societies. The earlier mechanisms of personal information, the gossip and media still work but with increased complexity, the growth of the non-state trust intermediaries can be observed. A trustor may receive information from an organization directly; may also do so by participating in the entity itself, or may receive information from people who have direct connection to the entity, but when a trustor is less able to see for itself, or realizes that it is not in the position to make a correct judgment, it may want to rely on the information given by a third party. Intermediary third parties are used to help the public to reduce the perceived risks that may be there. Such entities may have ambition to work for the general public aiming

to cover the whole of the sector of a given country or a subsector in different geographic areas. They may focus on protecting the trust of potential donors by providing focused information to their specific needs of risk reduction. These entities may be the result of the efforts of the organizations that want to manage their perception of trustworthiness by joining other entities with similar goals. In such cases a group of organizations like umbrella organizations, peer groups, or other external entities join efforts to fulfill their communications need of being perceived as trustworthy. They, as a group or a specifically assigned entity, will host, implement and manage the system for their benefit. They are the beneficiaries of a communicative effort that is not managed by them directly but by an intermediary that is positioned between the organization and the potential trustor. The role of the intermediary is to communicate the trustworthiness of the not-for-profits involved. While the beneficiaries may be groups of organizations, individual organizations, the entire sector or sub-sectors, the target of the communication is the potential trustor whose trust and trusting behavior brings benefit to the beneficiary organizations.

The mechanisms used by these intermediaries are typically: *awards schemes*, where those receiving the award have met certain criteria and standards, that illustrates they are good at something or generally trustworthy (e.g. the nonprofit organization of the year in Hungary and Poland); *codes of conduct and ethics* (generally includes sets of broad principles to which participating organizations commit) like the *World Association of NGOs (WANGO)*. For example, it developed a Code of Conduct for NGOs worldwide, which addresses a commitment to transparency, good governance, and beneficiary participation; *certification schemes* (self, peer and third party certification schemes) like the ones described below as seal of approval mechanisms. Common to these initiatives is a process for verifying compliance of participating organizations against a common set of standards. A different type of mechanism is the *information sharing* directories and portals that provide contact information, financial, governance or project information about participating entities (e.g. the above described GuideStar model).

The existence of such entities is the result of a communication need, the need of a potential trustor to be informed about the level of risk involved when trusting a given entity. Even if such an entity does not use conscious, goal-oriented communication tools to provide information about the trustworthiness of the entities involved, its very existence is a communicative effort, the aim of which is to inform that there is an entity that can “guarantee” the trustworthiness of the organizations. In most cases, there are different communication tools used to enhance this message, but the core of the message is that a third party offers some kind of risk reduction.

The latest count of such mechanisms (One World Trust) lists over 320 initiatives (codes of conduct, certification schemes, working groups, self-assessments and information services) across 80 countries. Each initiative has unique features that offer different solutions to a “problem” like compliance, monitoring and sanctioning mechanisms.

As participation in these mechanisms is voluntary for organizations, the mechanisms can only be relevant for those involved, rather than the whole of the sector. For example, signing up for an ethical code provides information only about those who have signed up to follow the rules of that ethical code. The same is true, when a seal of approval is given to organizations where the seal only proves that those who bare the seal are considered to comply with the standards of the seal and it is not to be read as a seal for the whole sector.

The effect of these intermediaries is limited. First of all, the intermediary has to be recognized among stakeholders as an entity for a given purpose, perceived as a trustworthy entity, and it has to be able to persuade the potential trustor/s that it provides a value added service as in helping to save costs of monitoring for the trustor or reducing risks involved in trusting a given accredited not-for-profit).

While the use of third parties as trust brokers can assist in the development of institutional trust, it has serious limitations in regards to the development of interpersonal trust. The potential of interpersonal trust in not-for-profits has been argued in this paper to be high for not-for-profit organizations. Because much of the trust in not-for-profits is based on the benefits of person-to-person communications,

using third party intermediaries limits the direct experience a person may have with the communicator of an organization, and therefore limits the development of interpersonal trust.

Case presentation: crème de la crème of not-for-profits, the case of Germany

The German non-profit sector has developed over the centuries. Since the early 19th century, the German government assumed a strong regulatory position, based on the principle that the state is the sole and supreme organizer of society, the members of which are therefore subject to state supervision and regulation. One can see signs today of the traditional structure giving way to an outlook where the role of the state is viewed differently. Based on this traditional role, Germany is a good example of an environment, typical for most of Europe, where the state is a very (if not the most) important stakeholder for not-for-profits.

The German non-profit sector consists of associations (membership organizations), and foundations (non-membership organizations), whose total number is estimated to be over a million (half of them are unregistered), but exact figures are not available. The range in size of organizations varies from very large service providers to small and often, informal, advocacy groups. Estimates on the number of organizations and their economic power, as well as their resources, vary enormously due to the lack of public information. It is estimated that the state provides 62% of the total resources of the sector; self earned income is estimated to be around 35% and donations contribute only 3%. This shows very low contribution from individuals and high dominance of state resources.

This suggests that for most organizations, if they think economically, the trust of the state is more important than that of individuals while for the state, it is more important to focus on trustworthiness of organizations to reduce its own risks rather than that of the public (as is the case in the Charity Commission model described earlier). For this reason it is not surprising that the German public finds it difficult to get reliable information on its not-for-profits.

There are some official Government Data Sources but they are not presented to the public in a user friendly format, especially on country level. Registry information is available online in several states (Bundesländer) as a “side product” of EU directive 2003/58/EG requiring member states to provide the information held by companies and trade registries online to their constituencies. Association registries were not targeted by the directive, but were included in Germany anyway when the system was developed (www.registerportal.de). Listings of foundations providing directory type information can be found online in Berlin, Bremen and the district of Oldenburg (Lower Saxony). Contrary to registry information on associations, information published by the “Stiftungsaufsichten” is not official in a legal sense.

In Germany, the notion of public benefit does not relate to civil law, but to tax law. All activities of non-profits are reported to the local revenue authorities (Finanzämter). Information held by tax authorities is not public (unlike in the US) but subject to non-disclosure (tax secrecy, § 30.1 AO - German Fiscal Code). Not even the question whether an organization holds the status of operating for the “public benefit” (gemeinnützig) is answered by the tax authorities (as it was claimed by Dr. Martin Vogelsang at a conference in 2008), which means that the only proof of public benefit status is a copy of the most recent notice of exemption from taxes (“Freistellungsbescheid”). This document can only be provided by the organizations themselves.

In this setting, some other, non-state actors took it upon themselves to collect and, in many cases, also to provide information on not-for-profits. They fall into different groups: umbrella organizations and lobby groups who hold information on their members; non-profit and for-profit service providers from various thematic fields who operate online databases and watch-dog organizations such as DZI who collect data to inform and protect donors. The major bodies are BAGFW (welfare), Bundesverband Deutscher Stiftungen (foundations), Deutscher Kulturrat (culture), DOSB (sports), DNR (environment) and VENRO (development). As they only have limited authority to give out data due to privacy issues, their main role is seen as encouraging their

members to provide information to feed into the database during the pilot phase. The same is true for lobby organizations such as Deutscher Spendenrat. In most cases, information is reduced to directory type information and (in the case of giving/volunteering) specific information on the activities and projects for which support is sought. The data is often provided on a voluntary basis by the target organisations themselves (e.g. online giving services such as HelpDirect). Some providers, however, have collected more sophisticated information on non-profit entities to address the information gap on activities in the realm of public benefit (e.g. Maecenata, DIZK (Deutsches InformationsZentrum Kulturförderung, the “Community foundation finder” of Aktive Bürgerschaft (www.aktive-buergerschaft.de) and many others like the BBE-Bürgernetz (www.das-buergernetz.de), www.npo-info.de, www.soziale-einrichtungen.de, www.heimverzeichnis.de).

Against this background some entities have taken it upon themselves to be a provider of reliable information with the purpose of communicating that there are not-for-profits that are trustworthy. One such organization is DZI which has been collecting files on organizations for donor advice since 1893⁴⁵. Today DZI is the most comprehensive source of information about organizations that have successfully applied for a seal of approval (Spenden-Siegel). The DZI Donation Seal certifies organizations in financial transparency, operational efficiency and good governance. A bulletin is published twice a year, which lists the organisations that have earned the seal. The seal is standard-based, includes criteria on commitment to good governance, transparency and fundraising (to name a few). Presently, 226 charities with an overall annual collection income of 1.4 billion Euros, have successfully applied for and been awarded the DZI Seal-of-Approval.

The acclaimed goals of the seal are protection of private donors and state revenues. It has been supported by research (Bekkers and Bowman 2009, 14) that an accreditation

45 DZI's „Graubuch“, a guide to social service organizations in Berlin, including government agencies was first published in 1896 (!).

system for fundraising organizations (concretely, the CBF seal in Netherlands) positively relates to trust⁴⁶.

The DZI's seal offers a solution to a communication challenge, where the aim is to communicate that an organization is trustworthy. DZI plays an intermediary role between the organization and the potential trustor with the purpose of communicating trustworthiness of those organizations that hold the seal. *It is a unique case of communication when the organization's purposes of being perceived as trustworthy is achieved by the use of an intermediary. The purpose of the organization and the intermediary coincide, as both aim at communicating the trustworthiness of the agent (the organization). The difference is that the organization has a higher purpose with its communication (i.e. achieve trusting behavior of those with trust), while the communicator's sole purpose of existence is communication itself.* This communicator does not aim to claim the trustworthiness of the whole sector but only a small segment of it, but by running the service it has influence on the perception of trustworthiness of the whole sector.

Similar services exist in other countries too, like the seal of the Central Bureau on Fundraising. CBF is an independent foundation which has been monitoring fundraising by charities since 1925 in the Netherlands. "The CBF's task is to promote trustworthy fundraising and expenditure by reviewing fundraising organizations and giving information and advice to government institutions and the public.

When a charity has a CBF-seal of approval (CBF-Keur), issued by the Central Bureau on Fundraising (CBF), "you can trust that the organization has been closely reviewed" (Central Bureau on Fundraising). An important aspect of criteria for approval is that the cost of fundraising for the charity is expressed as a percentage of the revenues from its own fundraising in any one year, and this may not amount to more than 25% of revenues from its own fundraising. Furthermore, the board must consist of independent persons. And for a clear insight in the financial records, every financial

⁴⁶ The original text uses „confidence”, but the meaning, based on the terminology used in this paper is „trust”.

report must be drawn up according to the same principles” (Central Bureau on Fundraising).

These two organizations, and many other similar entities, are members of a professional association, called International Committee on Fundraising Organizations (ICFO) where such national accrediting bodies discuss and debate on accreditation issues, and last but not least, their membership enhances their own trustworthiness as intermediary entities.

It can be concluded that intermediaries in non-profits, as much as in other sectors, can assist with the development of institutional trust. While such entities are popular and widely used in certain sectors, their number in the not-for-profit sector is limited and so is their outreach both in the sense of participation of beneficiary organizations and use by (potential) trustors. Such entities are especially needed in environments where there is a recognized need for reduced complexity or the trust is low (Czakó, 8) or the perception of trustworthiness is low or the perception is recognized to be unreliable. The rarity of such mechanisms show that this is not the case with the not-for-profit sector.

Current debates on communicating trustworthiness of not-for-profits

Not-for-profit organizations have been trusted by the public but some believe that this trust is on shaky grounds and encourage some kind of action. Not everyone sees the challenge, and even those who do may not agree on what action should be taken or if action is needed at all, is not clear. Some are worried that nonprofits do not deserve the trust they receive and feel that mechanisms that ensure trustworthiness should be implemented first, like new legislation, the establishment of safeguarding institutions, ethical codes and so on. Others believe that nonprofits are truly trustworthy and the job to be done is pro-active communication. Using the analogy of *participative communicatio*, (Domschitz and Hamp 2006, 111), it can be pointed out, that the problem recognition only took place among certain members of the sector. Those who realize the problem and believe that there needs to be communication that is conscious and goal-oriented. Whether this can and should lead to communicative action is being debated and if the answer is yes, what should the action be.

There are several issues that arise for those who want to solve this communicative challenge. First of all there is the challenge of the sector and its members (described earlier in the paper). *While individual organizations may signal and/or communicate their own trustworthiness, doing the same for the whole of the sector is a challenge. The sector cannot act as one agent, but rather it acts as a group of agents with similarities. This means that each entity has its own problem recognition and its own goal regarding their own and the sector's perception of trustworthiness. Because of the complex environment, it is difficult to reason and decide a solution about the mutual goals and communicative acts for the whole group, i.e. the not-for-profit sector.*

On the micro level, individual organizations deal with issues as their own (and pursue coordinated efforts with other agents from time to time). Observing some high brand value not-for-profits, i.e. the ones with highest percentage in the “Consumer Trust in Brands in Europe”, like Amnesty International, World Wildlife Fund, Greenpeace and Oxfam, it is clear that there is clarity of values within the organization (Quelch and

Laidler-Kylander 2006, 11) and this shows on the outside too. These organizations recognize the importance of being perceived as trustworthy and make efforts to communicate their trustworthiness because this is the base for the practice of trusting behaviour towards them. *They recognized that they are judged regarding their trustworthiness as is any other entity and they make consciencous efforts to present themselves as trustworthy institutions. If needed, they use third parties to enhance their trustworthiness (i.e. financial audits, membership in ethical codes, high profile spokespeople). In addition, their person-to-person and often face-to-face communication and participation opportunities support interpersonal trust development.* Such goal-oriented conscientious efforts are feasible in the case of concrete organizations, where there is congruence between the organizational purpose and communication efforts and the fact that the organization does not need to coordinate its efforts with other entities. As the examples of these organizations show, it is possible to achieve the highest levels of consumer trust (more than major companies like Microsoft, Citicorp, Coca-Cola) (ibid) with such behavior. In cases of concrete organizations, communication is a tool while the case of the sector communication is mostly innate (using the terminology of András Szekfű in Horányi 2001, 86). *This means, that goal oriented tool-like communications efforts are rare in the case of a whole sector. Smaller groups of organizations can better negotiate among themselves their intent and therefore there are several cases when certain groups of agents come together to communicate trustworthiness.* In most of the cases they take responsibility only for talking about themselves (i.e. members of those signing the ethical code speak for themselves) and their own trustworthiness as a group. To be able to do that, they need to recognize the benefits of being perceived as trustworthy, agree on the possible ways of solving this communicative challenge and have the necessary resources (including communicative) for solving the challenge and deciding the necessary action and implementing it. Such is the case with the aforementioned case of organizations signing ethical codes or using seal of approvals: a subgroup of a sector agree and later buy-in to a communicative solution to a challenge of being perceived as trustworthy. Those bearing the seal make special

efforts to have the right to use the seal to communicate that they belong to a group whose members are certified as trustworthy entities by the “seal”. The purpose of such mechanisms is communication itself, without communicating the “seal”, there would be no reason of obtaining it. As long as the group can maintain its “trustworthiness” and communicate the value added, it is able to influence the perception of trustworthiness of given group members (and in addition, this will have some influence on the perception of the whole of the sector too).

While such goal-oriented communication efforts regarding trustworthiness of certain organizations and sub-groups of the sector are not unusual, similar efforts regarding the whole sector is rare. Because of the complexity of the sector (e.g. size, different intentions and resource availabilities of its agents) what we see is that certain members of the sector, or other third parties take it upon themselves to communicate trustworthiness. These are cases that are described in the communicative participation model as special cases, where the challenge of the agent is not solved by the communicative efforts of the agent but independent of it or with someone else’s assistance. There is not one clear universally agreed way of doing it, instead, there are some different ideas, plans and experiments regarding managing the perception of trustworthiness of the not-for-profit sector.

One way of doing this is when some stakeholders provide general information about the sector so that those who have some interest in the sector gain better understanding and therefore trust about it (for example, in Hungary publications on the most important information on non-profits were issued to different target audiences like the media, donors, the state regarding the sector and its members (Baranyi, et al. 2003).

Another way, and the one that is most frequently employed, is when information about all organizations is made public by a third party, like monitoring information collected by state made public in the UK, US and Israel. In cases like these, the goal of the communicator (who is not the same as the agent/s) is to maintain or form a different perception regarding the trustworthiness of the sector.

This methodology is the one that is used most frequently and the proposition here is that with an information provision, usually in the form of a publicly accessible database of all organizations (as described earlier), trust will be built. While many countries subscribe to this route, current debates have started to look into the issue more thoroughly.

These debates became most vivid in 2013 when some observers sensed that the recently launched *Markets for Good* initiative, promoted by the Bill & Melinda Gates and William & Flora Hewlett Foundations and Liquidnet (aiming to improve the information infrastructure for the “social sector” where capital flows efficiently reach the organizations that are having the greatest impact, programs and interventions are more effective and responsive) struggles with achieving its mission. The key debaters on the issue come from the US with their own special perspective on the issue, the perspective of a highly institutionalized system with millions of private donors (some of them the largest in the world). For those involved in the debates it is an axiom that sharing information is the answer to promoting philanthropy, and with that support comes the willingness of private donors to fund innovative solutions to social challenges. With that, the debaters express that the target audience of the communication efforts should be the private donor. They do not say that for a private donor to practice trusting behavior, first trust needs to be established regarding the sector, but from the descriptions, it is clear that this is the greatest issue at stake and lies behind these efforts. One observer recognized that the “efforts ... are stuck in a tangled web of ineffective and inconsistent practice that extends throughout the universe of philanthropy. We have sought, though our sophisticated tools and exhaustive data, to untangle a part of that web.” (Schmidt 2013). The problems this observer sees is related to the issue of the available and shared information (i.e. the content) and the effect it has on the receiver (“the great bulk of online flow is to causes that are hot, visual and immediate instead of those that are thoughtful, well-managed and persistent”). The suggestion Schmidt makes is that information should be based on already available data but it should be better targeted to the given receiver in its content is based on the recognition that there is a need for “values” to be

incorporated into the information provided. This is among the expressions of a need for a system where the content of the information about not-for-profits is structured according to articulated values of the trustor is a necessity and while there are no truly intelligent systems today, with better data this intellectually attractive proposition is impossible. *With that, the need for value driven content ,that is different from the currently available third party risk reducing systems that focus on tangible results that can effect cognition-based trust, is recognized. As the examples in previous chapters show, the currently available models tend to target the rational part of the receiver and less so the emotional part. Contemporary socio-psychological research confirms the importance of the role of emotions in persuasion (Arvay 2004, 232) and as our trust in not-for-profits, to a large extent, is based on affect, communication that can maintain that, would be important for the sector. Communication that targets the “logos” is likely to be more important to donors who perceive higher risks (e.g. high financial loss made by a wrong donation; bad publicity with a not well chosen nonprofit partner; and in cases when the trust is broken). While worded differently, these are the key issues of current debates on communicating trustworthiness of not-for-profits. Considering values is a major step in this debate and if implemented in communications, would be a major step forward in communicating trustworthiness of not-for-profits.* This proposition was followed by a more practical idea (Bonbright 2013), namely to present the values by bringing into the communication process those who benefit from the work of not-for-profits. This suggests that beneficiary driven information would provide sufficient information for potential trustors. While the proposition is a creative new element in this debate, and the use of beneficiaries beyond output evaluation is an innovative idea, it may not be the best way forward. First of all, while many not-for-profits have beneficiaries with voice, many organizations work on important issues that do not have beneficiaries with a voice: who is the beneficiary voice of clean air and disarmament? The two propositions are not necessarily the solutions to the challenge, but they lead the discussion to an important area of communicating trustworthiness: the recognition of communicating values and the importance of the communicator.

These discussions focus on the content of the communication and assume that such efforts should be initiated by third parties. But the result of such efforts depend on many other factors too, like the central and peripheral route of changing opinion (described in detail in the literature), the perception of the trustworthiness of the communicator (judged by the criteria described earlier) and the perceived honesty of the intent of the communication. The current mechanisms that are meant to support the trustworthiness of the not-for-profit sector run the risk of being perceived as manipulation rather than persuasion. In many cases, and in this one as well, it is hard to separate the two from one another (Siklaci 1994). First of all, in many of cases when the aim of the communication is to present the trustworthiness of the not-for-profit sector, the communicator and is different from the agent/s and the intent of the communicator, the goal of its communication is to benefit the agent/s and not the communicator. This on its own may be a reason for confusion but could also serve as an enhancement by a recognized third party approval. The other, the intent of the communication act is more questionable. A model (Taillard 2000) (Friestad and Wright 1994) that describes the persuasion knowledge, suggest that which enables the target (i.e. receiver) to identify the persuasion attempt and the agent's (i.e. the communicator in the model, in our case a third party) goal. The aim of the communicator is to get a fact or an opinion accepted, in this case, the opinion that not-for-profits are trustworthy (at this stage it is irrelevant whether it is true or false). One of the ways manipulation can be realized, is when the communicator is withholding proposition(s). In our case the communicator is communicating that the intention is to present that not-for-profits are trustworthy. The receiver in its contemplation about the communication will consider the honesty of the communicated intent, and may wonder whether this is not meant to cover something about the agent/s and whether certain propositions are being withheld. The receiver may come to the conclusion that communicator is withholding the real intent of its communication, that its communicated intent, i.e. to present that not-for-profits are trustworthy is in reality motivated by its uncommunicated intent that receiver should (not only trust not-for-profits but also) practice trusting behaviour based on his/her trust that is the result of

the communication. It is not treacherous manipulation and it is not made to advance the communicator, nevertheless depending on the context, may be perceived as persuasion or manipulation and may be treated differently by different receivers. The same discourse is judged differently by various receivers depending on their interests, involvement, motivation, monetary state (as referenced by Árvay : Petty and Cacioppo elaboration likelihood model pp.237) and efforts that aim to communicate that the not-for-profit sector is trustworthy can be perceived differently and may be perceived as manipulation by some. This perspective has not been considered in the debates regarding the communication of trustworthiness of the sector but the author believes it to be an important aspect, especially when designing such efforts.

The question whether such efforts are necessary at all has also been debated. The three most important points regarding the necessity and feasibility of such efforts were made on global, regional and country levels. The global initiative, *The UN Nonprofit Handbook Project* (CCSS JHU 2002) recognizes the need for correct data and seeks to improve the treatment of nonprofit, or civil society, organizations in national economic statistics. The ultimate goal of this work is to enhance both the understanding and credibility of this important sector and to provide a solid, empirical foundation for maximizing the contributions it can make in solving the pressing societal and environmental problems facing the world today. As part of this process, the data from statistical agencies of 33 countries was harmonized to be presentable on macro level (focusing on the needs of state and global policy makers). The other effort focused on the assumption that information sharing about not-for-profits is the solution to the communication challenge of being perceived as a trustworthy sector by the public, and examined five European countries regarding their information availability about not-for-profits and concluded there is a need for information to maintain and enhance the public trust, but questioned whether there could be a joint effort on European level that requires agreement of the members regarding their goals on one hand and substantial resources on the other (Török 2008). A study conducted in Germany regarding similar issues of trust, accountability and transparency

(Universitat Heidelberg CSI, Hertie School of Governance 2011) acknowledges the possibility of broken trust regarding not-for-profits but does not conclude that there is an immediate need for more thorough accountability and transparency requirements in Germany. The higher requirements would bring about more and better information on German nonprofits, but they may simply increase transaction and compliance costs and not automatically improve the quality of nonprofit services. *The German report, unlike the U.S. debate, does not put strong emphasis on the individual. The individual in the American perspective is not only a passive recipient of information but also an active consumer and the role of (potential) trustee of nonprofits, monitors the organizations based on the information available.* The German report points out that the need for communicating trustworthiness will be most pronounced in those parts of the German nonprofit sector that are becoming increasingly less state-oriented, where the old system of state-led governance of nonprofits is weakened and the stated shift of a state-focused accountability regime towards expanded inter and intrasectional partnerships is inevitable.

These debates show that communicating trustworthiness of nonprofits can not be treated only as an issue of communication because it leads to the most important questions regarding the not-for-profit sector: who are these organizations accountable to; whose trust is important to them; who are their stakeholders; what is the value proposition; should their trustworthiness be communicated at all, and if yes, by whom. *The issues raised in these debates show that while certain not-for-profits excel in communicating their trustworthiness, the sector as a whole is hardly at the beginning stage of starting to see the need for managing and communicating its trustworthiness but there are other stakeholders that act on its behalf.*

Conclusions

Not-for-profit organizations have been “trusted” for years to do the right thing more than state, business and media globally. This paper examines the issue of trust of the public regarding not-for-profit organizations. The point of departure of the paper was that not-for-profit organizations are generally “trusted”, i.e. they are perceived to be trustworthy by the public.

1.

Trust in not-for-profits can mean many things: the public can be “familiar” with not-for-profits and can have its “confidence” and “trust” in them. When we have our “confidence” in not-for-profits, we assume that our expectations will be met and with that we neglect the possibility of disappointment and when we trust, we take a risk, as “trust” presupposes a situation risk (Luhmann 2000, 96). *Clarification of terminology was useful to show that there are different uses of the word “trust” and the more precise wording would be that expresses that the public (in most countries) is familiar with not-for-profits, and has mostly confidence based “trust” in them, and some really trust not-for-profits and are willing to take risks.* (The case study of Ukraine has shown the challenges caused when “familiarity” with the sector is not present.) The public’s understanding of not-for-profits remains to be based on the trait like features of the sector rather than concrete information.

Examining the factors on the basis of which the judgment of trustworthiness are made has helped to understand that a trustor (especially when buying a service) would judge a not-for-profit with similar assessment criteria as any other entity: ability, benevolence and integrity. Because ability is domain specific (if a trustee is highly competent in a given area, it may not be equally competent in another, unrelated field), it is evident that the survey results of trust in institutions should not be interpreted as comparisons of which institution is trusted more as some factors influencing the perception of trustworthiness are domain specific, like ability. Interpretations of the survey results on trusting institutions should be careful in allocating first, second and third places to different institutions, as they are misleading interpretations of the results. *Therefore, if not-for-profits score high on trust, it does*

not mean that their “ability” in all fields, across sectors and domains, are considered to be highest. Instead, they are judged regarding their ability to do what they do. This means that interpretations of surveys regarding trust in institutions can be misleading if they present any entity to be more trusted than the other as our perception of trust regarding them is domain specific, therefore should not serve as a basis of comparison between and among domains.

The different stakeholders of not-for-profits (e.g. state, private institutions, individuals) have different views of what trustworthiness is because their perceived risks are different when dealing with not-for-profits, i.e. not-for-profits are judged under different criteria regarding their trustworthiness by the different stakeholders. An important stakeholder in Europe, the EU, for example, has discussed the transparency of not-for-profit organizations in relations to the threats terrorism poses, suggesting that this is an important element for the EU in its judgment of the trustworthiness of not-for-profits. Another stakeholder, like a private philanthropic foundation may find a not-for-profit trustworthy as long as its overhead costs are low, while an individual may trust an organization if friends participate in it. We, as citizens have a choice of taking a risk with nonprofits or not as we have the option of avoiding interaction with not-for-profits (a possibility that in itself works in favor of trust).

When we do decide to take a risk (e.g. financial, performance, physical etc.) and trust a not-for-profit, we may also decide to practice trusting behavior towards that entity. We may, for example, manifests our trust by donating money to a not-for-profit or by buying its service (and with it taking a financial risk); similarly, there is the time issue when volunteering; there is psychological risk when signing petitions organized by a not-for-profit; there is physical risk when one may decide to join demonstrations and marches (and so on).

2.

The confidence and trust in not-for-profits is partly based on how not-for-profits in general are perceived but also on how trustworthy a given organization is perceived to be as well as the availability and use of risk reduction mechanisms and last, but not least, on the individual's propensity to trust.

Not-for-profits have traditionally been viewed as existing in a sphere that provides opportunities to especially satisfy social motivations. One's "social motivations" can be considered (Polányi 1957, 153) to be more fundamental than rational self-interest. For this reason, it can be argued that being "involved in caring activities" (R. Wuthnow 1991, 50) is as important to one's identity within a culture as it is to one's sense of selfhood, as an individual's motivation.

In mature democracies not-for-profits have been an integral part of the community long enough for the public to be familiar with them. We have confidence in not-for-profits because of their characteristic traits that, in mature democracies, are part of common knowledge, the world as we know it (even if one does not know any concrete organization). These traits are based on assumptions and may or may not have a valid basis in a given environment, and may or may not be true for a given entity. These traits are based on our general understanding, for example: not-for-profits are for the public good, they are not for the profit, and they are not run by government and so on.

When an individual considers taking a risk to trust a not-for-profit, the trustworthiness of the given entity is judged based on the entity's perceived benevolence, integrity and ability, as is the case with entities other than not-for-profits. This paper argues that the trait-like features of the not-for-profit sector also contribute to the perception of trustworthiness of a given entity. Many of these features relate to judgments on benevolence (i.e. not-for-profit, altruistic, for the public good). This can result in a trust advantage for not-for-profits (compared to other sectors) as long as the potential trustees recognize that the given entity belongs to the group/sector of not-for-profits and the potential trustees are equipped with assumptions regarding not-for-profits (e.g. they do not come from a country where NGOs do not exist or where NGOs are

very new). When a trustee reads the signals that a given entity belongs to a group of not-for-profits, the recognition that the entity belongs to that group can reduce the perceived risks as long as the assumptions of the (potential) trustee (based on the trait-like features of the sector) are positive. *Not-for-profits, therefore, are appreciated across cultures because they can satisfy people's social motivations which are important to an individual's identity and sense of selfhood. They are perceived as trustworthy because they have certain traits (especially related to benevolence) that signal trustworthiness even in cases when there is no interaction with a concrete organization.*

3.

The hypothesis that the public's trust in the not-for-profit sector is not the result of conscious efforts of the sector has been theorized and proven to be true. Other actors have been identified to recognize trustworthiness in the not-for-profit sector as a challenge and they offer different risk reduction mechanisms as possible solutions to the challenge. It has been argued that such efforts are sporadic, their scope and availability is limited and they are unlikely to be the key reason for the generally high level of perception of trustworthiness of the sector. At the same time, they may be important for certain stakeholders and even if they are not used, their availability still contributes to the perception of trustworthiness of the sector and of those involved in the mechanisms.

This paper has pointed out that not-for-profits could regard it as an aim to be perceived as trustworthy because it is in their rational interest. Being perceived as trustworthy is the basis for trusting behavior. As many not-for-profits depend on the trusting behavior of the public (like donations, volunteer work and other forms of participation), some not-for-profits realize that being perceived as trustworthy is beneficial for them and (many) work (successfully) towards that goal. It is not the same in the case of the sector itself. The not-for-profit sector has not recognized trustworthiness as a challenge that needs to have a solution. This may be true because

to date the sector and its members have enjoyed the benefits of being perceived as trustworthy. At this stage for the sector to be perceived as trustworthy is not a problem in need of a solution. Some stakeholders do realize the need for managing trust and trustworthiness perception and offer different solutions. There are several efforts working towards the goal of risk reduction. The availability of these mechanisms (such as laws and regulations, transparency mechanisms and third party seals) vary (some are available for the whole of the sector, a group of organizations or individual organizations) and their use depends not only on their availability but also on the level and type of risk perceived in not-for-profits.

Most of these mechanisms emphasize the institutional nature of not-for-profits and are based on formal understandings (e.g. budgets, audits, legal status) and can influence cognition-based trust. Besides this type of trust, there is also affect-based trust. The availability of risk reducing mechanisms for affect-based trust are limited, but participation, which is characteristically available in not-for-profits (more widely and deeply than in other sectors) is one such mechanism.

This paper has pointed out that “trust”(confidence and trust) in and towards not-for-profits has signs of duality: not only can it be based on cognition and affect but it can also be based on local and formal understandings; it can be thick and thin, one-sided and reciprocal, interpersonal and institutional. This duality is present on the level of the sector and can be observed on the level of individual organizations too. A similar duality has been pointed out in other areas (organizational structures, human interaction, hierarchies, decision making, and communications) and can be justified with not-for-profits being “secondary” (i.e. not primary and tertiary) associative forms (Offe and Fuchs 2002) with their intermediary position in relation to the state, family, and market (Cohen and Arató 1992). This paper points out that the duality that is present in the area of trust, can work to the advantage of the sector. This does not mean that a nonprofit organization and the sector is necessarily always the most trusted in every environment (case of Ukraine) and by everyone.

It does mean because the duality of the sector gives its organization and the sector a good base for developing different kinds of trust and because of its trait-like features, the not-for-profit sector has a strong confidence base upon which trust can develop.

To manage trust certain risk reduction mechanisms exist (and their availability is a contributing factor to the perception of trustworthiness). Most of the available mechanisms (as in the cases of the US, the UK and Germany) can effect our cognition, while our trust and confidence in the not-for-profit sector has a strong affect base, often driven by assumptions (motives being self chosen, altruism being more important than enlightened self interest, organization citizenship being important, etc.) but (as current discourse shows) managing affect-based trust is part of the daily operation of most not-for-profits, but remains to be a challenge on the sector level.

This paper has focused on the perception of trustworthiness without making judgments on the validity of the perception (especially vivid in the case study presented regarding the Occupy Wall Street Movement), as the main question to be answered was: what makes not-for-profits perceived to be trustworthy across cultures. The answer was presented by examining the nature of the not-for-profit sector and the universal characteristics of nonprofit organizations that contribute to their perception of trustworthiness.

Appendix

Hungarian summary of statements (Tézisek)

Bevezetés

Évek óta azt hallani, hogy világszerte a nonprofit szervezetekben bíznak a leginkább az emberek; az irántuk mért bizalom magasabb, mint a kormányok, vállalatok és a média iránti bizalom. Természetesen vannak országok, ahol ez nem így van, és vannak emberek, akik nem (vagy nem annyira) bíznak a nonprofit szervezetekben, de globális összesítésben a nonprofit szervezetek (nonprofitok, NGO-k, nem kormányzati szervezetek) állnak az élen.

Az eddigi kutatások kevés magyarázatot adnak arra vonatkozóan, hogy ez vajon miért van így. Ez a dolgozat ennek jár utána.

A kommunikáció participációs modelljének alapjait használva az ágens(ek) felkészültségére figyelve fogalmaztam meg, hogy mi lehet a „probléma”.. Így felismertem, hogy ha a nonprofit szervezetek iránti bizalmat, pontosabban a nonprofit szervezetek megbízhatóságának percepcióját tekintjük a problémának, akkor meg kell vizsgálni, hogy ez vajon egy felismert probléma-e, kinek a problémája, és mi történik a probléma megoldása érdekében. Célom az volt, hogy iderüljön, miért bíznak az emberek a nonprofit szervezetekben, s egyáltalán el lehet-e hinni, hogy tényleg bennük bíznak leginkább az emberek.

Három fő hipotézist fogalmaztam meg, melyre a dolgozatom építettem:

1.

Első hipotézisem az, hogy a kutatások eredményeit, amelyek az intézményekbe vetett bizalmat vizsgálják, félreérthetően kommunikálják. Tehát, nem a kutatásokat kérdőjeleztem meg, hanem a kutatások eredményeiből levont üzeneteket.

Ezért először a fogalmakat tisztáztam: mi a bizalom és a nonprofit és ezek alapján hogyan értelmezhetők a felmérések eredményei.

2.

Második hipotézisem, hogy amennyiben a nonprofit szervezeteket valóban világszerte a legmegbízhatóbb intézményeknek tartják az emberek, akkor a nonprofitoknak bizonyára van valami olyan tulajdonsága, vagy legalább van valami olyan feltételezett jellemzője, ami miatt általános bizalmat élveznek.

A nonprofit szervezetek olyan leírásában kerestem a megoldást, amely azt mutatja meg, hogy vajon milyenek látjuk a nonprofit szervezeteket. Külön kérdésként merült föl, hogy vajon mi alapján alkotunk véleményt a megbízhatóságról.

3.

A harmadik fő hipotézisem az, hogy a nonprofit szektor megbízhatóságáról kialakult percepció nem a szektor vagy más szereplő problémamegoldó aktivitásának az eredménye.

Ezzel kapcsolatban arra vállalkoztam, hogy először is az alapokat tisztázzam: miért állhat a nonprofitok érdekében az, hogy fenntartsák (esetleg javítsák) a megbízhatóságukról kialakult percepciót. Ezek után megvizsgáltam, hogy vajon felismeri-e a szektor, hogy a megbízhatóság percepciója probléma lehet, s vajon tényleg probléma-e. Létezik-e -az ágens vagy mások által kezdeményezett- problémamegoldó aktivitás? Vajon a problémamegoldó aktivitás eredménye-e a magas szintű bizalom?

Négy ország (Magyarország, Nagy Britannia, Németország és az USA) kontextusában esettanulmányokkal illusztráltam a legfontosabb problémamegoldó aktivitásokat.

Munkámat nehezítette, hogy a témához kapcsolódóan kevesen formáltak eddig véleményt. Ráadásul mind a nonprofitok, mind a bizalom kérdésében sok a tisztázatlan terület és az elérhető adatok nem konzisztensek, a fogalomhasználat pedig gyakran zavaros. A szakirodalom feldolgozása mellett másik jelentős forrásom a

hazai és külföldi nonprofit szektorral foglalkozó szakemberekkel folytatott beszélgetések és helyszíni látogatások voltak, melynek konkrét eredménye az esettanulmányokban látható.

Fő tézisek

Ebben a fejezetben a fő hipotézisekre vonatkozó megállapításokat és eredményeket a hipotézisre vonatkozó rövid összegzés után részletezem.

1. Az első hipotézisre vonatkozó megállapítások és eredmények összegzése

Első hipotézisem, hogy a kutatások eredményeit, amelyek az intézményekbe vetett bizalmat vizsgálják, félreértelmezik, a következők miatt bizonyult igaznak:

- A kutatási eredményeket és az azokról készült beszámolókat árnyaltan kell kezelni. Ennek oka egyrészt a felmérésekben használt “bizalom” szó gazdag, többretegű jelentése, másrészt a felméréskeről szóló összefoglalók túlzó, és ezáltal félreérthető megfogalmazása.

A bizalom ugyanis több mindent jelenthet. A jelentésbeli különbségeket Luhmann fejtette ki, amikor a bizalom fogalmának három olyan rétegét, összetevőjét azonosította, amelyek esetenként szinonimaként is megjelennek. Ezek (a magyarra nehezen fordítható fogalmak): az ismertség (familiarity), a hit-alapú bizalom (confidence) és maga a bizalom (trust). Az utóbbi kettő tartalmazza a jövőre vonatkoztatást; aki bízik, az többnyire felismeri és felvállalja a kockázat lehetőségét is. *A nonprofit szervezetek iránti bizalomnak mindhárom összetevő szerves részét alkotja. Bár a kutatásokban megnyilatkozók nem fejtették ki, hogy pontosan mit értenek bizalom alatt, de feltehetőleg azt mondanák, hogy ismerik a nonprofit szervezeteket, hisznek bennük (például abban, hogy a tevékenységük összhangban van a küldetésükkel), s talán néhányan akkor is bíznak bennük, ha felismerik, hogy ezzel kockázatot vállalnak.*

Luhmann szerint a kockázat bizonyos problémáira éppen a bizalom jelenti a megoldást. A kockázatok lehetnek anyagiak, fizikaiak, lelkiek, stb. A nonprofit szervezetekkel kapcsolatos bizalmunk különböző megnyilvánulásai (például önkéntes munka, anyagi támogatás, részvétel), különböző kockázatokat rejtenek. Anyagi kockázatot vállalunk például azzal, ha pénztámogatást nyújtunk egy szervezetnek, vagy szolgáltatást veszünk tőle. Önkéntes munkánkkal az időnket kockáztatjuk. Fizikai kockázatot vállalunk, amikor utcai demonstrációkon veszünk részt. A nonprofit szektorral való viszonyunk különlegessége (más szektorokkal szemben) az, hogy akár teljesen is kizárhatjuk életünkéből a nonprofit szervezeteket, vagy ha mégis kapcsolatba lépünk velük, akkor is dönthetünk a kockázatmentes együttműködés mellett. Még így is mindkét esetben megvan az a lehetőségünk, hogy hittel, bizalommal legyünk irántuk, és a választás lehetősége már önmagában bizalomgerjesztő. Ez azonban nem jelenti azt, hogy minden szempontból jobban bízunk a nonprofitokban, mint egyéb intézményekben, és semmiképp sem azt, hogy a bizalmunkat a viselkedésünkkel feltétlenül kifejezésre is juttatjuk; csupán azt, hogy a nonprofit szervezetekre vonatkozó véleménynyilvánításainkat ez a hitünk és bizalmunk jellemzi.

- A megbízhatóság és a vele kapcsolatban kialakított kép része a kapcsolatoknak, s így kapcsolatunként más és más lehet. A mi esetünkben a kapcsolat egyik oldalán az egyén, illetve az egyének állnak, a másik oldalon a nonprofit szervezetek, melyek megbízhatóságáról az egyének azok kompetenciái, integritása és az egyén ügyei tekintetében tanúsított vagy várható jószándékuk alapján alkotnak véleményt. A partner megbízhatóságáról az egyén vagy a kialakuló kapcsolat során szerzett új, vagy a korábban szerzett régi tapasztalatai és információi, esetleg az új és a régi benyomások kombinációja alapján alkot képet. (A három elem aránya és jelentősége kapcsolatunként változó.)

Tudni kell, hogy a kompetencia kérdése domain specifikus. Ebből következik az, hogy ha egy nonprofit szervezetet vagy szervezeteket megbízhatónak találunk, az nem azt jelenti, hogy életünk minden területén megbízunk akár abban, akár más nonprofit szervezetben. Azért bízunk meg benne, mert az adott területen kompetensnek (és részben ezért megbízhatónak találtuk). Tehát, ha a nonprofit szervezetekkel szemben komoly bizalom fejeződik ki, az nem jelenti azt, hogy magas bizalmi indexük következménye az is, hogy a saját területükön túl is kompetensek (és ezért megbízhatóak) lennének. Ezért nem helyes versenyként interpretálni a megbízhatóságra vonatkozó kutatásokat. Ezen kutatások eredménye nem azt jelenti, hogy a nonprofitok a legmegbízhatóbbak, s így legyőzik a vállalatokat vagy a médiát, csupán azt, hogy a saját területükön, és hangsúlyosan nem az élet minden területén, megbízunk bennük (míg a vállalatokban vagy a médiában a saját területükön kevésbé).

2. A második hipotézisre vonatkozó megállapítások és eredmények összegzése

Második hipotézisem, részben igazolódott: belátható, hogy a nonprofit szervezeteknek vannak olyan általánosan ismert jellemzői (valós és/vagy vélt tulajdonságok), amelyek a róluk kialakított képet befolyásolják, s köztük sok olyan van, amely miatt a nonprofitok megbízhatónak tűnhetnek. (Nem került bizonyításra -mert a dolgozat keretei szűkek e kérdés tárgyalására- hogy vajon ezek valós tulajdonságok-e.)

A fentieken túl megállapítást nyert, hogy a nonprofit szervezetek különleges bizalmi helyzetben vannak, mely egy adottság számukra. Ez abból ered, hogy a nonprofit szervezetek "másodlagos" szerveződések, s mint olyanok, – tulajdonságaik és viselkedésük alapján – hol az elsődleges, hol a harmadlagos szerveződésekre, de leginkább a kettő kombinációjára hasonlítanak. Ezeket a téziseket a következők igazolják:

- A nonprofit szervezetek megbízhatóságáról alkotott véleményünket több tényező befolyásolja. Köztük, a vizsgálat tárgyát képező percepció, amely a nonprofit szervezetek megbízhatóságáról alakul ki bennünk. Ennek alapja a szocializációnk során a szektorról kialakult képünk, melyet hasonlóságok, előzetes (nem feltétlen megalapozott) benyomások, jellemvonások alapján alakítunk ki. A szektor szervezetei közti hasonlóság abból ered, hogy egyazon szektorhoz tartoznak, ahol a normák ennek következtében adóttak, még ha a jogi szabályozás országonként különböző is. A nonprofit szektorra vonatkozó ilyen jellemző lehet az, hogy nem profitcélok által vezérelt; a szervezetek alapítói, tagjai, vezetői, támogatói önszántukból (és nem valami külső nyomásra) vállalnak szerepet; nincs intézményes függés a kormányzattól; a szektort nem informális, hanem hivatalosan bejegyzett szerveződések alkotják; a működésnek fontos eleme a jótékonyág, a filantrópia. (A konkrét szervezetekkel kapcsolatban természetesen támadhatnak negatív benyomások is, de összességében, globális szinten a nonprofit szektor esetében a

megbízhatóság felé billen a mérleg.)

- A szektor iránti hitünk (confidence) ezen benyomásokon alapszik, s közöttük több olyan akad, amely más szektorokkal való összehasonlításban bizalmi előnyhöz juttatja a nonprofit szektor szervezeteit. A szektorra vonatkozó, a közmegitelés szerint általánosan elfogadott összbenyomáson kívül a konkrét szervezetekkel kialakított kapcsolatunk során gyűjtött tapasztalatunk és információink is befolyásolják a szektor megbízhatóságáról kialakított képünket (azon túl, hogy az adott szervezetről kialakított képünket befolyásolják). A két különböző forrásból származó benyomások egymásra is hatással vannak.

A szektorjellemzőkön és az információkon túl a szervezetek megbízhatóságának megítélését befolyásolja még az a tudás, amely arra vonatkozik, hogy milyen eszközök állnak rendelkezésre a vélt vagy valós kockázatok csökkentésére.

- A nonprofitok és a más intézmények megítélésének információs háttere és folyamata hasonló ugyan, de az előbbieket helyzetét egy pozitív előfeltevés mégis különlegessé teszi. A nonprofitok különlegessége az, hogy a velük való kapcsolatban – a szektor egészéről alkotott összkép alapján – eleve adottságként jelenik meg a feltételezés, mely szerint az egyén iránti jóakarat szempontjából előnyös jellemzőkkel bírnak (például nem az anyagi érdek vezérli őket). Ez főleg azért fontos, mert a jószándékra vonatkozó kép kialakítása a másik két szemponthoz képest hosszabb időt vesz igénybe. *Azzal, hogy a nonprofit szervezetek -már a kapcsolat kezdeti fázisában is- jóakaratukra vonatkozó jellemvonásokat mutatnak fel adottságként, előnyös helyzetbe kerülnek ezen szempont megítélésekor más szektorok intézményeivel szemben.* (Ez természetesen csak akkor működik, ha a szektorhoz való tartozás megállapítható az egyén számára.)

- *A nonprofit szervezetek különleges bizalmi helyzetben vannak, mely egy adottság számukra. Az adottság abból ered, hogy a nonprofit szervezetek “másodlagos” szerveződések, s mint olyanok, –tulajdonságaik és viselkedésük alapján – hol az elsődleges, hol a harmadlagos szerveződésekre, de leginkább a kettő kombinációjára hasonlítanak. Céljaik például nem annyira diffúzak, mint a családoké (elsődleges forma), de nem is olyan szigorúak, mint a vállalatoké (harmadlagos forma). A tagság az egyén saját döntése alapján dől el, nem úgy, mint a családnál; és a rekrutáció tartalmaz bizalmi és funkcionális elemeket is. A csoport tagjaival az interakció inkább az elsődleges formára jellemző horizontális módon történik, s nem a harmadlagos formára jellemző vertikális módon. A kommunikáció a másodlagos formában inkább verbális, csakúgy, mint az elsődleges formánál, de a harmadlagos formára jellemző formalizáltabb kommunikáció is jelen van.*

Ugyanez a kettősség jellemző a szervezetek bizalmi viszonyaira is – ez a másodlagos szerveződési formájukból következő adottság. A legfontosabb ebből következő tulajdonság, hogy a nonprofit szervezetek mind az elsődleges formára jellemző személyközi, mind a harmadlagos formára jellemző intézményi bizalom élvezői. Konkrét helyzetektől függően az intézményekre jellemző egyoldalú, vagy az elsődleges szerveződésekre jellemző reciprocitás alapú bizalommal operálnak, s képesek hatni mind a kognitív, mind az érzelmi alapú bizalomra. A nonprofit szervezetek esetében ez az adottságaikból adódó kettősség a szervezetek számára olyan helyzetet teremt, melyben más intézményekhez képest magasabb bizalmat élveznek (a legtöbb országban). Ez azt sugallja, hogy az emberekre pozitívan hat ez a kettősség.

- A nonprofitok jellemzően olyan területeken működnek, melyek a szociális motivációk beteljesítésének lehetőségeiről ismertek, és vannak, akik ezeket alapvetőbbeknek tartják, mint a racionális önérdeteket, és így a nonprofitok által

tradicionalisan nyújtott jótéteményi lehetőségek igen fontosak az egyén önképe miatt.

3. A harmadik hipotézisre vonatkozó megállapítások és eredmények összegzése

A harmadik fő hipotézisem, hogy a nonprofit szektor megbízhatóságáról kialakult percepció nem a szektor vagy más szereplő/k problémamegoldó aktivitásának az eredménye ugyancsak igaznak bizonyult. A feltárt indokok a következők:

- A nonprofit szervezeteknek azért áll érdekében megbízhatónak mutatkozni, mert a megbízhatóság percepciója az (egyik, de nélkülözhetetlen) alapja olyan, a partnereik bizalmát kifejező, számukra létfontosságú cselekedeteknek, mint az adakozás, önkéntes munka és más közösségi tevékenységekben való részvétel. Példák bizonyítják, hogy ennek felismerésére több szervezet képes, s ezek nagy része a megbízhatóság percepciójának szükségét felismerve különböző megoldásokra törekszik. Az esetek többségében a szervezeteknek a bizalom szintentartása a feladata, hisz eleve magas bizalomnak örvendhetnek (kivéve a ritka bizalomvesztési állapotot). A megoldás ezen esetekben (a participációs kommunikációelméletet és terminológiát használva) az ágens problémamegoldó aktivitásának következménye, s a különösen sikeres esetek bizonyítékul szolgálnak arra, hogy magas bizalom érhető el a nonprofitok adottságából adódó dualitás előnyeinek és lehetőségeinek tudatos kiaknázása esetén.
- Más kérdés azonban az, hogy a szervezetek összessége, tehát a nonprofit szektor egésze képes-e ugyanerre: képes-e saját szektorszintű érdekeinek felismerésére, rendelkezik-e azokkal a felkészültségekkel, amelyek a probléma felismeréséhez és megoldásához vezetnek.

A nonprofit szektor egyelőre nem képes saját szektorszintű érdekeinek felismerésére, nem rendelkezik azokkal a felkészültségekkel, amelyek a probléma felismeréséhez vezetnek (ezt a disszertációban szereplő esettanulmányok is bizonyítják). Tevékenysége inkább azokhoz a sajátos esetekhez hasonlítható, amelyeket úgy ír le a szakirodalom, hogy a probléma

megoldása nem az ágens iparkodását jelenti, hanem egy adaptációt, amikor a faj individuumait felkészültté teszik a probléma leküzdésére.

- A bizalom megteremtése érdekében, a kockázatok csökkentésére tett intézkedések különbözőek lehetnek. Vannak, akik a szervezetek alacsony megbízhatóságában látják a problémát, így a megoldást a szabályozási intézkedésekben keresik, például jogszabályok által (mint az Egyesült Királyság esete mutatja), vagy viselkedési szabályok kialakításában (mint a német esettanulmány is igazolja). Mások úgy vélik, hogy a megbízhatóság akkor érhető el, ha a szervezeteket ellenőrzik.
- A dolgozat feltárta, hogy vannak olyan mechanizmusok, amelyeknek az a célja, hogy az egyén nonprofit szektorra vagy annak szervezeteire vonatkozó, megbízhatósággal kapcsolatos képét formálják. Ezen mechanizmusok célja, hogy a szektorral kapcsolatba kerülő egyén vélt vagy valós kockázatait csökkentsék. Vannak olyan kockázatcsökkentő mechanizmusok, amelyek egyes szervezetek saját érdekükben működtetnek, és vannak olyanok, amelyeknek az a célja, hogy az egész szektor (vagy legalább egy tágabb, a szektorhoz tartozó csoport) érdekeit szolgálják. A dolgozat tárgya miatt olyan mechanizmusokat összegeztem, amelyeknek célja, hogy nagyobb csoportok, esetleg az egész szektor megbízhatóságáról alkotott képét formálják.

Feltételezhető ugyan, hogy létezik egy olyan kockázatcsökkentő megoldás, amely a világ minden nonprofit szervezetére, de legalább néhány régióra vonatkozik, de a valóság az, hogy ilyen nincs (még az EU-ban sem). Vannak azonban olyan mechanizmusok, amelyek kisebb csoportokhoz, egy-egy országhoz, vagy egy adott témához kapcsolódnak. A legfontosabb ilyen kockázatcsökkentő mechanizmusok: a (döntéshozásban való) részvétel, a törvények és a “bizalom-közvetítők”. Az utóbbi kettő kommunikációs szempontból speciális, ui. a problémafelismerés nem magától az érintettől

ered, hanem más, vele kapcsolatban álló “stakeholder”-ektől, amelyek a problémát különbözőféleképpen értékelik, és különböző megoldásokat javasolnak, illetve megoldások működtetésével tesznek kísérletet a kockázat csökkentésére.

- A dolgozat leírja a kockázatsökkentő mechanizmusok fő jellemzőit, és esettanulmányokon keresztül mutatja be a legismertebb mechanizmusok működését.

Részvétel a szervezet életében

A szervezet életében való részvétel olyan ismeretekkel ruházhatja föl az egyéneket, melyek hatással lehetnek mind a személyközi, mind az intézményi bizalomra. A részvétel többféle lehet, de a döntéshozásban való részvételt tartja a szakirodalom az egyik leghatékonyabbnak intézmények iránti bizalom növelésére. A nonprofit szervezetekről azt feltételezik, hogy bőven nyújtanak lehetőséget a részvételre, és sokan élnek is ezzel a lehetőséggel, és ezért (is) magas a nonprofitok iránt érzett bizalom. A dolgozat bemutatja, hogy a szervezetek döntéshozásában való részvétel lehetősége korlátos, viszont a részvétel lehetőségének a percepciója, illetve annak a feltételezése, hogy vannak olyanok, akik részt vesznek a szervezetek életében, s így akár ellenőrző funkciót is el tudnak látni, a megbízhatóság látszatát nyújthatja olyanok számára, akik nem vesznek részt a nonprofit szervezetek életében (és így feltételezések alapján formálnak véleményt).

Két esettanulmány illusztrálja a részvétel fontosságát.

Az egyik, Ukrajna esete, ahol a nonprofit szervezetek nem ismertek, és kevés lehetőséget nyújtanak a részvételre. Ennek következtében a szektor iránti bizalom alacsony, s az emberek jobban bíznak az egyházban, mint a nonprofit szervezetekben.

A másik esettanulmány, részben egy országról – az USA-ról - , de inkább egy

szerveződésről - az Occupy Wall Street mozgalomról - szól. Azért mutatom be őket, hogy az előző példa ellenpontjaként szolgáljanak. Az Occupy Wall Street esete azt illusztrálja, hogy még akkor is, amikor alacsony az ismertség, és a szervezeti háttér is hiányzik (amely az intézményi bizalmat növelhetné), a részvétel lehetősége komoly bizalmat eredményezhet (különösen olyan közegben, mint az USA, ahol van tradíciója a civil kezdeményezésekben való részvételnek). Ez az eset azt is mutatja, hogy nem feltétlen kell jogilag bejegyzettnek lenni ahhoz, hogy megbízhatónak tűnjön egy szervezet; elég, ha úgy viselkedik, mint egy nonprofit szervezet, és a nonprofitokra jellemző képet sugall magáról.

Törvények

A nonprofit szektor “stakeholder”-ei közül egyedül az államnak áll módjában egy ország egész szektorára vonatkozó kötelező érvényű törvényeket, szabályokat és kockázatcsökkentést szolgáló szabályozásokat alkotni. Már önmagában a szervezetek nyilvántartásba vétele is egyfajta bizalom-közvetítő mechanizmus az állam részéről (különösen bejegyzés nélkül működő szervezetekhez képest). Persze ez önmagában sok tekintetben csak a megbízhatóság látszata, hiszen a nyilvántartásba vétel eléréséhez meglehetősen formális jogi követelményeket kell csak teljesíteni, amiknek megléte semmit sem mond a szervezet tényleges teljesítményéről és megbízhatóságáról.

A bemutatott két esettanulmány jól illusztrálja azt, amikor nem az ágens jár el saját érdekében, hanem egy vele kapcsolatban álló stakeholder. A Nagy-Britanniáról szóló esettanulmánya azt mutatja be, hogy az állam egy olyan intézményt működtet, melynek célja a nonprofit szektorral kapcsolatba kerülő polgárok kockázatainak csökkentése. A magyar eset azt illusztrálja, hogy a nonprofit szervezetek átláthatósága érdekében milyen lépéseket tehet az állam.

A “bizalom-közvetítők”

Olyan kockázatcsökkentő mechanizmusokat mutatok be ebben a körben, amelyek a bizalom megteremtését és kommunikálását tűzik célul: például etikai kódexek, minőségbiztosítás és információnyújtás.

Esettanulmányként egy Németországban működő mechanizmust választottam, de hasonló kezdeményezések máshol is vannak. A német példa jól illusztrálja azt, amikor egy intézmény felismer egy problémát, és arra megoldást kínál. Ez a megoldás egy minőségbiztosítási “tanúsítvány”, amelyet azok a szervezetek kaphatnak meg, és kommunikálhatnak, amelyek a minőségbiztosításban megszabott feltételeknek megfeleltek. A rendszer célja a megbízhatóság kommunikálása, mely igen fontos abban a nonprofit szektorban, ahol kevés hivatalos adat érhető el a szervezetekről. A rendszerhez a szervezetek szűk köre csatlakozott, így az egész szektorra vonatkozó megbízhatóság kérdését ez a mechanizmus nem tudja megoldani.

- Megállapítható, hogy a kockázat csökkentésére létrejött megoldások száma csekély, aminek feltehetően az az oka, hogy a nonprofit szektor helyzete nem indokolja ilyen mechanizmusok működését, hisz nincs bizalomhiányos állapot. A jelenleg működő kockázat csökkentő megoldások leginkább a bizalom fenntartását segítik, s a nagyobb kockázatot percipiáló személyek számára lehetnek fontosak. A jelenlegi struktúrák lehetőségei korlátosak, hisz azok az intézményi bizalom növelésére alkalmasak, míg a nonprofit szektor különlegessége épp az, hogy mind az intézményi, mind az interperszonális bizalom alapjai adottak. A témáról folytatott viták résztvevői mindazonáltal kezdik felismerni a bizalomépítésre ma használt eszközök korlátait, és új megoldások keresését javasolják.

Certificate from the Supervisor (Konzulensi nyilatkozat)



Nonprofit Társadalomkutató Egyesület
(1993-tól 2012-ig Nonprofit Kutatócsoport Egyesület néven)

Pécsi Tudományegyetem
Bölcsészettudományi Kar
Nyelvtudományi Doktori Iskola
Kommunikáció Program

Konzulensi nyilatkozat

Mint Török Marianna PhD hallgató külső konzulense igazolom, hogy az „In nonprofits we trust. The perception of trustworthiness (A nonprofit szervezetek iránti bizalom. A nonprofit szervezetek megbízhatóságának percepciója)” című doktori disszertáció önálló munkával készült, a jelölt saját kutatásainak eredményeit tükrözi. A munkafolyamatot végig figyelemmel kísértem. A kutatás legkülönbözőbb fázisaiban folytattunk konzultációkat; az elemzés korábbi változatait és végleges szövegét egyaránt ismerem. A mások által kevésbé kutatott témával foglalkozó, számos innovatív elemet tartalmazó értekezés – véleményem szerint – tartalmi és formai szempontból egyaránt megfelel a követelményeknek.

A fentiek értelmében a disszertációt védeésre alkalmasnak tartom.

Budapest, 2013. július 27.

Dr. Kuti Éva

Official Statement of Authenticity (Eredetiség nyilatkozat)

Doktori értekezés benyújtása és nyilatkozat a dolgozat eredetiségéről

Alulírott

név: Törökk Marianna

születési név: Török Marianna

anyja neve: Lehoczki Anna

születési hely, idő: ...Szentés, 1967. Január 27.

A nonprofit szervezetek iránti bizalom

A nonprofit szervezetek megbízhatóságának percepciója

című doktori értekezésemet a mai napon benyújtom a(z)

Pécsi Tudományegyetem Bölcsészettudományi Kar Nyelvtudományi

Doktori Iskola

Kommunikáció Programjához.

Témavezető neve: Dr Kuti Éva

Egyúttal nyilatkozom, hogy jelen eljárás során benyújtott doktori értekezésemet

- korábban más doktori iskolába (sem hazai, sem külföldi egyetemen) nem nyújtottam be,
- fokozatszerzési eljárásra jelentkezésemet két éven belül nem utasították el,
- az elmúlt két esztendőben nem volt sikertelen doktori eljárásom,
- öt éven belül doktori fokozatom visszavonására nem került sor,
- értekezésem önálló munka, más szellemi alkotását sajátomként nem mutattam be, az irodalmi hivatkozások egyértelműek és teljesek, az értekezés elkészítésénél hamis vagy hamisított adatokat nem használtam.

Dátum: ...2012 június 12.



doktorjelölt aláírása

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