Social Investment: A Sociological Outline

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Abstract: *We suggest a new framework for the analysis of private contributions to the public good which extends well beyond an economic understanding of investment and traditional interpretations of civil society and non-profit organisations. It avoids the narrow focus on a single sector or a positivist legal standard and can thus capture phenomena at the boundaries particularly well.*

1 Introduction

Over the last few years the debate on social investment and social capital has shown a puzzling picture: Social investment has frequently been addressed as a catch-all solution to societal problems. Expectations towards social business models were running high while the term *capital* (which should be invested) was hardly explicitly mentioned. The social capital discourse ran in the opposite direction: Social capital had made it to become one of the rising stars of social science terminology while the discussion never explicitly used the term *investment* to describe what this capital should be invested in. The social investment debate calls for a more elaborate clarification of what can be interpreted as social investment, and the social capital debate can lend its insights to help us in this endeavour.

State and market failures have led to rising expectations towards an increase of voluntary private contributions to the public good – be it in the form of philanthropy, be it in the form of volunteering. At the same time governments sought to better involve non-profit organizations in the provision of welfare. This development led to more recent and refined policy approaches trying to activate the citizens and to restructure public action in order to provide an enabling state framework. These changes have developed at the same time as politicians increasingly began to think in terms of effective policy impact and social sustainability. Both the notion of the "activating" or "enabling" state and this focus of political communication on building infrastructure in order to prevent problems from arising in the first place (prominently represented by a focus on the competitive challenges of education systems) have been coined in the term "social investment state" (Giddens 1998; Esping-Andersen 2002).

The developments briefly outlined above invite us to look at the ideas which citizens hold dear concerning the "good society" and their own roles both in living their private lives and in contributing to the public sphere. When advocating social investment and new public policy approaches these concepts of citizens must be kept in mind because citizens might have their own social investment logic on a micro level irrespective of meso (organizational) and macro (political) expectations, opportunities and limitations. From this individual perspective the notion *investment* becomes more focused on the returns legitimately expected by those citizens on different levels, while the *social* character of those investments is being determined by their public (good) reference as compared to any social action in general. The increasing interest in the returns of private contributions to the public good is represented both by empirical evidence of a growing interest in the effectiveness of donor and volunteer investment as well as by a growing debate on public scrutiny of non-profit organizations. Survey data at the same time indicate that giving time or money is seen as a way to directly shape public life and have a personal voice. The focus on returns therefore represents both a political notion of direct participation as well as an individual level of self-expression.

Citizens make their investments against a blend of motivations and in a mixed form of economic, social, political and cultural resources. This suggests that we should look at social investments not just as a variation of economic investments with additional (normative) strings attached but rather as multi-dimensional investments: They follow different sector logics, fulfil different social functions and are made in the context of more or less organized forms. The market-oriented concept of social investment has already led to the notion of blended value returns, but does not focus on the blended nature of the investment itself. As a category of non-profit theory it can be metaphorically described as a tiny drawer in the big closet of explaining modern societies since in a very brief version the non-profit sector is conventionally explained by both market and state failures. In a wider perspective social investment should not just be seen as the residuum of sector failures but as a category positively identifying the role of diverse social actors in shaping public life. A wider concept will therefore explicitly have to distinguish the possibility of investing combinations of resources, in particular non-monetary resources (power, reputation, networks, and values). Private philanthropists, for example, will most likely invest their public standing and credibility, their ability to influence policy and their convincing power along with their financial resources.

Against this background our understanding of social investment should be revisited. Using the term we are suggesting a new concept for the analysis of *private contributions to the public good*. It extends well beyond an economic understanding of investment and an interpretation of civil society merely in terms of political theory, welfare economics or cultural sociology. It combines these three traditions, acknowledges the unique characteristics of private actions for the public good and avoids the narrow focus on a single sector or a positivist legal standard (e.g. the public benefit status). The introduced sketch can be seen as a conceptual framework[1] focussing on civil society and its transitions to the state, the market and community in a relational way. Thus, it can capture phenomena at the boundaries of the sectors particularly well and promotes multi-dimensional research on social impact. Nevertheless, the public good orientation refers to context-dependent values, norms and solidarities, which may be demanding for empirical use, but has the advantage of a base not only in economics, but in the public and its debate surrounding legitimacy. As a result, the concept can serve as the basis for a comparative analysis of public and private action.

2 The term Social Investment

The concept of social investment and its various facets – such as social entrepreneurship, mission-related investing, corporate social responsibility, venture philanthropy and the like – have gained considerable attention in the last ten to fifteen years (Dees 1998; Dees, Emerson & Economy 2001; Emerson 2003; Paton 2003; John 2006; Mair & Martí 2006; Nicholls 2008; Santos 2009; Nicholls 2010a, b). In these debates social investment can be broadly interpreted as the financial (money), social (networks) and human capital resources (expertise, skills) required to cause social and environmental change (Nicholls 2008). However, though the concept seems to be seductive and has attracted governments to launch social investment programs (e.g. in the U.K. and Germany), some fear the "deterioration of the distinctive contributions that nonprofit organizations make to creating and maintaining a strong civil society" (Eikenberry & Kluver 2004: 138). The phantom of a marketization might be caused by the fact that academic explorations of social investment are still limited to the prevailing explanations of economic/business theory, albeit the issues under research have considerably moved away from traditional economic action. A wide range of theoretical efforts legitimately draw on insights from the sociology of markets but do not consequently elaborate on what social investment distinguishes from conventional business: the multi-faceted nature of resources and returns, whereupon non-economic input and output (outcome) cannot be regarded as – even if "positive" – externalities but are of equal importance and sometimes even establish the basis for the whole business model; e.g. in the case of social entrepreneurs (Mair & Martí 2006). For example, Nicholls (2010a) provides us with the differentiation between a means-ends rational orientation (*zweckrational*) and a values-rational orientation (*wertrational*) of social investors, complemented by a third – systemic – rationality that captures the insight "that zweckrational ideal type behaviour may include values-driven judgements according to the individual actor/investor's personal marginal utilities" (ibid. 78). However, though considering action orientations that differ from purely economic orientations Nicholls primarily interprets social investment as a particular form of capital flows with normative strings attached.

The concept proposed in this paper intentionally exceeds an understanding focussing on economic action with a social purpose. We argue that it is not the use of the term investment (in the suggested way) that should be subject to justification. Rather the assumption that investment is exclusively understood economically is in need of explanation.

2.1 Economic transitions from Social I to Social II

In his lectures on social policy issues at the London School of Economics, Titmuss came to the conclusion that the word "social" comes along with semantic difficulty since it has been used inflationary by many disciplines and professions to draw the outline of the mainstream:

> *Are they not all, in short, emphasising that man is a social being; that he is not solely Economic Man; and that society cannot be thought of in terms of mechanistic-organic models or physiological models? It may well be that much of the current fashion for "social" is a reaction against the sillier models of man in society constructed in the past by economists, political philosophers, experimental psychologists and sociologists. (Titmuss 1974: 24)*

What Titmuss addresses here is the notion of "social" in terms of sociability. This is what we prefer to call – for the sake of an analytical distinction – Social I, whereas another meaning of the term "social" – say Social II – refers to a complex of individual and collective capacities psychologists call *pro-social behaviour* (Fetchenhauer et al. 2006; Bierhoff 2002), whether sociologists tend to analyse it as social *solidarity* in the sense of Tönnies (1970) or Durkheim (1947). Tönnies used the concept to show that solidarity is a more specific characteristic of families and communities, referring to ascription, personal ties and shared values and beliefs. Durkheim in turn tried to demonstrate that there are wider moral bonds leading to solidarity as an attachment between individuals and social structures:

> *The totality of beliefs and sentiments common to average citizens of the same society forms a determinate system which has its own life; one may call it the collective or common conscience. No doubt, it has not a specific organ as a substratum; it is, by definition, diffuse in every reach of society. Nevertheless, it has specific characteristics which make it a distinct reality. (Durkheim 1947: 79)*

With this in mind we can conclude that Social II refers to action <u>for</u> society (rather than simply action <u>within</u> society), understood as a solidaristic sense of morality and social empathy, as an interest in and responsibility for other people and the social environment.

From a perspective of economic action, Social I has been discussed by economic sociologists as a subcategory of social action: Here reference can be made to knowledge about the action contexts in terms of sociability, which can be described in contrast to the neoclassical economic model – i.e. economic activity does not take place in a vacuum, but relies on trust, networks, and cooperation (Boulding 1953; Blau & Scott 1962; White 1981; Granovetter 1985; Fligstein 2001; Beckert 2002). In this context Coleman (1988, 1990) introduced the concept of social capital as a decisive instrumental resource of social relationships which alleviates the burden of pursuing one's goals.

While Social I turned out to be an inevitable "fact" of economic reality there has been many attempts to introduce non-economic criteria in investment decisions in recent years. The concepts of the "triple bottom line" (Elkington 1997) and of "blended value" (Emerson 2003) can be understood in this way, as they both depict the combined development of different benefit categories as a necessary output of every – especially every sustainable – investment. Alongside the economic benefits, environmental and social benefits come into play, i.e., the concepts assume a broad understanding of sustainability, which includes natural and social resources (for a critique see Santos, 2009, who assumes that one has to decide whether to go for value creation or appropriation). Beyond that understanding, which still acknowledges the interest in profit maximization, the notion of social investment, social enterprises or social business in the literature describes a *normative* scheme of economic order that calls for aiming at social innovation or solving social problems by entrepreneurial means (Bruyn 1991; Dees, Emerson & Economy 2001; Nicholls 2008). Thus, Social II proves to be an extended version of Social I, covered by a normative-programmatic cloak of "doing good". It assumes that economic investments can be definitely "social" when aiming at the public good. Social entrepreneurship, corporate social responsibility and venture philanthropy are sometimes even suggested to be better solutions than, e.g., government spending:

> *All the major social changes and challenges of our time – Aids, the environment, an ageing population, urban decay, drugs and crime, the new information technologies, globalisation – have seen the emergence of new initiatives and new forms of social action. And the standing of social enterprises has increased. Often they have what governments and corporations seek – credibility, expertise, public support. (Paton 2003: 1)*

In any case, both perspectives do not fully reflect what we mean when we speak of social investments in a wider grasp. While Social I simply accounts for the fundamental relevance of other people, networks, and trust relationships for economic action, the shortcomings of Social II in the economic context is that it merely works with financial resources targeted at social causes – a conceptual perspective we name Investment I. Even when it refers to a variety of public returns the social business understanding still limits the term to a "new" but, anyhow, economic approach of investment. By contrast the discussion of social capital points to the fact that there are other forms of social action that can produce social returns – forms that rely on *non-economic resources*, but can still be labelled *investment*.

2.2 Replacing Investment I by Investment II

The debate on social capital has gained momentum in the last two decades or so. Scholars like Bourdieu (1985, 1986, 1998), Coleman (1988, 1990) and Putnam (1993, 1995; Putnam & Goss 2002) helped to establish the concept as a point of reference in the discourse on social action, albeit on different levels of analysis. While in the recent discussion the term investment is rarely used to describe what this capital should be invested in, the relationship between capital and investment becomes obvious in Bourdieu's writings. Describing social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition", he declares:

> *The existence of a network of connections is not a natural given, or even a social given, constituted once and for all by an initial act of institution [...] It is the product of [...] investment strategies, individual or collective, consciously or unconsciously aimed at establishing or reproducing social relationships that are directly usable in the short or long term. (Bourdieu 1986: 248f.)*

Social capital is thus not only *result* of investments or simply exists – as the notion of investment strategies betrays, it can and must always be (re-) invested! When we call for social capital in social science, why not for social investment?

Beyond the "pre-paradigmatic field" (Nicholls 2010b) of social investment in the narrow sense of entrepreneurial activity academia as well as the wider public treat the term investment with reserve in the context of societal issues because it seems to imply a latent selfish connotation. Recent developments in the course of the financial crisis did not contribute to revise this, but if we look at the literature of micro economics a distinction must be drawn: On the one hand an investment can be understood as the investor's intent to directly benefit from the investment capital, seeking a surplus beyond the original amount allocated. Such a "conventional" investment – Investment I – can be described as the long-term commitment of capital in order to seek (more) financial resources or other immediate benefit from its use. On the other hand legal and moral obligations are also taken into account as investment motives, and there exist investment forms from which the benefit is neither immediately recognizable nor of a tangible nature (Brede 2004, Mensch 2002). Therefore investment must be seen as a highly subjective category, which relies on *different benefit dimensions* being difficult to compare in practice.[2] In other words: the concept of investment cannot easily be reduced to a "rational" financial actor who only seeks for (monetary) profit maximization. Even when investments are made with the intention of inuring some benefit from the invested resource, the investor is the one who will formulate the expectation as to the *actual content* of the term benefit. This expectation will have to be tested by shareholders (stakeholders) and by the general public as well, which leads to the conclusion that benefit can in principle also be interpreted in terms of societal returns. Thus instead of demarcating the term investment from the "social", it could be more appropriate to emphasise the difference between investment and *consumption*: while investment is linked to future-oriented expectations of preservation or growth of the resource pool, consumption implies the direct use of resources. Generally speaking, the issue is not the distinction of individualistic and collectivist orientations, egotism and altruism, but the allocation of resources between the present and future (Baumol & Blinder 2008). The term investment can at this point refer to social sustainability in a wider sense – understood as including the cultural and normative conditions for social cohesion next to economic and environmental resources (Berger 1996), but is still understood as an economic investment (Investment I) in order to produce social returns (Social II). As much as the investment is focussed on the social dimension, it comes closer to the narrow concept mentioned above – what one could call Social Investment A (*see Table 1*).

Table 1: Social and investment concepts

	Investment I *Economic capital*	**Investment II** *Economic, political, social and cultural capital*
Social I *Sociability*	Economic Action	Social Action
Social II *Doing Good*	Social Investment A	**SOCIAL INVESTMENT B**

By contrast, Investment II is the broader concept, referring not only to economic but to social, cultural and political capital as well. The four forms of capital refer to the capacities needed to fulfil the four functions of voluntary action described in the next two chapters derived from the existing literature on non-profit organizations, philanthropy, and volunteering, both on an individual and societal level. The conception differs from Bourdieu's (1986) approach, which distinguishes between the cultural, social and economic capital sorts, in two respects: First the concept of social investment does not privilege any of the capital forms – in opposition to Bourdieu, who was especially interested in the continuous reproduction of class relations through cultural mechanisms and therefore believed in the primacy of economic capital; though stressing the importance of cultural capital in his later work, but with social capital remaining "curiously undeveloped" (Schuller, Baron & Field 2000: 5). Nonetheless, social capital will be at the heart of our analysis since we start from the concept of social action presupposing social relationships (and thus social capital as an aggregate of network resources). Thus at least a minimum of social capital must be invested to make a social investment. Second, we add up political capital as a discrete form of capital resources, being part of Bourdieu's symbolic capital and touched on in his Eastern Berlin speech from October 1989, assuming that it guarantees "a form of private appropriation of goods and public services" and that – "when other forms of accumulation are more or less completely controlled" – it becomes "the primordial principle of differentiation" (Bourdieu 1998: 16). According to Booth & Richard (1998), Newton (2001), and Kauppi (2003), political capital can be equated with power insofar as it denotes a necessary resource to effectively communicate preferences and mobilize combatants in order to influence debates and public policy. If this blend of capital is invested in the public good and not with a purely private or selfish interest, we speak of social investment (Social Investment B in *Table 1*).

The development of a comprehensive understanding of social investment should connect social action, social capital and social investment as defined by Weber, for whom social action must be explored in two steps – from behaviour to *action*, and from action to *social action*:

> *We shall speak of 'action' insofar as the acting individual attaches a subjective meaning to his behaviour – be it overt or covert, omission or acquiescence. Action is 'social' insofar as its subjective meaning takes account of the behaviour of others and is thereby oriented in its course. (Weber 1978: 4)*

Following this definition and referring to the close link between social action and social relationships mentioned in Weber's work later on, social capital can be understood to be the capacity to participate in social relationships as well as the result of networks and trust. This holds true both on the individual and institutional level, so that one could argue that not only individuals but social groups and the society as a whole are dependent on investments in social capital to permanently re-produce social order. Since social capital as an individual resource is linked to social relationships, an investment of social capital at the same time leads to social capital accumulation on a societal level. So, in a more abstract way, one could then argue that every social action must be considered a "social" investment. To tie in with the arguments made above, this appears to be questionable if we discuss "social" investments not simply because the contextual factors of social action presuppose sociability (Social I), but rather because they can be seen as legitimate contribution to the public good (Social II). This is crucial since an investment of social capital – even when it helps to increase institutional social capital assets – can generally lead to returns far beyond the social-integrative dimension (like the provision of welfare services or political advocacy) as well as to negative ("uncivil") effects for certain social groups – social capital investments may actually generate a benefit for others, but simultaneously lead to social inequalities or foment hate and intolerance (Bourdieu 1985; Chambers & Kopstein 2001). And, of course, voluntary action is naturally determined through particularism (Salamon 1995) because it can refer to very different meanings of the public good for different actors. Thus we introduce the concept of legitimacy to better define the "social" in a sense that social investments are committed to the public good in terms of their motives and returns to the degree that is required by the investor *and* by the relevant social group (or general public) in order to be recognised as public good-oriented. Accordingly, with respect to their intended and actual impact, a social investment must exhibit a balance between self-interest and public returns, as distinct from purely economic activity. In other words, society must see its economic, political, social and cultural interests adequately represented and they should come about through "civil means", distinguishing "civil" from "uncivil" particularism (Alexander 2006).

With those conditions in mind, a social action (which can be selfish in nature and inconsistent with civility) becomes a social investment if the Weberian "subjective meaning" is not only seen as restricted to individual returns, but understood in terms of social benefits and norms of civility. Following this interpretation, "social" does not mean within society (Social I) but for society (Social II). A social investor is thus neither simply a consumer of resources nor an investor in his private interest. The investor is always also an *investor in terms of the public good*. Since the allocation and accumulation of social capital inevitably accompanies social investments, our broad understanding of the term is to be understood as an "investment" in the literal sense: While in view of the pure economic function of social investments goods and services are in principle consumable, this does not hold at all at the level of social capital – whose use by contrast leads to its continuous reproduction (Offe 1999). However a *social capital investment* can predominantly refer to the combination of Social I and Investment II in *Table 1* and thus wouldn't have the same meaning as *social investment* in our understanding (which would be the match of Social II and Investment II). The public good reference (Social II) rather makes obvious why social capital – even if dominant – cannot be a stand-alone resource in a social investment framework since the very orientation towards others presupposes a certain normative adjustment (deduced from cultural capital), usually requires power (political capital) to come up with any identifiable impact and is even bound to involve economic capital not only in the case of financial investment but due to the fact that the freedom to decide how to use one's time is a question of material wealth. Thus, even though starting from social capital to underline the paradox of a pronounced social capital discourse and the absence of investment terminology in social science (and vice versa in the debate on social investment) we value the other capital forms to be of equal importance in our concept. Moreover, they have their functional counterparts on a societal level but do not have a fixed "exchange rate" (i.e. one unit of social service production usually relies on a blend of invested resources and not on, say, one unit of economic capital invested).

3 Sociological foundations

Earlier theories and concepts primarily focused on one sector, positivistic assertion of the legal system, or lack of appreciation for the sector's uniqueness: "Non-profit sector" is tied to economic activity, the description of "public benefit" to (tax) law, and the conceptualization of the "third sector" as an alternative domain of welfare production to the hegemony of state, market and the informal economy. Competing concepts of citizen involvement range from the service-oriented volunteering to the rather political terms of civic engagement and active citizenship, while the concept of civil society, which can be traced back to moral standards and virtues of "civility", often serves more normative than analytical purposes. All these theoretical concepts are ill-equipped to cover phenomena at the boundaries of the sectors, which suggests to reconsider their categories.

The blurring of the boundaries between the ideal type sectors and the rise of "hybrid" organizations need to be described as more than just public, private or civil society actors; linking voluntarily with entrepreneurial identities or partner with government agencies (Anheier 2005; Brandsen, van de Donk & Putters 2005). Even for activities at the "heart" of civil society – people who give their personal time to promote a particular cause or help people outside their family – it becomes ever more difficult to draw the line since more and more volunteers get a compensation of expenses or yet sign agreements to ensure a certain quality of services. These tendencies show how civil society rationalities are getting combined with market mechanisms in the informal sphere. The whole field of infrastructure to promote volunteering as well as the emergence of new local community developments (with social workers to manage help-potentials within the neighbourhood) points to the conjunction of voluntary orientations with communal obligations. We therefore propose that a sociological model of social investment must be regarded as *relational* since civil society as an "intermediary sphere" (Berger & Neuhaus 1977; Habermas 1992; Kocka 2004) could not exist without the guiding principles and modes of coordination of the three "primary" sectors (Offe 2000). Derived from that, our broad understanding of social investment centres on social action within civil society and is primarily interested in the *mix ratio* of civil society, state, market and community logics, as well as in the respective effects for individuals, organizations and society as a whole. The latter refers to the fact that a social enterprise, for example, can have a social impact far beyond the provision of services, though acting in a market environment. The concept therefore combines a sectoral with a functional point of view, and thus draws on a wide array of theories. Such an approach should first of all be understood as an analytical tool addressing private contributions to the public good as deeply rooted in civil society, but at the same time blended with political, economic and community action. P*rivate* refers to voluntary contributions distinct from the state (by reason of law, funding or service provision) and the *public good orientation* excludes purely economic (selfish) action as well as contributions that are made within families and closed communities.

Contributions to the public good can be interpreted in the light of state, market and community logics of social coordination. According to Streeck & Schmitter (1985) the three ideal type sectors contribute to social order each in a specific way: the state aims at the provision of collective goods by making binding decisions (law) through the coordination of power resources. The trade of private goods and services can be located within the market following the principles of competition and exchange based on contracts. The system of communities and the family accounts for the production of solidaristic goods (primary social and cultural integration, informal welfare), depending on personal (emotional) ties, specific trust, and moral obligations. Dekker & van den Broek (1998) and Offe (2000) identified civil society to be the fourth – more all-encompassing – type. Combining these traditions of thinking, civil society research takes stock in the democratic potentials of non-governmental actors as well as in the meaning and recreation of collective solidarities, whereas non-profit research has been fascinated by the difference between pure market orientations and a "social" economy. These are the three traditions relevant from a sectoral point of view:

- From a *market* perspective, the civil or social investment sphere can be seen as a particular domain of service production differing from conventional exchange logics. The existence of non-profit organizations is explained in the light of market failures. For example, under the conditions of information asymmetries between social service providers, consumers, and stakeholders, the non-distribution constraint (and the ensuing trust advantages) constitutes an arrangement to limit the supplier's incentive to cheat strategically (Hansmann 1980, 1996).
- What is more, civil society has been described as a sphere of contestation taking on (different) problems of the people's lifeworld and enforcing their *political* consideration through interactions between formal democratic institutions and mobilized public opinions. According to this version, it contributes to effective problem-solving by involving local organisations and their knowledge in order to gather relevant information and promote cooperation among private and public actors (Barber 1984; Habermas 1992; Cohen & Arato 1992; Cohen & Rogers 1993; Calhoun 1998; as well as the governance literature, e.g. Rhodes 1997; Kooiman 2003).
- A third line of thought demarcates civil society from families and communities – the informal domain of intimate bonds, in which individuals act out of moral obligation, tradition, and specific trust and solidarity resources in order to provide for socialisation and socio-cultural integration (Tönnies 1970; Weber 1978). The lifeworld con-

cept mentioned in terms of system integration can, in turn, be interpreted in the light of social integration insofar as spatially limited solidarity resources of closer communities morph into collective solidarities of milieus, larger social groups or the general "civil sphere" (Shils 1991; Alexander 2006).

From a functional perspective the research on social investment should be interested in the question by whom societal tasks – such as the provision of welfare or political participation – will be undertaken (and which role social investments play in this context). Four societal functions (or: roles) of social investments can be identified: The *economic* (service providing) function, the *political* (advocacy) function, the *social* (community) function, and the *cultural* (expressive) function (Salamon & Sokolowski 2003, 2004)[3]:

- The theories on the non-profit sector (Anheier & Ben-Ner 2003) offer an *economic* perspective. An institutional argument assumes demand heterogeneity in the provision of public goods and social organizations entering niches left by the state's inability to provide supply (Weisbrod 1977; Kingma 2003). According to the interdependence theory (Salamon 1995, 2006), by transferring service provision to external organizations the state focuses on what it is specialized in (decision-making and legal guarantees), whereas non-profit organizations offer services on the basis of the government's commitment to pay.
- Volunteers, social entrepreneurs, and non-governmental organizations can be key actors when it comes to safeguarding the *political* function of interest intermediation and political advocacy. The functioning of democratic societies can be attributed to social and political capital, which enables collective action through the creation of basic conditions for cooperation – trust, generalised reciprocity, and networks – and is thus indispensable for the "orderly operation" of democracy (Putnam 1993, 1995; Almond & Verba 1963; Verba, Schlozman & Brady 1995).
- In terms of a *social* function, social investments help in coping with the transformation of modern society – often called "individualization" – which leads to a disconnect from conventional ways of life, traditional ties, and well-established norms (Beck & Beck-Gernsheim 2002; Wolfe 1989). In coping with the insecurities of modern biographies social investments take up key positions in the social integration processes as they build social cohesion and create trust relationships (Coleman 1990; Putnam & Goss 2002), or generate simple sociability (Wuthnow 1998).
- Finally we have to recognize that civil society and social investment always has a *cultural* dimension: Since political party-representation primarily supports the values of certain voting blocks, while the market does not concern itself with the preservation and reproduction of values in their own right, civil society seems to be the predestined area in which particularistic orientations can be disseminated and protected

beyond the family, and which actively calls for the free expression of the religious and cultural values of normative communities (Wuthnow 1999; Anheier 2005).

Each form of the investment corresponds to a more dominant function. The political function holds greater significance with regard to political associations or social movements. The economic function dominates many non-profit organizations active in the field of social services. Needless to say, the differences are *heuristic*, and social investments are made to serve various functions simultaneously. Furthermore, this functional distinction can be made for all forms of investment, be it donations, endowments, volunteer time or knowledge. Regardless of the form, social investments can in principle carry out economic tasks that otherwise must be provided through third parties, contribute to political decision-making, play a part in social integration, and ensure the representation, assertion and transmission of values. In a historic perspective different functions can be particularly "en vogue", be politically supported, or, conversely, become insignificant. Whereas the functional perspective offers explanation in terms of the roles social investments can play in the overall production of the common good, the sectoral point of view helps to uncover in which action contexts and with which logics of coordination and social governance this will be accomplished.

4 Linking the private and the public

In a broad sense, the concept of social investment refers to voluntary private contributions to the public good. An inherent conflict occurs when the concepts of private and public action are brought together (cf. Table 2): First there is the *definition* of the public good and *legitimate* contributions to it. That's why, in a more precise version of the definition, social investment does not mean any private action, but those which are seen as *legitimately public good-oriented* by the investor as well as by the relevant social group or society as a whole. Second, we have to deal with *uncertainty*. In opposition to the public sector, private contributions cannot – by definition – be upheld by legal claims. Nevertheless, there are mechanisms of commitment governing the maintenance and sustainability of public concerns.

4.1 Legitimacy of social investment

The market generates private (individualistic) goods, whereas families and communities aim at the provision of solidaristic goods. Both have hardly anything in common with an ideal-type meaning of the term public. To the contrary, the state, in its ideal-type role as society's legitimate decision-maker and responsible guarantor of public services, calls for the production of collective goods through public policy. Since these rationalities are in conflict with each other in civil society, private action has to be tested as to its "sufficiently" public nature to be legitimately considered as public good-oriented.

Table 2: The conflict between private action and the public good

	Private action	**Public good**
Necessary conditions	*Definition of a broader concept of social investment: (voluntary) private contributions to the public good*	
	(1) Voluntary nature	(2) Public good-orientation
Differentiating features of social investments		
Legitimacy (*public good definition*)	Definition of the public good -----> Individual (organisational) perception + interpretation	Public discourse (collective interpretation) <----- Ascription of legitimacy
Commitment (*uncertainty of contributions*)	Trust + social control Continuance (return experience) + cohesion	Law + contracts (e.g. social policy)

In non-profit theory, the conflict is solved in two ways: (1) Private contributions to the public good are seen as a free expression of private autonomy. Such investments are closely related to the democratic constitution respecting the autonomy of citizens and based on fundamental rights laid out in the constitution or civil code of a country. (2) The non-distribution constraint safeguards both the assets devoted to the public goals as well as the organizations from being misused for private purposes. This essential principle protects public benefit organizations which are neither controlled by owners nor by voters, but may have members, donors or volunteers who contribute to the goals and realize the mission of the organization (Anheier 2005). The autonomy principle safeguards the individual against any colonization and ensures the voluntary nature of action (the pristine logic of civil society) and can thus be interpreted as the advocate of the “private”. The non-distribution constraint lays claim to suppress self-interest and etatist or corporate instrumentalization and can therefore be seen as the intercessor of the “public”.

Both criteria are insufficient to draw a comprehensive picture of private contributions to the public good. First, there is the problem of complexity: in times of “hybrid” organizations the public benefit status as a legal norm embodies only a certain share of contributions to the public good. It underrates the investments that do not aim at public benefit status for various reasons (e.g. social enterprises) while overrating the questionable contributions of (partly) ineffective organizations that enjoy public benefit status. It even ignores informal contributions which obviously cannot meet the public benefit criterion (movements, citizens’ initiatives, self-help groups, etc.). Taking into consideration that individuals and enterprises also contribute in diverse ways to the public good, the public benefit status clearly does not capture the whole picture. Second, in international perspective democracy represents a different problem for a broader framework of social investment. Private autonomy presupposes democratic legal principles such as individual freedom to act and corresponding specific rights such as freedom to assemble and to associate. This raises questions as to social investments in situations of transformation, when political participation and political protest reshape the political order of a country. This is the case both in autocracies and young democracies which do not guarantee (to the full extent) citizenship, e.g. in the sense of Marshall's (2009) citizen, political and social rights. Such social investments contribute in the first place to the sensitivity of the ruling elite for the demands of citizens for comprehensive rights to freedom. Both in the countries of Central and Eastern Europe after 1989 as well as in the recent "Arab Spring" it has been the opposition and citizen movements that persistently called for democracy. Therefore a definition of social investment primarily based on statutory law would be too narrow. If citizens, as argued by Habermas (1992), do not recognize themselves as originators of that law and, as a result, the legal system cannot draw its legitimacy from the idea of self-determination, Sen's (1999) relational concept of freedom may have additional analytical value: according to this approach, democratic rights, norms and institutions increase the citizen's manuevering room to use their capabilities. In this understanding, protection against the state encroaching upon the individual does not necessarily lead to freedom, whereas citizens can on the other hand creatively deal with partial constraints of their private autonomy when they have sufficient options to achieve their goals and self-actualize elsewhere. Social investments thus definitely benefit from democratic rights, but autonomy should not be seen as a condition necessary for social investment. We therefore replace legal criteria by the public testing of values and interests as well as the general discourse on the public good. Of course democratic theory frequently addresses this issue, be it in the sense of a "deliberative" (Habermas 1992) or "strong" (Barber 1984) democracy, but the battle over normative power also takes place in societies that are not "democratic" according to our standards.

Political theory indicates that in the process of defining the public good political institutions depend on the permanent contention with citizens having their own interpretations of a "good" society. Irrespective of the question if the state takes up or ignores needs articulated in that process (apart from the question if it *should*), there will always be domains of action that cannot be occupied by the state (nor by the market, or within communities); they are, so to speak, an integral part of civil society's "mission". Since legitimacy no longer refers to the legitimacy of political institutions when private actors become increasingly incorporated in the formulation of policies (Cohen & Rogers 1993; Rhodes, 1997; Schuppert, 2004, 2006) as well as in the provision of welfare (Rose, 1986; Evers, 1993; Johnson, 1998; Brandsen, Dekker & Evers, 2010), the public discourse will also have to consider voluntary failures; especially particularism, amateurism and resource insufficiency (Salamon 1995). This invites to raise the question of social justice and the role of citizen participation in society: The public good is not an "objective" truth but rather represents a socially constructed conglomerate of values and perceptions embedded in the institutional structure, which in turn depends on beliefs and symbols making it "valid" for the individual. Voluntary actors, politicians, market players and local communities help to re-integrate the institutional order and to develop the "corresponding canopy of legitimizations, stretching over it a protective cover of both cognitive and normative interpretation" (Berger & Luckmann 1967: 62).

In this context, Lipset (1959) reminds us that the degree of legitimacy of a system relies heavily on its capacities to generate and maintain the trust in existing institutions to resolve the key issues historically dividing society, and Habermas (1992) directly linked the legitimacy of an institutional structure to the concept of social justice (which, in his interpretation, depends on the ascription of legitimacy in the public discourse). When governments and bureaucracies no longer bear sole responsibility for social order this holds true for just anybody operating for the sake of the public, even if not publicly held accountable at any time. Each of the three sector modes of state, market and communities then maximize one of the values which ideal-type conceptions of justice refer to: legal equality, deserts[4] (or: performance), and needs (Miller 1999; Walzer 1983). As intermediates civil society actors have to find a position in this triangle of justice perceptions, while their contributions are evaluated in order to the mix ratio they themselves co-determine. This is a critical factor for the success and acceptance of voluntary action because the shift away from a statist perspective of decision-making and welfare does not necessarily come along with the perception of a "participatory revolution" (Kaase 1984) from which the ordinary citizen benefits. On the contrary, it is often argued that economic elites try to turn the institutional order upside down through civil society means, e.g. as philanthropists (Ross 1953, 1968).

This is why a difference between input and output legitimacy is relevant; suggested by democratic theory referring to the ideal of self-determination while aiming at a high degree of effectiveness (Scharpf 1997). In the social investment context input legitimacy indicates that motives and expectations of social investors are consistent with the discursive-rationalized concepts of public good-orientations due to their intention and individual interpretations: Irrespective of whether an investment really is a social investment in terms of its actual social return, it is also questionable if it was *intended* to be. Thus, according to our proposed notion social investment, referring back to the concept of social action with a specified "subjective meaning", a social investment should indeed be characterized by a substantial degree of a public good-orientation (which in turn is subject to the public discourse). Furthermore, the consideration of input legitimacy is important due to different *perceptions and interpretations*. With reference to justice we can think of a social investor who weights the option to engage for either a soup kitchen or a job training programme – the former strives for vital equality, the latter for building individual foundations of economic success. Since there is no "objective" public good, but again just the result of a public discourse balancing subjective interpretations, the actor's legitimacy validation has to match the collective "consensus". At the margins, e.g. at engagement in extremist organizations, the conflict between individual and collective perceptions becomes most obvious (the problem of a "bad civil society").

Taken together, the balance of individual (organizational) and motives and expectations (input) as well as social returns (output) must be publicly acceptable, whereby one or another form of investment can, depending on the spirit of the time, seem to be more or less legitimate and will be accordingly (politically) in demand (in times of welfare state retrenchment, for example, investments that should substitute for public services). Since the public test is subject to continuous debate it is not possible for academia to set a particular normative standard or give any orientation regarding a "necessary portion" of "altruistic" orientations or an effective social impact, but we can clearly identify an increasing public interest in the issue itself (cf. the growing debate on transparency and accountability). However, input and output are insufficient since civil society is not only naturally determined by particularism (Salamon 1995) but also promotes unintended social selection and, in some cases, exclusion (Bourdieu 1985; Chambers & Kopstein 2001). The Tocquevillean "schools of democracy" can turn into "pools of democracy" (Dekker 2009). The concept of civility then points not only to the difference between individual and collective legitimacy, but to process legitimacy, better defining the border between "uncivil" and "civil" particularism. We therefore have to see civility as describing the processes shaping the superior values, institutions and solidarities of societies in the wider public arena, which should be interpreted as context-dependent. Societies bundle together their valid principles of social interaction as a cultural debate and definition of symbolic borders with the "uncivil" sphere (Alexander 2006; Kocka 2004; Shils 1991).

All in all, legitimacy can be conceptualized as the interplay of input, output and process factors. The public discourse determines which degree of legitimacy should be granted to an investment, depending on its specific motive and return mix as well as current interpretations of civility. Of course it will be challenging to empirically identify the legitimate public good reference of a social investment beyond an economic definition of public or club goods (Samuelson, 1954; Buchanan, 1965); albeit in practice this will not be necessary, to the contrary trust will apply and the observed contribution can first be *assumed* to be public good-oriented (until reasons to doubt that quality are identified by the relevant public or as long as this question is not of particular academic or analytical interest). In addition, the concept deliberately focuses on individual legitimacy in terms of "variance analyses". This refers back to the concept of social action as a predominantly intentional act: social investors may become involved without receiving any direct tangible returns, but not without some (experienced) benefit on the actor's and societal level. We concede them to compare the actual returns with their previously held expectations regarding the fulfilment of (perceived) individual (organizational) and social functions. Thus, social action must be legitimized as social investments by society as well as by the actors themselves.

4.2 Commitment of Social Investments

Private contributions to the public good can be uncertain and unreliable which we address by looking at mechanisms assuring the commitment of a contribution. The public sector provides collective goods in a way specified and guaranteed by legal norms (e.g., social security law) and market transactions are safeguarded by contracts (in adherence to contract law). In the private sphere, the mechanisms reducing uncertainty are those of personal trust and obligations, and it is claimed that civil society depends on a certain minimum of individual commitment likewise (Dekker & van den Broek 1998) or even a kind of "self-obligation" (Münkler 2002). If civil society as an "intermediary sphere" combines the sector logics, and if the concept of social investment describes the intersection of civil society and the other sector rationalities, commitment must also be assured by a combination of mechanisms.

The question of commitment corresponds to resource insufficiency – the fourth type of voluntary failures introduced by Salamon (1995). Commitment then denotes the mix of governing modes allowing for maintaining the public good contribution over time in a volunteer way. Entrepreneurs can sell their enterprises devoted to social tasks, volunteers can bail out, and still, they may face the sanctions of tax law if resources had been contributed under charity law or the sanctioning power of trust relationships with fellow citizens, or the reaction of the public, the media or simply of their own bad conscience. Such social pressures can take the form of trust and reciprocity relationships within networks, i.e. generalized mechanisms of support for which no direct equivalent is expected in return from the recipient, but by any third person at some point in time (Gouldner 1960; Mauss 1968). Those relationships lead to the internalization of norms which in turn lead to role expectations of social groups, forming a more or less "rationally" justifiable part of one's own personality (Axelrod 1986; Coleman 1990). Thus humans as social beings always incorporate the opinion of relevant others in the evaluation and conception of their action. With role theory in mind social investment decisions as well as actions taken later in the investment contexts are therefore linked in a specific configuration of social norms and control mechanisms, which prevent "deviant" behaviour (Popitz 1967; Dahrendorf 1973).

In small community or neighbourhood situations, commitment is generated through personal trust with those who directly benefit from the engagement, as well as the expectations of the social collective that recognizes the investment contribution as public good-oriented (e.g., friends and acquaintances). On the basis of the personal ties between the helper and the recipient, a special binding character will be evidenced by voluntary action (Wilson & Musick 1997). This especially points to the difference between personal relationships – the ideal-type community logic – and an orientation to social concerns – the civil society logic – which often merge in reality, especially when specific forms of trust and obligations develop in fields which do not involve personal services (i.e. in which the investment is driven by a more generalized belief) but from which, nevertheless, rather a specific group benefits (e.g. local environmental groups or citizen initiatives). In both contexts, action might be based on general values but is tied to a normative expectation of certain stakeholders, though public or social expectations may differ significantly. Beyond personal relations commitment is further ensured by formality and organizational properties: formal organizations and membership lead to specific expectations on the part of both the other members and the whole group. Dahrendorf (1973) developed his classic differentiation of expectations between can, shall, and must expectations: The informal neighbourhood helper "can" help, the association member "shall" take part in the association's activities, and public benefit organizations "must" contribute to the public good. Furthermore, organizations are in the position to actively affect the level of commitment of their members by their structure (Knoke 1981; Knoke & Wood 1981). Democratic principles in terms of collective decision-making and communication go along with opportunity structures for exercising control and enhance loyalty and the willingness to realize group goals. From this follows that a sphere of public good oriented action can be composed of voluntary and non-legally-stipulated principles far beyond the public benefit status which are safeguarded through social control mechanisms. Both the general public and the relevant groups then serve as "guarantors" for the public good nature of the investment.

The literature considers two additional forms of commitment to organizations and voluntary groups: continuance and cohesion (Kanter 1968; Meyer & Allen 1991). Since trust and reciprocity are closely linked to the duration, regularity, and intensity of social interactions, time constitutes a social obligation increasingly internalized since understandings of reciprocity are always oriented around the past and repeated behaviour of others. As it generates future obligations the norm of reciprocity turns single interactions into longer lasting relationships (Bourdieu 1998; Coleman 1988; Putnam & Goss 2002). Apart from social expectations, commitment relates to the option of discontinuing the activity and therefore denotes that "a person finds that his involvement in social organization has, in effect, made side bets for him and thus constrained his future activity" (Becker 1960: 36). For the concept of social investment this exchange-theoretically understanding should be modified and side-bets replaced by (experienced) individual and social returns. Empirical work provides evidence for the assumption that social investors are quite interested in the results of their contributions. This holds true for individuals (Barker 1993) and organizations (Young 1983; Brody 2002).

For example, Omoto & Snyder (1995), and Penner & Finkelstein (1998) found out for the U.S. that the congruence of individual motives and volunteer experiences, as well as volunteers' satisfaction with their organization (which can be affected by the volunteering process) relate significantly to the longevity of services. In turn, German data indicate that almost one-fifth of the volunteers that brought their engagement to an end reported that they dropped out because they didn't achieve their objectives (Gensicke, Picot & Geiss 2006). Thus continuance may have its roots in positive return experiences, while it can also lead to a particular set of expectations from the social group, as well as to habitual and cognitive routines at the individual or organization level (path-dependency). In addition, a strong value base and cohesion likely also results in as a high level of commitment as the long-term consistency of intended and actual (individual and societal) effects of a rather results-oriented actor. In their investigation of the commitment of mid-sized non-profit board members, Preston & Brown (2004) detected a positive correlation between the board members' emotional attachment to their organization and active involvement. In addition, it is traditionally also argued that religious ties tend to be positively correlated to volunteering (Sokolowski 1996; Wilson & Janoski 1995; Wuthnow 1999). This can be traced back to the satisfying potential of belonging to a group with a strong (religious) identity – "praying together seems to be better than either bowling together or praying alone" (Lim & Putnam 2010: 927). Such a mindset could prompt us to reinterpret Dahrendorf: In their self-perception, the informal neighbourhood helpers could think that they *must* help, since no one else is available, but the task "must be done", whereas the association members *can* participate, but perhaps do not because of disappointments with moral divergence or unmet return expectations.

In informal investment settings commitment develops primarily through trust between the "suppliers" and "consumers" of contributions. In formally organized social investments commitment develops mainly through membership, continuance, and normative cohesion, or collaboration and contractual relationships in the case of organizational behaviour. Organized, but not public benefit involvement of organizations and corporations (e.g. corporate social responsibility, social entrepreneurship) is by contrast already exposed to a significantly higher level of public expectations on the basis of de facto public (or intended publicity) activities: here sanctions influence the organization through high public (or even media) pressure. Public benefit involvement (for example, in the form of a foundation) and non-profit-government relations represent by contrast the social investments with the highest level of commitment. In this case deviant behaviour is prohibited or sanctioned by law. Thus the mechanisms of assuring commitment span from the state's logic of reducing uncertainty by legal guarantee to the informal logic of communities and civil society, where engaged individuals and enterprises rather act according to a voluntary "self-obligation".

5 Conclusion

Our broad understanding of social investment centres on social action within civil society and is primarily interested in the mix ratio of civil society, state, market and community logics, as well as in the respective effects for individuals, organizations and society as a whole. The concept should first of all be understood as an analytical tool addressing *private contributions to the public good* as deeply rooted in civil society, but at the same time blended with political, economic and community action. Such a relational approach combines a sectoral with a functional point of view, and draws on a wide array of theories.

An inherent conflict occurs when the concepts of private and public are brought together since private action cannot be upheld by legal claims, whereas the public good cannot be subject to personal and organizational interpretations. The public good orientation is therefore based on a legitimacy test. Legitimacy can be conceptualized as the interplay of input, output and process features. The task of the public discourse is to determine which degree of legitimacy should be granted to an investment, depending on its specific motive and return mix as well as current interpretations of civility. In addition, the concept focuses on individual legitimacy in terms of "variance analyses" since social investors may become involved without receiving any direct tangible returns, but not without some (experienced) benefit on the actor's and societal level. Thus, social action must be legitimized as social investments by society as well as by the actors themselves. Beyond legitimacy, commitment denotes the mix of governing modes allowing for maintaining the public good contribution over time in a voluntary way. We deal with mechanisms of assuring commitment which span from reducing uncertainty by legal guarantee to the informal logic of communities and civil society, where engaged individuals and enterprises act according to a voluntary "self-obligation". Commitment represents the more "analytical" category of our framework – by contrast to legitimacy, which is publicly assessed on the basis of a highly normative set of beliefs.

Notes

[1] As defined by Ostrom (1999; Ostrom, Gardner & Walker 1994) a conceptual framework differs from models and theories insofar as it points to phenomena, variables and their possible relationship in a more "meta-theoretical" way and remains open for more specific theories with concrete hypotheses and causalities.

[2] It falls into place when we think of investments for internal operations, when one asks with which instruments an enterprise would like to measure whether the upgrading of the cafeteria or staff lounges has led to an improved working environment and thus (the like-

ly expectation) to higher job satisfaction or productivity. Of course, one could measure satisfaction (productivity) before and after the investment was made and compare the results; in this connection, causal statements should be made with great caution.

3 Kendall (2003) would add an *innovation function*, which can be seen as a variation of the economic function but especially emphasizes the voluntary sector's capacity to introduce changes in service provision. Frumkin (2002) groups the political and social dimension under the label *civic and political engagement*, which, together with the function of *service delivery*, represents the demand side in his approach, whereas *values and faith* as well as *social entrepreneurship* are representing the supply side.

4 In a capitalist society desert means, primarily, desert for success and actual contributions (to the production process) and not, as it would be in a socialist context, desert for effort (cf. Slote 1973).

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