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**The State and the Strategic Partnerships of Local Intermediary Organizations in Japan :  
Between Contractual Relationships and the Co-governance**

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## **The State and the Strategic Partnerships of Local Intermediary Organizations in Japan : Between Contractual Relationships and the Co-governance**

### **Introduction: Dilemma between political functions and service providing functions of intermediary organizations**

This paper examines the state of local intermediary organizations in Japan, the dilemma between political and service providing functions under contractual relationships with state.

The nonprofit sector has rapidly grown since the late 1990s in Japan. The emergence of the sector has been influenced particularly by a growing public interest in voluntary activities after the Hanshin-Awaji Earthquake of 1995 and the enactment of “the Law to Promote Specified Nonprofit Activities” in 1998, and a changing local public service delivery system and government reforms characterized by “new public management (NPM)”. In this context, some local governments have sought for collaborations, which are occasionally called “partnerships”, with local nonprofits in order to solve local issues and building more participatory democracy. Nevertheless most partnerships have been implemented in the form of contracts and also based on top-down approaches led by local authorities. Furthermore, most partnerships have been concentrated at the implementation stage of the policy process, in the sphere of service delivery, rather than the stage of policy formulation. Local authorities generally tend to prefer nonprofits as service providers from a principal-agent perspective. As a result, the dominant local nonprofits-government relationship in Japan can be regarded as a “co-management model”, rather than a “co-governance model” (Tsukamoto and Nishimura, 2006a). According to Brandsen and Pestoff (Brandsen and Pestoff, 1996: 497), the concept of “co-management” refers to an arrangement, in which third-sector organizations produce services in collaboration with state, a relationship that “co-governance” and “co-management” are not. Local intermediary organizations tend to be in the planning and delivery of public services. Because the large part of their income tends to be generated from the government contracts, in which their discretionary power and the degree of the independence is quite limited and the equality of nonprofits-government is insufficient. As a result, local intermediary organizations are likely to suffer from institutional isomorphic pressures (DiMaggio and Powell, 1991), and thus, their functions are increasingly concentrated on the sphere of co-management not co-governance (Tsukamoto and Nishimura, 2006a). Political function of local intermediary organizations such as negotiating, advocating, networking, which is related to the concept of co-governance, seems to be indispensable to diversities and independence of nonprofit sector. Nevertheless, such functions remain underdeveloped among local intermediary organizations in Japan. In this context, nonprofits tend to lack a sense of identity as a sector in the absence of influential intermediary organizations that can build trust or horizontal networks of civic engagement and manage an inter-organizational network of nonprofits (Tsukamoto and Nishimura, 2006a). This paper in order to our research questions above mentioned is based on our findings from our postal survey (2007) on the functions of local intermediary organizations and case studies on two leading local intermediary organizations in Japan. Our work explores the key challenges related to the enhancement of the political functions from the co-governance perspective.

## The overview of current nonprofit sector in Japan

The Johns Hopkins Comparative Nonprofit Sector Project (Salamon, Anheier, List, Toepler, Sokolowski and Associates, 1999) presents an overview of the scope, size, structure, and funding base of the nonprofit sector in twenty-two countries. The result of the project helps to understand the economic context of Japanese nonprofit sector from international perspective. However, nonprofit sector in Japan has moved toward new stage since the late 1990s. It is characterized by the radical increase of new type of nonprofits. The emergence of the new nonprofit movement has been influenced particularly by the growing public interests in voluntary activities after the Hanshin-Awaji Earthquake of 1995 and the enactment of “the Law to Promote Specified Nonprofit Activities”(the NPO Law) of 1998. The NPO law created a new category of incorporated organizations for nonprofit and voluntary activities and enabled civic groups to acquire a legal personality known as “the Specified Nonprofit Corporation”(NPO hōjin) (Pekkanen, 2003). NPO hōjin is much easier to incorporate than traditional nonprofit corporations because there is less government regulations. According to the statistics of the Cabinet Office, over 30,000 nonprofits with the legal status of NPO hōjin are in operation in the whole country in the end of August 2007. This figure shows the rapid growth of new type of nonprofit organizations in the last 8 years since the enactment of NPO Law. In the early Meiji Era, traditional nonprofit corporations known as “public interest corporations” were institutionalized with the enactment of the Civil Law of 1897. Public interest corporations known as “koueki hōjin” are furthermore, categorized into two types, “shadan hōjin” (incorporated association) and “zaidan hōjin”(incorporated foundation). Subsequently other types of nonprofit corporations such as “shakai fukushi hōjin” (social welfare corporation), “gakkō hōjin”(the private school corporation), “shūkyō hōjin” (religious corporation) and others are institutionalized prescribed by different laws. The total number of these traditional nonprofits is currently estimated to be over 200,000. After incorporation they are required, however, to follow strong regulations be supervised by relevant authorities who also have discretionary powers. Thus, civic and grass roots groups are reluctant to be incorporated in these traditional legal forms. Such reluctance and the demand for more civic-oriented statutory framework led to the enactment of the current NPO Law. In addition, current new types of nonprofits, the NPO Law, the long term care insurance system and a series of local government reforms are quite significant factors. The NPO Law has created not only a new legal framework for the voluntary and community groups serving the public benefit, but also new opportunities for their operation in the “quasi-market” of elderly care services. The service providers under “the Long Term Care Insurance System” are required to have legal personalities, and then can contract with municipalities as accredited service agencies. Municipalities also tend to look for different service providers including nonprofits in order to contract their services out under the current administrative reforms and fiscal crises. In this context, the nonprofit sector in Japan has been regarded as a critical player, especially in the area of the implementation of public policy. In this context, the nonprofit sector in Japan has been regarded as a critical player, especially in the area of the implementation of public policy. In this context, the nonprofit sector in Japan has been regarded as a critical player, especially in the area of the implementation of public policy. In this context, the nonprofit sector in Japan has been regarded as a critical player, especially in the area of the implementation of public policy.

According to the national survey of 2005 on the Specified Nonprofit Corporations (NPO hōjin) conducted by the governmental research institute (Keizai Sangyo Kenkyujo, 2005), 64.3 per cent of their total income came from earned income (including the government contract), 5.6 percent from membership fees, 9.5 per cent from government and private grants, 7.7 per cent from donations, and 12.9 per cent from other sources. The data showed the tendency toward commercialization of nonprofits in Japan by the fact of quite high percentage of earned income. With regard to this earned income, 50.4 per cent came from the long term care insurance, 15.6 per cent from government contracts, 28.7 per cent from income generated by their independent businesses from public and business sectors (private payments for dues and services), and 5.4 per cent from business contracts (contracts with private companies). In interpreting these data, government funding such as the long term care insurance and contracts took in quite large part of the total earned income (66 %). This means that government funding play a significant role in promoting commercialization of nonprofits in Japan. In terms of nonprofits which provide health and social services, this tendency was more remarkable. 74.2 percent of their total revenue came from earned income, which was much higher than the average (64.3%). Furthermore, of the total earned income, 72.5 per cent came from government funding (65.9%), especially the long term care insurance system in Japan, have become increasingly commercialized and dependent on government funding. Such nonprofits tend to be reliant on the earned income generated from the contract with local government and the quasi-market such as the long term care insurance system. Accordingly, the relationship between government as a major resource provider and the nonprofits has been transformed into a “principal –agent” and contractual relationship.

In the current state of nonprofits, our previous empirical research (Tsukamoto, Nishimura and Nakajima, 2006b) indicates that contractual relationships, especially government contracts bring about some negative impacts on nonprofits. Nevertheless, the impact of contractual relationships is more complex. In reality, government contracts can be instruments in developing their activities for nonprofits. On the other hand, under the growth of government contracts, most nonprofits felt that their discretion power was limited and equal relationships with governments were not necessarily secured. This tendency toward overly dependent on contractual frameworks is relevant with to the lack of vertical networks, strong supports by intermediary organizations and a series of characteristics of nonprofits, their independence from government and their diversity seem to be increasingly diminished by the organizational change known as “institutional isomorphism”(DiMaggio and Powell,1991). In most cases, nonprofits receiving government contracts are required to provide public services under the tight government regulations, which are mostly standardized, and the provision of new services needs approval by governments. In this “organizational field” where governments behave as influential regulators as well as financial suppliers, the diversity and innovative thinking of nonprofits, namely the motivation to develop new ways of responding to needs or develop new services have been diminished. Their behaviors come to resemble government’s ones. DiMaggio and Powell refers to “organizational field” as “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products”(DiMaggio and Powell, 1991: 64-65). The neo-institutional organization theorist concept of organizational filed seems to be helpful to understand the organizational context of contractual relationship.

## Changing nonprofits-government relationships

Focusing on changing needs of governments, most local governments have been keen to contract out their services to local nonprofits, especially NPO hōjin type of nonprofits under the current local government reforms. Some local governments have sought for collaborations, which are occasionally called “partnership”, with local nonprofits for solving local issues and improving local public services. According to our national survey on local nonprofits-government collaborations (Open Research Center Project, 2005), around 80 per cent of municipalities have been engaged in collaborations with nonprofits. In most cases, nonprofits as their partner are not traditional type ones but NPO hōjin type of nonprofits, most of the collaborations are implemented in the form of contracts and also based on the top-down approaches led by local governments (Tsukamoto and Nishimura, 2006a). Nonprofits seem to be embedded in such a contracting regime and reliant on government funding. Furthermore, under the contracting regime, nonprofits come to follow the institutional frameworks created by government. In light of most of the local government collaboration policies, they are characterized by a lack of strategic and co-governance perspective. According to the above our survey, over 55 per cent of the respondents don’t have the basic policy or rules related to the systematic promotion of partnerships. Only 14 per cent of the respondents introduce formal performance assessment system in the partnership. Furthermore, most of partnerships have been concentrated into the implementation process that is the sphere of the service delivery not policy formulation. In terms of the equality of the relationship, only 38 per cent of the respondents consult with individual nonprofits when they draw up the document regarding the content of the contract or relationship. On the other hand, 57 per cent of the respondents don’t provide nonprofits with such opportunities, although the consultation and dialogue processes seem to be indispensable to create and preserve advantages that functions of the public facilities owned by them, such as museums, public halls, sports centers and volunteering support centers, to private nonprofits and businesses after the revision of “the Local Government Law” of 2003. Before the revision, private enterprises and nonprofits except local governments or private corporations founded with shares from governments cannot manage these public facilities. In terms of management of all local public facilities, local governments are legally forced to leave these management functions to other corporations called as “Designated Managers” or to keep their hands directly after the enactment of the revised law. This “The Designated Manager System”, which is a newly introduced outsourcing system in the field of management functions and service deliveries of local public facilities, can be regarded as a public private partnership scheme. However, it is closely related to the outsourcing system based on the revised law, the private contractors can receive more discretionary power in the management over the facilities. For example, the private contractors can receive fee of services as their own income if they have agreements with local governments. In addition, the terms of these contracts tend to be relatively longer than traditional contracts. For example, the contractor can exchange 5 year-term contract with local government. It seems to be helpful for financial stability system can be essentially regarded as a financial retrenchment scheme. In addition, the “ownership” remains in the hands of the local government. The activities of nonprofit contractors seem to become part of government policy and be generally constrained by their regulations. Nevertheless, many nonprofits are keen to be engaged in managing government facilities for their survival. In short, local governments generally tend to prefer nonprofits as service providers

to prefer nonprofits as service providers from a short term perspective. As a result, most of partnerships have been concentrated into the implementation process of local public policies. Local governments have given less attention to the role of nonprofits in building “trust” or “social capital” as components of community governance or co-governance.

### **Emerging and changing intermediary organizations under new public private partnerships**

We now return to the notion of intermediary organizations. There seems to be no single operational definition. However, the term is generally understood as the following (Anheier and List, 2005:137) from international perspective.

*“Intermediary organizations play variety roles in the non-profit sector; including engaging, convening and supporting critical stakeholders: promoting quality standards and accountability; brokering and leveraging resources: and advocating for effective policies.”*

By this definition, intermediary organizations include support centers, sector-serving organizations, foundations, and university based nonprofit research centers. Foundations are the most visible organizations in the United States. On the other hand, sector-serving organizations such as “Independent Sector” share information on legislation, grant opportunities, social trend and research as these pertain to the interests of their members and they also assert the interests of their members in the legislative processes (Van Til, 2005: 56). As such, intermediary organizations can be involved in advocating for effective policies. These intermediary organizations are occasionally called as the infrastructure organizations in the UK. Infrastructure organizations are expected to play key roles in building effective local partnerships such as “Local Compact” and “Local Strategic Partnership” and providing support for organizational capacity there. According to the UK government report, “ The VCS (nonprofit sector ) infrastructure provides support for organizational capacity, a voice for VCOs (nonprofits) and access to representation and policy making” (HM Treasury, 2002: 20). Thus, political activities such as representation and lobbying functions of intermediary organizations have been developed both in the US and Japan. However, in the earlier stage of the emergence of intermediary organizations in the late 1990s, some leading national intermediary organizations fulfilled crucial roles in building new legal frameworks for promoting nonprofit and civic activities with using advocating and lobbying functions. In part, the enactment of NPO Law of 1998 resulted from such political activities of intermediary organizations. In those days, eminent leaders of national and local intermediary organizations had a sense of identity as a sector and pursued strong nonprofit sector and civic activities. Thus, the late 1990s political intermediary organizations known as “NPO center” or “NPO support center” have been created by citizens’ leadership in order to support and promote voluntary and nonprofit activities at the local and national levels. Alongside the emergence of these nonprofit intermediary organizations, local governments have been engaged in fostering nonprofit activities and setting up the facilities for the specific purpose of supporting nonprofits. Such local governmental NPO support facilities or centers are in operation in most of the major municipalities as well as prefectures and local government NPO support centers have increased rapidly compared to the private nonprofit centers incorporated as nonprofits. In most governmental support center cases, local governments have founded them and then contracted their management out to the outside nonprofit intermediary organizations. The current administrative reforms have enhanced these trends and

current administrative reforms have enhanced these trends and resulted in the nation-wide proliferation of the governmental support centers. The management in the centers increasingly has been contracted out to the outside non governmental agencies.

In general, NPO support centers (facilities) can be classified into the following three types in Japan ( Tsukamoto and Nishimura, 2006a: 575).

- A. *governmental founded /managed centers*, which are founded, financed and managed by local governments themselves.
- B. *governmental founded /NPO managed centers*, which are founded and financed by local governments and managed by intermediary organizations or other types of nonprofits by
- C. *NPO founded /managed centers*, which are founded and managed by nonprofits and operate as pure intermediary organizations.

According to a 2005 database on intermediary organizations by the Japan NPO Center, 151 NPO support centers are in operation in Japan. Of the total centers, 64 centers (42.4%) are owned by local governments but managed by nonprofits (“B” type), 48 centers (31.8%) owned and managed by nonprofits (“C” type), and 39 centers (25.8%) are owned and managed by local governments (“A” type). The predominance of the statutory NPO centers (“A” and “B” types) shows that local governments tend to lack the strategic perspective in promoting nonprofit intermediary organizations. Actually, there is much duplication of these service deliveries between governmental NPO centers and pure nonprofit intermediary organizations. Such duplication undermines the financial sustainability of the intermediary organizations (Tsukamoto and Nishimura, 2006a: 578). In addition, most intermediary organizations (such as “B” type) tend to be engaged in the management of governmental facilities in the form of contracts with government under the new public private partnerships (PPPs) regime such as “the designated manager system” for their financial survival. Actually, most local nonprofit intermediary organizations are enthusiastic about being “designated managers” of local governmental facilities for local nonprofit intermediary organizations benefit from this new contractual relationship in the sense that it contributes to the financial sustainability. However, in our hypothesis, it also means that these intermediary organizations tend to be embedded with institutional frameworks regulated by governments and behaviors of managers and workers can degenerate into be bureaucratic as government officials (Tsukamoto and Nishimura, 2006a: 576). The weak connections with local nonprofits and the lack of representation functions strengthen such tendency. Hence, these relationships with local governments tend to be increasingly individualistic. From the organizational filed perspective, the excessive financial dependence on local governments and institutional isomorphic pressures from the institutional frameworks may result in cultural changes of nonprofit intermediary organizations themselves, if they can not build effective inter-organizational networks and cultural interdependence between local nonprofits. Such intermediary organizations may easily adapt in this context, particularly by the statutory intermediary organizations which seek for their representation and advocating role tend to face the dilemma between political and service providing functions under contractual relationships. As a result, the relationships between these “B type” intermediary organizations and local governments also seem to be strictly restricted within the command hypothesis of the governmental partnership to the organizational changes but organizations can deliberately change the institutional environment and organizational fields by strategically operating their stakeholder relationships. Our study examines the state of intermediary organizations

stakeholder relationships. Our study examines the state of intermediary organizations under contracting-out and new PPPs regime and the cases of the strategic stakeholder management in the next sections.

### **Research method**

From the quantitative research perspective, the national postal survey on 70 nonprofit intermediary organizations with the NPO hōjin legal status was conducted in August, 2007. The objective of this postal survey is to examine the state of intermediary organizations under the contractual relationships and the dilemma between the political and service delivery functions. Our data on nonprofit intermediary organizations is based on the database of the NPO Support Center, which is a national intermediary organization and continues to collect information about intermediary organization nationally. According to the database, there are 70 intermediary organizations with the NPO hōjin legal status in Japan. Our study was conducted in collaboration with the NPO Support Center. The number of the total respondents amounts to 45 samples. The rate of the response amounts to 64.3 per cent (45 respondents). The survey was conducted within two local nonprofit intermediary organizations which are located in Sendai and Kyoto. They are regarded as leading intermediary organizations which are both engaged in political functions as well as the management of governmental facilities. The objective is to examine the dilemma between political and service delivery functions and strategic approaches to balancing different functions. We had already preliminary interviews with the executive directors within both organizations in 2004 and 2006. These case studies were conducted in August, 2007. We had interview with same leaders within both organizations.

### **The data from a postal survey**

According to our postal survey, 43.2 per cent of respondents are engaged in management of governmental volunteering or nonprofits support centers, and 56.8 of percent of them are not (**Table 1**). 18.0 per cent of respondents are engaged in management of these facilities in the form of the designated manager system. This result indicates that it has become common for intermediary organizations to be engaged in managing public facilities

Whether intermediary organizations are commissioned to manage governmental facilities or not is relevant to the distribution of the sizes of the annual income (**Table 2**). Examining the distribution of these annual income, in terms of the intermediary organizations with the management of public facilities, 22.2 per cent of respondents (highest frequency at the each scales) amounts to over 20 million yen (133,333 Euros) under 30 million yen (200,000 Euros), and 4.7 percent of them generate over 100 million yen (666,666 Euros) annually. By contrast, in terms of the annual income of intermediary organizations without management of public facilities, 28.0 per cent (highest frequency at the each scales) amounts to over 10 million yen (66,666 Euros) under 20 million yen (133,333 Euros), and there are no respondents whose annual income is over 100 million yen. This result means that the management of public facilities is relevant to the income differences between intermediary organizations. Organizations with management of the public facilities tend to be financially larger than those without the management of (**Table 3**), 53.1 per cent of the total income comes from the government contract and 10.9 percent (the second frequency) from self-generated earned income in total. In terms of intermediary organizations managing public facilities, this figure is much higher, namely 70.6 per cent of the total income comes from the government contract. By contrast, in

income comes from the government contract. By contrast, in intermediary organizations without management of public facilities cases, 41.3 per cent of the total income comes from the government contract. The result indicates that intermediary organizations tend to be financially reliant on government contractual funding. In the intermediary organizations with the management of the public facilities, this tendency is much more conspicuous than intermediary organizations without the management of them. In intermediary organizations cases, they tend to be more reliant on government grant or “social capital resources” (Bode, Evers and Shultz, 2005) such as donations although the functions of intermediary organizations (Table 4), the fact of impacts in perspective are more complex. In total, main functions of intermediary organizations concentrate on the networking (16.3 per cent), consulting with professional knowledge (16.3 per cent) and advocacy (16.3 per cent). Focusing on the differences between intermediary organization with and without the management of public facilities, the percentages related to political functions of intermediary organizations with the management of the public facilities are relatively lower than intermediary organizations without management of the facilities. However, in terms of advocacy function, there is no significant difference between two types by contraries. More significantly, in the intermediary organizations with the management of the public facilities case, the percentage related to the function of developing networks between NPOs is higher than intermediary organizations without the management of public facilities. This result means that nonprofit intermediary organizations do not necessarily lower these political functions such as building networks even under the contractual relationships. That is, most intermediary organizations which manage public facilities face the dilemma between the service delivery and political functions but tend to seek for the balance between the two different functions. Actually, some respondents which are engaged in managing governmental volunteering or nonprofits support as follows to the both the positive and negative impacts on these organizations in the descriptive answers on the questionnaire.

- Understanding the local government policies and administrative systems
- Strengthening relationships with local governments
- Improving their professional knowledge and skill
- Increasing their income

The negative impacts are also recognized as following

- The less flexibility of businesses
- The dependence of the relationships on the personal discretions of government officers who can directly control the contracts
- The restrictions of nonprofits’ discretionary activities within the facility because of the ownership form ( local government owns)
- The difficulties in innovation on the services
- The difficulties in distinctive and original activities as nonprofits
- The less awareness of nonprofits managing the facility because the ownership form ( people see the facility and its staff as a part of local authority.)

In summary, ambivalent aspects can be found about the involvement of nonprofit intermediary organizations in the government contracts, in particular, the management of these public facilities. Such involvement can contribute to the enhancement of their financial stability and professional

to the enhancement of their financial stability and professional knowledge about policies and government systems, and their networks between local nonprofits through retaining the spaces within the facilities as strongholds. Interestingly, the political functions such as networking and advocating activities do not necessarily diminish even under contractual relationships. On the other hand, such intermediary organizations tend to face the institutional constraints and pressures. Their innovative power and intrinsic potential tend to be restricted under the institutional environment controlled by the contractual relationships. In this situation, intermediary organizations seem to increasingly concentrate their functions on the service delivery function, that is, the area of the co-management not of government. However, a strategic approach to the balancing these different functions can be attainable for intermediary organizations as following case studies.

### **Case studies : Strategic approach to local partnerships**

Both intermediary organizations, Sendai-Miyagi NPO Center and Kyoto NPO Center can be seen as “B type”, and also both are engaged in the management of the governmental facilities. Both organizations have been regarded as leading local intermediary organizations

#### **Case 1: Sendai-Miyagi NPO Center**

Sendai-Miyagi NPO Center was established in 1999 as a specified nonprofit corporation (NPO hōjin) based on 4 purposes, “To spread Messages for Necessity of NPOs, To Provide Support and Services to Empower NPOs, To Act as a Nonprofit Political Think-Tank, and To Promote Partnership with Business Sector to Create New Civil Society in the 21st Century. The origin of the center takes from a volunteer group but it has sought for more sustainable development of local nonprofits as well as their own organization in collaboration with other sectors such as statutory and business sectors of the center in order to promote activities of nonprofit organizations in Sendai, Miyagi area, by providing infrastructure and by promoting partnerships and collaborations between nonprofits and local governments or private enterprises. The main areas of the Sendai Miyagi NPO center’s activities are City of Sendai and Miyagi Prefecture in the northeastern region of Japan, but it is also engaged in nationwide activities in particular, advocating activities including symposium about specific topics in collaboration with other national and local intermediary organizations.

In terms of the governance and organizational structure, the center has over 200 members and an advisory committee as well as a board of directors. The board does not so many nonprofit leaders. Most board members are local business leaders, consultants and faculty of a university. The annual income is approximately 100 million yen (666,666 Euros) in the fiscal year of 2005, and it employs 23 paid staff including different functions such as advocating activities, supporting the services and management of nonprofits, and building networking. In recent years, the center is commissioned to manage the “Sendai Civic Activities Support Center” founded by Sendai municipal government under the designated manager system. In addition to the management of this governmental facility, some programs are also contracted out to the center by a municipal government and a national governmental agency. In total, the center receives around 70 per cent of the annual income from the government contracts. In particular, the fee income generated from the management of the governmental facility amount to approximately 60 per cent.

The center seems to be financially too dependent on government funding. However, the foundation of the “Sendai Civic Activities Support Center” itself was partly the result of the Sendai-Miyagi NPO Centers’ advocating activity which had requested the municipal government to set up the civic activities support facility as an infrastructure of local nonprofits. That’s why, it is not simple principal-agent relationship. According to an executive director, “Sendai municipal government lacks the know-how about the facilitation of civic activities and the management of such facilities. So we can contribute to its effective management in the way of promoting the civic public benefit activities with using our expertise”. Furthermore, the center has been engaged in ~~for~~ ~~On the other hand, the guideline for local partnership with local governments, the center~~ is engaged in collaboration with local business enterprises and community. The center founded “Supporting Resource Exchange System” including a community fund named as “Min-Min Fund”. The aim of the former system is to build the local infrastructure for strengthening the nonprofit activities by the provision of the monetary and non-monetary resources such as donations and redundant office furniture. The center intermediates such resources between citizens, businesses and nonprofits with using this system. “Min-Min Fund” is a part of this system, which is a community fund for collecting donations from citizens and businesses and thereby promoting philanthropic culture and nonprofit activities. In addition, the center set up the “NPO Information Library” for the enhancement of the transparency and accountability of nonprofits. Local nonprofits which receive resources from the exchange system are required to open their information including the account of business through the library. As such, apart from partnerships with government, the center is independently engaged in ~~promoting private and public leadership of the past that used to strengthen the top of activities~~ of NPO Law of 1998. After the enactment, the center has been engaged in lobbying activities and dialogue with local government councilors as well as government officers in order to make impact on local policies from the nonprofit side. According to a executive director, “Japanese people tend to see ‘government ‘ as a public administrative system donated by bureaucrats not a council or councilors. It is not good for us. We need to expand our influence on the policy formulation level. So we are engaged in dialogue with councilors and politicians in order to bring radical changes”.

The leadership style of the Sendai-Miyagi NPO Center is highly entrepreneurial and innovative. On the other hand, the degree of the involvement of local nonprofits in the governance and planning process of the center seems to be low. In another word, a formal representation function has been underdeveloped.

Case 2: Kyoto NPO Center

Kyoto NPO Center was established in 1998 as a specified nonprofit corporation (NPO hōjin) in pursuit of creating civil society by citizens themselves. A graduate school student, who is an executive director now, played a leading role in setting up this intermediary organization. He was highly impacted by the emerging civic activities after “Hanshin-Awaji Earthquake” of 1995 and then he decided to found a strong local intermediary organization in order to foster nonprofits in Kyoto area. Many local leaders in the community including a doctor, business leaders, academics and artists cooperated for the foundation of the center. Kyoto NPO center classified their activities into 4 main areas, that is, 1) the enhancement of the infrastructure of nonprofits such as consultation, seminars, community finance, information, 2) the exchange and collaborations between governments, businesses and nonprofits, 3) learning, training and research, 4) the creation of civil society, which

and nonprofits, 3) learning, training and research, 4) the creation of civil society, which includes forums, advocacy, lobbying and supporting social enterprises. The center has self-recognition as a local support center for nonprofits and a community think tank.

In terms of the governance and organizational structure, the center has 20 members, and has a board of directors. The board includes community and business leaders and academics. But it does not include local nonprofit leaders. In addition, the center has a steering committee for managing governmental support center, “Kyoto Municipal Civic Activities Support Center”. Its annual income amounts to 90 million yen ( 600,000 Euros) in the fiscal year of 2006. The center employs 19 paid staff. ~~The center has different functions as Sendai-Miyagi NPO Center has.~~ The center has been commissioned to manage “Kyoto Municipal Civic Activities Support Center” in 2003 under the designated manager system. The support center provides information services, consulting, publishing support for brochures and reports via a work room equipped with computers and printers, incubation services. The latter includes lending work booths, lockers and mailboxes, training services and coordination between activity groups. 60 per cent of the total income is generated from this governmental support center. ~~On the other hand, the Kyoto NPO Center is highly dependent on governmental funding.~~ Kyoto municipal government regarding operating the governmental facilities. The “partnership declaration” between the two parties is the product of the negotiations. The agreement stipulates common rules, including the right of the NPO to consult with government regarding their contractual framework and accountability to citizens. This agreement is not legally binding one, but the center has discussed the personnel cost which is part of the government contract with Kyoto municipal government. ~~Actually, under the designated manager system, the center benefit from more financial stability~~ such as 5 year term contract. However, the total fees for 5 years has been fixed by local government, therefore it is difficult to change the each year’s fees even if users increase by their effort. According to an executive director, there are both positive and negative aspects concerning the management of the governmental facilities. “We can employ much staff here by this government contact. It is very important to employ paid and full-time staff for intermediary organizations. The stable employment of the staff can bring about the synergetic effects within our organization”. On the other hand, “ We had to spent lots of our manpower in managing the facility in the early stage, so we could not develop new programs enough. ~~the Kyoto NPO Center try to engage in partnership with Kyoto~~” prefectural government in pursuit of “ partnership based local government ”. Governor has sympathy for partnerships. The center has made the agreement about the mutual temporary transfer system with Kyoto prefectural government for personnel development. This is the first system introduced between nonprofits and government except existing internship programs in Japan.

In terms of the governance structure, the Kyoto NPO center seems to lack the representative structure based on membership organizations in the locality. In addition, inter-organizational network with local nonprofits still remains underdeveloped. According to a chief executive director, “I cannot know at least one third of local nonprofits in City of Kyoto. Nonprofits have been radically increasing, but most nonprofits which set up recently seem to be different from social movement oriented nonprofits founded in the late 1990s. We have become to lose the confidence about our representation”. In another word, recent nonprofits do not necessarily need service of intermediary organizations. ~~As the leader at the Sendai-Miyagi NPO Center, the leadership style of the chief director is~~ entrepreneurial and innovative. He is business oriented as well as social movement oriented leader.

and innovative. He is business oriented as well as social movement oriented leader. Actually, he set up a social enterprise radio station. He is a charismatic leader. Hence, the succession of leadership seems to be difficult.

In summary, these case studies indicate that both intermediary organizations have strategically managed stakeholder relationships with utilizing their political functions and highly professionalized knowledge. In addition, their political functions reach to the policy formulation at higher local governance beyond the individual program level by conducting advocating activities and lobbying. Hence, in spite of the financial dependence on government contracts, they can remain their distinctive influence on the local community, negotiating power with governments and creating power of the networks between other sectors and citizens. They seem to exercise political functions in relation to co-management based partnerships. Entrepreneurial leadership style of both leaders is relevant to the strategic approach to the stakeholder relationships. Networks between local nonprofits tend to be underdeveloped. From the organizational field perspective, the networks cannot sufficiently represent the interests of local nonprofits. Above all things, it is difficult for intermediary organizations to develop a sense of identity as a sector under such organizational field.

## Conclusion

As noted, the lack of strategic approach to the support policies for nonprofits at the government side results in confusion and duplication about service deliveries between nonprofit intermediary organizations and governmental support facilities. In our hypothesis, the institutional forces stemmed from the lack of strategic local partnerships and the dominant contractual relationships restrict political functions of local intermediary organizations. That is, these functions tend to concentrate on the sphere of co-management rather than the co-governance. In particular, “B type” intermediary organizations tend to face the dilemma between political and service delivery functions under the contractual relationships. As a result, relationships between such intermediary organizations and local governments tend to be embedded with not co-governance but co-management partnerships. However, as also noted, in our hypothesis, intermediary organizations can deliberately change the institutional field by strategically operating their stakeholder relationships. Intermediary organizations can remain their political functions even under the contractual relationships. In some cases, intermediary organizations can expand their networks between local nonprofits through the management of governmental facilities. Furthermore, intermediary organizations such as Sendai-Miyagi NPO Center and Kyoto NPO Center expand their political functions to higher political formulation level at the local governance. Such political functions seem to be crucial to the co-governance based local partnerships development. Because co-governance model of partnerships require radical political and institutional changes including the administrative reform and structural change, substantial connections between intermediary organizations and local nonprofits are relatively underdeveloped. It is relevant to the lack of representation functions of intermediary organizations and also the lack of a sense of identity as a sector between local nonprofits. If local intermediary organizations seek for co-governance based partnerships, they are required to create inter-organizational networks between local nonprofits. Individualized partnerships between intermediary organizations and local government seem to be vulnerable.

vulnerable.

The sound nonprofit sector needs strong intermediary organizations which can change local governance systems and inter-organizational networks between government and business sectors, other local stakeholders and nonprofits.

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