What makes Third Sector Organizations a species of its own?

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Abstract

In our paper we ask whether contemporary hybrid third sector organizations (TSOs) have distinctive features that distinguish them from public and market organizations. By comparing the empirical results of two separate research projects in relatively different organizational fields - cultural festivals and youth work - we explore institutional logics among Finnish TSOs.

The public, market and third sectors are often regarded as relatively separate entities of society with their own logics and roles. During the last decades, the boundaries between these three sectors have been blurred and organizations become hybrids. Also TSOs have taken on approaches and methods from the private and public sectors and become more commercialized, professionalized and managerially managed, for example. This is sometimes seen as a risk to their distinctiveness as actors of Civil Society.

Theoretically, the foundations of our paper are built on institutional theory and, more precisely, the institutional logics perspective. According to this perspective, organizations and organizational fields are characterized by multiple, often conflicting, normative orders and diverse claims from different stakeholders. The plurality of institutional logics can result in various combinations of hybrid forms in organizations. Empirically we base our findings on a multi-methodological analysis of documents, interviews and survey data collected from festival organizations and nationwide youth TSOs in Finland.

The main argument of our paper is that despite sectoral blurring and plural institutional demands, distinctive third sector characteristics still play a significant role in how Finnish TSOs display their tasks and operations. TSOs have many hybrid features and manifest various combinations of institutional logics in their search of legitimacy. The results contribute to a better understanding of the distinctive features of the third sector in Finnish TSOs and also more generally.

Key words: festival organizations, hybrid organizations, institutional logics, youth organizations
1. Introduction

The paper is based on a comparison and compilation of the results of two recent research projects in Finland. One of them investigated nationwide youth organizations (Laitinen) and the other focused on cultural festival organizations (Ruusuvirta). For both, the main interest was to understand what it means to belong to the third sector instead of being part of the public or private sectors. If being a Third Sector Organization (TSO) makes a difference, what is that difference made of?

1.1 Hybrid third sector organizations and institutional logics

The contemporary theorizations of the sectors of society most often distinguish between three or four separate sectors, each of which has its own distinctive characteristics and roles. In the model of three separate sectors, public sector refers to government agencies and local authorities, market sector organizations consist of for-profit companies and third sector refers to various kinds of private non-profit organizations, such as associations, foundations and new co-operatives (Billis 2010; Corry 2010). Sometimes, households and unorganized and informal civil society activities are considered a separate fourth sector (e.g. Williams 2002).

The idea of 3-4 separate sectors seems to suggest that the entities belonging to each sector make up a coherent whole that has a distinct type of social form and a practical logic of its own. However, it has proved difficult to draw an exact line to show where one sector starts and another begins, or to define what the third sector is made of. Is it just a residual category of non-state and not-for-profit actors, does it have a rationality of its own, or should we see the third sector more as a process than a question of organizational definitions (see Corry 2010)? And if the focus is on organizations, as it is in this paper, can we see that TSOs share common characteristics that distinguish them from organizations operating in the other sectors? Does being part of the same sector bond them together (Lorentzen 2010, 43) and make them to share sources of legitimacy and origins of identity and identification (e.g. Foreman & Whetten 2002, 622)?
The starting point of this paper is that, as suggested by Billis (2010), each organization has a prime sector whose principles the organization bases its activities on. This means that there are criteria that can be used to define the central characteristics of each particular sector (e.g. Salamon & Anheier 1992; Sjöstrand 2000; Billis 2010; Wijkström 2011). Among these, the most commonly referred third sector characterization is the structural-operational definition by Salamon and Anheier (1992). According to it, the third sector is a collection of organizations which apply most of the following five common features: 1) it is organized, 2) private (i.e., institutionally separate from the state); 3) not profit distributing; 4) self-governing and 5) voluntary. According to Billis (2010), in turn, the ideal type of the third sector is best typified by a non-profit association. This association pursues a nonpecuniary mission, is typically run by its members and volunteers, the governing body is elected by the membership in private elections, and the finances are based on dues, donations and legacies.

Several researchers have, however, witnessed a development where the supposedly distinct features of each sector are getting mixed with each other: organizations take on tasks, roles, resources and methods from other sectors. This process is called hybridization and leads to different hybrid organizational forms. Consequently, along with traditional or ideal third sector activities, new kind of activity is emerging. Scholars have used the concept of “new third sector” to describe these new actors (see Huotari & al. 2008; Saukkonen 2013). Developments from voice to service, private to half public, and from self-governing to external control have been described as the characteristics of a new third sector (Sivesind & Selle 2010; Siisiäinen & Kankainen 2009; Möttönen & Niemelä 2005). As a part of the professionalization of the third sector, there has been a clear transition from voluntary workers to paid staff in many third sector organizations (e.g. Ruuskanen et al. 2013). Previous research literature has also described the increasing orientation of TSOs towards market sector operations and approaches (e.g. Meyer et al. 2013; Eikenberry & Kluvert 2004; Maier et. al 2016).

In the third sector organizational field, hybridity is not a new phenomenon; it is also wide in scope. Some scholars even regard hybridity as a constitutive and permanent character of third sector organizations (Evers 1995; Brandsen et al. 2005). Third sector organizations have
been regarded as especially vulnerable to hybridization as the actors in the field often face complex and diverse task, legitimacy or resource environments (see Pache & Santos 2013; Knutsen 2012; Evers & Zimmer 2010).

One reflection of hybridity is that TSOs reflect a combination of several institutional logics (e.g. Knutsen 2012, Battilana & Lee 2014; Pache & Santos 2013). The institutional logics approach conceptualizes society as an inter-institutional system that comprises theoretically distinct normative structures, each with their own logic (e.g Alford & Friedland 1985; Thornton et al. 2012). Each institutional order provides a set of guidelines or a frame of reference that preconditions actors’ choices and sense making. There is no universal understanding of what the inter-institutional orders are. In their model Thornton et al. (2012) suggested seven ideal type societal level institutional orders: community, market, corporation, state, profession, religion and family. Friedland & Alford (1991), in turn, proposed five distinct institutional sectors: market capitalism, state bureaucracy, democracy, nuclear family and religion. In the Results section, we will make some observations about the use of some of these logics and discuss the need to complement this with additional institutional logics.

1.2 Third sector in Finland
The context of this paper is Finland. Finland is one of the Nordic countries where the third sector has traditionally been characterized by democratic popular movements that represent the members’ interests, arrange leisure time activities and organize mutual support primarily on a volunteer basis. The responsibility to provide welfare services, in turn, has mainly been seen to belong to the state. Thus, Finland can be classified to be part of the social democratic regime (Salamon & Anheier 1998). Many of the country’s TSOs have their roots in the old popular social movements that aimed at nation building before and after the independence of the country in 1917 (Stenius 2010). Since then, the relationship between state and civil society has based more on an idea of cooperation than confrontation. The state endorses a plurality of civic engagement and supports it both financially and by providing opportunities to influence government policies e.g. as committee members (Schofer & Fourcade-Gourinchas 2001; Siisiäinen & Blom 2009). However, this does not mean that the TSOs are strongly dependent
on government funding; on average, public funding constitutes less than half of TSO revenues (Salamon et al, 2003, p. 32; Peltosalmi et al., 2016, p. 81).

The most common organizational form in the Finnish third sector is registered association; there are more than 100,000 registered associations in the country today. In addition, there is a vast amount of non-registered associations and it has been estimated that most of the associations act as non-registered (Helander 2001, 19–20). In Finland, foundations are non-profit as their legal status and considered to belong to the core of third sector organizational field (Helander 1998, 62). The foundation field in Finland includes grant-making foundations that primarily engage in grant making for specified purposes, operating foundations implementing their own programs and projects, and mixed foundations that have both above mentioned features (e.g. Manninen 2005). Furthermore, some new co-operatives are regarded as part of third sector in Finland (Helander 1998). Even though the outset of co-operatives is business oriented, they often have dual-nature and especially small or new co-operatives often operate on a non-profit basis (e.g. Puusa et. al. 2013). In 2018, the number of all co-operatives was about 4200. However, not all of them belong to the third sector.

1.3 Data and methods

This paper puts together the results of two distinct doctoral dissertation studies, both focusing on Finnish third sector organizations. Hanna Laitinen has studied Finnish nationwide youth organizations and Minna Ruusuvirta focused on arts and cultural festival organizations in her research. As both studies used institutional logics approach as a method to analyze the hybridity of third sector organizations, the authors find it interesting to look at how the results of these two studies discuss with each other.

Laitinen’s research on Finnish nationwide youth organizations included mostly registered associations and some foundations that focus on young people in their work. The research was based on a multi-method approach with several data sets: survey, websites, annual reports and interviews. Using a combination of both qualitative and quantitative analytical methods, she investigated the main tasks, activities, legitimation arguments and legitimation audiences of the organizations, analyzed how the organizations approach young
people and what kind of roles and meanings young people are given in them. The research project ended with a theoretical interpretation of the empirical results applying the theory of institutional logics with the aim of understanding how the investigated youth organizations define themselves as TSOs in the increasingly hybridizing environment and as actors in the field of youth work.

Ruusuvirta examined Finnish art and cultural festivals as part of the third sector and its transformations, especially focusing on the phenomenon of third sector marketization. The main empirical material of the research consist of the internet survey targeted to festival organizations that applied state funding in 2014. There were four different organizational forms represented among the festival organizations. Association was by far the most common legal form. In addition, there were foundations, co-operatives and limited companies among the data. Basing on ideal types of sectoral characteristics and logics, and both qualitative and quantitative analyzing methods, the research explored the hybrid character of third sector festival organizing by asking what kind of marketization takes place in festival organizations; why third sector festival organizations adopt market sector practices and approaches and how market sector characteristics and logics are accommodated within festival organizations.

In this article an analytical comparison is made of the results of these two research projects focusing primarily on the hybrid characters and various uses of institutional logics as found in the two research projects.

2. Results: Multiple logics within third sector youth and festival organizations

Institutional logics were originally conceptualized as societal level orders and, consequently, cannot as such be reduced to the dynamics of an organizational field (Friedland & Alford 1991, 238). Still, the institutional logics perspective argues that institutions operate at multiple levels of analysis and that actors, such as individuals and organizations, are nested in higher order levels (Thornton et al. 2012). Empirically institutional logics have been examined for example in non-profit organizations (Knutsen 2012), social enterprises (Pache & Santos 2013); third
sector housing partnership (Mullins & Acheson 2014); health care (Reay and Hinings 2009); designers (Delbridge and Edwards 2013) and professional associations (Greenwood et al. 2002).

Table 1 presents the institutional logics that were used in our two studies examining youth and festival organizations. In our analyses, we have applied some of the logics suggested by Thornton et al. (2012) and Friedland & Alford (1991) to analyze the logics behind third sector youth and festival organizations. In addition, we developed two new logics: the logic of ideology and altruism (Laitinen) and non-profit logic (Ruusuvirta) which were used in our analysis.

As table 1 shows, community logic, professional logic and market logic were applied in both research projects, whereas the other five logics presented in the table are used only in the analysis of one group of organizations. In addition, it is important to keep in mind that the characteristics of the logics are interpreted in somewhat different ways in the two research projects. Next, based on our research findings, we look at how these logics manifest in youth and festival organizations.

Table 1. Institutional logics applied in two research projects

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<tr>
<th>Logic</th>
<th>The research on festival organizations</th>
<th>The research on youth organizations</th>
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<tr>
<td>Community logic (Thornton et al.)</td>
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<td>Professional logic (Thornton et al.)</td>
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<td>Market logic (Thornton et al.)</td>
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<td>State logic (Thornton et al)</td>
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<tr>
<td>Logic of democracy (Friedland &amp; Alford)</td>
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<td>x</td>
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<tr>
<td>Non-profit logic (Ruusuvirta)</td>
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<td>-</td>
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<tr>
<td>Logic of ideology and altruism (Laitinen)</td>
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In both research projects, community logic manifested strongly. In the festival organizations’ responses, the idea of community was based on shared interests, values and ideas. In their operations, festivals emphasized interaction, partnership and cooperation. An important priority for the festivals was to keep workers (both paid and voluntary) content and happy and put emphasis on good working atmosphere, community, friendliness, fairness and joy. Democracy and equality between all actors was important for the festivals, as well as encouraging, supporting and thanking personnel. Many festivals put emphasis on the good and communal atmosphere of the event, as well as the interaction with the audience and the festival artists. They aimed for accessibility, openness, transparency, tolerance, community, inclusion and trust, for example. In the context of youth organizations, community logic manifested in emphasizing the idea of community made up by young people in equal positions, bound together by common interests, mutuality and trust, as in an ideal association (cf. Billis 2010; Thornton et al. 2012).

In the research on youth organizations, the logic of democracy (Friedland & Alford 1991) featured as a separate logic emphasizing the right for young people to participate and influence decisions either within the TSO itself or in the society more broadly. In the Finnish context, the aim to foster democratic ideals could be seen to combine with the state logic, but in the case of youth organizations, the emphasis was on the rights and opportunities for (young) citizens to voice their concerns through TSOs. In the research focusing on festival organizations, the logic of democracy did not feature separately. Rather, community logic was understood more widely to include also the democratic and co-operative aspects of communities.

The second institutional logic manifested in both studies was professional logic (Thornton et. al 2012). In the replies of the festival organizations, professionalism was associated with a wide variety of features and logics of many institutional orders. By emphasizing professionalism, festivals strove for independence, building trust, achievement, success and survival. They put emphasis on the importance of a professionally organized festival event and aimed to offer a program with high quality. With regards to the contents of the festival, professionalism often derived from the criteria of professionalism and quality prevailing in the field of art and culture. Reflecting the key characteristic of traditional third
sector definitions, namely independence, festivals wanted to be able to define and decide about their artistic and cultural mission independently without the influence of external actors. In this, they manifested also their professional autonomy as a guardian of the high-quality art. Festivals put emphasis on professional organizational structures and processes aiming at clear division of responsibilities and expertise in financial issues, for example. Here, one can identify the professionalism reflecting the corporate or market logics. Very important for the festivals was the competence and proficiency of their staff. The responses revealed the need to recognize the professionalism and competence of volunteers, and the quality of work made by volunteers.

In the study of youth organizations, the use of professional logics was interpreted in a slightly different manner. Organizations manifesting professional logic (Thornton et al. 2012) were seen to identify themselves with other organizations in the same professional field and aiming to comply with the requirements of professionality within it. This would often mean the professional field of youth work, but not always; as the variety of youth organizations is huge, so are their reference points. For example, the professional fields of politics, child protection or culture could be more important for some organizations. In seems likely that the various professional groups inside an organization have different professional reference groups, which may cause contradictions. In any case, professional logic means that the organization or its employees aim to act professionally in contrast to giving the impression of amateurism in the field.

The essence of market logic is to be active and successful on the relevant markets. This means that the organization produces services that can be sold at the market in growing numbers, which often includes the idea of growing as an organization. Corporation logic, in turn, is manifested in organizations as a focus on control, aim for more rationalized systems, hierarchical and clear division of tasks and emphasis on strategic decision making. (Thornton et al. 2012.) The corporation logic is in many ways complementary to the goals of market logic. Previous studies have shown that when the organization’s activities in the market grows also the need for control and division of tasks increases (see Thornton 2002).
In festival organizations, market logic was manifested in the significance and use of market sector income (e.g. ticket sales and sponsorships); the aim to identify and meet the expectations of their audience and; beliefs about increasing competition. Manifesting the corporation logic, festivals had adopted different market sector management approaches and managerial ethos emphasizing for example constant improvement, the importance of task and process management and growth. Youth organizations that reflected market logic at the strategic level were involved in producing services based on a demand at the market and measured their success by client satisfaction. It was also common that market logic manifested most strongly in a separate component of the organization, e.g. fund raising.

State logic (Friedland & Alford 1991; Thornton et al. 2012) proved to be very common among youth organizations. The essence of state logic in this context is to emphasize that the organizations provide universal services, employ bureaucratic control of the common resources and pay great attention to fulfilling the letter and spirit of the relevant legislation, especially the Youth Act. It could be seen clearly in the way many organizations approached young people as learners that need to be supported to acquire skills for active citizenship - often not in terms of becoming active in TSOs but in order to become decent citizens who get an education and a job, pay taxes, vote and contribute to the wellbeing of the society (Laitinen 2018b). State logic was not applied in the research focusing on festival organizations.

Both studies ended up realizing that the earlier institutional logics identified at the level of society fail to capture the whole picture. Thus, they both propose an additional logic. In the festival organizations, this is called non-profit logic. It emphasizes the lack of profit seeking, the commitment of festival organizations to their nonprofit mission and its fulfillment, and organizations’ independence in defining their own goals and ways to achieve it. Festival organizations’ reliance on voluntary work was also interpreted as a manifestation of a non-profit logic. In the youth organizations, the complementary logic was called the logic of ideology and altruism (Laitinen 2018c). It emphasizes the idea of youth organizations aiming at something “bigger”, making a difference in the society, helping other people on pure altruistic motivations and working for something more ideological than the overall objectives of youth work that are shared also by governmental actors.
As a conclusion of the study of festival organizations, the results of the empirical analysis are interpreted to support a general theorization of the third sector as a separate sector with its own specific characteristics and logics. Non-profit logic and community logics were regarded as dominant third sector logics. For festival organizations, these two logics formed a strong basis on their behavior. Festivals had goals that related to wider impact on communities and society in their mission. These goals with a wider public purpose included mainly artistic and cultural themes or prosocial themes. Festivals also relied strongly on voluntary people in their activities. Furthermore, they were financed by dues and donations and organized their festival often in cooperation with different partners. (Ruusuvirta 2019.)

At the same time, festival organizations have adapted hybrid ways of operating and increasingly used paid personnel and market sector income in their activities, for example. However, also in their hybrid ways of operating, festivals often emphasized the significance of typical third sector characteristics. Even though the significance of market sector income, especially ticket sales and business co-operation, had increased in festival organizations, respondents emphasized the importance of public funding and voluntary work as a resource. Similarly, even though stressing the importance of personnel in general, many respondents mentioned especially voluntary workers in their management priorities and stressed how important it is to appreciate their work and take care of their wellbeing. (Ruusuvirta 2019.)

Furthermore, festivals tend to be mainly hybrid in terms of their means, that is, actions by which a total end purpose is planned to be achieved. In terms of their core mission and values, however, festivals emphasized characteristics and themes typical to third sector theorizations. (Ruusuvirta 2019.) This reflects the arguments presented in previous literature that, in order to survive in the world where sector borders are increasingly blurring, it is vital for third sector organizations to uphold their core values (e.g. Salamon et al. 2012).

Finnish youth organizations have a number of hybrid characters: They combine various objectives that in some cases are based on the members’ interests, in others on state policies or sometimes on market demands. Additionally, the organizations address their legitimation arguments to various audiences, including those inside the TSO itself, other actors in the third sector and in the other two sectors, most notably in the public sector as many of the youth
TSOs receive funding from the state. Some of the legitimation arguments the organizations use can be interpreted to have their origins within the TSO itself or stress the importance of acting like a civil society or third sector organization. At the same time, some of the legitimation arguments directly follow e.g. the Youth act or youth policies governed by the state, reflect a business-oriented mindset of customer satisfaction or present the TSO as a reliable partner for government agencies or other donors based on the effective and professional management of the organization as originally described in private companies and more recently also in government agencies (Laitinen 2018a).

The hybrid characters and institutional logics manifested by the youth organizations take many different combinations. Thus, it seems that there is no univocal understanding of what it means to be an organization of the third sector. Neither is there any one criterion that all would agree needs to be fulfilled, despite the non-value distributing requirement that has to be obeyed in order not to lose the official status as a TSO that can e.g. receive government funding. Even this criterion, however, is not always emphasized as a qualitative character. Instead, some youth TSOs have established separate for-profit entities to work side-by-side with the non-profit TSO thus solving the technical problem of not being able to create profit in other parts of the organization.

In terms of institutional logics, also, the youth organizations manifest different combinations. The state logic is very common and reflects the close relationship between the public and private sectors that is typical of Finnish TSOs in general and very clear within the field of youth work where governmental and non-governmental actors have historically worked closely together and where the national youth TSOs have strong opportunities to influence government policies (see e.g. Nieminen 2012). The research concludes that in order to manifest the characteristics traditionally considered typical of the third sector, the youth organizations should apply at least one of three logics of community, democracy or ideology and altruism.
3. Discussion

The two research projects that this paper refers to describe third sector organizations in Finland in the recent years. They differ in the empirical focus: one looks at festival organizations in the field of culture; the other concentrates on nationwide youth organizations. As a common conclusion, it can be concluded that the Finnish third sector is largely hybridized and reflects several characteristics that are originally seen to describe the private or public sectors. At the same time, both studies show that most TSOs embody at least some of the characteristics typical for the third sector, most notably an emphasis on community logic. However, a question must be posed whether the increasing tendency of professionalization and the related strengthening of a professional logic will downplay the meaning of community in Finnish TSOs in the future.

These two researches have shown that alongside the characteristics traditionally connected with third-sector organizations, new kinds of characteristics have evolved. As the studied festival and youth organizations manifested many different characteristics and logics in their operations it became apparent that the commonly used understanding of ideal qualities may not represent the complex and multidimensional third sector organizational reality very well.

Interestingly, it became apparent from these two studies that one organizational characteristic typically combined with a specific sector may reflect many different logics. There may be third sector logics behind typical market sector characteristics, for example. This is the case when an organization uses market sector income to fulfill its non-profit mission. Similarly, typical third sector characteristics may include market sector logics, for example if voluntary workers are regarded just as one manageable resource among other resources. Thus, by using the institutional logics approach in the analysis, it is possible to get a deeper picture about the hybrid properties of an organization.

Both the studies focused on the field level and describe the situation in a particular area of activity. This means that the results do not describe or cannot be applied to individual
organizations or the third sector in general. More research is needed to understand how the various logics are negotiated within organizations at the various levels (local, national) or among the various groups (employees, members, volunteers) of the organization.

References


