

## **Hybrid third sector organizations in Finland**

### **Arts and cultural institutions in focus**

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## Abstract

The purpose of this paper is to explore hybrid third sector cultural organizations in Finland. First the theories and definitions of hybridity and the overlapping between sectors are summarized. The empirical analysis concentrates on the third sector arts and cultural institutions.

Traditionally, the different sectors of the society have been described as relatively separate entities with their own logic and roles in the society. For example, the definitions of the third sector often emphasize the non-characteristics of the sector: it is not part of the central or local government, it is not-for-profit, and it is not based on paid work. However, during the last decades, the boundaries between the sectors have been blurring. A greater number of organizations are operating in more than one sector and hence combine, for example, different sources of income, different values and cultures and different modes of governance. Public and third sector organizations have adopted private sector management models to their activities. Public bodies are increasingly founding and financing both third sector organizations and companies to support public service provision. For-profit companies include different social purposes in their aims and strategies. National and local strategies also encourage organizations to co-operate between sectors. Many scholars have used the term hybridity to describe this overlapping between different sectors.

The paper examines the theory and definitions of hybridity and the overlapping between sectors. Empirical analysis concentrates on the third sector arts and cultural institutions and their hybrid characteristics. Special attention is given to organizations that overlap between the third and the public sector. What kind of risks, opportunities and conflicts this overlapping is causing to the organization in respect of financing, (political) control and interests?

Research on third sector cultural organizations has been relatively scarce in Finland. It is important to produce more information and knowledge about the situation and development in these organizations, since they form a central and critical part of the Finnish cultural field. The results can be applied to inter-country comparisons, especially between the Nordic countries.

## Keywords

third sector, cultural institutions, hybrid organizations

## Introduction

Third sector has been, directly or indirectly, part of several research projects and studies that has been carried out in the Foundation for Cultural Policy Research Cupore in the past ten years. The results of these studies have aroused the need for elaborating more comprehensively the third sector in the field of arts and culture, its diverse actors, and position in the society. This paper examines professional third sector theatre institutions and their relation with the public sector, especially with the local authority. The main purpose of the analysis is to explore different organizational models and their differences. In addition to these, the paper aims at identifying relevant questions for the future research.

During the last decades, the boundaries between the sectors have been blurring. A greater number of organizations operate in more than one sector and hence combine, for example, different sources of income, different values and cultures and different modes of governance. Public and third sector organizations have adopted private sector management models to their activities. Public bodies are increasingly founding and financing both third sector organizations and companies to support public service provision. For-profit companies include different social purposes in their aims and strategies. Many scholars have used the term hybridity to describe this overlapping between different sectors.

Although the hybridity is not any new phenomena in the cultural field, there is only some empirical research available related to the topic. The purpose of this paper is to produce preliminary elaboration and examination for the theme. In the paper the theory of hybridity and criteria for distinguishing different sectors are summarized. Special attention is given to the public and third sector comparisons in the research literature.

Empirical analysis focuses on professional third sector theatre institutions and is based on the information from the Finnish Theatre Statistics. Examination includes 31 big and medium sized Finnish professional theatre institutions maintained by local public authority or by private associations, foundations or incorporated companies. The theatres examined in this paper have been classified into three major categories according to their legal status and ownership.

- a) Fully public institutions owned and maintained by the local authority (“public theatres”).
- b) Private institutions that are private as their legal status, but that are under municipal control (“hybrid theatres”).
- c) Fully private institutions (“private theatres”).

## Elaborating hybrid organizations and hybridity

### ***Different sectors and their hybrid zones***

Traditionally, the different sectors of the society have been described as relatively separate entities that have their own logics and roles in the society. The society is often divided into four sectors: public sector (national and local authorities), market sector (private companies) third sector (not-for profit associations and other organizations) and fourth sector (households and families). The different roles and positions of the four sectors are closely linked with the society’s social, political and economic structures and development.

As mentioned before, during the last decades, the boundaries between the sectors have been blurring and a greater number of organizations are operating in more than one sector. These hybrid organizations combine for example different sources of income, different values and cultures and different modes of governance. (See eg. Billis 2010, Karré 2012, Wijkström 2011.)

Generally, hybridity can be defined as something of mixed origin or composition, and the term has been used on various occasions: there are for example hybrid cars that use two or more distinct power sources. Hybrid organization is not a new phenomenon, neither in the society as a whole nor in the field of culture. For example, in Finland there was a wave of municipalisation in 1950's and 1960's. During that time several private art institutions were municipalised, i.e. they were either transferred to the fully public organizations or they remained private as their legal status, but were owned by a municipality or were brought under municipal control via different administrative arrangements. (Sallanen 2009, 171–172.) In addition to inter-sectoral hybridity, hybridity can also take place inside and between organizations.

The literature of hybrid organizations has spread across many academic disciplines. A popular approach regarding hybrid organizations is to see the distinction between different sectors not as a dichotomy but as a continuum of several dimensions (Dahl and Lindblom 1953; Karré 2012; Rainey and Chun 2007). Often the hybridity is examined between two sectors or from the perspective of the one particular sector (Koppel 2003; Brandsen et al. 2009). There are also scholars who see hybridity as an inevitable and permanent characteristic of the third sector organization and think that there are no separate sectors anymore but they are replaced with hybridization and hybrid organizations. Brandsen et al. (2005) suggest a new typology of organizations where organizations are classified on the basis of how they cope with hybridity and change instead of the structural sector based characteristics. (Billis 2010, 56.)

According to Billis (2010, 56-57), each organization has its roots and primary adherence to the principles of one sector. Stakeholders and public policy makers need to be clear whether the organizations they are working with, and in, fundamentally adhere to the principles of accountability inherent in different sectors. Thus, according to Billis, hybrids are not on a continuum but have a clear cut off point evident when principal owners take the boundary-shaping decisions according the principles of the different sectors. Billis doesn't see hybrids as a separate sector either since there is no evidence that they have distinctive and explicit principles of management and operation which set them apart from other sectors.

Figure 1 describes the four sectors and their hybrid zones (see also Billis 2010, 57). Hybrid zones are the areas where the circles intersect. For organization acting in one sector, it is possible to slide into one or more of the hybrid zones. In this paper, the focus is on the third sector relations with the public sector. Hybrid organization refers specially to an organization with mixed ownership, organization that is private as its legal status but owned or controlled by a municipality.

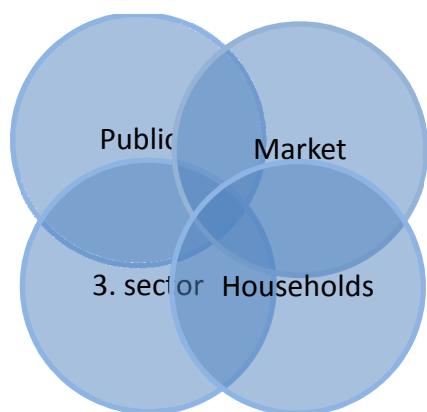


Figure 1. Different sectors and their hybrid zones

Furthermore, Billis (2010, 58-62) makes a distinction between *shallow* and *entrenched* hybrid third sector organization. Shallow hybridity means a modest form of hybridity which often arises from the desire to

maintain or perhaps extend the range of activities. Taking the first paid staff can be felt as an important step into shallow hybridity for third sector organization. According to Billis, entrenched hybridity can appear both at the governance and operational levels of organizations in all sectors. At the governance level entrenched hybridity arrives when other sector representatives are accepted by the board or other form of governing body in return for resources and influence. Operational level entrenched hybridity arises when for example paid staff becomes dominant in the delivery of the operational work in the organization and a management structure with several hierarchical levels is established.

Billis (2010, 61-62) introduces also two different formations of hybridity, *organic* and *enacted* hybrids. Often organization's hybridity has resulted from the steady accumulation of external resources. Over many years, organization may have moved organically from shallow to entrenched hybridity. However, there are a growing number of hybrid organizations that are enacted, i.e. that are established from day one as hybrids, usually by other organizations. This is the case for example in those private organizations that are established by the municipality.

## Hybridization between public and third sector

### Definitions

Scholars have proposed different criteria for distinguishing different sectors. These criteria include for example ownership, source of financial resources, governance, operational priorities, distinctive human resources and organizational roles (See e.g. Billis 2010, 55; Rainey and Chun 2007.) In the real world, the distinctions are not always simple to make, since there is a wide variety of structural forms combining the aspects of different sectors' characteristics in the same organization. There are publicly owned organizations that derive major portion of their revenues from the sale of services and there are third sector organizations conducting duties established by law. It is noted, that all organizations are invested with some publicness, even a fully private organization operates under a set of market rules established by a government (Bozeman 1987; Meier and O'Toole 2009.) When serving the public purpose, the government can establish a public organization, contract with the private sector or use incentives and command-and-control regulations (Meier and O'Toole 2009, 4).

Since the level of publicness and thus the definition of organization can vary, it is important to make the operational definitions and distinctions clear. In this paper, the distinction between public and third sector organization is based on the legal status of the organizations. Public organization specifically refers to municipality, a legal unit that has democracy-based decision making and governance system and that provides services to the community members (Meklin 2010, 8). In particular, public organization refers here to a public theatre organization that is part of the public municipal organization. The definition of the third sector organization, consequently, includes organizations whose status is private non-profit entity. Thus third sector organizations consist of theatres that are maintained by associations, foundations and not-for-profit incorporated companies.

### Comparing and combining public and third sector

Nowadays it is more and more common that the same services are produced by public, private and third sector organizations. Municipalities, for example, choose more and more different market oriented production methods both instead of and alongside traditional hierarchical production methods. However, because of differences in the operational and cultural characteristics for example, organizations' possibilities to produce services vary.

There is a lot of research literature comparing public and private organizations and examining the hybridization of the organizations. This research uses varied methods and includes both academic research and practice-oriented studies relevant to issues such as the privatization of public services. Although there has been substantial debate on the question of differences of public, private and third sector organization and the effects of possible differences, the researchers have come to no definitive conclusion. The issue is complex and hard to examine and there are also research results that include, according Rainey and Bozeman (2000, 447-452), contradictory conclusions and in some cases even oversimplifications and stereotypes receiving little or no empirical confirmation.

Public organizations are owned by citizens, governed according to the principles of public elections with work driven by the principles of public services and collective choice. Human resources typically consist of paid public servants and the organization is financed by taxation. (Billis 2010, 51.) Research literature lists both advantages and limitations of public service provision. The advantages include for example professionalism, regional and social universalism, equity, continuity and quality control. Public service limitations, in turn, include inefficiency, bureaucracy, institutional distance, large scale of activities and lack of motivation and common values. (Santalainen and Huttunen 1993, 96; Matthies 1999; Puttonen 2005.)

Third sector, consequently, refers to various kinds of organizations and entities that do not fall into the other three sector categories (public, market, households). Scholars have defined some common third sector features:

*In particular, they are:*

- *Organizations, i.e., they have an institutional presence and structure;*
- *Private, i.e., they are institutionally separate from the state;*
- *Not profit distributing, i.e., they do not return profits to their managers or to a set of “owners”;*
- *Self-governing, i.e., they are fundamentally in control of their own affairs; and*
- *Voluntary, i.e., membership in them is not legally required and they attract some level of voluntary contribution of time or money. (Salamon and Anheier 1992.)*

The advantages of third sector organizations' service production listed in the research literature include characteristics such as independence, flexibility, motivation and enthusiasm. Third sector limitations are for example the lack of continuity and quality control, instability and problems of governance. (Pihlaja 2010; Matthies 1999.)

Scholars have found evidence that a public and private and third sector distinction provide a strong predictor of organizational structural characteristics (Marsden, Cook and Knoke 1994). When looking more closely to particular administrative functions like hiring and purchasing equipment, public managers report much longer times and higher levels of formalization to complete these functions. So there is evidence that public and private organizations differ on the formalization of personnel procedures, purchasing processes, and other administrative procedures that are regulated or overseen by central administrative agencies and mandated by system-wide mandates. (Rainey and Bozeman 2000, 453-455.) Both public and third sector organizations are usually described more inefficient than private business companies, at least when efficiency is measured in economic terms. (D'Souza and Megginson 1999; Rose-Ackerman 1996.)

The privatization of public organization has been a subject of various studies. These studies include research examining the resulted effects of the privatization and studies made before the actual change for practical purposes in order to find out the most suitable governing model for a organization in a given town

or city. Central arguments that are used to justify the privatization of public organization are growing efficiency, reducing bureaucracy, growing flexibility, enlarging autonomy and improving personnel motivation. Also better possibilities to gather financial resources are often mentioned. (Puttonen 2005, 136.)

Similar arguments are also used in studies and reports that have been carried out to explore the pros and cons of different theatre governing models in Finnish professional theatre organizations (Hytti 2010; Auvinen 2009). In these studies, there is a clear consensus that compared to private organizations, the fully public organizational form does not provide the same possibilities for a theatre to develop e.g. artistic activities and to react to changes in the art world and in the society. The inflexible and overregulated personnel policy of the public theatre is also one issue pointed out in the studies. According to these studies, private organizations are expected to be more flexible, less bureaucratic, they have better possibilities to apply and acquire financing and better motivation to economic responsibility in general.

What comes to hybrid organizations combining public and private elements, research literature reveals both benefits and risks. Karré (2012) lists economic, performance related and cultural and governance related benefits and risks. Arguments in favor of hybrid organizations see them as effective boundary spanners that bring together different elements and thus create synergy and innovation. Adversaries, in turn, see hybrid organizations as a form of corruption. Introducing private sector elements into the provision of public services can lead to distorted competition. Furthermore, different governance, legislation, values, and the use of political power can lead to increased tensions and have negative effects on organization's performance. (Nupponen 1999, 192; Karré 2012.)

As regards the relation between the public and third sector organizations, one much debated subject has been the implications of third sector organizations' dependency on public funding (Jang and Feiock 2007; Smith and Lipsky 1993; Frumkin and Kim 2002). Researchers have seen both promise and peril in third sector organizations' financial ties with public funders. While public funds may represent a critical source of revenue, a concern about the progressive bureaucratization of third sector organizations has also emerged. Increased oversight and rules have been hypothesized to be important drivers of higher administrative costs. Some researchers have argued that public funding is a channel for the transmission of inefficiencies in the public sector to the universe of third sector service providers. (Frumkin and Kim 2002.) In addition to public funding, third sector organizations often have other sources of funding including membership and client fees and private donations. Each of these funders has their own expectations and claims on organizations. Third sector organizations that depends heavily on commercial income like client fees and charges are thus in a vastly different position than those organizations which are financed largely by public funding. All financing received can have both positive and negative effects on organization's performance. (Salamon 1999; Karré 2012.) According to Ménard (2004) hybrid organization is usually founded because of economic issues. The motive of the founding doesn't necessarily need to be profit seeking but it might aim just to secure current activities. Nevertheless the result can be that the activities are more and more dominated by the economic logic.

There are also research that examines the effects of ownership to the performance and activities of the organization. Boardman and Vining (1989, 26), for example, find that state owned and mixed ownership enterprises were less profitable and productive than privately owned companies. According to them, full private ownership is required to gain efficiency. Bozeman and Bretschneider (1994) analyzed research and development laboratories on the basis of public and private ownership and the amount of government funding. According the results, the laboratories that were owned by the government had highly structured personnel roles. The private laboratories did not, even when they received high levels of government

funding. This suggests that public funding causes different influence on organizations' performance and activities than does public ownership.

In the end, it can be summarized that, despite partly contradictory conclusions, research literature reveals differences between public and private/third sector organization. There is evidence that public and private organizations differ for example on the formalization of personnel procedures and other administrative procedures that are regulated or overseen by central administrative agencies and mandated by system-wide mandates. Studies have also revealed differences related to efficiency in public, third sector and market organizations. Finally, studies suggest that public funding has different influence on organizations' performance and activities than does public ownership. Mixed owned organizations seem to be more similar to public organizations than private ones.

## Hybrid theatres – between public and third sector

### **Background**

Finland has a comprehensive network of professional theatres. In 2010, there were in total 57 theatres receiving state support governed by legislation. Historical development of professional theatre institutions in Finland is based on the tradition of amateur theatre activity and strongly related to the accumulation of external resources, often given by the national government or local authority. Many strong connections between local authorities and theatre institutions were created in the 50's and 60's together with the development of the Finnish version of a Nordic welfare state. Welfare state's explicit cultural policy strove for both cultural democracy and the democratization of culture. In many cases, the local authority incorporated private theatre into its own organization. (Helminen 2007; Sallanen 2009; see also Saukkonen and Ruusuvirta 2012.) In the 1970's, the legal status and ownership of professional theatre organizations varied a) from fully public theatres to b) publicly owned or controlled but legally private companies and foundations and c) to fully private associations, foundations and incorporated companies that received public financial support. (Sallanen 2009, 68–70, 171–172.)

In the recent years, the operational environment in municipalities has changed remarkably and it has also had a diverse effect on local cultural policy and cultural service provision. Private organizational forms are again preferred instead of a strong and extensive public sector. In the field of theatre the shift has gone from fully public organizations to legally private organizations. In many cases, however, these private organizations are still owned by the local authority or they are otherwise under municipal control. (Saukkonen and Ruusuvirta 2012; Helander 1998, 11, 47; Helander 2004, 17–18.)

In the following, big and medium-sized Finnish professional theatre institutions are examined by dividing them into three categories: public theatres, hybrid theatres and private theatres. This examination includes in total 31 theatres<sup>1</sup>. In 2010, 11 of these 31 theatres were fully public organizations ("public theatres"), and 20 were private organizations maintained by associations, foundations or not-for-profit incorporated companies. In this examination, private organizations have been divided into two categories. There are 11 private institutions that are private as their legal status, but nevertheless under municipal control ("hybrid theatres"). The remaining nine private theatres are fully private institutions and form the category of "private theatres". Here "under municipal control" means the situation where the local

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<sup>1</sup> According to classification used in the Finnish Theatre Statistics, a theatre is big or medium sized if the amount of full time equivalent (FTE) person years is more than 21. In 2010 there were in total 33 big and medium sized theatres. Two of them were not included in this examination; Finnish National Theatre is outside the financing law and Helsinki City Theatre was leaved out due to its extensive volume compared to other hybrid theatres.



authority has either a majority ownership of the organization or majority control of the organization's governing body. Nine of eleven hybrid theatres belong to the municipal enterprise group<sup>2</sup> and three of them were associations that were established by one or more municipalities and had only institutional (municipal) members. (Tables 1 and 2.)

The following observations have some limitations and require further analysis. Therefore the results should be regarded as preliminary. However, they give interesting directions to examine hybrid form arts and cultural organizations.

Table 1. Legal status and ownership of examined theatres

Legal status		Ownership/control	
		Public	Private
Public	Local Authority	10	
	Joint Municipal Authority	1	
Private	Association	4	6
	Foundation	3	
	Incorp. company	4	3

	= Public theatres
	= Hybrid theatres
	= Private theatres

Table 2. Characteristics of examined theatres

	Public theatres	Hybrid theatres	Private theatres
Big theatres	5		3
Medium theatres	6	11	6
Finnish language theatres	10	11	6
Swedish language theatres	1	0	3
Total amount of theatres	11	11	9

### Empirical framework

The measurement of non-profit organization's performance has been debated much in research literature and the issue has been studied from many different perspectives. There is research concentrating on some specific areas of measurement such as financial performance measures or social impacts of organization's activities. There are also studies trying to develop model of framework for a comprehensive performance measurement. (See e.g. Benjamin 2008; Ritchie and Kolodinsk 2003; Cambell 2002; Epstein and McFarlan 2011.) Often the performance information is structured into five clusters: inputs, activities, outputs, outcomes and impacts. Inputs are key tangibles and intangibles that enable the organization to perform its tasks. Activities are all the specific programs and tasks that the organization undertakes. Outputs are the tangible and intangible products and services that are the result of the organization's activities. Outcomes are the specific changes in behaviors and individuals affected by the delivery of these services and products and impacts include benefits to communities and society as a whole. (Epstein and McFarlan 2011, 28).

This framework is used also here in order to structure empirical examination. The analysis of professional theatre institutions focuses on the first three clusters; inputs, activities and outputs. Inputs are

<sup>2</sup> A municipal enterprise group refers to an economic unit formed by a municipality (head corporation) and one or more legally independent corporations. ([www.stat.fi/meta/kas/kuntakonserni\\_en.html](http://www.stat.fi/meta/kas/kuntakonserni_en.html).)

examined by analyzing the financial and personnel structures of the organizations. Activities and output are studied by examining the cost structure of the theatres. In addition, two productivity indicators are used to examine the amount of the audience and performances in connection with the full time equivalent (FTE) person years. In the analysis, there are two main goals, 1) to examine the differences between fully public theatre organizations and fully private theatre organizations, 2) to examine mixed-owned hybrid theatres in relation to fully public and fully private organizations.

## Inputs

Inputs are key tangibles and intangibles that enable the organization to perform its tasks. (Epstein and McFarlan 2011, 28). Here the inputs are examined through the analysis of financing and personnel structures. As mentioned earlier in this paper, private organizations are assumed to have better possibilities and motivation to apply and acquire their own income. In public organizations, personnel policy is considered to be more inflexible than in private organizations.

A large share of the financing of professional theatre institutions in Finland derives from public support. In addition to state and municipal support, theatres receive own income; ticket revenues, other income and other support. Other income includes, for example, income from café or restaurant sales and from renting space. Other support is support given for visits, equipment and projects from the state and foundations for example. In 2010, the share of municipal support of total financing was in average 40 percent, state support 35 percent and theatre's own income 26 percent in the theatres included in this analysis.

When examining the average financial structures of three theatre categories in 2010 (figure 2), clear differences between fully public and fully private theatres can be noticed. In fully public theatres, the average municipal support provided almost half, state support one-third and own income about one-fifth of the theatres' total financing. In fully private theatres, consequently, the state support constituted majority, on average 40 percent, and municipal support only 22 percent of the total financing. In private theatres, the percentage of own income was noticeable larger than in public theatres, providing totally on average about 37 percent of the total financing.

Mixed-owned hybrid theatres have almost identical average financial structure compared to fully public theatres. Also when looking more closely at the percentages of theatres' own income in the total financing of all examined theatres (figure 3), it can be noticed that all private theatres are above the average, when public and hybrid theatres are mostly below the average line.

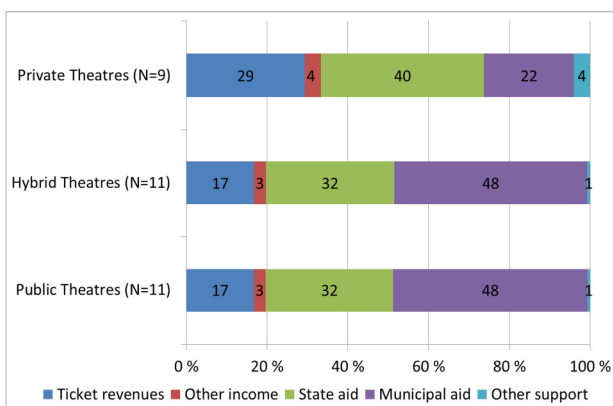


Figure 2. Average structure of financing in 2010, %

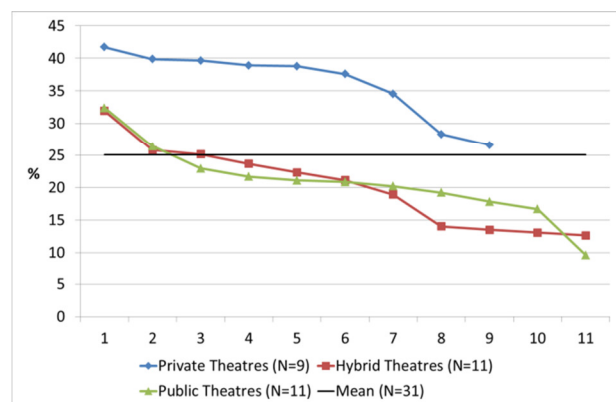


Figure 3. Own income, % of total financing

Source: Finnish Theatre Statistics 2010

The personnel statistics of theatres are based on the amount of full time equivalent (FTE) person years. In the 2010, the examined 31 theatres had together 2030 FTE person years. From this amount, on average 71 percent was permanent staff and 29 percent had a temporary position.

In the Finnish public sector as a whole, the amount and relative share of permanent staff has been increasing throughout the 2000's. In 2010, the average percentage of permanent personnel in Finnish municipalities was 75 percent. This was the situation also in fully public theatres (figure 4). In private theatres, the average percentage of permanent personnel was 64 percent.

When comparing the personnel structures of hybrid theatres to fully public and private theatre organizations, one can see that again hybrid form organizations are close to fully public organizations than private theatres. It must be noted, however, that there is variation also inside the theatre categories. There are fully private theatres having more than 70 percent of permanent personnel and there are public and hybrid form organizations where the share of permanent personnel is less than 70 percent. Almost in all theatres, the percentage of permanent personnel was more than 50 percent of all personnel (figure 5). There were three theatres, one fully public, one fully private and one hybrid theatre, where the amount of permanent FTE person years was less than half of the total personnel.

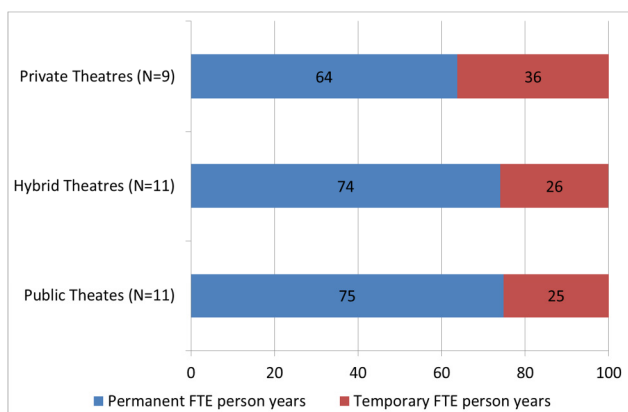


Figure 4. Permanent and temporary FTE person years in 2010, %

Source: Finnish Theatre Statistics 2010

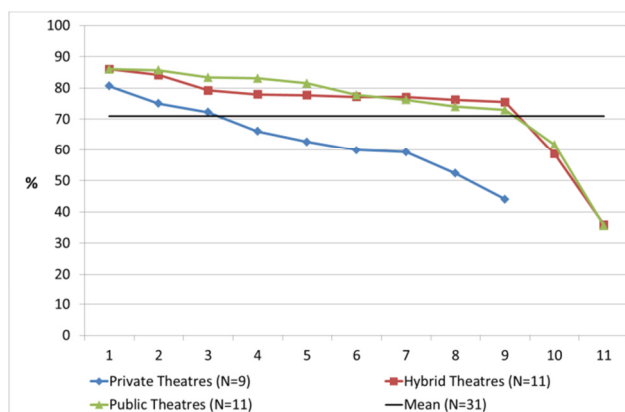


Figure 5. Permanent FTE person years in 2010, % of total FTE person years

## Activities and output

Activities include all specific programs and tasks that the organization undertakes. Outputs are the tangible and intangible products and services that form the result of the organization's activities. (Epstein and McFarlan 2011, 28.) Activities and output are here first studied by examining the cost structures of the theatres. After that, two indicators are used to examine the productivity of theatre organizations.

In the theatre statistics, the total costs of theatres are divided into three categories: personnel costs, real property costs and other costs. Personnel costs are the largest single cost factor in the theatres' budgets, composing 65 percent of total costs in 2010. In the three examined categories of theatre organizations, the real property costs were 10-19 percent and other costs 16-24 percent of total costs. In fully public theatres, the real property costs had a larger share of total costs than in fully private theatres. In fully private theatres, consequently, the percentage of other costs in total budget was higher.

When exploring the cost structures of the examined theatres, one can see that although the differences are not so evident and there is significant variation among theatres, also in this case many hybrid theatres are relatively similar to public theatres. (Figures 6-8.)

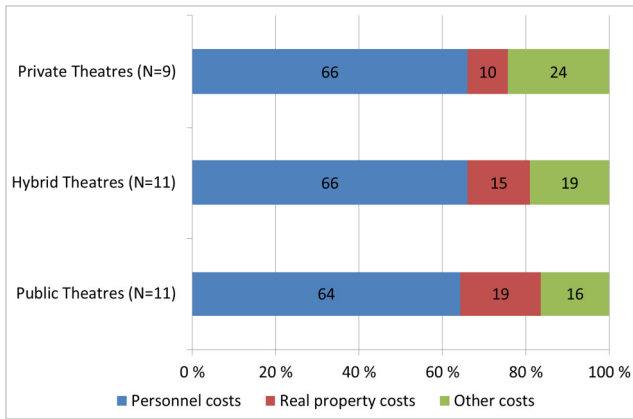


Figure 6. Average structure of total costs in 2010, %

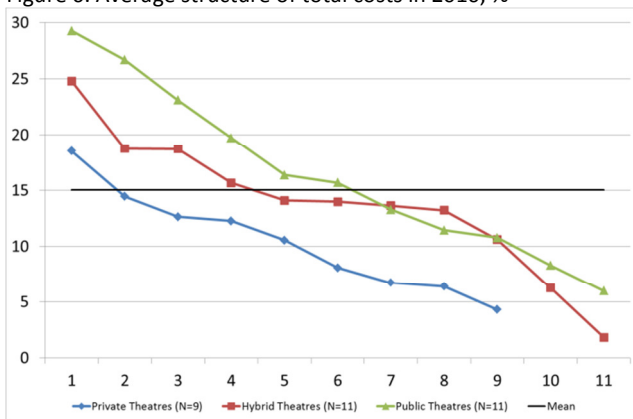


Figure 7. Real property costs, % of all costs

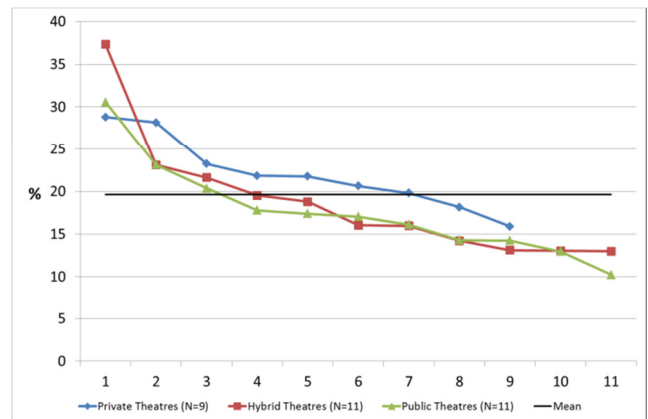


Figure 8. Other costs, % of all costs

Source: Finnish Theatre Statistics 2010

Productivity, in the economic sense, tells how efficiently goods or services are produced. Measuring an art organization’s productivity is challenging and it has also been criticized by scholars for its limitations. Nevertheless, there are many previous studies measuring the productivity of an art organization and elaborating and testing the indicators for the measurement. (See e.g. Thorsby and Withers 1979; Baumol and Bowen 1966; Felton 1994; Mäkinen 1999.) In the earlier research, the most used output and input indicators to measure productivity are the number of audience or performances (output) and the number of personnel (input). These indicators are used also in this examination.

When looking at the productivity in the examined theatres, it can be noted that in 2010 fully private theatres were more productive as regards the chosen indicators. When the number of audience is compared with FTE person years, fully private theatres had 842 spectators per one FTE person years whereas in public theatres, the number of audience per one FTE person year was noticeably fewer, in total 662. In private theatres, the number of performances produced per one FTE person year was about four. Public theatres produced about 3,4 performances per one FTE person year. Differences between the productivity of public and private theatres can be partly explained by the fact that private theatres are more dependent on ticket revenues than public theatres and thereby they are forced to be more effective as regards attracting the audience. (Figures 9-12.)

In hybrid theatres, the number of audience per FTE person years was at the same level than in public theatres in 2010. Eight out of nine private theatres were above the average so they had more audience per one FTE person years. In public and hybrid theatres, on the other hand, the majority of theatres were below the average line. However, when comparing the number of performances with FTE person years, the differences between theatre categories are not clear. The average productivity in terms of

performances per FTE person years was highest in hybrid theatres and in this case they resembled more private theatres. The average number of performances per one FTE person year was about four in 2010. Seven out of 11 hybrid theatres, five out of nine private theatres and four out of 11 public theatres were above the average.

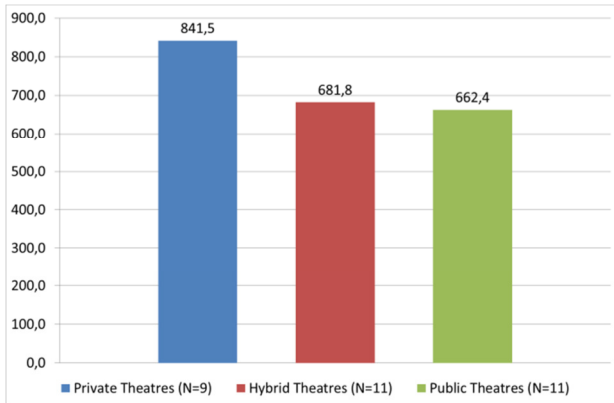


Figure 9. Number of audience per FTE person year

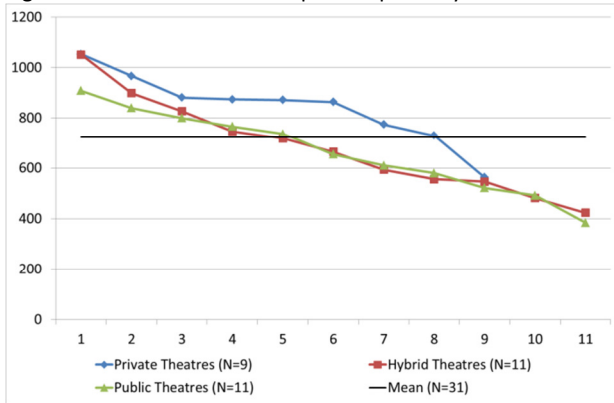


Figure 11. Number of audience per FTE person year

Source: Finnish Theatre Statistics 2010

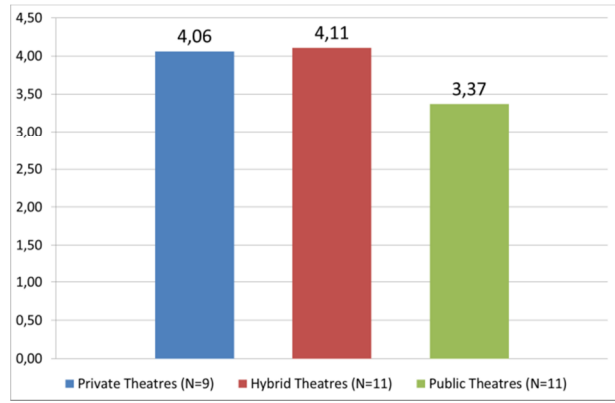


Figure 10. Number of performances per FTE person year

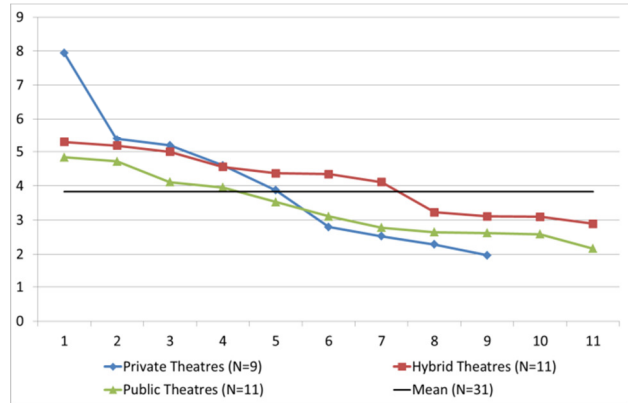


Figure 12. Number of performances per FTE person year

On the basis of these findings, we can make some conclusions about differences and similarities in arts and cultural institutions based on different organizational arrangements. Before that, it is important to remind the reader of certain limitations of this study. Firstly, the data included only information from the year 2010. Further longitudinal analysis is thus needed to eliminate the effects of inaccuracy due to different errors and occasional changes. Secondly, only a very limited number of input, activity and output indicators were examined. Further analysis would require a much larger range of indicators to give a deeper and more comprehensive picture about the phenomenon. Thirdly, the number of the cases is too small to make any generalization. It would be interesting to expand the analysis further in the arts field for example to other arts and cultural institutions getting state support, such as museums and orchestras.

Although clear differences can be identified between public and private theatre organizations, it must also be pointed out that the organizational form is only one of many factors that affect the inputs, activities and outcomes observed. These factors include for example issues linked to management, economic situation, geographical location and cultural policy. In addition, variations between different theatre concepts and profiles, as well as the variable sizes of the theatre organizations, have to be taken into account when analyzing these figures.

## Conclusions

The main two objectives of this paper were 1) to examine the differences between public theatre organizations and private theatre organizations with respect to inputs, activities and outputs and 2) to study mixed-owned hybrid theatres in relation to fully public and fully private organizations. In addition to these objectives, the paper aimed to locate questions and research areas for the future research of hybrid arts and cultural organizations. The empirical part of the study focused on professional theatre organizations, their inputs, activities and outputs. This analysis was based on Finnish Theatre Statistics from the year 2010. The theatres examined were classified into three major categories according to their legal status and ownership: a) fully public theatres owned and maintained by the local authority, b) hybrid theatres that are private as their legal status, but that are under municipal control and c) fully private theatres.

There were clear differences between fully public and fully private organizations in their financing, personnel and cost structures. In fully public theatres, the share of municipal support in total financing was, quite obviously, significantly higher than in fully private organizations. In fully private theatres, consequently, the share of own income was noticeably larger than in public theatres. Fully public organizations had a larger share of permanent personnel than private theatres. In addition, the share of real property costs was higher in fully public theatres whereas private theatres had more money for other costs not directed to any specific use. In average, fully private theatres were more productive than fully public theatres. This means that they produced more performances and had more audience in relation to the amount of personnel.

Mixed-owned hybrid theatres were generally speaking closer to public theatres than to private organizations. Mixed-owned hybrid form theatres had an almost identical average financial structure compared to fully public theatres. Also when comparing the amount of permanent personnel and cost structures hybrid theatres resembled more to public theatres. Therefore, public ownership seems to have an effect on private theatres financing, personnel policies and costs structures. It seems that when private theatre is owned by the municipality, the norms and practices related to public governance, like using permanent employees instead of temporary ones, are more easily adopted to theatre's activities.

Discussion and analysis of public and private theatre organizations in Finland usually based on a clear-cut legal status based definition and distinction. This means that the category of private theatres includes also mixed owned hybrid theatres. This study shows that hybrid form organizations challenge this definition and distinction and used categorization does not always reflect the true differences between theatre organizations. Also the traditionally used third sector organization's definition is challenged. Mixed-owned hybrid third sector organizations lose some distinctive third sector characteristics: they are not separate from the public authorities and they are not fundamentally in control of their own affairs. In addition, there is a very little voluntary contribution in their activities. One may ask what the actual core features that define organization's sectoral roots and basis of legitimacy are.

Mixed-owned hybrid organizations strive for bringing together positive elements of each sector and thus create synergy and innovation. However, hybridity has also negative elements and effects. Further research is needed in order to find out the advantages and disadvantages of hybridity. In future research it is important to approach the question of positive and negative effects from the different perspectives such as from the viewpoint of local authority, cultural policy makers, arts and cultural organization and its personnel, audience and, finally, arts and culture and its development.

This paper has presented preliminary ideas about hybrid cultural organizations. Further analysis is needed to provide a deeper and more comprehensive picture about the phenomenon. In addition to

questions mentioned earlier, in the future, it would be theoretically interesting and probably also practically useful:

- To utilize longitudinal data to extend the time scale.
- To increase sample size by including museum and orchestra organizations.
- To widen the examination to the other indicators of the organization's performance.
- To widen the scale of the examination from national to international context.
- To study more comprehensively how public governance policies are adapted in the practices of private organizations owned by the municipality.
- To examine power relationships between municipalities and mixed own cultural organizations.
- To examine other influences affecting the differences between art organizations.

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