

Third sector challenges in the contemporary world

Introduction

This special issue is the outcome of the 12th Workshop on the Challenges of Managing the Third Sector, held in Trondheim (Norway) on behalf of the European Institute for Advanced Studies in Management (www.eiasm.net). This workshop is organised biannually, at different locations around Europe, the first one going back to 1997 (Brussels), each of them resulting in the publication of a selection of (refereed and revised) papers presented and discussed during the workshops, mostly in an academic journal in the field of management and/or non-profit research, such as the *European Management Journal*, *Voluntas*, *Public Management Review* or *Financial Accountability and Management*.

As is clear from the workshop's labelling, its focus is on research on third sector organisations, which we define very broadly, in essence only disregarding exclusively profit-seeking organisations and public administrations. Hence, contributions can relate to non-profit organisations (NPOs) but as well to all forms of hybrids such as social enterprises, microfinance institutions, cooperatives or (local/federal) government-led private organisations, to name a few. In fact, as also becomes clear from the papers selected for this issue (as well as the previous ones), hybridity more and more typifies the third sector, challenging the traditional theoretical approaches wherein mostly “pure” institutions are analysed: for-profit organisations, NPOs (characterised by the “non-distribution constraint” implying that neither owners nor staff can financially benefit, even not to a small extent, from the organisation's financial performance) and public organisations.

Significance of non-profit organisations

The apparent fundamental distinction between profit and organisations NPOs, including the third sector organisations, has for many years been observed and questioned. Advocates of the non-profit sector have pointed to their desire to make a difference to society, often based on perceived failings of the state sector. Most importantly, the actions of these NPOs are motivated by altruism rather than profit or statutory constraints. However, their differences in organisational efficiency and effectiveness have now come to feature in the research agenda of researchers in workshops and in academic papers. During the past decades, these organisations have received more systematic and conceptual analysis by management and organisational theorists. This research has contributed to findings that, broadly speaking, postulate that in non-profit-making organisations, economic outcomes and criteria have different influences on decision-making and, hence, on organisational processes than in profit-seeking organisations and public administration.

NPOs and third sector organisations include a wide variety of entities, as shown also in this special issue. The importance of these organisations is increasing as they also comprise networks – hybrids – with profit-seeking organisations on national and global scales. Non-profits reflect and shape community conditions. Understanding the nature of this relationship is important if we are to fully



comprehend the role these organisations play in contemporary society and if policymakers are to make effective use of this huge sector's resources to implement responses to community needs.

As hybridity typifies the third and non-profit sectors, interdisciplinary theoretical approaches are needed. Accounting, accountability and governance in public and non-profit services can be captured through the lenses offered by management accounting and control in non-profit and public sectors, public administration, public policy and social theory. This special issue illuminates the necessity of different theoretical approaches.

Contribution of this special issue

The importance of heterogeneity of organisational form and settings for non-profit activity reveals the way third sector activities are embedded in contemporary society. The origins of these entities and subsequent developments into strategic alliances, networks, partnerships or hybrid entities underline the scope for this sector to change or mutate. The paper by [Arnaboldi *et al.*\(2021\)](#) reveals how dashboards for performance management in university departments can use existing desktop software to create performance information, which is specified by and used by local parts of the university. The authors see this as a process of democratisation, in which there is both data integration and personalised reporting. However, this study also points to these developments as reviving long-standing technical and organisational problems that have been ignored for years. The paper by [Connolly *et al.* \(2021\)](#) offers an intriguing prospect for regulators, which resonates with the local solutions agenda proposed by [Arnaboldi *et al.*\(2021\)](#). In the [Connolly *et al.*\(2021\)](#) study of the UK and Ireland, the authors interviewed a range of accountants from leading NPOs. The focus of this study is on regulatory processes. The authors offer evidence that formal regulation of accounting practices could be replaced by mimetic pressures on the suitability of different changes to accounting practice for NPOs. This would be a radical policy change, which merits careful consideration.

Within this special issue, there are also papers which consider different organisational forms and processes. [Pothipala *et al.*\(2021\)](#) examine the impact of social enterprises as mechanisms for alleviating poverty in Thailand. In this study, there has been a governmental impetus to promote the idea of social enterprises. Although there are many examples of highly successful social enterprises in Western countries, there is scope for greater studies of these organisations across the world. This research does demonstrate a capacity for social enterprises to reduce income inequalities. Furthermore, [Hellström\(2021\)](#) studies the motives for NPOs engaging with other organisations in partnership or hybrid models of organisation. This research offers a rather complex explanation of how such hybrids are formed. The economic rationality of mergers and partnerships features as a rationale in her study. But this is conflated by both the instrumental need to do something to solve a practical problem and also by shared democratic values within different organisations. These results are important insights into the shaping and formation of more complex NPO entities. A further example of this is given by [Jonsson and Huzzard\(2021\)](#). They studied non-profit aid organisations in partnerships with donors. The background of this study was one of funding scarcity. However, the perceived solution of commercial diversification to ease funding problems did not work. The result was tensions between the logics of the NPO mission and of the market. This outcome underlines the challenge of making hybrid relationships work – it is not necessarily a straightforward path.

Finally, this special issue has a study in a novel setting – a festival organisation (Knardal and Burns, 2021). This paper studies the operation of this festival from a multiple logics perspective. This revealed an event that was commercially successful but had a non-commercial goal of maximising donations for a variety of charitable causes. This fascinating paper reveals how accounting practices and accountability were mediating mechanisms in balancing the interests of different sections of the festival umbrella organisation and the festival itself, a recognition that goals pull in different directions but need not undermine the entity of the festival.

Research agenda

The third sector remains a vibrant area for research. There is much to do. The current trends towards hybrid organisations would benefit from sustained research. Also, many of these NPOs exist because of frustrations with the producer-dominated public sector organisations. Just as there is a case for more consideration of the citizen as customer, so there is scope to study third sector activities from the perspective of beneficiaries. Another feature of this sector has been its reliance on volunteers as gifted amateurs. Now, the pressures of professionalism and managerialism within a sector, which has eschewed the management discipline, offer scope for important research.

However, at this moment, the COVID-19 pandemic is having a huge impact on all manners of aspects of everyday living. For NPOs, the impacts are severe. Many corporate donors face major uncertainties over the future of their business. Many individual donors to NPOs may be on furlough or unemployed in the deepest recession in modern times. Apart from the loss of these income streams, those NPOs that have contracts with government agencies may lose them as the funding of public services comes under intense pressure. Also, the kinds of activities that are undertaken in normal times (such as flag days, garden fetes and street collections) are all under threat by the spread of COVID-19. This impact raises fundamental questions over the resilience of the charitable and non-profit sector. There is scope for intense case and field studies and survey-based studies of the capacity of the sector to continue.

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