Hybrid third sector organizations in Finland - Arts and cultural institutions in focus

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Abstract

This article examines hybrid organizations in the field of culture. The main two objectives of the article are 1) to examine the differences between public theatre organizations and third sector theatre organizations and 2) to study hybrid theatres in relation to public and third sector organizations. Hybrid theatres are private as to their legal status, but under municipal control. First the theories and definitions of hybridity and the overlapping between sectors are summarized. Empirical examination includes 31 big and medium-sized professional Finnish theatre institutions. In the examination, clear differences between public and third sector organizations were found in their financing, personnel and cost structures. Generally speaking, mixed-owned hybrid theatres were closer to public theatres than to third sector organizations. The study also shows that hybrid form organizations challenge legal status based definitions and distinctions in use. Further analysis is needed in the future to provide a deeper and more comprehensive picture of the phenomenon.

Keywords: cultural institutions, third sector, hybrid organizations, theatres
Introduction

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

During the last decades, the boundaries between the sectors have been becoming blurred. A greater number of organizations operate in more than one sector and hence combine different sources of income, different values and cultures and different modes of governance, for example. Third sector organizations increasingly deliver public services. Public and third sector organizations have adapted private sector management models to their activities. Public bodies are increasingly establishing 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. In this article, the term hybridity is used to describe this overlapping between different sectors.

In Finland, as well as in the Nordic countries in general, the operational environment in municipalities has changed remarkably over recent years. This change has also had a diverse effect on local cultural policy, cultural service provision and relations between public authority and private cultural organizations. Cultural policy and public sector has gone more in the direction of market-oriented and instrumental rationales, applying theories and practices from markets economics and mechanisms (Johannisson 2006; Skott-Hansen 1999). There is, for example, a growing tendency towards an increased formalization of agreements between public authority and private cultural producers (Saukkonen and Ruusuvirta 2012).

One direction that development has taken, caused by the economic crisis, is that cultural institutions are increasingly faces with threats to reduce or even close down activities due to diminished public support. Organizational reforms have been seen as one solution to maintain operations. Private organizational forms are again preferred to a strong and extensive public sector. For example, in the field of theatre the shift has gone from 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, p. 11, p. 47; Helander 2004, pp. 17–18.)

Although hybridity is not any new phenomena in the field of culture, there is only a limited amount of empirical research available on the topic. It is, however, fundamentally important to understand hybrid organizational forms and their operations, since policy making is still mainly based on a sectoral model of society. The purpose of this study is to produce preliminary elaboration and examination for the theme. In the article the theory of hybridity and the criteria for distinguishing different sectors are summarized. Special attention is given to the public and third sector comparisons in the research literature. The main two objectives of this article are 1) to examine the differences between public theatre organizations and third sector theatre organizations and 2) to study mixed-owned hybrid theatres in relation to public and third sector organizations.
Empirical analysis focuses on professional theatre institutions and is based on information from Finnish Theatre Statistics. The analysis focuses on inputs, the activities and outputs of theatre organizations. Inputs are 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 audience and performances in connection with the full time equivalent (FTE) person years. The 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 article have been classified into three major categories according to their legal status and ownership.

- Public theatres owned and maintained by the local authority
- Third sector theatres maintained and also fundamentally governed by private associations, foundations or incorporated companies
- Hybrid theatres that are private as to their legal status, but that are under municipal control.

Elaborating hybrid organizations and hybridity

Different sectors and their hybrid zones

In this article, the understanding of society and its institutions is based on research literature in which the different sectors of society have been described as relatively separate entities with their own logics and roles in society (see e.g. Salamon & Anheier 1992; Sjöstrand 2000; Billis 2010; Wijkström 2011). Here, the model of four distinctive sectors of society, used e.g. Wijkström (2011), is adapted. Public sector refers to government agencies and local authorities. 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, p. 51.) Market sector consists of for-profit companies and enterprises. Household sector include individuals, families and private relationships within them. Third sector, consequently, refers to various kinds of organizations and entities that do not fall into the other three categories. Salamon and Anheier (1992) have listed 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 is not legally required and they attract some level of voluntary contribution of time or money.

At this point, it is important to note that these divisions of sectors and the organizations inside each sector are theoretical. There is no pure for-profit company, local authority or third sector organization. But there is most often a dominant set of organizational attributes – such as non-profit – in the organization that distinguish it from other types of organization. (Wijkström 2011, p. 29.) However, the development and growth of various forms of hybrid organizations might challenge what some might see as the sector's essential identity (cf. Alcock 2010).
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. The hybrid organization is not a new phenomenon, neither in society as a whole or 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 municipalized, i.e. they were either transferred to the fully public organizations or they remained private as to their legal status, but were owned by a municipality or were brought under municipal control via different administrative arrangements. (Sallanen 2009, pp. 171–172.) In addition to inter-sectoral hybridity, hybridity can also take place inside and between organizations. In this article, the focus is on third sector relations with the public sector. Hybrid organization refers particularly to an organization with mixed ownership, an organization that is private as to its legal status but owned or controlled by a municipality.

The literature of hybrid organizations has spread across many academic disciplines. One 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). Hybridity is often examined between two sectors or from the perspective of the one particular sector (Koppel 2003). 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, p. 56.)

Figure 1 presents a theoretical model of describing the four sectors and their hybrid zones (cf. Billis 2010, p. 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. According to Billis (2010, pp. 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 hybrids are not on a continuum but have a clear cut off point evident when principal owners take boundary-shaping decisions according to 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. Different sectors and their hybrid zones
Furthermore, Billis (2010, pp. 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 on 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 third sector organization and a management structure with several hierarchical levels is established.

Billis (2010, pp. 61-62) also introduces two different formations of hybridity, organic and enacted hybrids. Often an organization’s hybridity has resulted from the steady accumulation of external resources. Over many years, an organization may have moved organically from shallow to entrenched hybridity. However, there are a growing number of hybrid organizations that are enacted, i.e. they 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

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 (cf. Billis 2010, p. 55; Rainey and Chun 2007.) However, 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. 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.) Same services are produced by public, private and third sector organizations. Municipalities, for example, choose market oriented production methods both instead of and alongside hierarchical production methods. There are publicly owned organizations that derive a major portion of their revenues from the sale of services, and there are third sector organizations carrying out duties established by law. But because of differences in operational and cultural characteristics, for example, the opportunities for organizations to produce services vary.

Since the level of publicness and thus the definition of organization can vary, it is important to make operational definitions and distinctions clear. In this study, public organization specifically refers to municipality, a legal unit which has a democracy-based decision making and governance system and which provides services to community members (Meklin 2010, p. 8). In particular, public organization refers here to a public theatre organization which is part of the public municipal organization. The definition of the third sector organization, consequently, includes organizations whose status is a private non-profit entity. Thus third sector organizations consist of theatres which are maintained and fundamentally governed by associations, foundations and non-profit incorporated companies. Furthermore, hybrid organizations, in this study, refer to theatres that are private as to their legal status, but which are under municipal control. Thus in this study, the distinction between public, hybrid and third sector organization is based on the legal status and the ownership of the organizations. In the empirical part of the study, the focus is how the changes in these distinctive characters are connected to an organization’s inputs, activities and outputs.
Although there has been substantial debate on the question of differences between public, private and third sector organization and the effects of possible differences, researchers have come to no definitive conclusion. The issue is complex and hard to examine and there are also research results which according to Rainey and Bozeman (2000, pp. 447-452) include contradictory conclusions and in some cases even oversimplifications and stereotypes with little or no empirical confirmation. The research literature summarized below includes both academic research and practice-oriented studies relevant to issues such as the privatization of public services.

Rainey and Bozeman (2000, pp. 453-455) have gone through number of empirical studies comparing the structural characteristics of public and private organizations. They focused especially on studies examining formalization – that is the extensiveness of rules and formal procedures and their enforcement. In spite of partly controversial results, they came to the conclusion that public and private organizations differ on the formalization of particular administrative procedures, such as personnel procedures and purchasing processes regulated or overseen by central administrative agencies and mandated by system-wide mandates. In administrative functions like hiring and purchasing equipment, public managers reported much longer times and higher levels of formalization to complete these functions. (Rainey and Bozeman 2000, pp. 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.)

Research literature lists both the advantages and limitations of public service provision. Advantages include, for example, professionalism, regional and social universalism, equity, continuity and quality control. Public service limitations, in turn, include inefficiency, bureaucracy, institutional distance, a large scale of activities and a lack of motivation and common values. (Matthies 1999; Puttonen 2005.) The advantages of third sector organization service production listed in the research literature include characteristics such as independence, flexibility, motivation and enthusiasm. Third sector limitations are, for example, a lack of continuity and quality control, instability and problems of governance. (Pihlaja 2010; Matthies 1999.) Central arguments that are used for justifying the privatization of public organization are increased efficiency, a reduction in bureaucracy, increased flexibility, increasing autonomy and improving personnel motivation. Also better possibilities for gathering financial resources are often mentioned. (Puttonen 2005, p. 136.)

As far as hybrid organizations combining public and private elements are concerned, research literature reveals both benefits and risks. Karré (2012) lists economic, performance related and cultural and cultural related benefits and risks. Arguments in favor of hybrid organizations see them as effective boundary spanners which bring together different elements and thus create synergy and innovation. Opponents, 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 an organization’s performance. (Nupponen 1999, p. 192; Karré 2012.)

As regards the relation between public and third sector organizations, one much debated subject has been the implications of a third sector organizations’ dependency on public funding (Smith and Lipsky 1993; Frumkin and Kim 2002; Harding 2012). In general, researchers have seen both promise and peril in a 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 third sector service providers. (Frumkin and Kim 2002.) In the field of culture, there have been discussions, for example, on the autonomy of publicly funded private art institutions and the effects on growing instrumentalisation of cultural policy to the art institutions (cf. Vestheim 2009; Blomgren 2012).

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 its own expectations and claims on organizations. Third sector organizations that depend 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 an organization’s performance. (Salamon 1999; Karré 2012.) According to Ménard (2004) hybrid organizations are usually founded because of economic issues. The motive for 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 economic logic.

There is also research which examines the effects of ownership on the performance and activities of the organization. Boardman and Vining (1989, p. 26), for example, found 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 to the results, laboratories owned by the government had highly structured personnel roles. Private laboratories on the other hand did not, even when they received high levels of government funding. This suggests that public funding has a different influence on an organization’s 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 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 a different influence on an organization’s performance and activities than public ownership does. 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 a total of 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 is 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.
The 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; cf. Saukkonen and Ruusuvirta 2012.) In the 1970’s, the legal status and ownership of professional theatre organizations varied a) from public theatres to b) publicly owned or controlled but legally private companies and foundations and c) to third sector associations, foundations and incorporated companies that received public financial support. (Sallanen 2009, pp. 68–70, pp. 171–172.)

In the following, large and medium-sized Finnish professional theatre institutions are examined by dividing them into three categories: public theatres, hybrid theatres and third sector theatres. This examination includes in 31 theatres in total. In 2010, 11 of these were public organizations (“public theatres”). In addition, there were 11 theatre organizations which were private as to their legal status, but nevertheless under municipal control (“hybrid theatres”). The remaining nine theatres are third sector institutions and form the category of “third sector theatres”. Here “under municipal control” means the situation where the local 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 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>
<thead>
<tr>
<th>Ownership/ control</th>
<th>Public</th>
<th>Under municipal control</th>
<th>Third sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal status</td>
<td></td>
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<tr>
<td>Local Authority</td>
<td>10</td>
<td></td>
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<tr>
<td>Joint Municipal Authority</td>
<td>1</td>
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<tr>
<td>Association</td>
<td></td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Foundation</td>
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<td>3</td>
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<tr>
<td>Incorp. company</td>
<td></td>
<td>4</td>
<td>3</td>
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<tr>
<td>Total amount of theatres</td>
<td>11</td>
<td>11</td>
<td>9</td>
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</tbody>
</table>

Table 1. Legal status and ownership of examined theatres

<table>
<thead>
<tr>
<th></th>
<th>Public theatres</th>
<th>Hybrid theatres</th>
<th>Third sector theatres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large sized theatres</td>
<td>5</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Medium sized theatres</td>
<td>6</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Finnish language theatres</td>
<td>10</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Swedish language theatres</td>
<td>1</td>
<td>0</td>
<td>3</td>
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<tr>
<td>Total amount of theatres</td>
<td>11</td>
<td>11</td>
<td>9</td>
</tr>
</tbody>
</table>

Table 2. Characteristics of examined theatres
Empirical framework

The measurement of a 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 the social impacts of the organization’s activities. There are also studies trying to develop a model of a framework for a comprehensive performance measurement. (See e.g. Benjamin 2008; Ritchie and Kolodinski 2003; Cambell 2002; Epstein and McFarlan 2011.) Often 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 those 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 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, p. 28.)

This framework is also used 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 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, p. 28). Here the inputs are examined through the analysis of financing and personnel structures. As mentioned earlier in this article, private organizations are assumed to have better opportunities 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 their 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 that given for visits, equipment and projects from the state, local authorities and foundations for example. In 2010, the share of municipal support of total financing was on average 40 percent, state support 35 percent and the 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 public and third sector theatres can be noticed. In public theatres, on average municipal support provided almost half, state support one-third and the theatre’s own income about one-fifth of total financing. In third sector theatres, consequently, state support constituted the majority, on average 40 percent, and municipal support only 22 percent of total financing. In third
sector theatres, the percentage of the theatre’s own income was noticeably larger than in public theatres, on average providing about 37 percent of total financing.

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

![Figure 2. Average structure of financing in 2010, % (Source: Finnish Theatre Statistics 2010)](image-url)
The personnel statistics of theatres are based on the amount of full time equivalent (FTE) person years. In 2010, the 31 theatres examined had a total of 2030 FTE person years. Of this amount, an average of 71 percent was permanent staff and 29 percent had a temporary position. In public theatres the average percentage of permanent personnel was 75 percent (figure 4). In third sector theatres, the percentage of permanent personnel was 64 percent.

When comparing the personnel structures of hybrid theatres to public and third sector theatre organizations, one can see that once again hybrid form organizations are closer to public organizations than third sector theatres. It must be noted, however, that there is also variation inside the theatre categories. There are third sector 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. In almost all theatres, the percentage of permanent personnel was more than 50 percent of all personnel (figure 5). There were three theatres, one public, one third sector and one hybrid theatre, where the amount of permanent FTE person years was less than half of the total personnel.
Activities and output

Activities include all specific programs and tasks that the organization undertakes. Outputs are the tangible and intangible products and services which form the result of the organization’s activities. (Epstein and McFarlan 2011, p. 28.) Activities and output are studied here first 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 categories examined of theatre organizations, the real property costs were 10-19 percent and other costs 16–24 percent of total costs. In public theatres, the real property costs had a larger share of total costs than in third sector theatres. In third sector 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.)

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**Figure 6. Average structure of total costs in 2010, % (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 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 theatres examined, it can be noted that in 2010 third sector theatres were more productive as regards the chosen indicators. When the number of audience is compared with FTE person years, third sector 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 third sector 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 third sector 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 an 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 third sector 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 three 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 third sector 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 third sector theatres and four out of 11 public theatres were above the average.

![Figure 9. Average number of audience per FTE person year (Source: Finnish Theatre Statistics 2010)](image-url)
Figure 10. Average number of performances per FTE person year (Source: Finnish Theatre Statistics 2010)

Figure 11. Number of audience per FTE person year (Source: Finnish Theatre Statistics 2010)
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 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 third sector 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 issues linked to management, economic situation, geographical location, infrastructure and cultural policy, for example. 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 article were 1) to examine the differences between public theatre organizations and third sector theatre organizations with respect to inputs, activities and outputs and 2) to study mixed-owned hybrid theatres in relation to public and third sector organizations. In addition to these objectives, the article 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) public theatres owned and maintained by the local authority, b) hybrid theatres that are private as their legal status, but which are under municipal control and c) third sector theatres.

There were clear differences between public and third sector organizations in their financing, personnel and cost structures. In public theatres, the share of municipal support in total financing was, quite obviously, significantly higher than in third sector organizations. In third sector theatres, consequently, the share of own income was noticeable larger than in public theatres. Public organizations had a larger share of permanent personnel than third sector theatres. In addition, the share of real property costs was higher in public theatres whereas third sector theatres had more money for other costs not directed to any specific use. On average, third sector theatres were more productive than 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 third sector organizations. Mixed-owned hybrid form theatres had an almost identical average financial structure compared to 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.

In Finland, discussion and analysis of public and private theatre organizations is usually based on a clear-cut legal status based definition and distinction. This means that the category of private/third sector 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 article 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

References


1 According to classification used in Finnish Theatre Statistics, a theatre is large or medium sized if the amount of full time equivalent (FTE) person years is more than 21. In 2010 there were in total 33 large 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 left out due to its extensive volume compared to other hybrid theatres.

2 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.)